



**COMMISSION
AGENDA MEMORANDUM**

Item No. 10a

ACTION ITEM

Date of Meeting September 24, 2024

DATE: August 12, 2024

TO: Stephen P. Metruck, Executive Director

FROM: Jeffrey Wolf, Director, Aviation Commercial Management
Khalia Moore, Assistant Director, Airport Dining and Retail

SUBJECT: Airport Dining and Retail Tenant Marketing Fund Contract Execution and Funding Authorization Request

Amount of this request:	Port Funding Approval: Up to \$6,500,000 over ten (10) years
	Tenant Marketing Fund Approval: Up to \$29,500,000 over ten (10) years

ACTION REQUESTED

Request Commission authorization for the Executive Director:

- 1) to execute multiple contracts over the next ten (10) years all in support of the Airport Dining and Retail (ADR) program including:
 - In-Terminal Entertainment and Cultural Connection Activations
 - Sounds of SEA Music Program
 - Marketing and Advertising
 - Mobile Ordering Platform along with the associated hardware, and,
 - Concessionaire Supplemental Expenditures/Contracts over the next ten (10) years
- 2) to approve funding for the above-mentioned contracts from the combination of the ADR Tenant Marketing Fund (TMF) and Port funding through the Airport Development Fund (ADF).

EXECUTIVE SUMMARY

This authorization request is for the procurement and execution of a variety of contracts necessary to support ADR tenant-approved marketing efforts that promote overall ADR tenant awareness. The marketing efforts also increase customer engagement with the ADR program and enhance the customer experience through in-terminal activations that increase dwell time and promote spending within the ADR program. Of the various contracts within this request, most are funded solely by the ADR TMF. Only The Music Program is a shared cost by both the

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Port and the ADR Tenants. However, with potential approval of a proposed budget request within the upcoming 2025 Port budget process, Port-funding may supplement the TMF related to In-Terminal Entertainment and Cultural Connection Activations beginning next year (2025).

These contracts are critical components to the continued success of the ADR Program and its tenants. Authority to spend tenant marketing funds is already contained both in the approval of ADR tenants' leases and in the annual tenant marketing operating budget, which is reviewed and authorized annually by the ADR tenants.

Contracts associated with this request include the following:

- 1) In-Terminal Entertainment and Cultural Connection Activations: the creation of targeted events that highlight tenant offerings, cultural celebrations representing the employees, airport and PNW mix, with the intent of increasing dwell time within the terminal and promoting ADR spending by passengers. This is an expansion of the initially launched program established solely by the ADR tenants.
- 2) Sounds of SEA Music Program: growing the established award-winning program that further enhances the PNW sense of place at SEA.
- 3) Marketing and Advertising: marketing of the ADR program externally and on the in-terminal advertising channels as requested by the ADR tenants. This may include seasonal campaigns and targeted marketing efforts to increase program awareness.
- 4) Mobile Ordering Platform: reassess and implement a new mobile ordering platform with the potential for product delivery throughout the airport.
- 5) Concessionaire Supplemental Expenditures/Contracts: the high volume and ever-changing nature of the ADR business requires the ability to undertake short-term projects to respond to tenants' needs. These projects are typically designed to address specific ADR program objectives/needs such as photography, videography, equipment rental for special events or maintenance of the digital directories. This contract allows for the purchase of goods and services for these impromptu needs.

JUSTIFICATION

The approval of this authorization request will allow for the continuation of contracts that have been essential to ADR tenants and the continued success of the overall program.

These contracts and associated services enhance the traveler and overall customer experience at SEA, provide a sense of place, highlight ADR tenant offerings, increase non-aeronautical revenue, further diversity, equity, and inclusion efforts and provide employment and business growth opportunities.

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Diversity in Contracting

ADR staff works with the Port’s Diversity and Contracting Department as well as CPO and members of the ADR Tenant Marketing Committee on maximizing Women and Minority Business Enterprise (WMBE) participation on contracts within the ADR TMF whenever applicable. Many of the current established contracts are held by WMBE firms, including the Sounds of SEA Music Program and In-Terminal Activation and Cultural Connections.

