



**COMMISSION
AGENDA MEMORANDUM**

Item No. 6b

ACTION ITEM

Date of Meeting October 25, 2016

DATE: October 19, 2016

TO: Ted Fick, Chief Executive Officer

FROM: James Schone, Director, Aviation Business Development
Wayne Grotheer, Director, Aviation Project Management Group

SUBJECT: Concourse B Gate Reconfiguration – Gates B3-B9 (CIP #C800873)

Amount of this request: \$12,075,000

Total estimated project cost: \$12,150,000

ACTION REQUESTED

Request Commission authorization for the Chief Executive Officer to: (1) authorize \$7,380,000 of capital spending via a Tenant Reimbursement Agreement (TRA) between the Port and Delta Air Lines, Inc. (Delta) for the design and construction of two new passenger boarding gates and reconfiguration of four existing gates on Concourse B at Seattle-Tacoma International Airport; (2) execute a TRA with Delta for this purpose under the Airport's AV-2 Policy, (3) authorize an additional \$4,695,000 of capital spending for Port utility and support infrastructure work associated with this project and other Port costs, and (4) authorize a \$500,000 budget transfer from this project to the Concourse B 400 Hertz Upgrade project (C800019) and authorized that project to execute a construction contract change order for up to \$500,000. This request seeks a single Commission authorization to approve the TRA and authorize design and construction of the associated work, transfer budget and execute a change order, pursuant to Section 2.5.1 and Section 4.2.3.1 of the General Delegation of Authority. The total cost to the Port for this project is \$12,150,000.

EXECUTIVE SUMMARY

Delta has proposed a tenant project to add gate capacity at Concourse B by converting wide-body gates to also handle narrow-body aircraft. On Concourse B, Gates B3, B5, B7, and B9 are currently configured for wide-body aircraft operations. By their nature, wide-body aircraft take up more room than narrow-body aircraft. This project will provide additional capacity and flexibility to allow up to six narrow-body aircraft to park at these same four gates when wide-body operations are not required.

JUSTIFICATION

This project supports the Century Agenda objective of meeting the air transportation needs at Seattle-Tacoma International Airport by providing cost-effective expansion of domestic and

Meeting Date: October 25, 2016

international passenger capacity. The project does so by allowing Delta to construct the majority of the project using a TRA with Delta under the AV-2 policy.

Airport gate availability is at maximum capacity several times each day. As airlines continue to add flights, more flights will need to arrive and depart from remote hardstand parking areas. Since hardstands are located some distance from the terminals, passengers have to be bused to and from the terminal building. As this is less desirable for airlines and passengers, taking actions to minimize hardstand operations is a priority for the Airport. This also becomes critically important in the short term as a number of aircraft gates will need to be removed from service to support construction of the International Arrivals Facility and the North Satellite projects.

In addition to providing cost and schedule efficiencies, this project meets the following Airport business objectives:

- (1) To create additional aircraft parking capacity through the efficient use of existing terminal facilities.
- (2) To improve the passenger experience by reducing the need to bus passengers to and from remote parking areas.

In partnership with Delta Air Lines, the Port of Seattle's Economic Development Division's Small Business Team and the Port's Aviation Project Management Group will be collaborating with Delta throughout the project to encourage small business participation to the fullest extent possible.

Scope of Work

This proposed scope of work includes:

- (1) Adding one new passenger loading bridge (PLB) and fixed walkway section to create a new aircraft boarding Gate B7-A on Concourse B.
- (2) Relocating the PLB currently installed at Gate B5 to create the new Gate B5-B and adding a new PLB and fixed walkway in its place to create Gate B5-A.
- (3) Constructing two new gate entry doors for the newly created Gates B5-B and B7-A inside Concourse B with associated security and monitoring equipment, passenger check-in counters and other necessary electrical and communications infrastructure.
- (4) Replacing the existing, shorter PLBs at Gates B7 and B9 with new, longer ones that will be able to reach aircraft in a greater variety of parking configurations.
- (5) Adding new and augmenting existing infrastructure and gate support equipment (such as Pre-Conditioned Air, 400Hz ground electrical power, and IWS) to accommodate additional aircraft operations.
- (6) Reconfiguring aircraft parking positions to provide for additional aircraft operations.

Meeting Date: October 25, 2016

Work associated with this request that is being funded separately includes:

- (1) \$3.1 million for the installation of 5 new fuel pits to support the revised gate layout. This scope of work will be completed by the 2017 Fuel System Modification project that was authorized by Commission on September 13, 2016.

Funding included in this request that is not part of Delta’s TRA scope of work includes:

- (1) \$500,000 in funding to be transferred to the Concourse B 400Hz Upgrade Project that was approved by Commission on December 8, 2015. This project will provide the additional aircraft ground power infrastructure necessary to support the two new gates being added by Delta.
- (2) \$1.75 million in funding for modification of the Industrial Waste System (IWS). This work is necessary to bring the existing ramp IWS up to current fire code as well as to prevent potential spills of fuel and deicing agent from entering the storm drain system. This work is scheduled to occur in 2018.

