

Airport Dining & Retail Lease Group 3 – Results and Insights from the Solicitation Process as well as Lease Group 4 - Proposed Opportunities

June 13, 2017

Agenda

- Commission Guidance and Goals for the ADR Program
- ADR Performance Metrics
- Outreach Update
- Employment Continuity Pool Update
- Lease Group 3 Results and Insights from the Solicitation Process
- Lease Group 3 Issues and Policy Recommendations
- Lease Group 4 Opportunities
- Evaluation Criteria
- Schedule for Next Steps

Providing new dining and retail opportunities at the Airport

Commission Guidance for the ADR Master Plan

- 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 local Pacific Northwest sense of place.

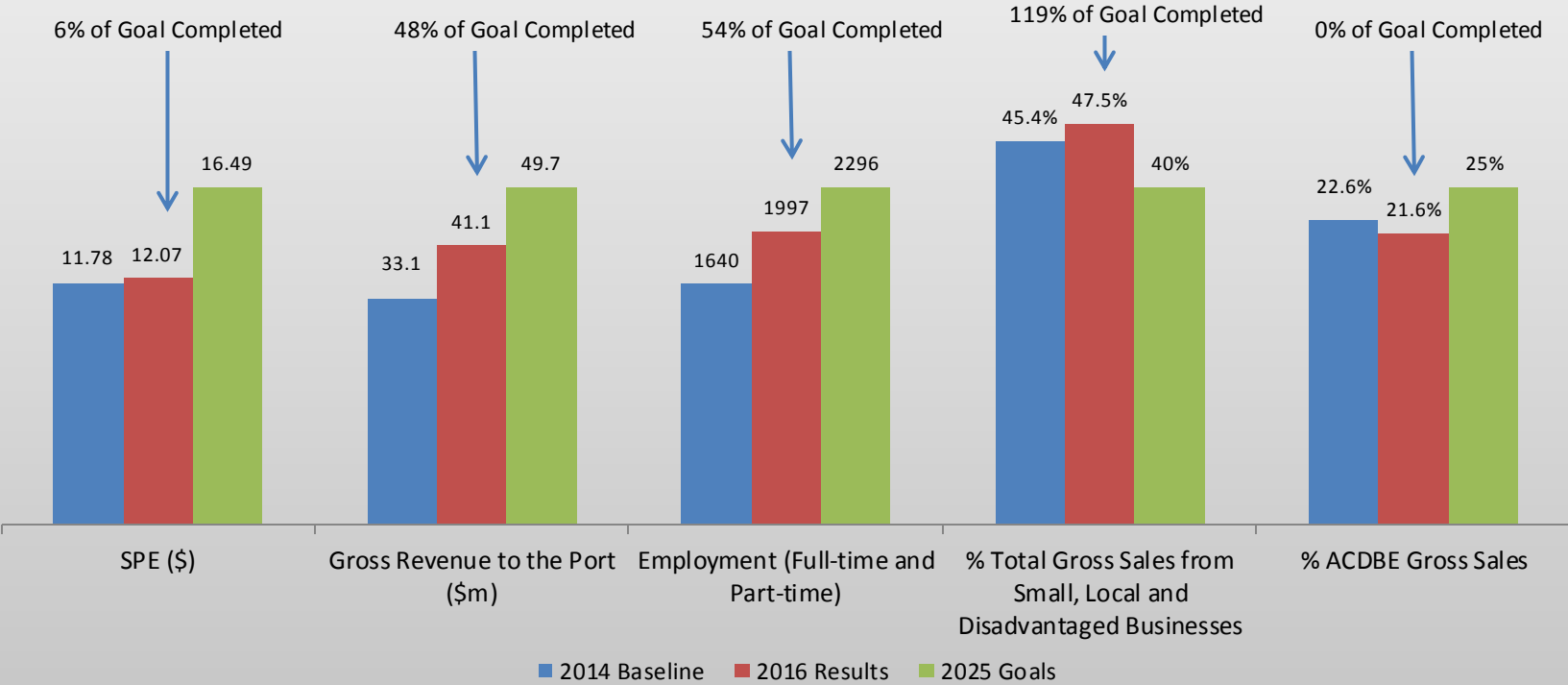
Support a mix of businesses that create quality jobs

Commission Goals for the ADR Master Plan

- 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 opportunities grow with the Airport

Airport Dining & Retail Performance Metrics



Strong ADR performance

Outreach Update

- Hosted SeaTac Airport Business Opportunity Summit on 1/13/2017 to encourage small, local and disadvantaged business participation in the ADR Program - 168 attendees.
- 5-week training session started in May 2017 to educate small, local, disadvantaged businesses regarding opportunities in the ADR Program as well as how to become certified as an Airport Concessions Disadvantaged Business Enterprise (ACDBE). Over 40 firms participating.
- 694 firms registered on the ADR leasing website as of 5/10/2017.

