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COMMISSION

AGENDA MEMORANDUM Item No. 8d

ACTION ITEM Date of Meeting September 26, 2023

DATE: September 18, 2023

TO: Stephen P. Metruck, Executive Director

FROM: Rick Duncan, Director Airline Affairs & Aviation Properties

Eileen Francisco, Director, Aviation Project Management Group

SUBJECT: Post IAF Airline Realignment Enabling Work Construction Authorization
(CIP #C801158)

Amount of this request: \$14.4 million

Total estimated project cost: \$102 – \$140 million

ACTION REQUESTED

Request Commission authorization for the Executive Director to (1) authorize enabling construction work for the Post IAF Airline Realignment project at Seattle-Tacoma International Airport, (2) procure long lead items, (3) increase the project authorization by \$14,400,000, and (4) execute a project labor agreement. The range of the total estimated cost of this project is \$102 million to \$140 million.

EXECUTIVE SUMMARY

The project is facilitating the relocation of United Airlines' (UA) domestic only operations from Concourse A to Concourse B. This allows for airlines with international flights to use the vacated international capable gates on Concourse A. Associated office and support spaces to support both relocations, a ticket counter reconfiguration in the main terminal and United Airlines Lounge renovation on Concourse B will be delivered as part of the project. This request is to authorize funding for the construction of enabling work, facilitating initial existing infrastructure relocations, and building code upgrades necessary to initiate the base program work.

As briefed on September 12, this project has four main packages of work being completed by the Port, beginning with a package of enabling work and three packages of base program work. The enabling work addresses code deficiencies, completes initial existing utility and infrastructure relocations and includes demolition and reconfiguration at the ramp level of the A, B and S Concourses. The enabling work delivers approximately 14,900 square feet of renovated Port and tenant leasable space. The project team will return in December 2023 to request construction

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authorization for the remaining 47,500 square feet of base program work included in the remaining packages.

The amount of this request is \$14,400,000 for enabling work construction. The current cost estimate range for the full program is \$102 - \$140 million.

JUSTIFICATION

Construction authorization for the enabling work is required to make way for base program work and support the Port's overall airline realignment project progress and future gate allocation by advancing the relocation of airlines as planned.

Significant phasing and sequencing are required to provide the spaces necessary to deliver the base program scope. Initiating key infrastructure and existing systems relocations on Concourse B ramp through the enabling work allows the GCCM to streamline construction durations and avoid periods of time where no work is performed.

This program supports the Port's Century Agenda's strategic goal of "Advancing this region as a leading tourism destination and business gateway" by:

- (1) Continuously improving operational efficiency and customer experience at the Airport.
- (2) Strengthening the competitiveness of the Airport in the regional and global marketplace.
- (3) Meeting the region's air transportation needs by delivering vital facilities and infrastructure in sustainable and cost-effective manner.

Diversity in Contracting

The project team has worked with the Diversity in Contracting team to establish the following women- and minority-owned business enterprise (WMBE) goals for the project's contracts as

outlined in the table below.

Contract Goal Commitment

PM 14% 98%

CM 30% 30%

Design 15% 17%

Testing & Special Inspection TBD TBD

GCCM (Construction) 13% TBD

DETAILS

The project team has been coordinating extensive site investigation and verification to confirm existing conditions and continue development of a 3D Model of project premises. The 3D Model

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has informed the design and supported the acceleration of key areas of enabling work that are captured in this first construction authorization.

The design for the base program scope of work for the project has progressed through 60% development. The project team will return to the Commission in December when the design has been progressed through 90% and the full construction cost determined through public procurement.

To execute the program, the project team intends to inform and request the necessary authorizations according to the schedule below:

September 26, 2023 – Enabling Work Construction Authorization (this request)

December 2023 – Base Program Construction Authorization

December 2023 – United Lounge Briefing

Quarter 2 2024 – United Lounge Construction Authorization

The airline realignment construction work is currently broken down into two distinct phases.

Enabling Work

(1) Renovations to existing Port-occupied and tenant-leased spaces on Concourse A and South Satellite ramp level to support tenant relocations required for the airline realignment.