DETAILS

How the ADR Tenant Marketing Program Works:

In 2005, the Port and the ADR tenants established a joint marketing program for the purpose of promoting the quality and variety of products and services available from the new dining and retail tenants. ADR tenant marketing programs such as this have become standard practice in airports across the country.

The tenant marketing program at SEA is paid for by the ADR tenants as per the terms of the Lease and Concessions agreement. Each **Non-Incubator Location** contributes 0.5% of gross monthly sales per unit, but no more than \$30,000 annually. **Intermediate Incubator Locations** contribute 0.25% of gross monthly sales but no more than \$15,000 annually and **Introductory Incubator Locations** contribute a one-time fee of \$250 into the TMF. Annual contributions by ADR tenants into the TMF range from approximately \$2M to \$3M per year and will fluctuate with various openings and closings of concepts throughout the airport. The marketing program revenues and expenditures are managed by the ADR staff within the Aviation Commercial Management Department. Allocations of the tenant marketing funds are reviewed during regular meetings with the ADR Tenant Marketing Committee. This committee is open to all ADR tenants and meets annually with the ADR staff to review the proposed annual spend for the next year including marketing and branding expenditures, review marketing presentations from the current year activations, and discuss ADR tenant recommendations for marketing efforts in the new year.

Contract Duration/Amounts/ Funding

In-Terminal Entertainment and Cultural Connection Activations

- Contract duration: up to ten (10) years authorized, with individual contracts up to five (5) years.
- Contract value: up to \$600,000 annually.
- Contract opportunity for WMBE/Small Business participation.
- There is a 2025 budget request to share the contract cost between the Port and the ADR Tenant Marketing Fund.
- Funding: currently 100% from the TMF (see note above regarding potential future Port shared funding)

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Sounds of SEA Music Program

- Contract duration: up to ten (10) years authorized, with individual contracts up to five (5) years.
- Contract value: up to \$700,000 annually.
- Funding: shared cost with 50% funded by ADR TMF (up to \$350,000 per year) and 50% by the Port (up to \$350,000 per year).

Marketing and Advertising

- Contract duration: up to ten (10) years authorized, with most individual contracts 1-2 years.
- Contract value: Up to \$1,250,000 annually.
- ADR staff will administer the contract and will work with ADR Tenant Marketing Committee, ADR Marketing Consultant, and other Port staff (as needed) for marketing and advertising campaign creations.
- Funding: 100% from the TMF.

Mobile Ordering Platform

- Contract duration: up to ten (10) years authorized, with individual contracts up to two (2) years with a one (1) year option. Limited duration as technology continues to develop.
- Contract value: up to \$300,000 annually.
- As this technology continues to evolve, the contract value will be determined based on the capacity of the platform selected. Examples of platform capability items include software integration capability, fee structures costs, secondary services, service fees, platform integration with dining, retail, services, etc.
- Contract opportunity for WMBE/Small Business participation.
- Funding: 100% from the TMF.

Concessionaire Supplemental Expenditures/Contracts

- Contract duration: up to ten (10) years authorized, with most contracts established as limited term purchase orders/contracts for goods and services (typically one-time purchases and not extended length contracts).
- Contract value: Up to \$750,000 annually.
- Contract opportunity for WMBE/Small Business participation.
- Funding: 100% from TMF.

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Contract Funding Summary

Contracts	Amount Funded by the TMF (10-years)	Amount Funded by the Port (10-years)
In-Terminal Entertainment/ Cultural Connections	Up to \$3,000,000	(2025 Budget Request) Up to \$3,000,000
Sounds of SEA Music Program	Up to \$3,500,000	Up to \$3,500,000
Marketing and Advertising	Up to \$12,500,000	N/A
Mobile Ordering Platform	Up to \$3,000,000	N/A
Concessionaire Supplemental Expenditures/Contracts	Up to \$7,500,000	N/A
TOTAL	Up to \$29,500,000 over ten (10) years	Up to \$6,500,000 over ten (10) years

ALTERNATIVES AND IMPLICATIONS CONSIDERED

Alternative 1 – Do not approve this action and do not proceed with any of the requested contracts.