Outreach efforts have increased awareness, understanding and participation

Employment Continuity Pool Update

- Port contracted with Airport Jobs in July 2016 to:
 - create an employee database
 - assist in evaluation of needs and match qualified candidates
 - facilitate interviews and track outcomes
- ADR and Airport Jobs have conducted first intake meetings with tenants including:
 - Ken's Baggage
 - Great American Bagel Bakery
 - Butter London
 - HMS Host

Employment Continuity Pool is well underway

Lease Group 3 Update

Lease Group 3:

- Commission authorized Lease Group 3 (12 opportunities encompassing 24 units) on June 14, 2016.
- Two opportunities are suspended, pending the rebid of the Central Terminal elevator and HVAC projects; one opportunity was given an extended deadline for proposal submittals (Nov 18, 2016) to incorporate 3 South Satellite units.
- 50 bids from 26 firms were received.
- Strong participation from small, local, disadvantaged businesses.

Outreach spurred strong competition for Lease Group 3 opportunities

Lease Group 3 - Insights

- Significant progress in receiving better information about the quality of jobs.
- Proposers are sourcing more from local and small companies.
- Input from key stakeholders is improving outreach and capacity development efforts.
- Ongoing outreach efforts played a role in more competition and increased participation by small, local and disadvantaged businesses.
- The scoring for joint ventures/meaningful partnerships was improved, but there is more work to do.
- The external observers of the evaluation process provided valuable input.

ADR Program is improving due to policy input and program refinements

Issues and Policy Recommendations

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.

Compliance with Proposition 1 is important

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.

Provide greater emphasis on 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.
- **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.

Increase opportunities for small business participation

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.

Emphasize the Northwest Sense of Place

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.

The competitive process doesn't always accomplish Commission objectives

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.
- **Recommendation: Implement a labor peace requirement as follows:**
 - All non-exempt respondents must submit a labor peace agreement with their proposal.
 - The Port would have no role in reviewing or establishing the terms of these agreements.
 - Small businesses which have 35 or fewer badged airport employees, would be exempted.
 - Small businesses that operate franchises of national brands would not be exempted.

