



**COMMISSION  
AGENDA MEMORANDUM**

**Item No.** 8d

**ACTION ITEM**

**Date of Meeting** November 16, 2021

**DATE:** October 29, 2021

**TO:** Stephen P. Metruck, Executive Director

**FROM:** Dawn L. Hunter, Director, Aviation Commercial Management  
Khalia Moore, Interim Sr. Manager, Airport Dining and Retail

**SUBJECT:** North Satellite Small Business Kiosk Tenant Reimbursement

**Amount of this request:** \$500,000

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

**ACTION REQUESTED**

Request Commission authorization for Executive Director to execute a tenant reimbursement agreement for an amount not to exceed \$500,000 for the buildout of the small business kiosk in the North Satellite, at the Seattle-Tacoma International Airport.

**EXECUTIVE SUMMARY**

North Satellite (NSAT) Phase 2 building expansion will offer 17 new Airport Dining and Retail (ADR) spaces. Among the new units are (1) Introductory food and beverage small business kiosk and (2) Intermediate retail small business kiosks. Introductory kiosk spaces are designed, built, and maintained by the Port as small business incubators so that micro and small business can have the ability to understand how to operate in an airport environment without the substantial buildout cost incurred. All units were originally scheduled to open August 2021.

NSAT Phase 1 spaces opened in Q1 2019 and Phase 2 units were awarded in Q4 2019. The original plan assumed the awarded tenants would begin design review in Q2/Q3 2020 in preparation for the Phase two opening. In Q1 2020, the COVID 19 pandemic and the rise in US cases, caused a devastating impact on aviation and the businesses who depend on airline travel for survival.

**JUSTIFICATION**

In March 2020, Governor Inslee provided guidance on COVID related restrictions on restaurants, retail, and services. This guidance specifically included airport locations resulting in program-wide closures. Many of the businesses awarded in NSAT Phase 2 are current ADR Tenants and were greatly impacted by the COVID restrictions and closures. These restrictions have caused a financial burden on the tenants and their cash flow. In addition to the cash flow issues, many

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lending institutions were hesitant or declined to lend money to airport tenants amid uncertainty regarding the pandemic throughout the aviation industry.

During the pandemic closures, the base building NSAT project was deemed essential and was able to capitalize on the decreased passenger enplanements to progress their construction and advance the completion of the building expansion schedule. To accommodate this accelerated schedule and to provide an adequate customer experience, ADR proposed two temporary offerings. The ADR team contacted all NSAT tenants to ask for assistance in providing a new temporary offering to the NSAT passengers. Fortunately, two airport beverage and food operators, Concessions International in a Joint Venture (JV) Partnership with Crews, raised their hand to provide an elevated temporary service to the passengers. Their JV, Concessions International Crews SEA, LLC (CI Crews SEA), is a Women/Minority Business Enterprise (WMBE) Prime with an Airport Concessions Disadvantaged Business Enterprise partnership. ADR assessed the demand of the NSAT based on passenger projections and identified that to assure the needed coverage in Phase 2, one temporary location would be placed in a future Small Business Food and Beverage Kiosk space centrally located in the marketplace with the other located on the Northern end flanked by six (6) gates.

This temporary kiosk once completed by the CI Crews SEA team, is an ideal opportunity to convert into a longer-term small business kiosk for future small and micro business offerings at the airport. This reimbursement to CI Crews SEA would be the first step in converting this opportunity to become part of the ADR Kiosk Program. Once the term of the temporary offering is complete, the Port would undertake additional upgrades to convert some functionality of the kiosk that would meet all code and facility design standards as required for longer term facility needs. A future project will be implemented to complete the upgrade and will be the subject of a future authorization request.

The cost of this unit for CI Crews SEA is a little over the amount of \$500,000. Based on Port processes, construction for a unit like this, would be doubled in both cost and construction duration. Being mindful of the Port costs and to provide more immediate access to the space at the end of this short-term contract, ADR is requesting that the Airport reimburse CI Crews SEA, LLC the costs incurred to construct the unit in the amount of \$500,000.

***Diversity in Contracting***

Aviation Commercial Management Team will coordinate with Diversity in Contracting to find opportunities for additional WMBE businesses. The tenant, their JV partner, and contractor are all WMBE firms.

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**ALTERNATIVES AND IMPLICATIONS CONSIDERED**

**Alternative 1 – Do not purchase the kiosk in NSAT**

Cost Implications: None

Pros:

- (1) No cost to the Port

Cons:

- (1) Port would have to procure a design firm which will push revenue generation out several years.
- (2) Historically Port construction cost are higher than a tenant build, and the Port process will delay the immediate use of the kiosk for another small business tenant.
- (3) In two (2) years the tenant would demo the kiosk and dispose of the materials which is not environmentally sound.
- (4) Delayed revenue generation in the space

This is not the recommended alternative.

**Alternative 2 – Purchase the NSAT Kiosk**

Cost Implications: \$500,000

Pros:

- (1) Port would not have to take on extra cost of procuring a design firm
- (2) Port would save money as the Port construction costs are higher
- (3) Allows the Port to generate money without administrative delays

Cons:

- (1) Financial Cost to Port

***This is the recommended alternative.***

**FINANCIAL IMPLICATIONS**

<b><i>Cost Estimate/Authorization Summary</i></b>	<b>Capital</b>	<b>Expense</b>	<b>Total</b>
<b>COST ESTIMATE</b>			
Original estimate	\$417,942	\$82,058	\$500,000
<b>AUTHORIZATION</b>			
Previous authorizations	\$0	0	\$0
Current request for authorization	\$417,942	\$82,058	\$500,000
Total authorizations, including this request	\$417,942	\$82,058	\$500,000
Remaining amount to be authorized	\$0	\$0	\$0

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**Annual Budget Status and Source of Funds**

***Future Revenues and Expenses (Total cost of ownership)***

**Future Revenues**

Currently the kiosk grosses on average \$80,000 with an approximate average of \$4.5 million per year. Future tenants will be charged percentage rent between 10% to 12%. Revenue to the Port will be approximately \$500,000 annually.

**Future Expenses**

The NSAT Kiosk will be a part of the Small Business Food Incubator program. With this program AVCM will need to procure third party vendors for deep cleaning, general maintenance, and equipment replacement as part of a mid-term refurbishment. Staff is estimating approximately \$75,000 annually for quarterly deep cleaning and ongoing general cleaning on all the three (3) food incubators.

To convert the space from a temporary unit to be used in the Small Business Incubator program and adhere to Code and Port Standard the following action items must happen: add waterproofing membrane to floor, connect plumbing and drains, add water meter, install water heater, and explore alternate ventilation if necessary. Staff believes this cost could be covered in the Small Business Incubator Program and will be returning in the future for authorization of those costs once estimated.

**PREVIOUS COMMISSION ACTIONS OR BRIEFINGS**

None

**ATTACHMENTS**

(1) Presentation slides