

COMMISSION
AGENDA MEMORANDUM

Item No. 7a

BRIEFING ITEM

Date of Meeting June 13, 2017

DATE: June 6, 2017

TO: Dave Soike, Interim Chief Executive Officer

FROM: Lance Lyttle, Managing Director, Aviation Division
James Schone, Director, Aviation Commercial Management
Scott Van Horn, Senior Business Manager, Airport Dining and Retail

SUBJECT: Briefing on Results from Airport Dining and Retail Lease Group 3, Insights from the Lease Group 3 Solicitation Process and Proposed Opportunities for Lease Group 4

EXECUTIVE SUMMARY

The redevelopment of the Airport Dining and Retail (ADR) Program offers an excellent opportunity to advance the Port's Century Agenda goals by enhancing the Airport's profile as the preferred gateway to the Pacific Northwest, by promoting job growth, by creating new opportunities for small, local and disadvantaged businesses, and by meeting the expectations of the travelling public for quality food service, retail products, and personal services. Significant progress has been made towards the goals set by the Commission for this redevelopment including expanded outreach, the creation of an Employment Continuity Pool and increased participation by small, local and disadvantaged businesses.

Competition for the most recent set of leasing opportunities in the redevelopment of the ADR Program, Lease Group 3 (LG 3), was much higher than for Lease Group 2 (LG 2). Small, local, and disadvantaged businesses were well represented through various forms of participation in the LG 3 proposals. Key insights from the LG 3 proposal solicitation process are:

- the Port received better information about the quality of jobs quality being offered by firms who submitted proposals;
- proposing firms sourced more of their products and services from local and small companies;
- stakeholders provided valuable input to guiding outreach and capacity development efforts for small, local and disadvantaged businesses;
- outreach initiatives continue to be important to the success of the program; and
- creating a mechanism to clarify scoring for joint ventures involving small business partners was an important step towards improving opportunities for small business participation.

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However, there are a number of key policy issues on which staff is seeking Commission guidance before requesting Commission approval to solicit proposals for Lease Group (LG 4) opportunities.

This proposed set of leasing opportunities, referred to as LG 4, is the next step in the implementation of the Airport Dining and Retail Master Plan. It contains a total of 21 units, of which 9 are in large packages (four or more units) that will be competed via Request for Proposals (RFP) and 12 units in small packages or offered as individual units that will be competed via the Competitive Evaluation Process (CEP). The need to request Commission consideration now is based on several reasons: units where leases have expired and are in holdover or will be expiring close to the date when firms selected for these opportunities will be ready to start construction as well as the need to have tenants for new locations in new facilities.

The proposed 12 new opportunities encompassing 21 units in LG 4 are listed below:

- 1) Food & Beverage LG4 CEP F-1: a Fast Casual Restaurant with an Open Concept in the North Satellite (NS-3);
- 2) Food & Beverage LG4 CEP F-2: a Gourmet Coffee unit in the North Satellite (NS-1);
- 3) Food & Beverage LG4 CEP F-3: a Wine Bar with Food and Beer in the Central Terminal (CT-18);
- 4) Food & Beverage LG4 CEP F-4: a Casual Dining Restaurant with an Open Concept in Concourse C (CC-11);
- 5) Food & Beverage LG4 CEP F-5: two units including a Gourmet Market and Bar in the North Esplanade (NE-3) and a Gourmet Market with Deli in Concourse B (CB-3A);
- 6) Food & Beverage LG4 CEP F-6: two units including Quick Service Delis in the North Esplanade (NE-4) and Concourse C (CC-10);
- 7) Food & Beverage LG4 RFP F-7: four units including a Bar with Food in Concourse A (CA-13) and in the North Satellite (NS-2), Gourmet Coffee in Baggage Claim (BC-2), and a Quick Service Restaurant with a Chicken or BBQ Concept in Concourse D (CD-1);
- 8) Retail LG4 CEP R-1: a Specialty Retail unit with a Local-Themed Concept in the Central Terminal (CT-8);
- 9) Retail LG4 CEP R-2: a Retail unit with an Open Concept on Concourse B (CB-3B);
- 10) Retail LG4 CEP R-3: a Retail unit with a Lifestyle or Adventurewear Apparel Concept in the Central Terminal (CT-9);
- 11) Retail LG4 CEP R-4: a Retail unit with a Lifestyle or Adventurewear Apparel Concept in the Central Terminal (CT-16);
- 12) Retail LG4 RFP R-5: five units including a Retail unit with an Open Concept on B Concourse (CB-1) and on C Concourse (CC-4); a Jewelry/Accessories Concept on C Concourse (CC-9); a Newsstand with Coffee in the new Concourse D Hardstand Terminal (HS-2); and a Jewelry/Accessories Concept in the Central Terminal (CT-25).

