



**COMMISSION
AGENDA MEMORANDUM**

Item No. 10a

ACTION ITEM

Date of Meeting July 14, 2026

DATE: July 6, 2026

TO: Stephen P. Metruck, Executive Director

FROM: Rick Duncan, Director, Aviation Business & Properties
Eileen Francisco, Director, Aviation Project Management Group

SUBJECT: Concourse B United Airlines Lounge Tenant Reimbursement Agreement (TRA) and Post-IAF Airline Realignment Budget Increase (C801158)

Amount of this request: \$17,352,000

Total estimated project cost: \$158,252,000

ACTION REQUESTED

Request Commission authorization for the Executive Director to 1) increase the Post-IAF Airline Realignment project budget by \$3,752,000, 2) execute a Tenant Reimbursement Agreement with United Airlines for \$15,500,000 to support the construction of the Concourse B United Airlines Lounge, and 3) authorize the remaining project budget of \$17,352,000. This results in a total estimated project cost of \$158,252,000.

EXECUTIVE SUMMARY

As part of the Post-IAF Airline Realignment project (Airline Realignment) and pursuant to the 2018 Signatory Lease and Operating Agreement (SLOA IV), the Port has relocated United Airlines (UA) aircraft operations, preferential gates, and support spaces from Concourse A to Concourse B. Relocation of UA's lounge is the final step in completion of the multi-year project.

SLOA IV and the 2023 realignment agreement with UA stipulates the Port must provide UA with a like-for-like replacement for any lost amenities associated with relocation. Under Commission authorization and a January 2023 and April 2025 Memoranda of Agreement (MOA) UA has recently completed design and is prepared to start construction of a new 7,181 square-foot lounge on Concourse B adjacent to their new preferential gates. This request increases the combined budget for both projects. Over the past five years, the Airline Realignment project has experienced minor cost increases to expedite the project schedule to maintain critical path and mitigate numerous unforeseen conditions. This request would authorize the remaining project budget, the execution of the TRA between the Port and UA and increase the combined project budget by \$3,752,000.

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JUSTIFICATION

Upon completion of construction of both projects, the Port’s requirement to provide UA with a like-for-like replacement lounge per SLOA IV will be satisfied. Additionally, this relocation supports the broader operational objectives to relocate UA’s operations from Concourse A to Concourse B.

Diversity in Contracting

A 19% WMBE Aspirational Goal has been set for the Concourse B lounge project.

DETAILS

In March of 2021, Commission authorized \$26,000,000 for the Airline Realignment project. Of this amount, \$4,400,000 was authorized for an MOA with UA for the design of the like-for-like lounge replacement at their new location.

Subsequent Commission actions advanced the broader Airline Realignment project, which is projected to reach substantial completion Q3 2026. As part of those actions, the Port informed Commission of UA’s design start and informed Commission the UA lounge project would return with future authorization requests to complete the project and execute the construction TRA. This is that follow-on action.

Today’s \$3,752,000 budget increase request addresses the UA Lounge project costs and Airline Realignment funds needed to reach substantial completion of the lounge and airline realignment in general. \$3,252,000 is allocated to the UA lounge. This increases the total UA Lounge budget from the estimated \$18,000,000 to \$21,252,000. This increase is primarily driven by cost escalation associated with construction market conditions and finalizing construction design from a 2021 estimate. The remaining \$500,000 is included to address any future potential risks related to the Port-managed scope portion of the Airline Realignment project.

Scope of Work

- (1) Construct a new 7,181 square-foot, Concourse B UA Lounge under a TRA with UA.
- (2) Complete the balance of the Port-managed Airline Realignment project, including any subsequent work to address risks that could not be mitigated within the current construction budget.

Schedule

Activity

Construction start for United Lounge	2026 Quarter 3
In-use date	2027 Quarter 4

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The following table summarizes the current budget, requested budget increase, and revised total project budget for both the Airline Realignment scope and Concourse B UA Lounge project under the shared CIP.

Cost Breakdown	Current Budget	Budget Increase	Revised Total Budget
Airline Realignment Scope	\$136,500,000	\$500,000	\$137,000,000
Concourse B UA Lounge	\$18,000,000	\$3,252,000	\$21,252,000
TRA Value	\$13,600,000	\$1,900,000	\$15,500,000
Other project costs	\$4,400,000	\$1,352,000	\$5,752,000
Total	\$154,500,000	\$3,752,000	\$158,252,000

ALTERNATIVES AND IMPLICATIONS CONSIDERED

Alternative 1 – Approve only the UA Lounge budget increase of \$3,252,000 and TRA execution. Do not approve the Airline Realignment budget increase of \$500,000.

Cost Implications: \$3,252,000

Pros:

- (1) This is the lower cost alternative.
- (2) Funds would remain available for other Aviation capital priorities.
- (3) Allows UA lounge to co-locate their lounge with current gate assignments.

Cons:

- (1) The Airline Realignment project may need to return to Commission at a future date for additional funding if necessary.

This is not the recommended alternative.

Alternative 2 – Increase both project budgets and authorize the TRA execution to deliver the Concourse B UA Lounge and complete remaining Airline Realignment scope.

Cost Implications: \$3,752,000. This results in a total estimated project cost of \$158,252,000.

Pros:

- (1) Fulfills the Port’s like-for-like replacement obligation under SLOA IV.
- (2) Provides a permanent replacement lounge on Concourse B that aligns with UA’s relocated operations.
- (3) Supports completion of remaining Airline Realignment scope.
- (4) Supports improved gate utilization and continued optimization of international-capable Concourse A facilities.

Cons:

- (1) Funds will be unavailable for other uses.
- (2) This is the higher cost alternative.

This is the recommended alternative.

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Financial Analysis and Summary

Project cost for analysis	\$158,252,000
Business Unit (BU)	Gates
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	\$0.49 in 2028

Future Revenues and Expenses (Total cost of ownership)

The project team is working with Aviation Maintenance and Facilities and Infrastructure groups to finalize the existing asset data and coordinate the phased delivery of in-use assets. Operating and maintenance costs for new infrastructure and systems will be determined later.

ATTACHMENTS TO THIS REQUEST

- (1) Presentation slides

PREVIOUS COMMISSION ACTIONS OR BRIEFINGS

June 25, 2024 – The Commission authorized the balance of the Post-IAF Airline Realignment construction scope and noted that the UA lounge would return under a separate reimbursement agreement and future authorization request.

January 9, 2024 – The Commission authorized \$7,500,000 to advance the project schedule for the Post-IAF Airline Realignment project.

September 26, 2023 – The Commission authorized \$14,400,000 for enabling construction work, procurement of long lead items, an increase in project authorization, and execution of a project labor agreement for the Post-IAF Airline Realignment project.

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

February 14, 2023 – The Commission authorized \$7,000,000 to amend a project-specific design contract and execute a change order to the GCCM pre-construction services contract for the Post-IAF Airline Realignment project.

March 23, 2021 – The Commission authorized \$26,000,000 for project-specific service agreements, GCCM pre-construction services, Port crews, and an MOA with UA in support of the Post-IAF Airline Realignment project.