



**COMMISSION**  
**AGENDA MEMORANDUM**

**Item No.** 10b

**ACTION ITEM**

**Date of Meeting** July 25, 2023

**DATE :** July 19, 2023

**TO:** Stephen P. Metruck, Executive Director

**FROM:** Sarah Cox, Director Aviation Environment and Sustainability  
Eileen Francisco, Director Aviation Project Management Group

**SUBJECT:** **Sound Insulation Program Briefing and Apartment Sound insulation Program - Phase 2 Construction Authorization (CIP #C200096)**

**Amount of this request:** \$0  
**Total estimated project cost:** \$133,515,000

**ACTION REQUESTED**

Provide a briefing to the Commission and request Commission authorization for the Executive Director to advertise, award and execute a major public works contract, include a Project Labor Agreement, and authorize construction of phase 2 of the apartment program with previously authorized funds for a \$0 request with a total program cost of \$133,515,000.

**EXECUTIVE SUMMARY FOR BRIEFING**

As part of the Port of Seattle's (Port) long-term commitment to communities surrounding the airport, the Port offers sound insulation for eligible properties within the current Federal Aviation Administration (FAA) approved noise remedy boundary. On February 25, 2020, the Commission adopted Motion 2020-04 to implement the acceleration of the airport's noise mitigation (sound insulation and acquisition) programs with direction to complete prior to 2026.

To-date, the Port has provided sound insulation to over 9,400 single family homes and five condominium complexes. Our current focus is apartments, places of worship, completion of the Villa Enzian condominium complex and participating single family homes. Staff will share with you the success stemming from multiple outreach campaigns and the subordination documents initiative that has led to 9 buildings with 320 residential units being in construction and design phases.

Commission Construction Authorization for Phase 2 of the apartment program is being requested today as a separate action item. The objectives of this briefing are to: (1) inform the Commission about progress made since the Q3 2022 briefing, and (2) inform the Commission about ongoing work.

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### **Program Status Update**

- Program is on target for completion of participating properties no later than the end of 2026.
- Progressing with community outreach, project estimates, design, and acoustic testing of eligible properties within the current noise remedy boundary.
- Active construction in the Single-Family Homes program.
- Major works bid opening completed for phase 1 of the apartment program, pending recommendation for award and FAA concurrence.
- Aligning with the Office of Equity, Diversity and Inclusion (OEDI) to enhance equitable project implementation strategies.

The briefing will cover these topics, as well as progress on project completion for single-family homes, condominiums, places of worship and apartments.

### **Project Funding**

The FAA Airport Improvement Program (AIP) grants for noise mitigation projects at SEA compete nationwide with sound mitigation projects at other airports. The FAA determines annually the availability of funds depending upon the number of applications from all airports nationwide. Although not guaranteed, noise grants typically fund approximately 80% of eligible costs with the remaining amount being funded through revenue bonds. The airport would be required to fund the remaining 20% plus any ineligible costs. To manage the uncertainty of grant availability and ultimately fund the balance of costs not grant-funded, the Port would use commercial paper as an interim funding source and follow federal procurement guidelines, so the projects remain eligible for reimbursement at later dates if AIP funding becomes available.

The FAA is anticipated to award approximately \$10 million in Airport Improvement Program (AIP) grant funding per year. The Port would continue to apply for grants to fund retroactive spending. However, there is no guarantee of FAA future grant funding and Port sound insulation expenditures would be made at risk.

The Port has received the following grants for work in progress:

- Single-Family Home Sound Insulation- \$5.2M.
- Highline Schools Sound Insulation- Des Moines Elementary School \$3.1 million.
- Highline Schools Sound Insulation- Highline High School \$11.7 million.
- Condominium Sound Insulation- \$4.1 million.
- Apartment Sound Insulation- \$21.3 million.
- Places of Worship – \$5M.

