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COMMISSION

AGENDA MEMORANDUM Item No. 10a

ACTION ITEM Date of Meeting July 25, 2023

DATE: July 13, 2023

TO: Stephen P. Metruck, Executive Director

FROM: Eileen Francisco, Director Aviation Project Management

Richard Duncan, Director Aviation Business and Properties

SUBJECT: C Concourse Expansion Program Update and Long Lead Equipment and Materials (CIP# C800845)

Amount of this request: \$20,000,000

Total estimated project \$405,000,000-\$420,000,000

budget range:

ACTION REQUESTED

Request Commission authorization for the Executive Director to authorize \$20,000,000 of the program budget for long lead electrical, mechanical, and curtain wall equipment and other long lead materials.

EXECUTIVE SUMMARY

The C Concourse Building Expansion (CCE) program was created to address shortfalls in Airport Dining and Retail (ADR) capacity, office space, and premium lounge space. The project is located at the intersection of Concourses C and D and will add four floors to the existing three floor structure.

The project is also programmed to provide public amenities including new restrooms, a meditation room, a sensory room, a nursing room, and an "outdoor" public lookout.

The C Concourse Expansion Program is working to accelerate delivery of the project to 2026. To support this effort the project team would like to procure long lead materials and equipment now, ahead of authorization for the final Maximum Allowable Construction Cost (MACC) and the rest of the program budget. Ordering the equipment and materials now would supplement previous authorizations and efforts that allowed the project to accelerate the design and relocation of current tenants, accelerate the design and procurement of structural steel, and to accelerate the design and procurement of vertical circulation.

Template revised January 10, 2019.

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Program Budget Update

The design is 100% complete and the GCCM contractor is soliciting subcontractor bids. After bids are received, the contractor will submit the final MACC proposal. Port staff will review the proposal, negotiate the final number, and then return to the Commission in September or October of 2023 for authorization to execute the final contract.

The current authorization request amount was developed by the Exterior Wall, Electrical, and Mechanical subcontractors already under contract. Pricing for the long lead equipment and material was quoted by suppliers to the subcontractors.

Below is an overview of the C Concourse Expansion program's current budget:

MII Approved Budget \$340,000,000

Transfers: Bag Ops, RMM, TRA (\$16,200,000)

Trends

Discretionary Scope Changes \$ 225,000

Non-Discretionary Scope Changes \$ 17,200,000

(ex: emergency power requirements)

Escalation and Design Development \$ 53,800,000

(ex: lighting requirements, final detailing)

Risk Contingency \$ 10,000,000

July 2022 Range \$340,000,000 - \$420,000,000

Current Range \$405,000,000 - \$420,000,000

JUSTIFICATION

Early work packages allow the project to accelerate specific scopes of work that will benefit the project schedule. Staff worked with the design team and the General Contractor Construction Manager (GCCM) to identify scopes of work that could be accelerated without causing excessive risk to the project.

This authorization will allow the project to procure the following long lead items:

- Air Handling units
- Electrical equipment (switchgear, panels, sub stations)
- Curtain wall materials
- Other miscellaneous long lead items

All these materials and equipment are experiencing industry wide impacts. The project team would like to order these now or obtain production slots so that we can deliver the full project on our accelerated delivery timeline of 2026.

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

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Diversity in Contracting

WMBE outreach efforts through local community organizations and publications have begun in support of CCE construction efforts. This includes targeted WMBE and small business pre-bid job walkthroughs for better understanding of project efforts, prior to upcoming bids.

Current WMBE contractual commitment:

- (1) Designer: 12%
- (2) GCCM: 12%
- (3) Program Management and Construction Management: 20%
- (4) Commissioning Agent: 15%

The project is anticipated to provide approximately 28% in Airport Construction Disadvantage Business Enterprise (ACDBE) post-construction ADR opportunities.

DETAILS

The project will order:

- (1) Air Handling Units
- (2) Electrical Gear / Equipment
- (3) Curtain Wall Materials
- (4) Other materials identified by GCCM as the project progresses.