Note: See exhibits in the corresponding PowerPoint presentation for location of all units.

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BACKGROUND

Commission Guidance and Goals for the ADR Program Redevelopment

The Commission provided specific guidance and goals for the redevelopment of the ADR Program in motions that they approved on February 14, 2012 and November 25, 2014:

Guidance for the ADR Program Redevelopment

- Encourage broad business participation;
- Use flexible competitive leasing processes to accommodate all types of business;
- Create new opportunities for small, disadvantaged and local businesses;
- Maximize employment continuity for qualified employees;
- Continue ‘street pricing’ of products and services;
- Improve efficiency and affordability in the unit build out process;
- Establish job quality expectations in competitive processes;
- Strengthen the Pacific Northwest sense of place.

Goals for the ADR program to be achieved by 2025:

- Grow sales per enplanement by at least 40 percent;
- Reach and remain within the top 10 North American airports as ranked by sales per enplanement;
- Grow gross revenues to the Port by 50 percent;
- Grow employment by 40 percent;
- Grow the share of sales generated by small, disadvantaged, and/or local businesses to 40 percent;
- Create an aspirational objective of increasing ACDBE gross sales to 25 percent of total sales.

ADR Program Performance Metrics

The Commission motion on November 25, 2014 requested regular reports to the Commission regarding the performance of the ADR Program relative to the goals that they set for the program. The table on the next page shows the progress towards these goals as of the end of 2016 compared to the baseline metrics established at the end of 2014.

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Airport Dining and Retail (ADR) Program Performance Metrics

	2014 Baseline	2016 Results	2025 Goal	% of Goal Achieved
Sales per Enplanement (\$)	11.78	12.07	16.49	6%
Sales per Enplanement (\$) Rank in U.S. Airports per Airport Revenue News	22	Not Available	Top 10	-
ADR Revenue to Port (\$m)	33.1	41.1	49.7	48%
Employment (full-time/part-time positions)	1640 (1362/278)	1997 (1,596/401)	2296	54%
Total Gross Sales from Small, Local and Disadvantaged Businesses (\$m)	109.2	140.6		
% of Total ADR Program Gross Sales*	45.4%	47.5%	40%	119%
ACDBE Gross Sales (\$m)	54.4	64.0		
% of Total ADR Program Gross Sales*	22.6%	21.6%	25%	0%

Airport Dining and Retail Program Performance Metrics

*Definition of Airport Concessions Disadvantaged Enterprise (ACDBE) is that described in 49 Code of Federal Regulations, Part 23. Definition of small business is based on standards used by U.S. Small Business Administration (SBA).

Definition of a local business as developed by Port staff is: the brand/concept originated in Washington State and either:

- 1) is recognized by Washington State residents or
- 2) has been operational on a “street” location within Washington State for at least 24 months prior to coming into the airport.

Outreach Efforts

Following the intensive outreach efforts of 2015, ADR staff continued to engage interested businesses wherever possible in 2016 (see prior Commission memos). As a result, there were 694 firms registered on the ADR leasing website as of May 10, 2017. This is an increase of 204 firms (a 41 percent increase) compared to May 13, 2016.

On January 13, 2017, the Port (through the collaborative efforts of Public Affairs, Workforce Development, Small Business and ADR staff) hosted an outreach event: “The Sea-Tac Airport Concessions Opportunity Summit”. The purpose of this event was to increase awareness of the opportunities available in the ADR Program for small, local and disadvantaged businesses; to create an understanding regarding the benefits and challenges of participating in the ADR Program; and to build awareness of the resources available to assist them. The response from the 168 participants was overwhelmingly positive.

On May 8, 2017, a 5-week program focused on training small, local, disadvantaged businesses on opportunities and challenges with participation in the ADR Program as well as how to become certified as an Airport Concession Disadvantaged Business Enterprise got underway with 44 attendees.

Employment Continuity Pool (ECP)

The Commission motion on November 25, 2014 directed ADR staff to create and hire a third-party contractor to manage an Employment Continuity Pool (ECP) focused on the needs of

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employees and employers throughout the redevelopment of the ADR program. Commission recognized that the redevelopment would cause disruptions for employees and acknowledged the value of workforce stability during the redevelopment. The ECP is a database of all non-management, non-supervisory, and non-confidential employees who will lose or have lost their jobs due to their employer leaving the ADR Program but wish to continue working in the ADR Program with another employer. The objective of the ECP is to make employment transitions more secure and smooth for both employers and employees.

