COMMISSION
AGENDA MEMORANDUM

ACTION ITEM

Item No. 6b

Date of Meeting June 27, 2017

DATE: June 16, 2017

TO: Dave Soike, Interim Executive Director

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

SUBJECT: Airport Dining and Retail (ADR) Lease Group 4 Authorization

ACTION REQUESTED

Request Commission authorization for the Executive Director to conduct competitive solicitations and execute lease and concessions agreements with selected proposers for 12 new opportunities encompassing 21 units in Airport Dining and Retail Lease Group 4 (LG 4):
Competitive Evaluation Process (CEP) Food – 1;
CEP Food – 2;
CEP Food – 3;
CEP Food – 4;
CEP Food – 5;
CEP Food – 6;
Request for Proposal (RFP) Food – 7;
CEP Retail 1;
CEP Retail – 2;
CEP Retail – 3;
CEP Retail – 4; and
RFP Retail – 5.
This authorization includes the removal of one unit, NS-2, from Lease Group 3 Food Service – Small Package 7 and insertion of that unit in LG 4 RFP Food – 7.

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.

This request for authorization of LG 4 marks the next step in the redevelopment of the ADR Program and is aligned with the guidance and goals provided by the Commission for this redevelopment. This request is for authorization to complete solicitation processes and execute lease and concession agreements within the parameters defined in this memo and in the attached exhibits for 12 opportunities encompassing 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 in LG 4 are:

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 presentation for the location of all units.

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.

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 has been constructed in a manner consistent with the guidance provided by the Commission and is important for the achievement of the goals that the Commission set for the redevelopment of the ADR Program. It contains a total of 12 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. Also, 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.

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 is 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 feet in Phase One of the North Satellite construction. This is a new space in the North Satellite and is 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 (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 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 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 expired on December 31, 2016 and is currently on a month-to-month holdover. This unit has a targeted 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 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 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 is 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 targeted opening date in 2nd Quarter 2019.

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

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 targeted 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 targeted 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 targeted 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.
- 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 targeted opening date in 4th Quarter 2018.
- HS-2: a newsstand with coffee concept. This is an 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 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.

Summary of Evaluation Criteria
The seven evaluation criteria proposed for scoring proposals, the proposed total point allowance of 150 points and the proposed point allocation for each criteria are the same as used in LG 2 and LG 3. The descriptions below of each criterion summarize the areas that will be evaluated (detailed submittal requirements will be included in the RFP and CEP documents). These criterion have been adjusted to include the guidance (noted in bold) provided by the Commission on six key policy issues presented at the Commission meeting on June 13, 2017.

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. **Firms who are not fully compliant with Prop 1 back wages and benefits will be disqualified from participation.**

The **Port has a significant proprietary interest in the success of the ADR Program and so it is in the Port's best interest to try and eliminate disruptions to our tenants' operations due to labor disputes that can also negatively impact customers using the Airport as well as airline operations. As such:**

- **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 is capable of representing the workers of the respondent in collective bargaining or already has a collective bargaining agreement with the respondent.**
- **The Port will 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, will be exempted.**
- **Small businesses that operate franchises of national brands will not be exempted.**

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. **Ten (10) points of the 25 total points for this criterion will be awarded based on the evaluation of the concept as it pertains to creating a Northwest sense of place within the Airport.**

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.

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. **Greater emphasis will be placed on proposed wages and medical/retirement benefits and a quantitative-formula-based methodology for scoring wages and medical/retirement benefits will be utilized.**

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).

The scoring system that was used in LG 3 will be revised as follows:

- **A company that qualifies as a small business relative to the standards adopted by the U. S. Small Business Administration and proposes directly (whether via CEP or RFP), will automatically receive ten (10) points.**
- **For units competed via CEP, only small businesses that propose directly can receive the full 20 points for this criterion.**
- **For units competed via RFP, all companies regardless of size are eligible to receive the full 20 points for this criterion.**
- **Prime operators that propose a joint venture with a small business (whether via CEP or RFP), 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 automatically receive 5 points (whether via CEP or RFP).**
- **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.**

Finally, while the competitive process may produce results that fall short in achieving key policy objectives for this program due to the combined criteria used in the scoring process, staff will retain competition for all LG 4 opportunities.

