



**COMMISSION
AGENDA MEMORANDUM**

Item No. 6b

ACTION ITEM

Date of Meeting June 23, 2020

DATE: June 12, 2020

TO: Stephen P. Metruck, Executive Director

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

SUBJECT: Airport Shared Kitchen Food Trucks Design Authorization (CIP #C801111)

Amount of this request: \$1,150,000

Total estimated project cost: \$5,500,000

ACTION REQUESTED

Request Commission authorization for the Executive Director to: (1) execute a professional services contract for design; (2) pay an honorarium to shortlisted design firms who do not win the award to develop concept proposals; (3) utilize Port crews for preliminary work; (4) and complete the design for the Airport Shared Kitchen Food Trucks Project at Seattle-Tacoma International Airport for an estimated cost of \$1,150,000. The total estimated project cost to the Port is \$5,500,000.

EXECUTIVE SUMMARY

This project creates opportunities for small food and beverage businesses within the Airport Dining and Retail (ADR) Kiosk Program. The ADR Kiosk Program, started in 2014, provides locations for small businesses to experience operating in the airport retail environment without a significant capital investment or long-term lease. Currently, the program has 6 kiosks, all of which are designed for small business retailers.

This project will create two kiosks with faux food truck façades and suitable facilities for the preparation and sale of food and beverages. Food trucks have been rising in popularity nationally, and incorporation of this concept provides a fun new addition to the passenger dining experience.

In order to select the best design for these kiosks, Port staff are planning a design competition among a shortlist of selected firms so that design concepts may be evaluated as part of the final selection process. An honorarium will be provided to shortlisted candidates who prepared a design as part of the competition but did not win. This would not exceed \$10,000 per design firm, or a total aggregate sum of \$40,000.

Meeting Date: June 23, 2020

These kiosks will add to the diversity of food and beverage offerings at Seattle-Tacoma International Airport as well as aid in the effort to meet the Commission's goal of increasing revenue generated by small, disadvantaged and/or local businesses to 40% of total Airport Dining and Retail sales. The kiosks would be leased for shorter durations than a standard lease that would allow for new opportunities and flexible dining offerings to the traveling public.

This project was considered for deferral due to COVID-19, but the recommendation is to move forward with this project now. Prior to COVID-19, Seattle-Tacoma International Airport was deficient in food service amenities for the number of passengers travelling through. Assuming a return to those levels of passenger traffic in 2 to 3 years, which aligns with current industry outlook, then the need for additional food service space will be present by the time this project is completed. The project creates an additional source of non-aeronautical revenue which may not be recognized if the space is left vacant. In addition, the creation of two food and beverage spaces requiring minimal up-front capital investment from tenants will be an important and positive effort toward restarting the economy for small and local business.

JUSTIFICATION

The goal of this project is to create new opportunities for small businesses by reducing the barriers to entry for food and beverage operators within the Airport Dining and Retail Program. Small businesses will be offered short term, flexible leases for the use of these fully-built-out units to prepare and sell food and beverages. This allows the small business to determine whether their concept might thrive in the Airport environment without having to make a significant capital investment and commit to a much longer lease term. These units will also provide the Port with additional non-aeronautical revenue.

Diversity in Contracting

The project team is working with the Diversity in Contracting team to conduct outreach and the setting of a women- and minority-owned business enterprise (WMBE) aspirational goal for this project. In addition, this project may participate as a pilot project for an enhanced mentoring (PortGen Trainings) with facility & infrastructure department of WMBE sub-tier consultants to the prime architect, such as mechanical or electrical engineering firms.

DETAILS

The project consists of two locations in the airport terminal, one in Concourse B and the other in the Central Terminal.

The first location will use a vacated dining facility on Concourse B. The second location is a vacated dining facility in the Central Terminal. Tenants will be offered short-term leases (6 to 18 months) for these kiosks to maximize the number of businesses that can take advantage of these opportunities. The Port will construct and maintain the infrastructure and equipment.

Meeting Date: June 23, 2020

The Concourse B location was previously used as a commissary kitchen for temporary food and beverage kiosks in the Central Terminal. A completed partial tenant improvement was already done in this location which brought utilities to this space for a full restaurant cook line including a hood and grease duct. These existing utilities will be re-assessed at each design phase as the project progresses. The completion of the tenant improvement requires the existing closed-off storefront to be modified for passenger walk up service, including addition of a service counter behind a new decorative food truck façade. A small seating area will also be created within the space.

The Central Terminal location, formerly the Anthony's Grab and Go Fish Bar, requires new cooking equipment, finishes, and utilities. The façade at this location will need to integrate seamlessly into the adjacent new Salty's restaurant storefront, which will be the primary backdrop for the north side of the Central Terminal. Due to the small size of this location, it will utilize existing seating in the Central Terminal.

These storefront façades are highly visible, prominent design features which will impact the overall aesthetic of the airport, especially within the Central Terminal. The inclusion of an honorarium is intended to incentivize design competition to receive the best aesthetic storefront concepts for panel review and selection. The honorarium process will begin by short listing design firms, likely three to five firms. These selected firms will participate in a competitive presentation of concepts to a handpicked selection panel. The short-listed firms who participate in the design competition and are unsuccessful will be awarded a lump sum amount to be determined prior to advertising the solicitation, not more than \$10,000 for their work to create their proposed concept design and presentation. This storefront design element is paramount to the passenger experience at these locations, and this honorarium ensures that the best available concepts are put forward for evaluation of design firms.