Schedule

Activity

Commission authorization	2016 Quarter 4
Construction start	2017 Quarter 1
In-use date	2017 Quarter 3

Cost Breakdown

	This Request	Total Project
Design	\$837,000	\$837,000
Construction	11,313,000	11,313,000
Total	\$12,150,000	\$12,150,000

ALTERNATIVES AND IMPLICATIONS CONSIDERED

Alternative 1 – Do not construct the Concourse B Gate Reconfiguration Improvements.

Cost Implications: No cost to the Port. The estimated cost of the project and five new fuel pits, \$13,500,000, would be avoided. (The \$1,750,000 of IWS modification work would still need to be completed.)

Pros:

- (1) Maintains maximum number of wide-body gates during peak volume.
- (2) Eliminates one additional construction project during a time where significant construction will be occurring with IAF and NorthSTAR, reducing airfield congestion.
- (3) No capital funding costs are associated with this alternative.

Cons:

- (1) Does not provide additional narrow-body parking positions during narrow-body peak times.

Meeting Date: October 25, 2016

- (2) Increases the number of flights that will need to operate from a hardstand with passengers being bussed to and from the terminal.
- (3) Does not provide an important airline, Delta, a key operational resource they are requesting.

This is not the recommended alternative.

Alternative 2 – Port to construct the Concourse B Gate Reconfiguration Improvements project.

Cost Implications: \$14,840,000.

Pros:

- (1) Follows a more traditional Port process (procurement and design/construction) while providing increased gate capacity.
- (2) Would not require a TRA with Delta while providing increased gate capacity.
- (3) Would not require Delta to lease these gates. The gates would be common use and available to all airlines.

Cons:

- (1) Takes four months longer to design and construct than preferred Alternative 3. The gates will not be ready during a time of highest need.
- (2) Costs more to construct than preferred Alternative 3.

This is not the recommended alternative.

Alternative 3 – Delta to construct the Concourse B Gate Reconfiguration Improvements project, except for the fuel pits, which are required to be constructed by the Port, and IWS modification, which would also be constructed by the Port in 2018.

Cost Implications: \$12,150,000 (\$7,380,000 Delta reimbursement, \$1,750,000 for IWS modifications and \$3,020,000 Port project cost).

Pros:

- (1) Construction can be completed and the reconfigured gates put into service more quickly because of Delta's willingness to proceed at risk with project design and equipment procurement.
- (2) Provides increased flexibility and additional contact gate capacity when needed.
- (3) Reduces the need to rely on hardstand operations.

Cons:

- (1) Because Delta is proceeding at risk with the design, there is a possibility that Port standards may not be fully incorporated into the design until much later in the review and approval process, which could increase review time or require changes to the design.

Meeting Date: October 25, 2016

- (2) Potential concerns from the labor and contracting communities that a tenant, rather than the Port, is performing public work.
- (3) Previous TRAs have not included Small/Minority/Woman-Owned Business Enterprise requirements based on internal business and legal concerns.

This is the recommended alternative.

FINANCIAL IMPLICATIONS

Cost Estimate/Authorization Summary

	Capital	Expense	Total
COST ESTIMATE			
Original estimate	\$10,400,000	\$0	\$10,400,000
Current change	\$1,750,000	\$0	\$1,750,000
Revised estimate	\$12,150,000	\$0	\$12,150,000
AUTHORIZATION			
Previous authorizations	\$75,000	\$0	\$75,000
Current request for authorization	\$12,075,000	\$0	\$12,075,000
Total authorizations, including this request	\$12,150,000	\$0	\$12,150,000
Remaining amount to be authorized	\$0	\$0	\$0

Annual Budget Status and Source of Funds

This project is a proposed new project in the 2017 – 2021 capital budget and plan of finance, with an estimated cost of \$10,400,000. The cost increase is due to the recently discovered need to address IWS system deficiencies. The funding sources will include the Airport Development Fund and future revenue bonds to be issued in 2017.

Financial Analysis and Summary

Project cost for analysis	\$12,150,000
Business Unit (BU)	Terminal Building, but also includes Gate Utilities and Passenger Loading Bridges and Apron Area cost centers.
Effect on business performance (NOI after depreciation)	NOI after depreciation will increase.
IRR/NPV (if relevant)	N/A
CPE Impact	\$0.03 increase in 2018

Future Revenues and Expenses (Total cost of ownership)

Average annual Operations and Maintenance costs for a Port-owned PLB is \$23,000 (including Pre-Conditioned Air and 400Hz ground electrical power). Over the course of a 25-year expected asset life this equates to \$575,000 per loading bridge. Since this project adds two additional bridges at Concourse B this will be a new cost to the Port in the operating budget starting in June 2017. Due to the fluctuating number of gates that will be in operation over the next

Meeting Date: October 25, 2016

number of years as major projects progress, the overall impact on the Aviation Maintenance Department's budget of adding these two bridges is unknown at this time.

ATTACHMENTS TO THIS REQUEST

Computer slide presentation.

PREVIOUS COMMISSION ACTIONS OR BRIEFINGS

None