In July 2016, the Port contracted with Airport Jobs, following a competitive procurement process, to manage the ECP. The role of Airport Jobs is to work collaboratively with the ADR staff and existing tenants who are leaving the program and who will need to inform employees of the ECP resource. Incoming employers will have this resource available to them for hiring staff for their units. Airport Jobs will create an employee database, assist in evaluating needs and matching qualified employees, facilitate interviews and track outcomes.

ADR and Airport Jobs staff conducted the first intake meetings with tenants affected by LG 2 outcomes. Successful meetings occurred in November and December 2016 with the management teams of Ken's Baggage, Great American Bagel Bakery, Butter London and HMS Host. Initial intake paperwork was provided to employers to give to employees who wished to participate in the ECP program. Airport Jobs collected these documents and hosted meetings with employees interested in the ECP.

Lease Group 3 Update

Following Commission authorization of LG 3 on June 14, 2016, proposals for 9 opportunities were received on September 22, 2016. The bid submittal date for another opportunity was delayed until November 18, 2016 due to the need to include additional units on the South Satellite in the Large Food Package #4 that was approved by Commission on August 23, 2016. Two opportunities, of the 12 originally approved by Commission in LG 3, are suspended pending the rebid of the Central Terminal elevator and HVAC project. The bidding process for these two opportunities will be re-started once the contract for the Central Terminal elevators and HVAC project is awarded. Following is information about the results of the solicitation and evaluation process for these opportunities.

Competition for these 10 opportunities in LG 3 was more rigorous than for LG 2:

- 26 firms submitted 50 proposals for 10 opportunities;
- Multiple bids were received for nine of the 10 opportunities;
- By comparison, in LG 2, 17 firms submitted 18 proposals for 10 opportunities. Seven of the LG 2 opportunities only had one bid.

Small, local and Airport Concessions Disadvantaged Business Enterprises (ACDBE) firms were well represented among businesses who submitted proposals:

- 17 of 26 firms (65%) that submitted proposals were either ACDBE, small or locally-owned businesses;

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- Six ACDBEs submitted proposals;
- Five small businesses that are not ACDBEs submitted proposals;
- Six locally-owned businesses that are neither small nor ACDBEs submitted proposals.
- In addition, four national firms that submitted proposals included plans to joint venture with ACDBEs or sublease to an ACDBE joint venture.

Small, or local, or disadvantaged businesses were represented in all 10 of the proposals selected as Preferred Respondents (note: one firm was selected for two opportunities):

- Two of the selected proposals (20%) were submitted by ACDBEs;
- Five of the selected proposals (50%) were from firms that have proposed joint ventures or partnerships with firms that are either certified as ACDBEs or are seeking ACDBE certification. Combined, ACDBEs are represented in 70% of the proposals selected for these opportunities;
- Two of the selected proposals (20%) were from small businesses that are not ACDBEs;
- One of the selected proposals (10%) was from a locally-owned firm that is neither a small business nor an ACDBE.

LG 3 opens new doors for business and offers new choices to travelers:

- Five firms selected as Preferred Respondents are new to Sea-Tac;
- One current tenant partnered with a new firm and together were selected as Preferred Respondents;
- Three current tenants competed for new spaces and were selected as Preferred Respondents.

INSIGHTS ABOUT THE LG 3 PROCESS:

- We made significant progress in applying the lessons learned from LG 2 to LG 3:
 - We received better **information about the quality of jobs** being offered by each of the firms that submitted a proposal for LG 3. This was the result of a detailed questionnaire, Exhibit 13, which was developed as a result of the lessons learned in the LG 2 leasing process. All firms submitting proposals for LG 3 had to complete this questionnaire. However, we believe there is more that can be done in this area and we will strengthen the criteria in LG 4.
 - We incorporated **product sourcing** emphasis into the environmental criterion. The result was proposers sourcing more from local and small companies as well as providing more details about these efforts in their proposals.
 - Commission formed an Ad Hoc Committee as part of their Projects and Procurement initiative to provide input to the ADR Team regarding **outreach and capacity development efforts for small, local and disadvantaged businesses**. This committee has met numerous times since its inception in June 2016 and has provided valuable input that has guided the ongoing outreach efforts.
 - We further strengthened outreach efforts. This has been done on both an industry-wide basis to improve awareness of the opportunities (as of 5/10/2017, there were 694 firms registered on the ADR leasing website), and it has been done on an

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individual company basis to help them learn from their involvement in the process. In July 2016, ADR staff offered a briefing opportunity to all firms that submitted proposals for LG 2 but were not selected. Out of seven offers made, six firms requested a briefing. Of those six firms, two submitted proposals for opportunities in LG 3 and were selected as Preferred Respondents.

