

Item Number: 7a Exhibit B

Date of Meeting: May 27, 2014

Realizing a Vision for Airport Dining & Retail at Sea-Tac Airport

Public Briefing

May 2014

Port 
of Seattle®

Foundations for a Vision

Century Agenda:

- Become Gateway of Choice for Travelers
- Create 100,000 New Jobs

Aviation Division Strategic Goals:

- Become a Top 5 Airport in Customer Service in North America
- Maximize Non-Aeronautical Revenue

Foundations for a Vision

Commission Direction (2/14/12 Motion)

- Reflect Northwest 'sense of place'
- Encourage competition, equally attractive to all
- Use two methods of leasing
 - Third Party Competitive Evaluation – smaller packages
 - 'Request for Proposals' Process – 4+ unit packages
- Foster employment continuity
- Grow small business & minority participation
- Continue 'street pricing' policy
- Make build-outs more efficient/affordable

Realizing the Vision in Airport Dining & Retail 2025

- Create an experience customers rave about
- Offer diverse, quality restaurants and shops
- Grow revenues for investment in the airport's long-term future
- Increase economic opportunity for business and people
- Create a sustainable lease transition process

A New Program - A New Name

Airport Dining & Retail

*“the business of
restaurants and shops
in an airport
environment”*



The Way We Were

Prior to 2005 transition:

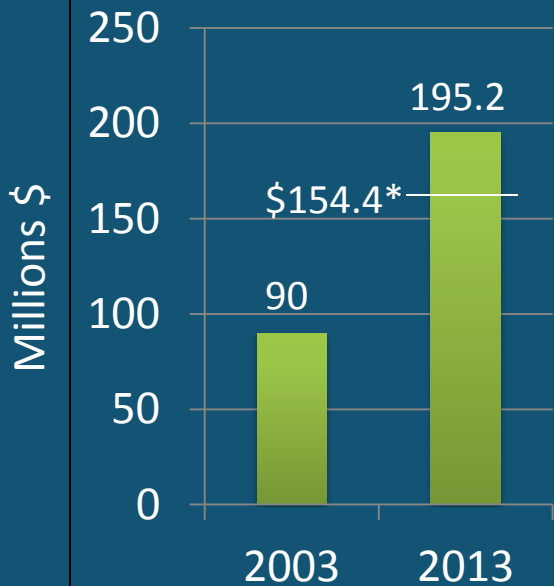
- Limited variety
- Low quality
- Generic concepts
- High prices
- No competition



Success on Every Measure

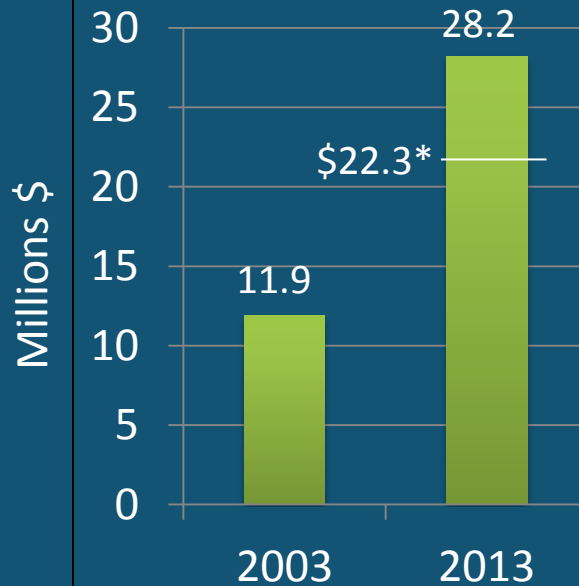
Program Transformation

Gross Sales



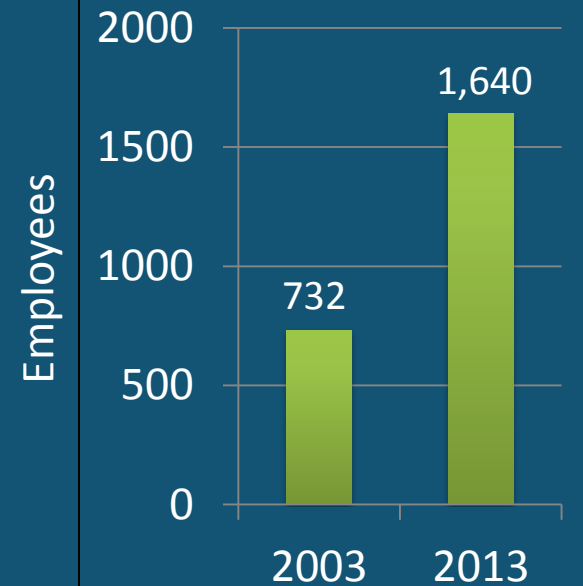
117% Growth

Port Revenue



136% Growth

Employment



124% Growth

* Shown in 2003 constant dollars

Industry Accolades:

- Best Overall Program, 2007 – ACI-NA
- Best Airport Program, 2009 – Airport Revenue News

Diversity of Operators

2003



- Host
41 units
- CI (subtenant
ACDBE) 10 units
- ACDBE
18 units
- Independent
6 units

2013

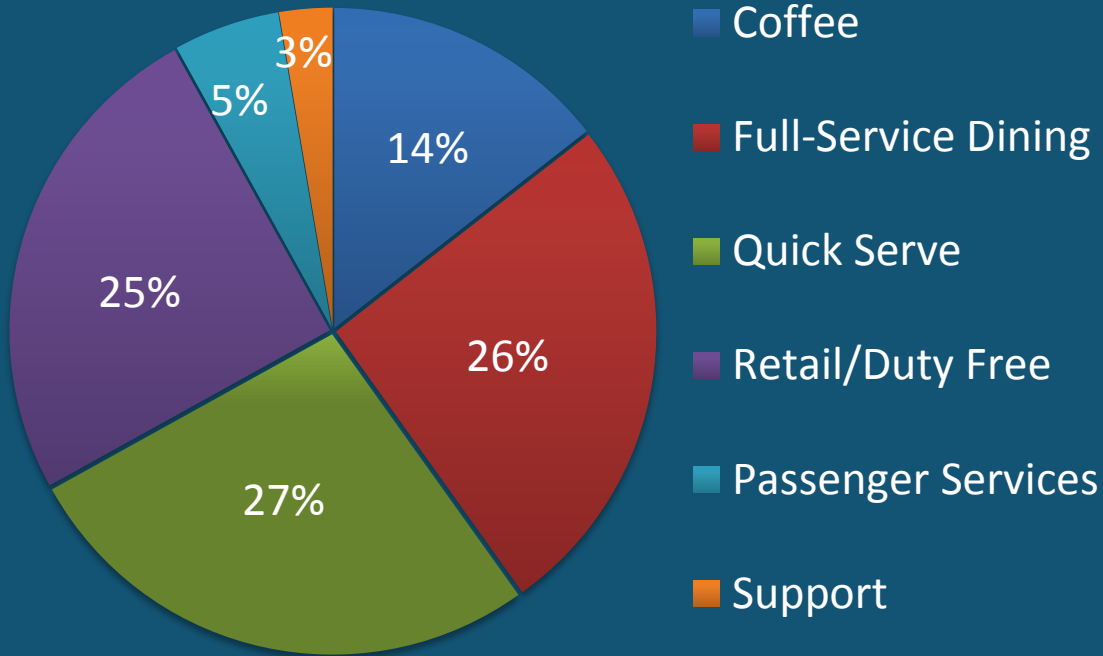


- Host/SRA
24 units
- CI (prime)
5 units
- ACDBE
18 units
- Independent
19 units
- Hudson
22 units
- Dufry
4 units

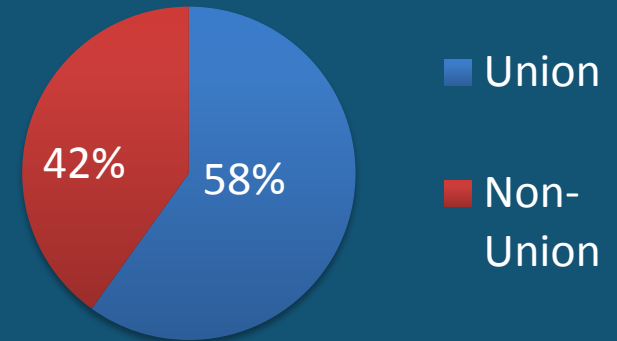
- 2003: 75 total locations
- 2013: 92 total locations
- ACDBE includes prime subtenants
- Kiosks not included