Schedule

Commission design authorization 2020 Quarter 2

Design start 2021 Quarter 1

Commission construction authorization early 2021 Quarter 2

work packages

Construction start early work packages 2022 Quarter 3

Commission construction authorization 2022 Quarter 4

Commission MACC authorization 2023 Quarter 4

In-use date 2027 Quarter 2

ALTERNATIVES AND IMPLICATIONS CONSIDERED

Alternative 1 – Procure Long Lead Equipment and Materials with the final MACC contract.

Cost Implications: \$20,000,000 plus potential escalation

Pros:

- (1) Additional funds are not committed prior to having a final contract amount.

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Cons:

- (1) The ordering of long lead equipment will be deferred and could impact the completion date of the project.

This is not the recommended alternative.

Alternative 2 – Procure Long Lead Equipment and Materials

Cost Implications: \$20,000,000 of authorization of approved budget

Pros:

- (1) Allows project to order long lead equipment needed for the building.
- (2) Allows the project to procure production slots for long lead equipment.
- (3) Assists project in its goal of a 2026 project delivery.

Cons:

(1) This action would commit additional funds to the project without a final project cost being established.

This is the recommended alternative.

FINANCIAL IMPLICATIONS

Cost Estimate/Authorization Summary Capital Expense Total

COST ESTIMATE

Original estimate \$331,776,000 \$8,224,000 \$340,000,000

Transfer to Baggage Optimization Program (\$15,500,000) \$0 (\$15,500,000)

Revised Estimate Range TBD TBD \$405,000,000 -

\$420,000,000

AUTHORIZATION

Previous authorizations \$157,174,000 \$7,926,000 \$165,100,000

Current request for authorization \$20,000,000 \$0 \$20,000,000

(Concourse C Expansion)

Total Auth, including this request \$177,174,000 \$7,926,000 \$185,100,000

(Concourse C Expansion)

Remaining amount to be authorized TBD TBD \$219,900,000 -

(Concourse C Expansion) \$234,900,000

Annual Budget Status and Source of Funds

This project is included in the 2023-2027 capital budget and plan of finance with a budget of \$316,276,000. The expense budget would be included in the Aviation Division's annual operating expense budget. The funding sources will include the Airport Development Fund and future

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revenue bonds. This project was approved by airlines through a Majority-In-Interest (MII) vote in April 2021.

Financial Analysis and Summary

Project cost for analysis \$340,000,000*

Business Unit (BU) Terminal Building

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) NPV (40 years) for non-aero \$44.5 million*

CPE Impact \$0.68 in 2028

* Financial implication for this project has not changed, but the \$15.5 million was transferred to the Baggage Optimization project for enabling work to relocate baggage handling system transfer lines in conflict with the C Concourse Expansion project. Authorization and transfer for this work was authorized by the Commission on April 26, 2022.

Future Revenues and Expenses (Total cost of ownership)

As presented on April 27, 2021, when completed the project will generate incremental nonairline revenues of \$12 million by 2028 and over \$15 million by 2031. Aeronautical revenues will also increase as the allocated operating and capital costs (debt service) are included in airline terminal rate base.

ATTACHMENTS TO THIS REQUEST

(1) Presentation

PREVIOUS COMMISSION ACTIONS OR BRIEFINGS

- July 26, 2022 – C Concourse Expansion Structural Steel Package
- April 26, 2022 – C concourse Expansion Budget Authorization and Transfer
- April 12, 2022 - C Concourse Expansion Briefing
- March 8, 2022 – Authorization to execute a Service Agreement for a third-party Commissioning Agent
- April 27, 2021 – C1 Building Project Additional Design and General Contractor/Construction Manager Early Work Authorization – Special Inspection and Testing Authorization
- May 26, 2020 – C1 Building Project Design and General Contractor/Construction Manager Authorization
- March 10, 2020 – C1 Building Project Briefing and Introduction
- June 26, 2018 – C1 Building Project Authorization for Planning Funds

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