



**COMMISSION  
AGENDA MEMORANDUM**

**Item No.** 8e

**ACTION ITEM**

**Date of Meeting** June 22, 2021

**DATE:** June 14, 2021

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

**FROM:** Laurel Dunphy, Director, Airport Operations  
Wayne Grotheer, Director, Aviation Project Management

**SUBJECT: A12A Jet Bridge Tenant Reimbursement Agreement (TRA) (CIP #C801160)**

<b>Amount of this request:</b>	\$9,288,000
<b>Reimbursement amount:</b>	\$7,245,000
<b>Total estimated project cost:</b>	\$9,338,000

**ACTION REQUESTED**

Request Commission authorization for the Executive Director to (1) execute a Tenant Reimbursement Agreement in the amount of \$7,245,000 with Delta Air Lines Inc. for both design and construction of a new passenger boarding gate at Gate A12A at Seattle-Tacoma International Airport and (2) expend \$2,093,000 of non-tenant reimbursement Port costs associated with this project. The total project cost is \$9,338,000. (CIP #C801160)

**EXECUTIVE SUMMARY**

In 2019, Delta Air Lines, Inc., (Delta) pursued a feasibility study at Concourse A Gate A12 to improve the aircraft parking layout implemented by the International Arrivals Facility (IAF) project. Delta's concept-level design presented in the study concluded a gate configuration that could accommodate two narrow-body aircraft gates (A12A and A12B) or one wide-body aircraft gate with dual passenger loading bridge (PLB) capability was feasible. Although the project creates a completely new independent gate, it will require two gates to accommodate the wide-body configuration planned to support IAF flights. This additional facility flexibility will be especially valuable during the off-peak time periods on Concourse A as loads occur to pre-COVID-19 activity levels.

This project will be completed using a Tenant Reimbursement Agreement (TRA) with Delta following the Airport's AV-2 policy and includes a reimbursement for design study costs already expended by Delta.

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### **JUSTIFICATION**

This project proposes to implement the Gate A12A feasibility study's recommendation to:

- (1) Improve the aircraft parking layout at Gate A12 that was implemented by the IAF project by converting the A11B non-gated parking only position to a full contact gate serviced by a PLB.
- (2) Create the ability to serve an additional narrow-body aircraft with a contact gate or load a single wide-body aircraft with dual PLBs.
- (3) Increase the flexibility for contiguous domestic flight gate operation and minimize impacts to new wide-body International gates on Concourse A.

### ***Diversity in Contracting***

The goals and objectives of relevant policy directives have been communicated to Delta for guidance on Project Labor Agreements, apprentice hiring, and women- and minority-owned business enterprise (WMBE) utilization on tenant and tenant reimbursement construction projects.

Delta has been encouraged to set and to incorporate these goals and objectives into their bid documents and will work with port staff and the port's Diversity in Contracting Department in directly setting and achieving the project's WMBE aspirational goals.

### **DETAILS**

This project represents the last opportunity to add a new passenger boarding gate equipped with a PLB within the footprint of the existing airport terminal and aircraft parking ramp area. The project scope will design and construct exterior and interior improvements for two (2) fully functioning passenger boarding gates at Gate A12 (A12A and A12B) to provide the flexibility to operate two narrow-body aircraft simultaneously or one wide-body aircraft. The additional loading bridge will also provide the ability to load a single wide-body aircraft with dual PLBs.

Although Delta has hired a designer who has provided a preliminary concept for the gate layout, there is concern that the layout will impact the use of the adjacent Gate A11 for wide-body aircraft. Aircraft fit testing at other gates has revealed space constraints for aircraft service vehicle maneuvering due to space limitations found to be replicated in this project's design. A mock-up fit test of the proposed space limits for Gate A11 has shown the current concept is viable. During design further refinement will be needed to address this challenge completely.

This request is proceeding now in order to have design resources to further develop the design and keep the project on schedule for construction completion prior to other scheduled gate outages planned for 2022 and avoid those outages being concurrent with the construction of this project. Delaying this request would delay this project's construction into the fall of 2022. The project team is currently evaluating different solutions to the layout concerns but proceeding without a fully defined layout is a risk to the project.

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**Scope of Work**

Exterior scope:

- (1) Install new PLB rotunda foundations. Relocate utilities as required.
- (2) Furnish and install fixed walkway at A12B and extended corridor at A12A.
- (3) Relocation of existing A12 PLB to A12B and install new extended corridor.
- (4) Furnish and install new A12A PLB including Wi-Fi access points (antennas).
- (5) Relocate and reuse PCA (pre-conditioned air) and GPU (ground power unit) from A12 to A12B.
- (6) Provide and install new PCA and GPU w/ new PLB at A12A to support dual PLB configuration.
- (7) Install new potable water cabinet for A12A and relocate existing A12 potable water cabinet to A12B.
- (8) Install a new SafeDock aircraft guidance system unit for A12A.
- (9) Replace pavement markings at A12 aircraft parking area to accommodate new aircraft layout.
- (10) Create new building envelope penetration for A12B. Existing A12 penetration to be used for A12A.