Protect the Port's proprietary interest

Draft Lease Group 4 Opportunities

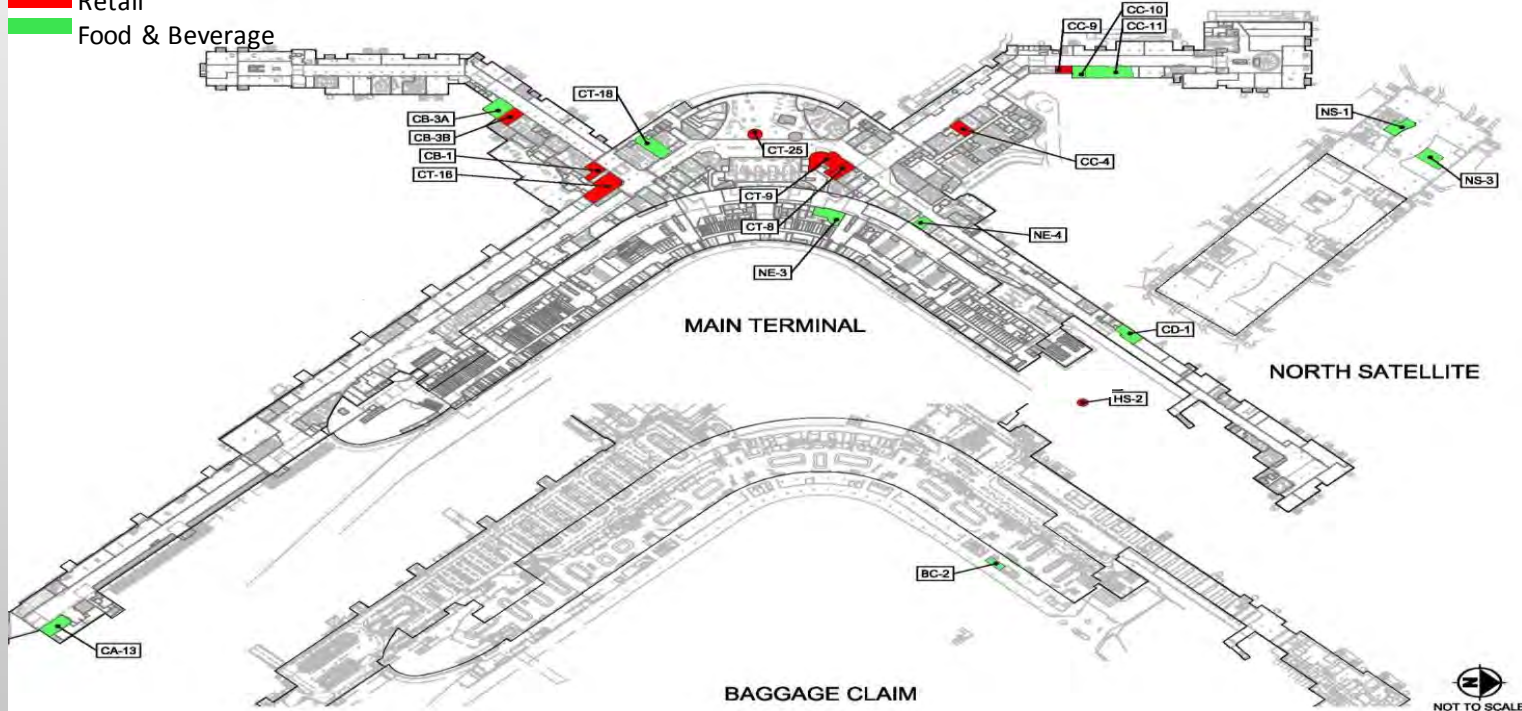
Category	Package #	# of Locations (Unit #)	Approximate sf
Food & Beverage	LG4 CEP F-1	1 (NS-3)	1,400
	LG4 CEP F-2	1 (NS-1)	1,300
	LG4 CEP F-3	1 (CT-18)	1,600
	LG4 CEP F-4	1 (CC-11)	2,800
	LG4 CEP F-5	2 (NE-3, CB-3A)	3,000
	LG4 CEP F-6	2 (NE-4, CC-10)	1,450
	LG4 RFP F-7	4 (CA-13, BC-2, NS-2, CD-1)	5,800
Retail	LG4 CEP R-1	1 (CT-8)	1,500
	LG4 CEP R-2	1 (CB-3B)	1,100
	LG4 CEP R-3	1 (CT-9)	2,100
	LG4 CEP R-4	1 (CT-16)	2,400
	LG4 RFP R-5	5 (CB-1, CC-4, CC-9, HS-2, CT-25)	3,200

New slate of opportunities is ready for the marketplace

Draft Lease Group 4 Opportunities

Legend:

- Retail
- Food & Beverage



Lease Group 4 opportunities are spread throughout the terminal

Established Evaluation Criteria

Company Experience, Financial Capability:	20 points	(13%)
Concept Development:	25 points	(17%)
Unit Design, Materials and Capital Investment:	25 points	(17%)
Financial Projections and Rent Proposal:	20 points	(13%)
Management, Staffing and Environmental:	20 points	(13%)
Job Quality, Employment and Service Continuity:	20 points	(13%)
Small Business Participation:	20 points	(13%)
TOTAL POINTS	150 points	(100%)

Evaluation criteria support Commission priorities

Lease Group 4 Schedule

Projected Date	Action
June 13, 2017	Brief Commission on Lease Group 3 results, Insights from the LG 3 solicitation process and proposed leasing opportunities in Lease Group 4
June 27, 2017	Request Commission authorization to solicit proposals for Lease Group 4 opportunities
June 30, 2017	Advertise opportunities (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
End of 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 Lease Group 4 results
January/February 2018	Lease negotiations and executions

Lease Group 4 is ready for release

APPENDIX



ADR Program Support for the Century Agenda

The redevelopment of the ADR Program supports the Port's Century Agenda to create 100,000 new jobs.