In addition to the honorarium, which incentivizes small business design firms to compete for the award, this project will participate in a pilot mentoring program for WMBE (Women and Minority Business Enterprise) architectural and engineering firms during the design phase. Through creation of Port training specifically for mentoring of WMBE architectural and engineering firms within the project, we can enable the prime architect to hire WMBE firms as a part of their team while ensuring they have the means to be successful.

This request also includes funds to use small works contracts and Port crews to erect a barricade in the Central Terminal around the project site during construction, which will be required for public safety as well as to preserve the passenger experience within the main terminal. This barricade must be erected in tandem with the completion of the Salty's project as it is necessary to conceal areas of demolished façade surrounding the project site.

Both locations include digital signage to easily promote tenants who will be rotated through these spaces on short-term leases as well as new cook lines and equipment with Type I grease exhaust, and new finishes including the faux food truck façade.

Meeting Date: June 23, 2020

One identified risk to this project is the availability of enough conditioned air to both spaces. The final evaluation can only be made after design is complete. Based on the information that is currently available, staff believes that adequate air is available to condition the spaces. The conditioned air supply was sufficient for the site’s previous tenants, both of which were food and beverage services with similar requirements. The project team has identified alternative potential solutions if the supply of conditioned air is found during the design phase to be lacking.

Scope of Work

This project includes all typical components of a food service tenant improvement, with Port of Seattle furnished, owned, and maintained equipment.

Schedule

Activity

Design start	2021 Quarter 1
Commission construction authorization	2022 Quarter 3
Construction start	2022 Quarter 4
In-use date	2023 Quarter 2

Cost Breakdown

	This Request	Total Project
Design Phase	\$1,150,000	\$1,200,000
Construction Phase	\$0	\$4,300,000
Total	\$1,150,000	\$5,500,000

ALTERNATIVES AND IMPLICATIONS CONSIDERED

Alternative 1 – Reintegrate the Central Terminal space into the larger lease group 4-A package, CT-01 Salty’s, and leave Concourse B location vacant for a potential new ADR vendor to complete later.

Cost Implications: \$0

Pros:

- (1) No capital cost to the Port.
- (2) Potential to receive greater non-aeronautical revenue to the Port based on concept and location.

Cons:

- (1) Does not increase opportunity for small, local, and WMBE businesses.
- (2) Lease Group 4A (CT-01 Salty’s) project schedule will be impacted by a change in scope.
- (3) Possible legal implications since Lease Group 4A is already awarded and in design.

This is not the recommended alternative.

Meeting Date: June 23, 2020

Alternative 2 – Put both locations back out to lease for small business(es).

Cost Implications: \$0

Pros:

- (1) No capital cost to the Port.
- (2) A specific lease group just for small businesses would allow the opportunity for small, local, and WMBE revenue from these locations.

Cons:

- (1) Development costs for these spaces are a high barrier of entry for small businesses.
- (2) Less flexibility of food offerings with standard 10-year standard lease terms.

This is not the recommended alternative.

Alternative 3 – Build out two shared kitchens/food truck concepts. The Port will incur the cost for construction and maintenance for a faux food truck concessionaire space.

Cost Implications: \$5,500,000

Pros:

- (1) Ability to expand the successful small business retail kiosk program to food and beverage operators.
- (2) Shared kitchen/food truck concepts will allow for greater flexibility in food options for airport customers – able to change the concept and offerings more frequently.
- (3) Supports the Commission’s goal to achieve 40% share of ADR gross sales from small, local and disadvantaged businesses.

Cons:

- (1) Highest capital cost
- (2) Removes units from ability to be bid in larger lease groups with the potential to make more revenue for the port.
- (3) Requires an additional maintenance program using a vendor contract.

This is the recommended alternative.

FINANCIAL IMPLICATIONS

Cost Estimate/Authorization Summary

	Capital	Expense	Total
COST ESTIMATE			
Original estimate	\$5,500,000	\$0	\$5,500,000
AUTHORIZATION			
Previous authorizations	\$50,000	0	\$50,000
Current request for authorization	\$1,150,000	0	\$1,150,000
Total authorizations, including this request	\$1,200,000	0	\$1,200,000
Remaining amount to be authorized	\$4,300,000	\$0	\$4,300,000

Meeting Date: June 23, 2020

Annual Budget Status and Source of Funds

This project was included in the 2020 – 2024 capital budget and plan of finance with a budget of \$4,400,000. The capital budget increase of \$1,100,000 will be transferred from the Non-Aeronautical Reserve CIP (C800754) resulting in zero net change to the Aviation capital budget. The funding source would be the Airport Development Fund (ADF).

Financial Analysis and Summary

	Alternative 3 (Preferred)	Alternative 2 (Not Preferred)
Project cost for analysis	\$5,500,000	\$0
Business Unit (BU)	Commercial Management	Commercial Management
Effect on business performance (NOI after depreciation)	NOI will average \$875,000 of non-aeronautical income through the 10 years after the asset is in use. NOI after depreciation will increase	NOI will average \$1.3 million of non-aeronautical income through the 10 years after the asset is in use. NOI after depreciation will increase
IRR/NPV (if relevant)	NPV (10 years after asset is in use) is \$300,000.	NPV is \$8.7 million.
CPE Impact	N/A	N/A

Future Revenues and Expenses (Total cost of ownership)

A service agreement for yearly maintenance of these spaces of approximately \$40,000 per year will be required after completion of the project. The financial analysis assumes this with an increase of 3% annually.

ATTACHMENTS TO THIS REQUEST

- (1) Presentation slides

PREVIOUS COMMISSION ACTIONS OR BRIEFINGS

None