Cost Implications: There would be no additional funding needed from the Port or the TMF with the discontinuation of marketing contracts.

Pros:

- (1) The Port would not spend its own funds associated with contracts within this request (i.e. Airport Music Program and potentially the In-Terminal Entertainment and Cultural Connection Activations).

Cons:

- (1) The ADR tenants have shared positive feedback on the use of the funds for their marketing efforts associated with their spaces and the overall program. This option would lead to dissatisfaction by the ADR tenants.
- (2) This option would no longer ensure a well-coordinated, holistic marketing effort for the program and the ADR tenants would need to source marketing individually.
- (3) This option would limit the visibility of smaller businesses within the ADR program that do not have the collective buying power for large scale marketing compared to the larger businesses.
- (4) As many of the contracts held by the ADR TMF are WMBE Businesses, there would be decrease in direct contracting with WMBE companies with the Port within Aviation.
- (5) If the Port would like to continue with these services, including programming music with Sounds of SEA, full costs would need to be absorbed within the Port’s budget.

This is not the recommended alternative.

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Alternative 2 – Approve only TMF funded contracts and funding and no Port funding.

Cost Implications: Up to \$29,500,000 from the TMF, \$0 from Port funds

Pros:

- (1) The Port would not spend its own funds associated with contracts within this request (i.e.- Airport Music Program and potentially the In-Terminal Entertainment and Cultural Connection Activations).
- (2) The ADR tenants would maintain most marketing efforts solely utilizing the TMF.

Cons:

- (1) The ADR tenants have expressed concern about solely funding all marketing efforts (no Port funding).
- (2) The Port would no longer be co-funding The Music Program and potentially the In-Terminal Activations (assuming budget approval in 2025) and the future continuity of these programs would be jeopardized.
- (3) The Port has partnered with the ADR tenants with funding efforts in the past and this option would end the co-funding and impact the synergy and goodwill currently existing between the two parties.

This is not the recommended alternative.

Alternative 3 – Move forward with the recommended action.

Cost Implications: Up to \$6,500,000 over ten (10) years from the Airport Development Fund and up to \$29,500,000 million over ten (10) years from the TMF.

Pros:

- (1) These programs have become key elements of an overall positive traveler experience within the Airport and as part of the overall ADR program.
- (2) Continuing with the marketing efforts helps further grow non-aeronautical revenue by increasing dwell time and spending throughout the terminal.
- (3) The program fosters a Pacific Northwest sense of place within SEA and contributes to an overall positive experience at SEA as well as helping to achieve 4- and 5-star Skytrax ratings.
- (4) Most of the marketing contracts allow for WMBE participation.

Cons:

- (1) There is a continued cost to the Port for the co-sponsorship of various contracts within the marketing program.

This is the recommended alternative.

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ATTACHMENTS TO THIS REQUEST

- (1) Presentation slides

PREVIOUS COMMISSION ACTIONS OR BRIEFINGS

- (1) December 13, 2022- Commission authorized Determination that a Competitive Exemption is Appropriate from Procurement Activities, Including Purchasing and Services, related to the Advertising Services Associated with the Airport Dining and Retail Tenants Under the Airport Dining and Retail (ADR) Tenant Marketing Fund, for a Period of Not-to-Exceed Ten Years.
- (2) September 19, 2019- The Commission authorized Executive Director to execute multiple contracts for: (1) Marketing and advertising; (2) In-Terminal Entertainment; (3) Music Program; (4) mobile ordering and delivery software applications along with the associated hardware; (5) quality assurance/customer service; all in support of the Airport Dining and Retail Program, and (6) Concessionaire Ad Hoc Expenditures. The value for all contracts will not exceed an estimated \$10,000,000 over 5 years with the funding to come from the Airport Dining and Retail Tenant Marketing Fund plus the Port's contribution of \$1,142,500 to the Music Program.
- (3) June 28, 2016 – The Commission authorized the Chief Executive Officer to procure and execute four consulting contracts to promote doing business with Airport Dining and Retail tenants in amount not to exceed \$375,000 for the Music Program.