These opportunities also support a number of the Century Agenda strategies and objectives:

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

ADR advances the Century Agenda

ADR Evaluation Processes

Competitive Evaluation Process (CEP)

- Simplified process for 1-3 unit opportunities
- Intended to reduce barriers to direct participation by small businesses

Request for Proposal (RFP)

- Use for packages with 4 or more units or single units requiring large investments
- Geared toward large companies with small business participation
- Requires companies to submit more information and demonstrate greater financial capability

Competitive process reflects Commission guidance

Target Issue Date:
June 30, 2017Target Award Date:
December 2017Target Unit Open:
February 2019

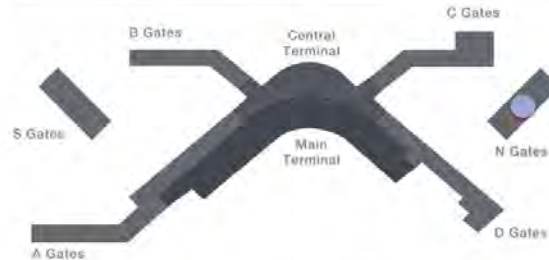
Method of Competition: Competitive Evaluation

- Potential Small/Local/Disadvantaged Business Opportunity
- Creation of approximately 30 jobs

Lease Terms

- Length of Lease: 10 years
- Percentage rent to be competitively proposed as either flat or tiered rent structure
- Minimum Capital Investment: \$520 per sq. ft.

Unit No.	Location	Approximate Sq. Ft.	Concept
N5-3	North Satellite	1,400	Fast Casual – Open Concept



New slate of opportunities is ready for the marketplace



LG4 CEP F-2

Item No.: Exhibit B
Date: June 13, 2017

Target Issue Date:
June 30, 2017

Target Award Date:
December 2017

Target Unit Open:
February 2019

Method of Competition: Competitive Evaluation

- Potential Small/Local/Disadvantaged Business Opportunity
- Creation of approximately 20 Jobs

Lease Terms

- Length of Lease: 10 years
- Percentage rent to be competitively proposed as either flat or tiered rent structure
- Minimum Capital Investment: \$525 per sq. ft.

Unit No.	Location	Approximate Sq. Ft.	Concept
N5-1	North Satellite	1,300	Gourmet Coffee



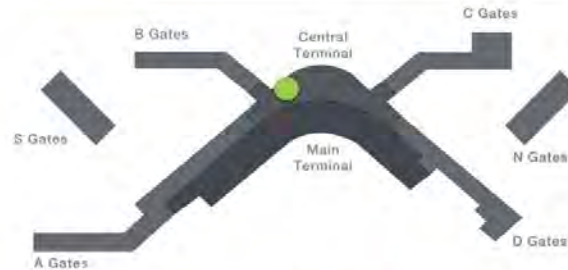
SEATTLE-TACOMA INTERNATIONAL AIRPORT
Port of Seattle

New slate of opportunities is ready for the marketplace

Target Issue Date:
June 30, 2017Target Award Date:
December 2017Target Unit Open:
March 2019Method of Competition: : Competitive Evaluation
• Creation of approximately 20 jobs**Lease Terms**

- Length of Lease: 10 years
- Percentage rent to be competitively proposed as either flat or tiered rent structure
- Minimum Capital Investment; \$460 per sq. ft.

Unit No.	Location	Approximate Sq. Ft.	Concept
CT-1B	Central Terminal	1,600	Wine Bar with Food & Beer



New slate of opportunities is ready for the marketplace

Target Issue Date:
June 30, 2017Target Award Date:
December 2017Target Unit Open:
February 2019

Method of Competition: : Competitive Evaluation

- Potential Small/Local/Disadvantaged Business Opportunity
- Creation of approximately 30 jobs

Lease Terms

- Length of Lease: 10 years
- Percentage rent to be competitively proposed as either flat or tiered rent structure
- Minimum Capital Investment: \$475 per sq. ft.

Unit No.	Location	Approximate Sq. Ft.	Concept
CC-11	Concourse C	2,800	Casual Dining – Open Concept



New slate of opportunities is ready for the marketplace

Target Issue Date:
June 30, 2017Target Award Date:
December 2017Target First Unit Open:
December 2018Method of Competition: Competitive Evaluation
• Creation of approximately 40 jobs**Lease Terms**

- Length of Lease: 10 years
- Percentage rent to be competitively proposed as either flat or tiered rent structure
- Minimum Capital Investment range depending on unit: \$425 - \$500 per sq. ft.

Unit No.	Location	Approximate Sq. Ft.	Concept
NE-3	North Esplanade	1,500	Gourmet Market & Bar
CB-3A	Concourse B	1,500	Gourmet Market w/Deli
Total		3,000	



New slate of opportunities is ready for the marketplace

Target Issue Date:
June 30, 2017Target Award Date:
December 2017Target First Unit Open:
January 2019

Method of Competition: Competitive Evaluation

- Potential Small/Local/Disadvantaged Business Opportunity
- Creation of approximately 35 jobs

Lease Terms

- Length of Lease: 10 years
- Percentage rent to be competitively proposed as either flat or tiered rent structure
- Minimum Capital Investment range depending on unit: \$390 - \$440 per sq. ft.