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 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 overall schedule for LG 4 is noted in the table below. The exhibit for each LG 4 opportunity shows the anticipated timeline for solicitation, award and opening of the units associated with that 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	Briefed 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.

ALTERNATIVES:

1. ***Delay request for Commission approval of LG4 until later in 2017.***

Economic Implications: A delay in approving LG 4 by three or more months would have a negative effect on the level of passenger services for the new Phase 1 North Satellite and new Concourse D Hardstand Terminal opening. In addition, this would affect the anticipated gross sales for these locations with an estimated loss of $750,000 in monthly sales ($9 million when annualized) and $75,000 ($900,000 when annualized assuming a 10% concession fee) in revenue to the Port. Furthermore, a delay would also affect the potential sales and revenue to the Port for the other remaining units in this lease group. Those losses are estimated to be $125,000 in additional gross sales and $12,500 in additional revenue to the Port.

Pros:

- This would allow for more time to determine what worked well with LG 3 and what changes, if any, to make to LG 4.

Cons:

- This would mean that Host and Hudson would need to stay in some of their units longer, delaying the creation of new opportunities for other firms. There are also firms with single units whose leases are in holdover. They, too, would need to stay in these units longer, thereby delaying the opportunities for other firms to compete for these spaces.
- There would be no level of services for passengers in the new phase 1 North Satellite and Concourse D Hardstand Terminal.

This is not the recommended alternative.

2. ***Increase the number of units included in packages that will be competed by Request for Proposal Process:***

Economic implications: There is no economic impact.

Pros:

- This would be looked on favorably by our labor partners who prefer more units to be competed in large packages as firms competing for those packages are likely to already have represented workers.

Cons:

- This would mean fewer units available for small, local and disadvantaged businesses to compete for given the higher capital and management resources necessary to build out 4 or more units.

This is not the recommended alternative.

3. ***Increase the number of units that will be competed via the Competitive Evaluation Process:***

Economic Implications: There is no economic impact.

Pros:

- This would increase the number of opportunities available for small, local and disadvantaged businesses.

Cons:

- This would likely lead to our labor partners expressing concerns about too many units going to firms that don't use represented workers.

This is not the recommended alternative.

4. ***Reduce the number of units included in Lease Group 4:***

Economic Implications: This would have similar consequences to Alternative 1, a delay in consideration of LG 4, depending on which units were deleted.

Pros:

- This would reduce the workload demand on the AV Project Management Group, Building Department and Fire Department as compared to LG 4 as currently planned.

Cons:

- This lease group has been carefully developed with considerations for multiple variables including: customer service levels, financial viability of packages, linkages to Host/Hudson/LG 2/LG 3 projects, as well as increasing ADR capacity to meet increases in passengers as well as installing ADR capacity in new facilities. Reducing the number of units would negatively affect those variables.

This is not the recommended alternative.

5. ***Request Commission authorization for the proposed Lease Group 4:***

Economic Implications: This alternative has the highest financial return to the Port while minimizing the need to keep Host and Hudson in units that they have relinquished as part of their new leases to as short a time as possible as well as minimizing the length of time that firms are in holdover status. It is important to note that we are still refining the implementation schedule of the proposed LG 4 units, in an effort to balance both customer levels of service as well as project management workload distribution.

Pros:

- This set of opportunities has been developed to best meet the needs of the ADR program. Considerations have included financial viability, build-out schedule, minimizing location outages and increasing dining and retail capacity to meet the forecasted growth in passengers.

Cons:
- Disputes that arose from the LG3 process have not been resolved at this point. However, delaying LG4 will cripple efforts to carry out the airport's ADR program because there is a great deal of uncertainty as to how much time will be required for resolution of those disputes.

This is the recommended alternative.

ATTACHMENTS TO THIS REQUEST

(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

- June 13, 2017 – The Commission was briefed on outcomes of the Lease Group 3 competitive selection process with a preview of leasing opportunities and recommendations on key policy issues for use in Lease Group 4
- 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