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COMMISSION

AGENDA MEMORANDUM Item No. 10c

ACTION ITEM Date of Meeting August 9, 2022

DATE: July 29, 2022

TO: Stephen P. Metruck, Executive Director

FROM: Sarah Cox, Director Aviation Environment and Sustainability

Stan Shepherd, Senior Manager Airport Noise Programs

Eileen Francisco, Director Aviation Project Management

SUBJECT: Apartment Sound Insulation Program - Phase 1 Construction Authorization
(CIP #C200096)

Amount of this request: \$40,000,000

Total estimated project cost: \$133,515,000

ACTION REQUESTED

Request Commission authorization for the Executive Director to advertise, award and execute a major public works contract, include a Project Labor Agreement, and fund construction of phase 1 of the apartment program in an amount not to exceed \$40,000,000 of the total apartment program cost of \$133,515,000.

EXECUTIVE SUMMARY

The Sound Insulation Program exists to help reduce community noise impacts caused by aircraft utilizing the Airport. As part of its long-term commitment to communities surrounding the Airport, the Port offers sound insulation for eligible properties within the current Federal Aviation Administration (FAA) Airport Noise Compatibility (Part 150) noise remedy boundary.

Construction work typically includes installation of new Sound Transmission Class (STC) rated windows, doors, and storm doors, as well as supplemental ventilation to meet the FAA standard of 45 decibel (dB) Day-Night Average Sound Level (DNL) interior noise that can be achievable with at least a 5 dB reduction. The program currently has single-family home and condo construction underway, and this request will allow the Port to commence with the first phase of apartment construction. The Sound Insulation Program is on-track to complete in accordance with Commission Motion 2020-04 requiring completion no later than 2026.

This request does not include work associated with condominium buildings, places of worship, single-family homes, and south Approach Transition Zone (ATZ) voluntary residential acquisition.

Template revised January 10, 2019.

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Staff will return to Commission to request authorization(s) associated with these items and subsequent construction authorization(s) at a later date.

JUSTIFICATION

Resolution No. 3683 was adopted by the Commission on October 22, 2013, and included all recommendations from the Part 150 Study, including sound insulation for eligible structures within the Noise Remedy Boundary. This authorization will help to meet the requirements of Resolution No. 3683 to conduct an ongoing Sound Insulation Program (SIP).

In February 2020, the Commission passed Motion 2020-04 to accelerate this work with the goal of completing work on these programs by the end of 2026. Moving forward with the apartment sound insulation is critical to compliance with the Motion.

Diversity in Contracting

The apartment program will be partially funded with FAA Airport Improvement Program (AIP) grants, the Port will follow the United States Department of Transportation's Disadvantage Business Enterprise (DBE) program requirements. A DBE goal of 5% has been established for this project and the DBE Plan will be administered in accordance with 49 CFR Part 26 by the Diversity in Contracting Department. The DBE goal was calculated from the number of federally certified DBE firms which perform the scope(s) of work as identified for the project.

DETAILS

This request for construction authorization includes 5 apartment complexes (phase 1) that are eligible to participate in the program. Staff is planning to return to Commission requesting construction authorization on additional construction phases of the apartment program.

Under state law, (R.C.W. 53.54.030), any owner who participates in the Program is required to

provide the Port with an Avigation Easement in return for the Port paying the cost of the improvements. A Subordination Agreement or Consent is required to convey the Avigation Easement if there is a mortgage, deed of trust, or other lien on the property.

Scope of Work

Typical construction to include:

- (1) STC rated solid core doors
- (2) STC rated windows
- (3) Storm doors
- (4) Positive exterior air ventilation
- (5) Other associated work as determined to be necessary by the architect to reduce noise or to meet code
- (6) Regulated materials abatement as necessary to facilitate these installations

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Schedule

This is a multi-phased design and construction program. Design and construction will proceed concurrently throughout the duration of the program (2021-2026). The first apartment construction package will commence with a bid opening in Q4 – 2022 and will be followed by subsequent design and construction packages until completion. Staff is planning to return to Commission requesting construction authorization for design packages throughout the duration of the program. The schedule below shows design and construction of phase 1.

Activity

Commission design authorization 2021 Quarter 3

Design start 2022 Quarter 2

Construction start 2022 Quarter 4

Cost Breakdown This Request Total Project

Design \$0 \$34,461,000

Construction \$40,000,000 \$99,054,000

Total \$40,000,000 \$133,515,000

ALTERNATIVES AND IMPLICATIONS CONSIDERED

Alternative 1 – Defer phase 1 construction by 2-years to allow for COVID economic recovery with accelerated project duration

Cost Implications: \$144,000,000

Pros:

- (1) No Port construction expenditures until 2024

Cons:

- (1) Costs would be more expensive in the long term
- (2) Delaying the noise remediation program could reduce the Port's credibility in the community by not honoring the Port commitments in a timely manner
- (3) Would not meet the intent of Commission Motion 2020-04 to accelerate the airport's noise mitigation programs prior to 2026

This is not the recommended alternative.

