



**COMMISSION
AGENDA MEMORANDUM**

Item No. 6e

ACTION ITEM

Date of Meeting November 28, 2017

DATE: October 16, 2017

TO: Dave Soike, Interim Executive Director

FROM: James Schone, Director, Aviation Commercial Management
Dawn Hunter, Senior Manager, Airport Dining and Retail

SUBJECT: Airport Dining and Retail Consulting IDIQ Contract

Amount of this request: \$1,000,000

Total estimated project cost: \$1,000,000

ACTION REQUESTED

Request Commission authorization for the Executive Director to execute a consulting contract for Airport Dining and Retail consulting services for up to five (5) years and a total amount not to exceed \$1,000,000.

EXECUTIVE SUMMARY

The purpose of this request is to procure Airport Dining and Retail (ADR) consulting services (Consultant) to augment Port staff in the continued redevelopment of the ADR Program at Seattle-Tacoma International Airport (Airport). The Consultant will support Port staff in implementing the ADR Master Plan through assistance with research regarding ADR industry trends and policy issues, design of optimal lease group structures, outreach to small, local and disadvantaged businesses, analysis of information submitted in proposals by prospective ADR tenants, preparing for lease negotiations as well as assessing opportunities for improving the ADR Program. The solicitation will include a small business goal in support of the Port's goal to increase small business utilization.

JUSTIFICATION

The redevelopment of the Airport Dining and Retail 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.

Meeting Date: November 28, 2017

In November 2014, the Commission established goals for the redevelopment of the ADR Program. These include:

- Grow sales per enplanement by 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; and
- Create an aspirational objective of increasing ACDBE gross sales to 25 percent of total sales.

The redevelopment of the ADR Program is well underway with significant progress towards these goals. Leases have been signed for the first three lease groups and the evaluation process for Lease Group 4 is underway. Port staff expects that there will be additional lease groups during the next several years, all of which are in support of the ADR Master Plan objective to reach a consistent level of phased lease expirations.

As the implementation of the ADR Master Plan progresses, there continues to be need for outside consulting services to augment Port staff resources, both from a work-load standpoint and from an industry-wide perspective. Procurement of this service is vital to the on-going implementation of the ADR Master Plan. The current ADR consulting services contract, previously approved by Commission on July 26, 2011, expires on December 31, 2017.

DETAILS

The primary objectives for the Consultant will include, but may not be limited to, :

1. Assisting ADR staff in evaluating the current ADR Program with a continued focus on opportunities for improvement. Potential topics for this work include increasing sales and revenue, best practices for leases and the optimal tenant mix to meet passenger needs.
2. Assisting ADR staff with planning and conducting outreach to prospective tenants. The outreach will primarily be directed to small, local, and ACDBE businesses to introduce them to leasing opportunities at the Airport as well as to educate them on the competitive solicitation process for these opportunities;
3. Assisting ADR staff with conducting feasibility studies related to implementing the ADR Master Plan and achieving the goals set for the redevelopment of the ADR Program by the Commission;

Meeting Date: November 28, 2017

4. Assisting ADR staff with conducting market analysis and research as well as benchmarking with other airports to both identify passenger needs and trends as well as to inform Port staff and the Commission about policy issues affecting the ADR Program;
5. Assisting ADR staff with conducting analysis of proposals submitted to the Port by prospective tenants;
6. Assisting ADR staff in preparing for lease negotiations. All aspects of the Consultant’s work will be directed by ADR staff and all work done in support of the ADR Program will be reviewed and approved by the ADR staff.

ALTERNATIVES AND IMPLICATIONS CONSIDERED

Alternative 1 - Status Quo – Do not approve contract and utilize existing FTEs.

Cost Implications: \$0

Pros:

- (1) \$1.0M saved could be used for other organizational priorities.

Cons:

- (1) There will not be sufficient resources to adequately manage both day-to-day operations of the ADR Program as well as implementation of the ADR Master Plan.
- (2) There will insufficient resources available to provide industry-wide perspective on passenger trends or benchmarking with other airports.

This is not the recommended alternative

Alternative 2 - Procure additional ADR staff to meet Consulting needs.

Cost Implications: \$150,000/year (salary and benefits) for 1 FTE for 5 years for a total of \$750,000

Pros:

- (1) This would provide dedicated staff for the scope of work previously mentioned.
- (2) There would be a cost savings to the Port relative to outside consulting services.

Cons:

- (1) It will likely be difficult to find staff with the industry-wide knowledge base and abilities required to provide the Port with the broadest possible view of ADR industry trends, challenges, innovations and policy issues.

This is not the recommended alternative

Meeting Date: November 28, 2017

Alternative 3 - Procure an IDIQ contract with a single firm for five years.

Cost Implications: \$1.0 million

Pros:

- (1) A single procurement with a small business goal participation goal.
- (2) Greater likelihood gaining industry-wide experience and knowledge.
- (3) Can easily adjust consultant workload as necessary to match demand for service.

Cons:

- (1) This will likely cost more than if a single FTE could be hired for all the services included in the scope of work.

This is the recommended alternative

FINANCIAL IMPLICATIONS

The costs incurred by this contract will be accounted for as operating costs. AS such, the funding source is the Airport Development Fund. The costs roll up as non-aeronautical costs so there is no impact on passenger airline cost per enplaned passenger (CPE). The ADR Consulting Service expense is included in the 2018 budget pending approval; the request is for \$200,000 per contract year.

ATTACHMENTS TO THIS REQUEST

None

PREVIOUS COMMISSION ACTIONS OR BRIEFINGS

July 26, 2011 – Commission approved Procurement for Concessions Planning and Leasing Services for a maximum value of \$3,000,000