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COMMISSION

AGENDA MEMORANDUM Item No. 8e

ACTION ITEM Date of Meeting November 8, 2022

DATE: October 31, 2022

TO: Stephen P. Metruck, Executive Director

FROM: Laurel Dunphy, Direction, Aviation Operations

Eileen Francisco, Director, Aviation Project Management Group

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

Amount of this request: \$2,432,000

Reimbursement amount: \$9,627,000

Total estimated project cost: \$11,770,000

ACTION REQUESTED

Request Commission authorization for the Executive Director to (1) increase the authorized total project budget by \$2,432,000, and (2) increase the Tenant Reimbursement Agreement (TRA) budget from \$7,245,000 to \$9,627,000, and non-tenant reimbursement budget from \$2,093,000 to \$2,143,000. This results in a total estimated project cost of \$11,770,000.

EXECUTIVE SUMMARY

The A12A Jet Bridge project is a Tenant Reimbursable Agreement (TRA) project funded by the Port and delivered by Delta Air Lines. The project adds an additional narrow body gate position at gate A12 and relocates hold-room casework at gates A12 – A14. Supply chain disruptions have increased costs and extended lead times for materials included in this project such as glazing and curtain wall systems. US Customs and Border Patrol also mandated the addition of a new glazed partition wall to separate arriving and departing passengers from international and domestic flights. This sterile corridor modification was not identified at the time of the original funding authorization request. The contractor must also work around other projects occurring in the same area at the same time which adds costs for multiple phases and mobilizations.

JUSTIFICATION

If delivered, this project will:

- 1) Add a narrow body gate position at Gate A12.
- 2) 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 Passenger Loading Bridge (PLB).

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- 3) Create the ability to serve an additional narrow-body aircraft with a contact gate or load a single wide-body aircraft with dual PLBs.
- 4) 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 TRA also commits Delta to use commercially reasonable efforts through its contractors and subcontractors to satisfy the Diversity in Contracting goals measured as a percentage of the total cost of the Eligible Improvements. The Delta TRA team along with the Port of Seattle's Diversity in Contracting Department have established a 14% WMBE goal for the project.

DETAILS

This project represents one of the last opportunities 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 was designed and if approved, will 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 widebody aircraft. The additional loading bridge will also provide the ability to load a single widebody aircraft with dual PLBs (dual door boarding).

Delta has completed the design portion of project through their design-builder and costs for all elements have been estimated, resulting in an overall project cost increase of \$2,432,000. Drivers for cost increases include the following:

- General requirements to extended overhead for staff to manage the longer duration of the project. (\$870,000).

- Remobilization costs (3 mobilizations vs. 1 in original plan) (\$275,000).
- Labor premium for glazing (exterior and sterile corridor) pushing later in the year (\$96,000).
- Exterior curtainwall (\$635,000).
- Extended PLB stair landing for engine cowling clearance to facilitate dual door boarding (\$60,000).
- Scope assumptions and clarifications included in the Guaranteed Maximum Price proposal to Delta from their Design-Build (\$496,000).

Scope of Work

Provide a new configuration for gates A12A and A12B with exterior and interior modifications.

Exterior Modifications:

- (1) Dual PLBs (A12A) with fixed walkways
- (2) Furnish and install new fixed walkway at A12B and extended corridor at A12A
- (3) Relocate of existing A12 PLB to A12B and install new extended corridor

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(4) Ancillary work to achieve functioning PLBs (i.e., PCA, GPU, potable water, SafeDock, pavement markings)

Interior Modifications:

- (1) Install IAF sterile corridor gate portal
- (2) Construct additional wall system per CBP requirement (added scope)
- (3) Reposition boarding and customer service podiums
- (4) Ancillary work to achieve functioning holdrooms (i.e., signage, information display stations, etc.)

Schedule

Delays in the project schedule have occurred as a result of the inability to secure stable pricing for various limited components, long-lead times, and new CBP requirements. These schedule delays have resulted in a shift to the A12A project construction window, causing an overlap with the 2023 Airfield Improvement Program (AIP) project work if schedules were not revised. Scheduling and phasing of the 2023 AIP is very complex and the sequencing in place is critical to the success of that project. To mitigate these impacts, a new phased approach to complete the A12A work has been developed that eliminates the impact but results in a longer overall project schedule, with multiple phases.