- We revised the scoring of joint ventures involving small businesses. Specifically, prime operators were able to receive a portion of the automatic 10 points given to small businesses if they included a joint venture with a small business in their proposal. However, we believe further refinements to the scoring criteria can be made in LG 4.
- The involvement of independent observers in the evaluation process worked well and should be continued.

Along with the significant progress made to improve the solicitation and leasing process, there is an opportunity now before starting the next lease group to ensure the best possible alignment with Commission guidance for the ADR Program. Following are six key issues on which Port staff seeks guidance from the Commission.

RECOMMENDATIONS FOR LEASE GROUP 4

I. Proposition 1 Back Wages and Benefits Compliance:

Issue: There is an opportunity to refine the scoring of firms that were not fully compliant with Prop 1 back wages and benefits.

Recommendation: Firms who are not fully compliant with Prop 1 back wages and benefits should be disqualified from participation.

II. Scoring the Quality Jobs Criterion:

Issue: The scoring mechanism used for the Quality Jobs Criterion in LG 3 could be improved by weighting wages and medical/retirement benefits higher relative to other benefits offered by employers.

Recommendation: Place greater emphasis on proposed wages and medical/retirement benefits and utilize a quantitative-formula-based methodology for evaluating wages and medical/retirement benefits.

III. Scoring the Small Business Participation Criterion:

Issue: The scoring mechanism for small business participation can be strengthened to better recognize and weight the many ways for small businesses to gain entry to the ADR Program.

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Recommendation: Revise the scoring system that was used in LG 3 as follows:

- Small businesses that propose directly will still automatically receive 10 points.
- Prime operators that propose a joint venture with a small business and that agreement meets the FAA guidelines for joint ventures and includes a minimum of 20% share of capital investment will automatically receive 5 points.
- Small businesses that operate franchises of national brands will receive 5 points.

IV. Preference for Local Concepts/Ownership:

Issue: The scoring criteria can be strengthened to more fully accomplish the Commission’s goal of creating a Northwest Sense of Place.

Recommendation: Allocate 10 points of the Concept Development criterion (25 points total) to the evaluation of the concept as it pertains to creating a Northwest Sense of Place within the Airport.

V. Non-competitive selection of ADR tenants:

Issue: The competitive process may produce results that fall short in achieving key policy objectives for this program, such as creating a Northwest Sense of Place, due to the combined criteria used in the scoring process.

Recommendation: While non-competitive (direct) leasing a select number of units could ensure specific policy objectives are met; this approach also introduces other complexities. Staff recommends retaining competition for all ADR opportunities.

VI. Labor Peace Agreements:

Issue: There is need to protect the Port’s proprietary interest in the Airport and its ADR Program from disruptions due to labor disputes which, at a minimum, could negatively impact travelers, dining and retail tenants and airline operations.

Recommendation: Implement a labor peace requirement as follows:

- All non-exempt respondents must submit a labor peace agreement with their proposal that includes signatures from a senior officer of the respondent’s organization and a labor union that seeks to unionize the workers of the respondent or already has a collective bargaining agreement with the respondent.
- The Port would have no role in reviewing or establishing the terms of these agreements.
- Small businesses (as determined by U.S. Small Business Administration criteria), which have 35 or fewer badged airport employees, would be exempted.
- Small businesses that operate franchises of national brands would not be exempted.

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Lease Group 4

This set of leasing opportunities, referred to as LG 4, is the next step in the implementation of the ADR Master Plan. It contains a total of 11 opportunities encompassing 21 units of which 9 are in large packages (four or more units) which will be competed via Request for Proposal (RFP) and 12 are in small packages or offered as individual units which will be competed via the Competitive Evaluation Process (CEP).

The need to request Commission consideration now of LG 4 is based on several reasons. Seven locations involve Host or Hudson-operated units that were to be given back to the Port earlier than their original lease termination dates (December 31, 2016 and April 30, 2017 respectively) as part of the negotiations for their new leases. These give-backs have been delayed due to a variety of issues associated with the ADR Program redevelopment. Three units are locations in the North Satellite and need to be ready when that facility opens. The remaining locations are included due to units where leases are in hold-over or will be expiring close to the date when those firms selected for these opportunities would be ready to start construction on their units.