(2) Code upgrades and modifications to existing building systems and infrastructure to support the future base program work on Concourse B ramp.

(3) Renovation, consolidation, and code upgrades to existing Port mechanical and electrical spaces on Concourse B ramp, including dedicated rooms and security access control upgrades to meet Port standards.

(4) Renovation of existing tenant-leased space on Concourse B ramp to consolidate existing airline operations and allow for construction of a new interior corridor.

(5) New airline tenant cage storage on Concourse B ramp.

(6) Renovated and expanded restroom facilities to address code deficiencies on Concourse B ramp.

(7) Procurement of mechanical upgrade equipment that has a manufacture and delivery duration of several months to mitigate the impact to the construction schedule. These include Air Handling Unit 2 and Air Handling Unit 4.

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Base Program

(1) Renovations to existing tenant-leased spaces on Concourse A to support final tenant relocations required for airline realignment.

(2) Renovated and expanded tenant-leased spaces on Concourse B ramp to create new office support space for the relocated airline tenant.

(3) Code upgrades to extend the new interior corridor initiated with the enabling work.

(4) Cage storage provided with enabling work will be reconfigured to support final airline relocations.

(5) Modifications and upgrades to existing Concourse B mechanical system to support the newly expanded and renovated ramp leasable space, including two new enclosed penthouses at the roof level.

(6) Renovated ticket counter and tenant-leased space in the central main terminal to provide

ten ticketing positions, an airline break room and Port leasable space for a future tenant. This division of the scope is advantageous because it:

- (1) Allows the project team to begin construction on enabling work that must be completed to make way for the airline realignment renovation and building expansion.
- (2) Value-added leasable space is improved while facilitating a coordinated consolidation of Delta airlines Concourse B ramp support space. This consolidation makes available the necessary leasable square footage to deliver like-for-like ramp support spaces for United Airlines to relocate gate operations from Concourse A to Concourse B.

The project team will continue to gain budget and schedule certainty as the design progresses through 90% development and the construction is publicly procured in Q4 2023.

Schedule

To facilitate the complex phased delivery of the project, a portion of work was identified, and the design accelerated to allow the contractor to begin initial work as the base program design continued development. The base program work will begin in Quarter 1 2024, after the first phase of enabling work has been completed and makes the space available.

Activity

Enabling Work Construction Start 2023 Quarter 3
Base Program Construction Authorization 2023 Quarter 4
Base Program Construction Start 2024 Quarter 1
United Airlines Lounge Construction Authorization 2024 Quarter 2
United Airlines Lounge Construction Start 2024 Quarter 4
In-use date (Concourse B) 2025 Quarter 3
In-use date (Concourse A) 2026 Quarter 1

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Other Key Project Milestone Current Delivery Dates:

United Airlines Gates operating on B Concourse 2025 Quarter 3
United Airlines Lounge opening on B Concourse 2026 Quarter 1
Cost Breakdown This Request Total Project
Design \$0 \$33,000,000
Construction \$14,400,000 \$69,000,000 – \$107,000,000
Total \$14,400,000 \$102,000,000 – \$140,000,000

ALTERNATIVES AND IMPLICATIONS CONSIDERED

Alternatives Considered:

Alternative 1 – Delay the procurement and construction of enabling work and combine with final airline realignment design documents procured in Q4 2023.

Cost Implications: ~\$1 million increase to the overall project budget.

Pros:

- (1) Delays capital and expense investment for 3-5 months, allowing for a single construction authorization for all airline realignment work.
- (2) Potentially allows for improved cost certainty.
- (3) Combining procurement packages into larger, more desirable, scopes of work to increase the subcontractor participation.

Cons:

- (1) Does not allow the project team to mitigate schedule delays through identification of unforeseen conditions that would be identified during the enabling work.
 - (2) Delays United Airlines Gate allocation on Concourse B in September 2025
 - (3) Delays the GCCM from beginning work in tenant lease spaces that are available for construction now.
 - (4) Costs will continue to escalate.
 - (5) Delaying the work could create unforeseen schedule impacts from adjacent Port projects performing work in 2024.
 - (6) Significantly reduces the advantages of the GCCM contracting method by delaying the work the mechanical and electrical subcontractors could negotiate and perform now.
- This is not the recommended alternative.

