

Airport Dining and Retail Tenant Build-Out Analysis

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Background

- Motion 2020-19
- Airport Dining and Retail (ADR) Tenants collective met with ADR staff to discuss the cost of design and construction at the SEA.
- The complaints included several areas of the process and ultimately met with Aviation Managing Director and Commissioners to find resolution to the issue.
- Executive Director Metruck asked ADR Staff to engage with the LEAN Process Improvement Team to understand the issue and find long term solution the problem.

Tenant Build-Out Analysis

- Voice of the Tenant Meeting
- Overall Areas of Concern
 - Design Review Process
 - Port Design Standards
 - Building and Fire Code Review
 - Permitting

Airport Dining and Retail Construction New Best Practices

- Begin a new ADR Master Planning Effort
- Evaluate current Port standards & create ADR specific standards
- Re-evaluate base building conditions based on new ADR Master Planning Efforts
- Before design starts, Port Demo of the space (cold-shell)
- After demo, verify as-builts conditions with new tenants
- Port addressed base building conditions
- Port standards impacting Aviation Commercial Management business partners will be discussed and approved with Aviation Commercial Management/ADR team prior to implementation to understand and analyze business and cost impacts to the tenants/program
- SME's (Subject Matter Experts) are at the table when key planning decisions are made

Analyzing Tenant Impacts

- Took a sample of the Central Terminal which has cross-section of small and large businesses with a variety of categories such as: Food and Beverage, Retail, Convenience Retail and with a tenant mix over all Affected Tenants Lease Groups (which LG2 through LG4A)
- Comparing the proforma for initial capital investment provided during their proposals to the certified construction costs at the completion of their projects, actual sales revenue generated and current term without the COVID relief.

Analyzing Tenants Impacts

Lease Group	Small/Large WMBE/ACDBE	Category	Proposed Improvement Amount	Actual CapEx Improvement Amount	Difference	Percentage Difference
2	Small	Service	\$ 378,288.00	\$ 895,949.96	\$ (517,661.96)	137%
2	Small	Food and Beverage	\$ 900,000.00	\$ 1,815,888.00	\$ (915,888.00)	102%
3	Small	Food and Beverage	\$ 725,000.00	\$ 1,166,408.00	\$ (441,408.00)	61%
4	Joint Venture	Food and Beverage	\$ 1,257,049.36	\$ 2,734,983.16	\$ (1,477,933.80)	118%

Tenant Analysis Recommendations

- After reviewing the cost variance of the sample tenants, the Port is recommending that an additional three (3) years term be provided to the Affected Tenants.
- Staff analysis identified that this is sufficient time to receive the return on the additional investment due to the Port design and construction process.
- Took a sample and looked at the additional costs and the number of years to amortize their loan which came out to approximately 2.5 years which was rounded up to three years

Questions