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Alternative 2 – Authorize Sound Insulation Program to commence phase 1 construction for the Apartment Sound Insulation Program (CIP #C200096)

Cost Implications: \$133,515,000

Pros:

- (1) Meets commitment to noise remediation in the community per Commission Resolution 3683
- (2) Maintains the critical path program schedule to meet the intent of Commission Motion 2020-04 to accelerate the airport's noise mitigation programs prior to 2026
- (3) Allows staff to begin construction of phase 1 of the apartment program
- (4) Provides a direct community benefit to reduce aircraft noise impacts to tenants

Cons:

(1) The Port assumes the financial risk for this work if FAA AIP grant funding cannot be secured

This is the recommended alternative.

FINANCIAL IMPLICATIONS

Cost Estimate/Authorization Summary Capital Expense Total

COST ESTIMATE

Original estimate \$133,515,000 \$0 \$133,515,000

Total Estimated \$133,515,000 \$0 \$133,515,000

AUTHORIZATION

Previous authorizations \$34,461,000 \$0 \$34,461,000

Current request for authorization \$40,000,000 \$0 \$40,000,000

Total authorizations, including this request \$74,461,000 \$0 \$74,461,000

Remaining amount to be authorized \$59,054,000 \$0 \$59,054,000

Annual Budget Status and Source of Funds

This project, CIP C200096, was included in the 2022-2026 capital budget and plan of finance with a budget of \$133,515,000. The funding sources would be AIP grants, commercial paper and revenue bonds. This project received Majority in Interest (MII) support from the airlines on August 3, 2021.

The capital cost of the entire apartment program is estimated at \$133,515,000. The funding plan projects \$69 million of AIP grants from 2022-2029. Therefore, the Rate Base Cost is estimated at \$64,515,000. The Rate Base Impact reflects a 25-year debt service term. Debt service would be charged as landing fee when each apartment complex construction is substantially completed, and grants are received.

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There are project risks and uncertainties in the Port's funding plan; however, the focus is designed to allow the Port to minimize the airline rate base impacts. Lower costs or reduced scope (due to ineligibility or owner reluctance to participate), combined with anticipated grants would further reduce the rate base impacts.

Financial Analysis and Summary

Project cost for analysis \$133,515,000

Business Unit (BU) Airfield Movement Area

Effect on business performance NOI after depreciation will increase due to inclusion of (NOI after depreciation) capital (and operating) costs in airline rate base.

IRR/NPV (if relevant) N/A

CPE Impact \$.21 in 2027

Future Revenues and Expenses (Total cost of ownership)

Once the project is complete and the avigation easement is permanently recorded on the parcel, there will be no further expenses incurred.

ATTACHMENTS TO THIS REQUEST

(1) Presentation slides

PREVIOUS COMMISSION ACTIONS OR BRIEFINGS

December 3, 2021 – Commission authorized design for the Places of Worship Sound Insulation Program

August 10, 2021 – Commission briefing on sound insulation programs, acceleration and staff recommendations

August 10, 2021 – Commission authorized design for the Apartment Sound Insulation Program

December 15, 2020 – Commission briefing on sound insulation programs, acceleration and staff recommendations.

December 15, 2020 – Commission authorized consultant services IDIQ contract to provide sound insulation program development support for single-family homes, apartments, and places of worship.

February 25, 2020 – Commission briefing on sound insulation programs, acceleration, and staff recommendations. Motion 2020-04 of the Port of Seattle Commission directing the acceleration of the sound insulation program at the Airport.

Template revised June 27, 2019 (Diversity in Contracting).

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July 10, 2018 – Commission authorized contracting for Sound Insulation Architect and Project Oversight Consulting for Condominiums.

October 11, 2016 – Commission authorized contracting for Sound Insulation Architect and Project Oversight Consulting Services and Job Order Contracting (JOC) for Single-Family Homes.

October 22, 2013 – Second Reading and Final Passage of Resolution No. 3683 concluding the Federal Aviation Regulation (FAR) Part 150 Noise and Land Use Compatibility Study Update for Seattle-Tacoma International Airport.

October 8, 2013 – First Reading of Resolution No. 3683 concluding the Federal Aviation Regulation (FAR) Part 150 Noise and Land Use Compatibility Study Update for Seattle-Tacoma International Airport.

April 23, 2013 – The Commission authorized contracting for Sound Insulation Consulting Services and Job Order Contracting (JOC) for Single-Family Homes.

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