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COMMISSION

AGENDA MEMORANDUM Item No. 8i

ACTION ITEM Date of Meeting January 9, 2024

DATE: December 28, 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 - Additional Construction Authorization (CIP #C801158)

Amount of this request: \$7.5 Million

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

ACTION REQUESTED

Request Commission authorization for the Executive Director to increase the project authorization by \$7,500,000 to advance the project schedule for the Post IAF Airline Realignment project at Seattle-Tacoma International Airport. The range of the total estimated cost of this project is \$102,000,000 to \$140,000,000.

EXECUTIVE SUMMARY

The project is facilitating the relocation of United Airlines' (UA) domestic only operations space from Concourse A to Concourse B. In September the Commission tasked the project team with investigating and bringing forward opportunities to advance the project schedule or mitigate risk of delay in 2025 project delivery.

This request authorizes funding for temporary facilities and infrastructure that improve the sequencing of construction activities and allow critical work to begin earlier. These include selfcontained mobile trailers for temporary tenant relocations and temporary mechanical services to provide supplemental conditioned air to expanded Concourse B office support space ahead of final mechanical upgrades.

In addition, this authorization provides flexibility to execute purchases for long lead critical materials that could negatively impact schedule. Currently some projects are experiencing volatility in the lead times of key infrastructure components such as electrical and mechanical equipment. Having this authorization will provide the ability to act quickly to purchase these long lead items once they have been identified.

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JUSTIFICATION

The temporary provisions identified by the project team help mitigate delays to project delivery in 2025 and support the Port's overall airline realignment criteria and future gate allocation by advancing the relocation of airlines as planned. Funds authorized with this action allow the General Contractor Construction Manager (GCCM) to implement schedule risk mitigation that improve construction sequencing or facilitate work beginning earlier, providing the project team opportunity to maintain or improve the construction schedule. In addition, this authorization allows the project team to act quickly during the design phase to execute procurements early when system components could impact schedule due to long lead time.

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%

GCCM (Construction) 13% TBD

DETAILS

In September, the Commission tasked the project team to investigate and identify opportunities for consideration that allow for improved construction sequencing and provide mitigation to reduce risks identified within the current construction schedule. The funding authorized by this action will allow the project team to act on the following scope additions, temporary construction

provisions, early procurements and cost increases identified since the September authorization. Collectively, these components support or provide opportunities to improve project delivery.

Scope of Work

- (1) Self-contained trailers to facilitate intermediate office and ramp operations support space for tenants that must be relocated from Concourse B to make way for necessary construction improvements required to facilitate airline relocations and meet the 2025 completion date.
- (2) Supplemental conditioned air provided through temporary air handling units to improve the critical path schedule by allowing the Concourse B ramp office and support spaces to be occupied ahead of final mechanical upgrades.
- (3) Design support to develop design documents and construction funds to facilitate early procurement for components with long-lead material delivery durations identified in coordination with the General Contractor/Construction Manager and design team.

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- (4) Higher cost for the Enabling Work Package 1 scope based on current market conditions realized when public bids were received on 11.30.23.

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. The temporary provisions outlined within provide opportunities to improve the construction sequencing of the critical path schedule, as well as mitigate risk for schedule delays during construction. Implementing these temporary measures now, with the accelerated enabling work authorized in September, will support the project team's continued efforts to improve schedule milestones.

Activity

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

* This scope is being designed and constructed by United Airlines under a separate reimbursement agreement and these dates may continue to shift.

Other Key Project Milestone Current Delivery Dates:

- United Airlines Gates operating on B Concourse 2025 Quarter 4
- United Airlines Lounge opening on B Concourse 2026 Quarter 1

Cost Breakdown This Request Total Project

Design \$750,000 \$33,750,000
Construction \$6,750,000 \$68,250,000 – \$106,250,000
Total \$7,500,000 \$102,000,000 – \$140,000,000

ALTERNATIVES AND IMPLICATIONS CONSIDERED

The temporary measures identified by the project team provide multiple avenues of risk mitigation to manage schedule impacts that are inevitable while in construction. These include but are not limited to, material delivery delays, unforeseen existing conditions, labor availability and significant cost escalation due to market conditions. There is a high probability of schedule delays in delivering Concourse B Gates to United Airlines if the recommended Alternative 3 is not implemented.

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Alternative 1 – No temporary office and ramp support space for existing tenants
Cost Implications: \$500,000 - \$1,000,000 (Acceleration Costs and/or Schedule delays)

Pros:

- (1) Additional costs to facilitate the design and construction implementation of temporary provisions would not be incurred.