Interior Scope:

- (1) Install new entrance into IAF sterile corridor.
- (2) Reposition gate boarding podiums and customer service podiums.
- (3) Modify signage.
- (4) Installation of information display systems. Project to provide mounting hardware, power, and data connectivity.
- (5) Relocate existing seating.
- (6) Modify voice paging zones.

**Schedule**

*Activity*

Commission design and construction authorization required for TRA execution	2021 Quarter 2
Design start	2021 Quarter 3
Construction start	2022 Quarter 1
In-use date	2022 Quarter 2

**Cost Breakdown**

	This Request	Total Project
Design	\$1,415,000	\$1,465,000
Construction	\$7,873,000	\$7,873,000
Total	\$9,288,000	\$9,338,000

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**ALTERNATIVES AND IMPLICATIONS CONSIDERED**

**Alternative 1** – Prepare and complete a Port capital project to add a new passenger boarding gate at Gate A12A to accommodate an additional narrow-body aircraft contact gate instead of having Delta perform this work under a TRA.

Cost Implications: \$10,600,000

Pros:

- (1) Does not require Delta to construct the project.

Cons:

- (1) Work will be primarily performed within Delta’s preferentially leased gate area where the Port would not be in the best position to control and mitigate the construction impacts to Delta’s operation. This could increase project costs and delay the schedule.
- (2) Project would cost more than Alternative 3 due to increased Port staff time needed to procure, manage, and oversee the execution of the construction contract. Construction cost escalation likely due to longer design and construction procurement schedule.
- (3) This project would need to be included in the Port’s capital program requiring different resources that would need to be found.

This is not the recommended alternative.

**Alternative 2** – Don’t add second loading bridge and use A11B as a non-gated parking only position during non-peak periods.

Cost Implications: \$0

Pros:

- (1) Lowest cost alternative.

Cons:

- (1) More operational conflicts with adjacent contact gate operations.
- (2) Does not create an additional narrow-body aircraft passenger boarding gate.
- (3) Does not allow dual loading bridge capability for wide-body aircraft on Concourse A.

This is not the recommended alternative.

**Alternative 3** – Add new passenger boarding gate at Gate A12A to accommodate an additional narrow-body aircraft contact gate. Delta to perform this work under a TRA.

Cost Implications: \$9,425,000

Pros:

- (1) Work will be primarily performed within Delta’s preferentially leased gate area putting Delta in the best position to control and mitigate the construction impacts to their own operation.
- (2) Less Port staff time required to procure, manage, and oversee the execution of the construction contract will result in a project cost lower than Alternative 1.

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Cons:

- (1) After construction, the gate will be subject to the Port’s 2023 annual gate allocation, so Delta’s proprietary benefit could be temporary.

***This is the recommended alternative.***

**FINANCIAL IMPLICATIONS**

Expense funds are required in 2022 for the relocation of existing artwork, repositioning of existing casework and relocating the existing A12 PLB to A12B.

<b><i>Cost Estimate/Authorization Summary</i></b>	Capital	Expense	Total
<b>COST ESTIMATE</b>			
Original estimate	\$8,740,000	\$685,000	\$9,425,000
Art (Transfer to Art CIP)	(\$87,000)		(\$87,000)
Revised estimate	\$8,653,000	\$685,000	\$9,338,000
<b>AUTHORIZATION</b>			
Previous authorizations	\$50,000	\$0	\$50,000
Current request for authorization	\$8,603,000	\$685,000	\$9,288,000
Total authorizations, including this request	\$8,653,000	\$685,000	\$9,338,000
Remaining amount to be authorized	\$0	\$0	\$0

***Annual Budget Status and Source of Funds***

This project, CIP C801160, was not included in the 2021-2025 capital budget and plan of finance. A budget transfer of \$8,740,000 was transferred from the Aeronautical Reserve CIP (C800753) resulting in zero net change to the Aviation capital budget. The funding source will be revenue bonds. The expense costs would be included in the annual 2022 operating budget.

***Financial Analysis and Summary***

Project cost for analysis	\$9,425,000
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	\$.06 in 2023

***Future Revenues and Expenses (Total cost of ownership)***

The cost of this project will be included in the airline rate base, but it does not add square footage to the overall allocation of airline gate area. Since gate revenue is assessed by square footage, this project will reduce the lease rate per gate by adding one more allocable gate to the total number of gates.

**ATTACHMENTS TO THIS REQUEST**

- (1) Presentation slides

**PREVIOUS COMMISSION ACTIONS OR BRIEFINGS**

None