Employment Opportunity

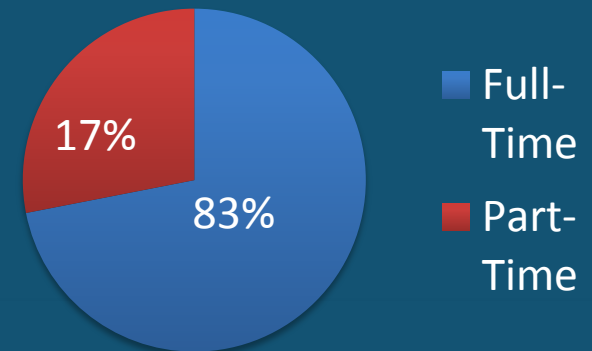
Employment by Operation



Representation

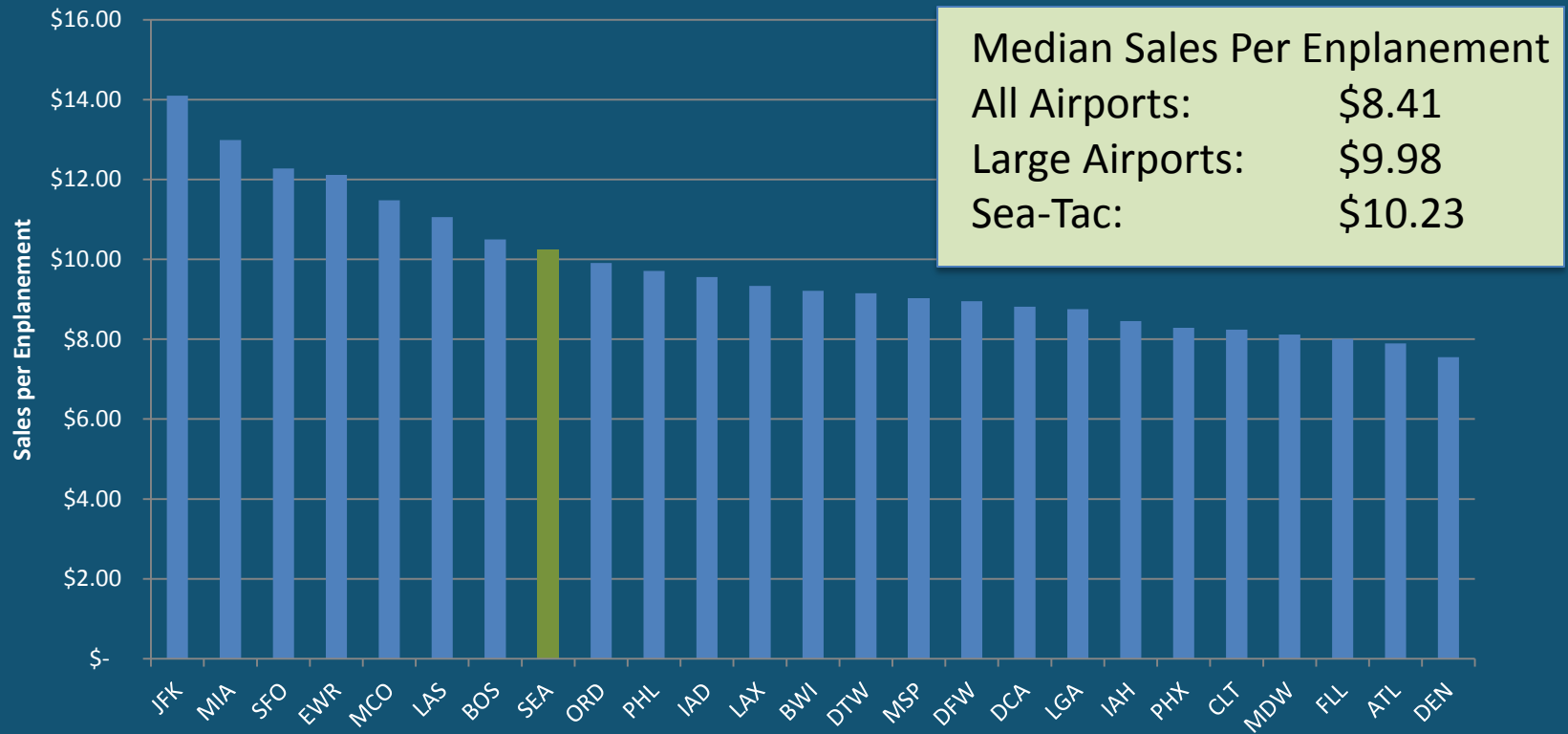


Full-Time/Part-Time



Total Employees = 1,640

Industry Performance



Sea-Tac is a top performer among the 25 largest US airports measured in 2012 sales per enplanement (excluding duty free).