(2) Existing tenants located on Concourse B ramp will only be relocated once to their renovated office space, in lieu of an additional temporary relocation.

Cons:

- (1) Does not allow the project team to mitigate schedule delays or improve construction sequencing and phasing.
- (2) Potential to delay United Airlines Gate allocation on Concourse B in 2025
- (3) Delays the GCCM from beginning work in tenant lease spaces critical to facilitating the United Airlines Gate allocation.
- (4) Costs will continue to escalate.
- (5) 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.

Alternative 2 – Delay delivery of United Airlines gate allocation on Concourse B to align with the Concourse B mechanical upgrades (No temporary conditioned air).

Cost Implications: \$500,000 - \$2,000,000 (Acceleration Costs and/or Schedule delays)

Pros:

- (1) Additional costs to facilitate the design and construction implementation of temporary provisions would not be incurred.
- (2) The impact and coordination to existing ramp operations would be eliminated as the temporary infrastructure would not be located at Concourse B ramp.

Cons:

- (1) Does not allow the project team to mitigate schedule delays or improve construction sequencing and phasing.
- (2) Potential to delay United Airlines Gate allocation on Concourse B in September 2025 due to dependence on mechanical upgrades to Concourse B.
- (3) Significantly reduces the advantages of the GCCM contracting method by delaying the work the mechanical and electrical subcontractors could negotiate and perform now.
- (4) Does not align with the Port's overall airline realignment criteria and future gate allocation by advancing the relocation of airlines as planned.

This is not the recommended alternative.

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Alternative 3 – Authorize additional funding to address current market costs realized in the public procurement of enabling work, as well as to support temporary provisions and early procurement of long-lead materials to mitigate schedule risk in delivering Concourse B Gates

Cost Implications: \$7,500,000

Pros:

- (1) Provides intermediate office and ramp operations support space to tenants that must be relocated from Concourse B to make way for necessary construction improvements required to facilitate airline relocations.
- (2) Promotes our priority of safety by limiting the existing tenants and operations that will need to be maintained during construction.
- (3) Supplemental conditioned air provided through temporary air handling units improves the critical path schedule by allowing the Concourse B ramp office and support spaces to be occupied ahead of final mechanical upgrades.
- (4) Allows the project team to act quickly during the design phase to execute procurements early when system components could impact schedule due to long lead time.
- (5) Aligns with the current scheduling coordination with adjacent Airport projects.
- (6) Supports the Port's overall airline realignment criteria and future gate allocation by advancing the relocation of airlines as planned.

Cons:

- (1) Temporary facilities and infrastructure services add design and construction costs that were not anticipated at the time of project definition.
- (2) Existing ramp operations may be impacted with additional temporary facilities placed within very constrained ramp operational areas.
- (3) Existing tenants located on Concourse B ramp will be relocated in a temporary condition prior to final relocation to their renovated office space and ramp support spaces.

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 – transfer of estimated \$32,145,000 (\$32,145,000) \$0
budget from expense to capital
Revised estimate \$101,145,000 \$855,000 \$102,000,000

AUTHORIZATION

Previous authorizations \$24,900,000 \$22,700,000 \$47,600,000
Transfer of authorization from expense to \$22,002,000 (\$22,002,000) \$0
capital

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Current request for authorization \$7,500,000 \$0 \$7,500,000
Total authorizations, including this request \$54,402,000 \$698,000 \$55,100,000
Remaining amount to be authorized \$46,743,000 \$157,000 \$46,900,000

Annual Budget Status and Source of Funds

This project, CIP C801158, was included in the 2024-2028 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 of the project in amount of \$32,145,000 are now deemed as capital. The capital budget of \$32,145,000 was transferred from the Aeronautical Allowance CIP C800753 resulting in no net change to the Airport capital budget. The funding sources will be Airport Development Fund and revenue bonds.

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 \$0.35 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.

- (1) Baggage Optimization Program
- (2) Main Terminal Low Voltage Upgrades
- (3) North Main Terminal Redevelopment
- (4) Concourse HVAC Infrastructure Renewal and Replacement Program (CHIRRP)
- (5) 2024 Airfield Improvement Project
- (6) 2026 Airfield Improvement Project

ATTACHMENTS TO THIS REQUEST

- (1) Presentation slides

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PREVIOUS COMMISSION ACTIONS OR BRIEFINGS

September 26, 2023 – Commission authorized \$14,400,000 to facilitate the following actions: (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.

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 management, design services, and testing and special inspections; (2) to utilize a General Contractor/Construction Manager (GCCM) and execute a GCCM construction contract for pre-construction 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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