### **Diversity and Contracting**

The Sound Insulation Program is partially funded with FAA Airport Improvement Program (AIP) grants, the Port's Diversity and Contracting Department has established a federally certified

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Disadvantaged Business Enterprise (DBE) goal for consultants and contractors who are supporting the overall program(s). DBE goals follow the United States Department of Transportation's DBE program requirements. DBE goals have been established for this program and the DBE Plan is administered in accordance with 49 CFR Part 26 by the Diversity in Contracting Department. Current sound insulation program DBE goals:

- Consultant design contract – 14% DBE goal.
- Single-family homes construction – 5% DBE goal.
- Condominium construction – 5% DBE goal.
- Apartment phase 1 construction – 7% DBE goal.
- Apartment phase 2 construction – 7% DBE goal.
- Places of Worship – 7% DBE goal.

### **Potentially eligible projects**

The following provides a summary of progress on the Capital Improvement Programs (CIPs) associated with the Sound Insulation Program (SIP). Project eligibility criteria has to be met including being within the current noise remedy boundary, passing a noise audit of an interior noise level of 45 dB Day-Night Average Sound Level (DNL) or greater, and built after applicable building codes were enacted that met noise reduction standards for the area (1986 in Des Moines and 1987 in all other jurisdictions):

- **Single-Family Home SIP**  
Approximately 140 homes within the noise remedy boundary were potentially eligible to participate when program acceleration began. There have been 77 property owners that have applied to participate. Here is a summary of the applicants:
  - 23 homes were completed in 2021-22.
  - 10 homes to be completed in 2023.
  - 1 home to be completed in 2024.
  - 2 homes have acoustic testing results pending.
  - 15 homes failed acoustic testing and do not meet sound insulation qualification requirements.
  - 26 homes have been placed on hold by the owner.
  - All subordinations needed have been received to date.
- **Condominium SIP**  
3 condominium complexes within the noise remedy boundary were potentially eligible to participate.
  - Villa Enzian Condominium (28 units) substantially completed in 2023.
  - The remaining complexes have declined and remain potentially eligible to participate.
- **Apartment SIP**  
18 complexes (903 units) are within the noise remedy boundary and are potentially eligible to participate.

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- Through extensive outreach, 14 of 18 complexes expressed interest in the program and were briefed on the details; 2 of the 14 complexes declined acoustic testing.
  - 11 complexes (622 units) acoustically tested eligible for the program (based on FAA criteria) and 1 complex tested ineligible.
  - 1 complex declined to participate after acoustic testing was completed.
  - 10 complexes are actively participating in the program.
  - Construction for phase 1 of the apartment program is anticipated to commence Q4 – 2023 (5 complexes).
  - Commission Construction Authorization for phase 2 is being requested today as an action item (4 complexes).
  - Phase 3 construction authorization (1 complex) targeting Q1 – 2025.
- **Places of Worship SIP**  
7 properties within the noise remedy boundary are potentially eligible to participate.
    - Through extensive outreach, 5 of 7 properties have currently expressed interest in the program.
    - Acoustic testing was completed in June 2022 with 4 confirmed as eligible and 3 are actively participating in the program.
    - Design is underway for 3 of the eligible participating properties.
    - Returning to Commission Q4 – 2023 for construction authorization.
  - **Approach Transition Zone (ATZ)**
    - Voluntary acquisition of residential units in the 3<sup>rd</sup> Runway South ATZ – estimated 1 home and 1 apartment complex with 6 units.

**Highline School District**

- **Memorandum of Agreement**
  - \$100 million shared equally with the FAA to contribute to the noise mitigation work at 15 schools.
  - 10 of 15 are complete; the 11<sup>th</sup> passed its bond vote in November with a scheduled completion of July 2027.

**Program Risks**

As discussed in prior Commissioner briefings, there are several uncertainties and challenges related to program implementation:

- Eligible properties that have declined to participate are still able to at a later date, however, completion by the end of 2026 may not be feasible. Staff is committed to ongoing outreach.