It is important to note that there are several changes that have been made to the proposed units in LG 4 from what was posted on the ADR leasing website earlier this year. Those proposed changes are:

- Remove HS-1 from LG 4 due to timing issues;
- Remove NS-2 from a CEP opportunity in LG 3 and add it to an RFP opportunity in LG 4 due to timing issues;
- Remove CC-11 as a unit in an RFP opportunity in LG 4 and create a single-unit CEP opportunity in LG 4.

The balance between the numbers of units to be competed via RFP versus CEP has been carefully considered in light of the Commission goal to generate 40% of ADR gross sales by small, local and disadvantaged businesses and concerns expressed by labor groups about losing too many represented jobs through the redevelopment effort.

As of the end of 2016, 64 percent of ADR gross sales were generated by prime operators (those operating four or more units). An analysis of ADR sales by prime versus non-prime operators in 2021 (once the build-out of the ADR program is completed) shows that the percentage of ADR gross sales coming from prime operators will vary between 57 percent and 71 percent depending on how many prime operators bid on packages of three or fewer units. The Port will have the opportunity to adjust future lease groups (LG 5 and LG 6) based on the results of LG 3 and LG 4 in order to accomplish the Commission's goal of 40 percent of ADR gross sales coming from small, local and disadvantaged businesses. It is important to note that several of the units involved in LG 4 are currently operated by small, local or disadvantaged firms including: Sub Pop, Coffee Bean and Tea Leaf, Diva Coffee House and Planewear.

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LEASE GROUP 4 OPPORTUNITY DESCRIPTIONS

Food & Beverage LG4 CEP F-1

- NS-3: a fast casual restaurant with an open concept (no restrictions). This approximate 1,400 square foot space in the North Satellite is a new location to supplement the limited food service program in this gate area. This unit is in Phase One of the North Satellite construction and scheduled to open in 1st Quarter 2019.

Lease terms and projected schedule are contained in **Exhibit A**.

Food & Beverage LG4 CEP F-2

- NS-1: a gourmet coffee unit of approximately 1,300 square foot in Phase One of the North Satellite construction. This is a new space in the North Satellite and scheduled to open in 1st Quarter 2019.

Lease terms and projected schedule are contained in **Exhibit B**.

Food & Beverage LG4 CEP F-3

- CT-18: a wine bar with food and beer. This is an approximately 1,600 square foot space located in the Central Terminal. This unit is operated as Vino Volo under a lease that expired on April 30, 2016 and is currently on a month-to-month holdover. This unit has a targeted opening date in 1st Quarter 2019.

Lease terms and projected schedule are contained in **Exhibit C**.

Food & Beverage LG4 CEP F-4

- CC-11: a casual dining restaurant with an open concept (no restrictions). This is an approximately 2,800 square foot space located on the C Concourse. This unit is operated as Wolfgang Puck by Seattle Restaurant Associates under a lease that expired on December 31, 2016 and is currently on a month-to-month holdover. This unit has a targeted opening date in 1st Quarter 2019.

Lease terms and projected schedule are contained in **Exhibit D**.

Food & Beverage LG4 CEP F-5

This two-unit package includes a total of approximately 3,000 square feet of space as follows:

- NE-3: a gourmet market with a bar. This is an approximately 1,500 square foot space located on the North Esplanade. This unit is operated as Vintage Washington by Seattle Restaurant Associates (SRA) under a lease that expired on December 31, 2016 and is currently on a month-to-month holdover. This unit has a targeted opening date in 4th Quarter 2018.
- CB-3A: a gourmet market with deli. This is an approximately 1,500 square foot space located on Concourse B. This unit is operated as Sbarro by Host under a lease that

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expired on December 31, 2016 and is currently on a month-to-month holdover. This unit has a target opening date of 4th Quarter 2018.

Lease terms and projected schedule are contained in **Exhibit E**.

Food & Beverage LG4 CEP F-6

This two-unit package includes a total of approximately 1450 square feet of space as follows:

- NE-4: a quick service deli. This is an approximately 600 square foot space located on the North Esplanade. This unit is currently operated as Hudson News under a lease that expired on April 30, 2017 and is currently on a month-to-month holdover. This unit is scheduled to open in 1st Quarter 2019.
- CC-10: a quick service deli. This is an approximately 850 square foot space located on Concourse C. This unit is operated as Wolfgang Puck by Seattle Restaurant Associates under a lease that expired on December 31, 2016 and is currently on a month-to-month holdover. This unit has a targeted opening date in 1st Quarter 2019.