Unit No.	Location	Approximate Sq. Ft.	Concept
NE-4	North Esplanade	600	Quick Service Deli
CC-10	Concourse C	850	Quick Service Deli
	Total	1,450	



New slate of opportunities is ready for the marketplace

Target Issue Date: June 30, 2017 Target Award Date: December 2017 Target First Unit Open: Q1 2019

Method of Competition: Request for Proposals
• Creation of approximately 95 jobs

Lease Terms

- Length of Lease: 10 years
- Percentage rent to be competitively proposed as either flat or tiered rent structure
- Minimum Capital Investment range depending on unit: \$375 - \$550 per sq. ft.

Unit No.	Location	Approximate Sq. Ft.	Concept
CA-13	Concourse A	1,500	Bar with Food
BC-2	Baggage Claim	500	Gourmet Coffee
NS-2	North Satellite	2,600	Bar with Food
CD-1	Concourse D	1,200	Quick Service – Chicken or BBQ
Total		5,800	



New slate of opportunities is ready for the marketplace

Target Issue Date:
June 30, 2017Target Award Date:
December 2017Target Unit Open:
December 2018

Method of Competition: : Competitive Evaluation

- Potential Small/Local/Disadvantaged Business Opportunity
- Creation of approximately 10 jobs

Lease Terms

- Length of Lease: 8 years
- Percentage rent to be competitively proposed as either flat or tiered rent structure
- Minimum Capital Investment: \$400 per sq. ft.

Unit No.	Location	Approximate Sq. Ft.	Concept
CT-8	Central Terminal	1,500	Specialty Retail – Local Theme



New slate of opportunities is ready for the marketplace

Target Issue Date:
June 30, 2017Target Award Date:
December 2017Target Unit Open:
February 2019

Method of Competition: : Competitive Evaluation

- Potential Small/Local/Disadvantaged Business Opportunity
- Creation of approximately 4 jobs

Lease Terms

- Length of Lease: 8 years
- Percentage rent to be competitively proposed as either flat or tiered rent structure
- Minimum Capital Investment: \$400 per sq. ft.

Unit No.	Location	Approximate Sq. Ft	Concept
CB-3B	Concourse B	1,100	Retail—Open Concept



New slate of opportunities is ready for the marketplace

Target Issue Date:
June 30, 2017Target Award Date:
December 2017Target Unit Open:
December 2018Method of Competition: : Competitive Evaluation
• Creation of approximately 12 jobs**Lease Terms**

- Length of Lease: 8 years
- Percentage rent to be competitively proposed as either flat or tiered rent structure
- Minimum Capital Investment: \$425 per sq. ft.

Unit No.	Location	Approximate Sq. Ft	Concept
CT-9	Central Terminal	2,100	Retail - Lifestyle or Adventurewear Apparel



New slate of opportunities is ready for the marketplace

Target Issue Date:
June 30, 2017Target Award Date:
December 2017Target Unit Open:
April 2019Method of Competition: : Competitive Evaluation
• Creation of approximately 15 jobs

Lease Terms

- Length of Lease: 8 years
- Percentage rent to be competitively proposed as either flat or tiered rent structure
- Minimum Capital Investment: \$425 per sq. ft.

Unit No.	Location	Approximate Sq. Ft.	Concept
CT-16	Central Terminal	2,400	Retail - Lifestyle or Adventurewear Apparel



New slate of opportunities is ready for the marketplace

Target Issue Date:
June 30, 2017Target Award Date:
December 2017Target First Unit Open:
Q3 2018

Method of Competition: Request for Proposal

- Creation of approximately 30 jobs

Lease Terms

- Length of Lease: 8 years
- Percentage rent to be competitively proposed as either flat or tiered rent structure
- Minimum Capital Investment: \$350 - \$550 per sq. ft.

Unit No.	Location	Approximate Sq. Ft.	Concept
CB-1	Concourse B	950	Retail – Open Concept
CC-4	Concourse C	850	Retail – Open Concept
CC-9	Concourse C	450	Jewelry/Accessories
HS 2	Hard Stand Terminal	550	Newsstand with Coffee
CT-25	Central Terminal	400	Jewelry/Accessories
Total		3,200	



New slate of opportunities is ready for the marketplace