Phase 1 – Exterior work (November 2022 – January 2023)

- Civil work (footings and foundation, PLB fixed walkways, PLBs, paving, etc.).

Phase 2 – Interior work (June 2023 – August 2023)

- Building and interior work A12B podium and casework. This work would complete the exterior building penetration, A12B podium and casework.

Phase 3 – Interior work (inside IAF sterile corridor) (September 2023 – October 2023)

- Demising wall construction
- Mechanical, electrical, plumbing and EP, HVAC modification for the separated space
- Access control and security camera integration

Activity

Commission design authorization 2022 Quarter 2

Design start 2022 Quarter 3

Commission construction authorization 2022 Quarter 4

Construction start 2022 Quarter 4

In-use date 2023 Quarter 4

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Cost Breakdown This Request Total Project

Design \$0 \$1,465,000

Construction \$2,432,000 \$10,305,000

Total \$2,432,000 \$11,770,000

ALTERNATIVES AND IMPLICATIONS CONSIDERED

Alternative 1 – Do not phase the project. Delay the start of construction until after the 2023 AIP

work is complete.

Cost Implications: \$250,000 – \$350,000 (estimated additional escalation and GC costs, total project cost \$12,120,000)

Pros:

(1) Allows the work to be completed in a single phase, eliminating multiple contractor mobilizations.

(2) Reduces the overall schedule for the individual project.

Cons:

(1) Delays the delivery of an additional contact gate on A Concourse until Q1 of 2024

(2) Extends the period of time when gate A12 is out of service. Does not allow concurrent work with the 2023 AIP project.

(3) Increases the risk of project cost increase due to continued escalation and the risk of uncertain market conditions. Does not allow pricing to be locked in now.

This is not the recommended alternative.

Alternative 2 – Cancel the project and in lieu of adding a second bridge use A11B as a non-gated parking only position during non-peak periods.

Cost Implications: \$2,000,000 - \$2,500,000 in expense costs (inclusive of Passenger Loading Bridge procurement)

Pros:

(1) Additional capital funds are not expended.

Cons:

(1) Does not create an additional narrow-body aircraft passenger boarding gate.

(2) Design costs and long lead items already in procurement will be expensed.

(3) Does not allow dual loading bridge capability for wide-body aircraft on Concourse A.

(4) Incurs an expense cost that would provide no direct benefit.

This is not the recommended alternative.

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Alternative 3 – Provide the additional funding to proceed with the project as originally proposed to add a new passenger boarding gate at Gate A12A to accommodate an additional narrow-body aircraft contact gate. Delta would continue to perform this work under a revised authorized TRA.

Cost Implications: \$2,432,000 (new additional cost), \$11,770,000 (new total cost).

Pros:

(1) Delivers on the project goals of providing an additional contact gate on Concourse A.

(2) 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.

(3) The phased approach aligns with the 2023 Airfield AIP program, eliminating a schedule overlap and reduces the risk of negatively impacting that project's schedule.

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.

(2) Increases capital costs expended.

This is the recommended alternative.

FINANCIAL IMPLICATIONS

Cost Estimate/Authorization Summary Capital Expense Total

COST ESTIMATE

Original estimate \$8,653,000 \$685,000 \$9,338,000

Current change \$2,432,000 \$0 \$2,432,000

Revised estimate 11,085,000 \$685,000 \$11,770,000

AUTHORIZATION

Previous authorizations 8,653,000 \$685,000 \$9,338,000

Current request for authorization \$2,432,000 \$0 \$2,432,000

Total authorizations, including this request \$11,085,000 \$685,000 \$11,770,000

Remaining amount to be authorized \$0 \$0 \$0

Annual Budget Status and Source of Funds

The project is included in the 2022-2026 capital budget and plan of finance with a budget of \$8,653,000. The capital budget increase of \$2,432,000 was transferred from the Aeronautical Allowance CIP C800753 resulting in no net change to the Airport capital budget. This project was

presented to the airlines on October 13, 2022 and Majority in Interest ballot is due on November 14, 2022.

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Financial Analysis and Summary

Project cost for analysis \$11,770,000

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 \$0.03 in 2024

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

PREVIOUS COMMISSION ACTIONS OR BRIEFINGS

June 22, 2021 – The Commission authorized 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)

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