Lease terms and projected schedule are contained in **Exhibit F**.

Food & Beverage LG4 RFP F-7

This four-unit large package includes a total of approximately 5,800 square feet of space as follows:

- CA-13: a bar with food. This is an approximately 1,500 square foot space located at Concourse A. This unit is currently operated as Coffee Bean & Tea Leaf by Concourse Concessions under a lease expiring on December 31, 2018. This unit has a target opening date of 3rd Quarter 2019.
- BC-2: a gourmet coffee unit. This is an approximately 500 square foot space located in the Baggage Claim area. This unit is operated as Diva Coffee House under a lease that expired on December 31, 2016 and is currently on a month-to-month holdover. This unit has a target opening date in 3rd Quarter 2019.
- NS-2: a bar with food. This is an approximately 2,600 square foot in Phase One of the North Satellite construction. This is a new space in the North Satellite and scheduled to open in 1st Quarter 2019.
- CD-1: a quick service restaurant with a chicken or BBQ concept. This is an approximately 1,200 square foot space located at Concourse D. This unit is operated as Sports Page Pub by Host under a lease that expired on December 31, 2016 and is currently on a month-to-month holdover. This unit has a target opening date in 2nd Quarter 2019.

Lease terms and projected schedule are contained in **Exhibit G**.

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Retail LG4 CEP R-1

- CT-8: a retail store with a local theme. This is an approximately 1,500 square foot space located in the Central Terminal. This unit is operated as Sup Pop under a lease that expired on September 15, 2015 and is currently on a month-to-month holdover. This unit has a target opening date in 4th Quarter 2018.

Lease terms and projected schedule are contained in **Exhibit H**.

Retail LG4 CEP R-2

- CB-3B: a retail store with an open concept (no restrictions). This is an approximately 1,100 square foot space located on Concourse B. This unit is operated as Sbarro by Host under a lease that expired on December 31, 2016 and is currently on a month-to-month holdover. This unit has a target opening date in 1st Quarter 2019.

Lease terms and projected schedule are contained in **Exhibit I**.

Retail LG4 CEP R-3

- CT-9: a retail store with life style/adventurewear apparel. This is an approximately 2,100 square foot space located in the Central Terminal. This unit is operated as ExOfficio under a lease that expired on May 31, 2015 and is currently on a month-to-month holdover. This unit has a targeted opening date in 4th Quarter 2018.

Lease terms and projected schedule are contained in **Exhibit J**.

Retail LG4 CEP R-4

- CT-16: a retail store with life style/adventurewear apparel. This is an approximately 2,400 square foot space located in the Central Terminal. This unit is operated as Seattle Taproom by SRA under a lease that expired on December 31, 2016 and is currently on a month-to-month holdover. This unit has a targeted opening date in 2nd Quarter 2019.

Lease terms and projected schedule are contained in **Exhibit K**.

Retail LG4 RFP R-5

This five-unit large package includes a total of approximately 3,200 square feet of space as follows:

- CB-1: a retail store with open concept (no restrictions). This is an approximately 950 square foot space located on Concourse B. This unit is operated as Planewear under a lease expiring on October 31, 2017. This unit has a target opening date in 4th Quarter 2018.
- CC-4: a retail store with open concept (no restrictions). This is an approximately 850 square foot space located on Concourse C. This unit is operated as Wolfgang Puck by SRA under a lease that expired on December 31, 2016 and is currently on a month-to-month holdover. This unit has a targeted opening date in 4th Quarter 2018.

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- CC-9: a retail store with jewelry/accessories concept. This is an approximately 450 square foot space located on Concourse C. This unit is operated as Wolfgang Puck by SRA under a lease that expired on December 31, 2016 and is currently on a month-to-month holdover. This unit has a target opening date in 4th Quarter 2018.
- HS-2: a newsstand with coffee concept. This is approximately 550 square foot space located in the new Concourse D Hardstand Terminal. This unit is scheduled to open in the 3rd Quarter 2018.
- CT-25: a retail store with jewelry/accessories concept. This is an approximately 400 square foot space located in the Central Terminal. This unit is operated as Hudson News under a lease expiring on April 30, 2017. This unit has a targeted opening date in the 4th Quarter 2018.

Lease terms and projected schedule are contained in **Exhibit L**.