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Alternative 2 – Authorize funding for the construction of enabling work as requested.

Cost Implications: \$14.4 Million

Pros:

- (1) Allows enabling work to progress while design is completed for the base program work, improving schedule.
- (2) Enables long lead items to be procured as part of the enabling package to improve schedule.
- (3) Provides greater cost certainty for the enabling package.
- (4) Aligns with the current scheduling coordination with adjacent Airport projects.

Cons:

- (1) Breaks the project scope up into smaller segments that may not be as attractive to subcontractor partners.

This is the recommended alternative.

FINANCIAL IMPLICATIONS

Cost Estimate/Authorization Summary Capital Expense Total

COST ESTIMATE

Original estimate \$35,000,000 \$35,000,000 \$70,000,000

Previous changes – net \$34,000,000 (\$2,000,000) \$32,000,000

Current change \$0 \$0 \$0

Current Budget \$69,000,000 \$33,000,000 \$102,000,000

AUTHORIZATION

Previous authorizations \$23,400,000 \$9,800,000 \$33,200,000

Current request for authorization \$1,500,000 \$12,900,000 \$14,400,000

Total authorizations, including this request \$24,900,000 \$22,700,000 \$47,600,000

Remaining amount to be authorized \$44,100,000 \$10,300,000 \$54,400,000

Annual Budget Status and Source of Funds

This project, CIP C801158, was included in the 2023-2027 capital budget and plan of finance with a capital budget of \$69 million and an expense budget of \$33 million for a total cost of \$102 million. The expense components were \$0.6M in 2022 and are estimated to be \$2.4M in 2023, \$6.5M in 2024, \$11.5M in 2025, \$7.3M in 2026 and \$4.7M in 2027 and will be included in annual operating budgets. The funding sources will be Airport Development Fund for operating expense and revenue bonds for capital.

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Financial Analysis and Summary

Project cost for analysis \$102,000,000

Business Unit (BU) Gates

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 CPE of expenses between \$0.09-\$0.48 in 2023-2027

CPE of capital \$0.22 starting in 2027

Future Revenues and Expenses (Total cost of ownership)

These improvements will replace aging and deficient infrastructure and building systems and improve overall operation and maintenance of Concourse B Ramp. The project team will continue to coordinate with Aviation Maintenance as the extents of operating and maintenance costs can be more accurately evaluated with further design development. Complete upgrade and replacement of the HVAC system serving the project footprint increases code compliant leasable space, giving the Port flexibility and potential for increased revenues.

ADDITIONAL BACKGROUND

The project team is meeting with adjacent projects to coordinate project schedules, scope overlap and other necessary items to limit construction impacts to normal airport and tenant operations.

- Baggage Optimization Program
- Main Terminal Low Voltage Upgrades
- North Main Terminal Redevelopment
- Concourse HVAC Infrastructure Renewal and Replacement Program (CHIRRP)

- 2024 Airfield Improvement Project
 - 2026 Airfield Improvement Project
- ATTACHMENTS TO THIS REQUEST

(1) Presentation

PREVIOUS COMMISSION ACTIONS OR BRIEFINGS

September 12, 2023 – The commission was briefed on the program status and schedule for future authorization requests.

February 14, 2023 – The commission authorized \$7,000,000 to facilitate the following actions: (1) amend a project-specific design contract, and (2) execute a Change Order to the General Contractor/Construction Manager Pre-Construction Services contract.

March 23, 2021 – The Commission authorized \$26,000,000 to facilitate the following actions: (1) execute project specific Service Agreements for project management, construction

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management, design services, and testing and special inspections; (2) to utilize a General Contractor/Construction Manager (GCCM) and execute a GCCM construction contract for preconstruction services; (3) to use port crews; and (4) to execute a Memorandum of Agreement (MOA) between the Port of Seattle (Port) and United Airlines.

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