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- Obtaining subordination or consent agreements is often challenging and can delay the program. The use of a specialty consulting firm has achieved progress and Staff will continue to monitor the consultant’s work and adjust the schedule accordingly.
- Supply chain material issues continue to impact procurement of long lead sound insulation products (doors & windows).

Staff will work to incorporate lead times into project schedules.

**EXECUTIVE SUMMARY FOR AUTHORIZATION REQUEST**

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 construction underway. The apartment program phase 1 construction bid opening was completed, pending award and contract execution. This request will allow the Port to commence the second phase of construction for the apartment program. The sound insulation improvements for the current participating condominium were completed Q2 – 2023. The Sound Insulation Program is on-track to complete in accordance with Commission Motion 2020-04 requiring completion no later than 2026.

Phase 2 construction authorization is a \$0 funding request. Initially, phase 1 construction authorization included an extensive mechanical ventilation scope in the estimate which was later removed from the design per the property owner’s request. The Commission funding authorization for phase 1 construction provides sufficient funds for both phase 1 and phase 2 apartment program construction. Phase 2 construction estimate is \$10 million.

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

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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 and the places of worship 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 7% has been established for apartment phase 2 construction, 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 is for construction authorization includes 4 apartment complexes (phase 2) that are eligible to participate in the program. Staff are planning to return to Commission requesting construction authorization on subsequent construction phases as necessary.

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.

***Schedule***

The apartment program 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 bid opening is complete with a construction notice to proceed anticipated Q3 – 2023. Phase 2 (this request) bid opening is anticipated to occur Q1 – 2024 and will be followed by subsequent design and construction packages until completion. Staff are planning to return to Commission requesting construction authorization for design

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packages throughout the duration of the program. The schedule below shows design and construction of phase 1.

*Activity CIP #C200096 Apartment Program*

|                                 |                |
|---------------------------------|----------------|
| Commission design authorization | 2021 Quarter 3 |
| Design start                    | 2023 Quarter 1 |
| Construction start              | 2024 Quarter 1 |

**Cost Breakdown CIP #C200096**

|              | This Request | Total Project |
|--------------|--------------|---------------|
| Design       | \$0          | \$34,461,000  |
| Construction | \$0          | \$99,054,000  |
| Total        | \$0          | \$133,515,000 |

**ALTERNATIVES AND IMPLICATIONS CONSIDERED**

**Alternative 1** – Authorize Apartment Sound Insulation Program to commence phase 2 construction.

Cost Implications: Estimated at \$10,000,000

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 2 of the apartment program.
- (4) Provides a direct community benefit to reduce aircraft noise impacts.

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  
(CIP #C200096)**

|                         | Capital       | Expense | Total         |
|-------------------------|---------------|---------|---------------|
| <b>COST ESTIMATE</b>    |               |         |               |
| Original estimate       | \$133,515,000 | \$0     | \$133,515,000 |
| Current change – net    | \$0           | \$0     | \$133,515,000 |
| Total Estimated         | \$133,515,000 | \$0     | \$133,515,000 |
| <b>AUTHORIZATION</b>    |               |         |               |
| Previous authorizations | \$74,461,000  | \$0     | \$74,461,000  |

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|  |              |     |              |
|--|--------------|-----|--------------|
| Current request for authorization            | \$0          | \$0 | \$0          |
| 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 2023-2027 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.

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) | NOI after depreciation will increase due to inclusion of 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(s), there will be no further expenses incurred.

**ATTACHMENTS TO THIS REQUEST**

- (1) Presentation Slides.

**PREVIOUS COMMISSION ACTIONS OR BRIEFINGS**

**August 9, 2022** – Commission briefing on sound insulation programs and construction authorization for Phase 1 Apartment Program.



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**December 14, 2021** – Commission authorized design services for Places of Worship Sound Insulation Program.

**August 10, 2021** – Commission briefing on sound insulation programs and design authorization for the Apartment Program.

**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** – The 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.

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

**October 11, 2016** – The 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.