Authorization Approach

The packages with 4 or more units in this lease group will be competed via the Request For Proposals (RFP) process. Packages of 3 or fewer units and individual units will be competed using the Port's Competitive Evaluation Process (CEP). The primary differences between the RFP and the CEP are:

- More experience is required to meet the minimum qualifications;
- Proposers must submit a larger proposal guarantee along with their proposal;
- Documentation must be provided for the proposing organization (Articles of Incorporation, Joint Venture Agreement, etc.); and
- Additional and more detailed information is required in the proposal.

The criteria to be used for evaluating proposals and the points allocated to each criterion are proposed as the same as approved by Commission for LG 2 and LG 3.

The proposed steps for packages and individual units to be competed in LG4 are as follows:

- Authorization by the Commission to solicit proposals;
- Advertising of the opportunities;
- Conducting tours and training sessions for all interested firms;
- Posting of responses to all questions on the ADR leasing website;
- Submission of proposals;
- Evaluation of proposals;
- Selection of the preferred respondents;
- Negotiation with the preferred respondents;
- Signing of leases; and
- Reporting of outcomes to the Commission.

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Summary of Evaluation Criteria

The categories of evaluation criteria used to score proposals will be uniform for each solicitation in LG 4. The total point allowance of 150 points and the point allocation and brief description for each criterion (see below) within the CEP and RFP are proposed as that used for LG 3. The following descriptions of each criterion summarize the areas that will be evaluated (detailed submittal requirements will be included in the RFP and CEP documents). These will be adjusted as necessary based on Commission guidance for the six policy issues described earlier in this memo.

Company Profile, Experience and Financial Capability 20 points

The company must demonstrate stability, experience and expertise in operating a similar business as proposed, in a challenging environment. The proposer must demonstrate that the company has the financial capacity to fulfill the commitments of an agreement with the Port.

Concept Development 25 points

The proposed concept (or concepts) will be evaluated based on its (their) ability to meet or exceed the expectations described for the unit or units. The airport is a competitive environment for the customer’s spending, therefore the ability to attract business hinges on developing a concept with broad and lasting customer appeal.

Unit Design, Materials and Capital Investment 25 points

The proposal will be evaluated based on the quality of unit design, efficient use of space, selection of appealing and durable materials (including sustainable materials) and its reflection of the Pacific Northwest sense of place, as well as the reasonableness of the proposed capital investment in the unit(s).

Financial Projections and Rent Proposal 20 points

Financial projections and rent proposals will be evaluated based on the reasonableness of the financial projections and the proposed percentage rent fee.

Management, Staff, Operations and Environmental Sustainability: 20 points

The company must demonstrate its commitment to reliable, safe, clean and well-merchandised operations, as well as a proactive and consistent approach to preserving the units (including equipment). The company should detail environmental sustainability measures that it currently practices or will practice in the operation of the business, including (where applicable) separation of waste, recycling and compost, and use of compostable materials.

The company must demonstrate its ability to effectively manage all units and operations, which also includes quality leadership, adequate levels of staffing, robust training for staff and incentives for performance. The company must also demonstrate a commitment to employer philosophies and programs that support a positive work environment and the development of employees.

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Job Quality, Workforce Training, Employment and Service Continuity: 20 points

The company must provide information regarding its commitment to employment continuity, provision of quality jobs, sustainable wages, benefits and Paid Time Off. If the company anticipates operating four or more units, it also must describe the company's efforts to have discussions regarding service continuity with labor organizations.

All solicitations will make clear that the Port staff interpretation of the Commission's expectations regarding quality jobs (as articulated in the November 11, 2015 memo from CEO Fick to Commission co-presidents - Attachment A) requires respondents to communicate their commitment to the following:

- For 2017, wages shall be paid at the rate of \$15.34 per hour. The wage rate shall be adjusted on January 1 of each year by the rate of inflation. The increase shall be calculated to the nearest cent using the CPI (Consumer Price Index) for urban wage earners and clerical workers, CPI-W, or a successor index, for 12 months prior to each September 1 as calculated by the US Department of Labor.
- Payment of sick and safe time, which shall be accrued at the rate of one hour for every 40 hours worked.
- Provide health insurance to full-time employees, consistent with the Affordable Care Act.

Small Business Participation: 20 points

The company must indicate whether it is a small business consistent with the requirements of the U.S. Small Business Administration (SBA).

- A company that qualifies as a small business relative to the standards adopted by the SBA will automatically receive ten (10) points.
- All companies, regardless of size, may receive up to ten (10) points, depending on the degree of commitment, for each of the four small business participation opportunities (i.e., sourcing, mentoring, product placement, and design/construction).
- No proposer, though, may earn more than twenty (20) total points for the criterion.

Lease Parameters

Lease term lengths determined by the Port for each opportunity are based upon sales and investment assumptions, and are presumed to allow a future tenant the ability to amortize the investment over the life of the lease. The lease term lengths determined for this group of opportunities also fall within industry standard ranges.

For these new opportunities, the Port will establish the minimum guaranteed rent for the first year of the agreement. The purpose of this is to protect the Port's financial interest as well as to eliminate the minimum guaranteed rent as a factor in the selection process. This is particularly important for businesses new to the airport that may not have any experience in

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proposing minimum guaranteed rents. For the second and subsequent years, the tenant will be required to pay either 85% of the previous year’s actual rent payment, or percentage rent based on gross sales achieved during the year, whichever is greater.

Interested businesses will propose percentage rent to the Port. Proposers may propose this either as a flat rent or tiered rent. Each proposer must provide the Port with a pro forma analysis that can substantiate the sales projections, rent offer, costs to operate the business (including goods, labor, debt service, etc.) as well as the anticipated profit margin.

SCHEDULE

The anticipated timeline for each solicitation and award is outlined in the exhibit for the specific opportunity. Upon execution of a lease agreement, the design review and permitting process can take up to six months followed by three to four months for construction before the commencement of business.

Projected Date	Action
June 13, 2017	Brief Commission on LG 3 results, insights from the LG 3 solicitation process and proposed LG 4 opportunities
June 27, 2017	Request Commission authorization to solicit proposals for LG 4 opportunities
June 30, 2017	Advertise opportunities (ADR leasing website and through various local and national media)
July 2017	Tours and training sessions for interested businesses
July through September 2017	90 days for proposal preparation
Late September 2017	Responses due
Early December 2017	Port Teams complete their evaluations
Late December 2017/early January 2018	Notification to preferred respondents Update Commission on LG 4 results
January/February 2018	Lease negotiations and executions

STRATEGIES AND OBJECTIVES

The approval of the proposed group of leasing opportunities supports the 25-year vision of the Port’s Century Agenda to create 100,000 new jobs through economic growth led by the Port. These opportunities also support a number of the strategies and objectives of the Port’s Century Agenda over the next quarter century:

- Advance this region as a leading tourism and business gateway;
- Promote small business growth and workforce development; and
- Be the greenest and most energy efficient port in North America.

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ATTACHMENTS TO THIS BRIEFING

- (1) PowerPoint presentation
- (2) Attachment A: November 11, 2015, memo from CEO Fick to Commission co-presidents regarding Quality Job expectations

PREVIOUS COMMISSION ACTIONS OR BRIEFINGS

- August 23, 2016 – Commission authorized the Airport Dining and Retail (ADR) Lease Group 3, Large Food Package 3 Addendum
- June 14, 2016 – Commission authorized the solicitation of proposals for the Airport Dining and Retail Lease Group 3 opportunities
- May 24, 2016 – Commission was briefed on the lessons learned from the competitive evaluation process for Airport Dining and Retail Lease Group 2 and the proposed leasing opportunities for Airport Dining and Retail Lease Group 3
- December 8, 2015 – Commission authorized the solicitation of proposals for Airport Dining and Retail Group Lease Group 2
- November 24, 2015 – A request was made of Commission to authorize the solicitation of proposals for Airport Dining and Retail Group Lease Group 2
- August 4, 2015 – A request was made of Commission to authorize the solicitation of proposals for Airport Dining and Retail Group Lease Group 2
- February 24, 2015 – Commission was briefed on the Airport Dining and Retail Program Outreach and Leasing Plans
- December 9, 2014 – Commission authorized Leases and Lease Modifications for HMS Host
- December 9, 2014 – Commission authorized Leases and Lease Modifications for Hudson Group
- December 9, 2014 – Commission authorized an Amendment to the Lease and Concession Agreement with Anton Airfoods (dba Anthony's Restaurant)
- November 25, 2014 – Commission approved a Motion Regarding Job Quality
- September 30, 2014 – Commission was briefed on the Drivers for Airport Dining and Redevelopment Phasing Decisions
- May 27, 2014 – Commission was briefed on the Airport Dining and Retail Master Plan
- September 11, 2012 – Commission was briefed on the Airport Concessions Master Plan
- February 14, 2012 – Commission approved a Motion regarding Concessions Program Guidelines