What Our Travelers Want

- Known brands
- Greater variety
- Higher quality
- Reasonable prices
- More healthy choices
- More full-service experiences
- More retail
- More local flavor

Future South Central Terminal, Mezzanine Dining

Sources: Passenger intercept surveys, focus groups, airport comment tracking system, secondary research data

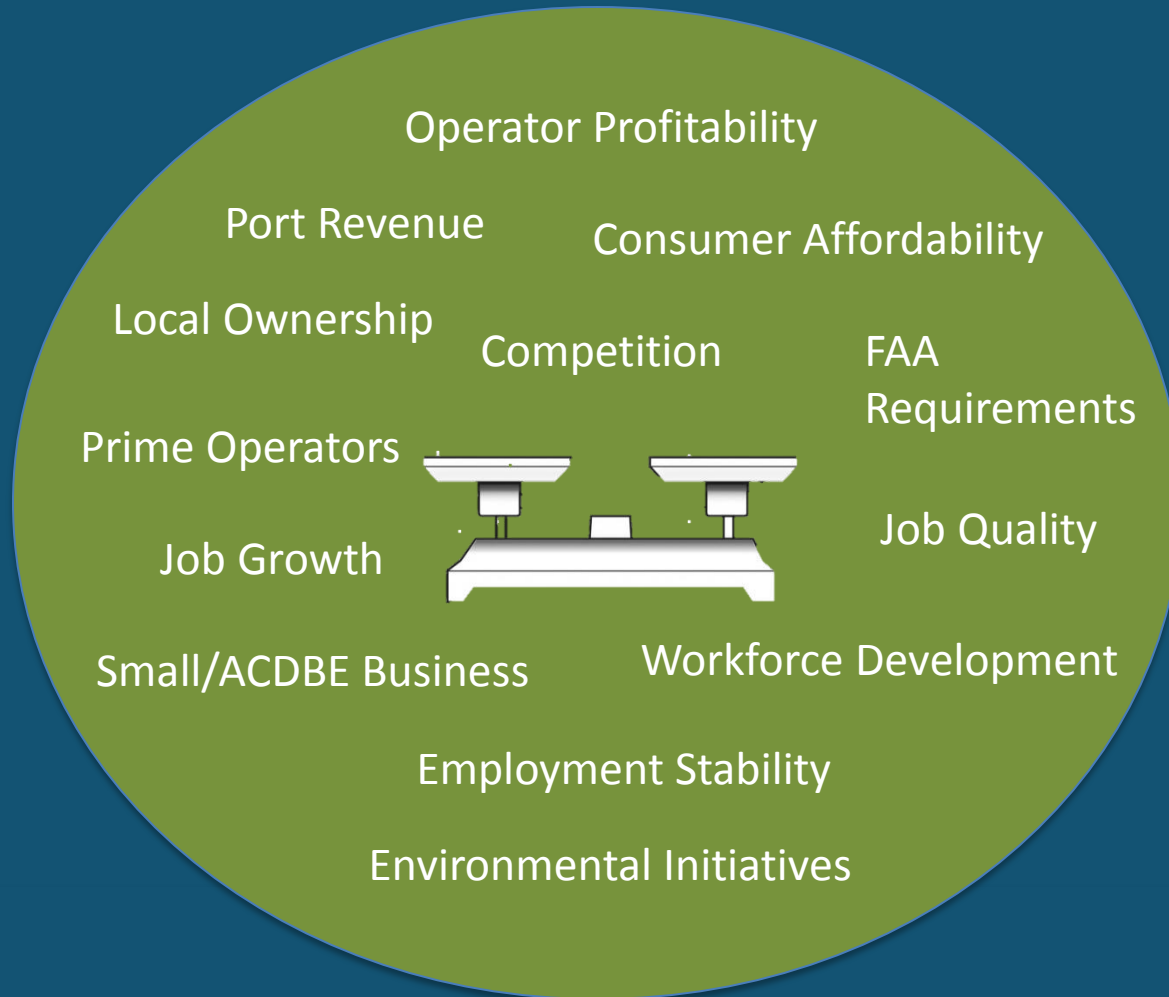
Objectives for New Program

- Grow sales per enplanement 30% by 2025
- Reach and remain in top 10 among top 50 airports by sales per enplanement (excl. duty free)
- Grow revenues by 25%
- Grow jobs 40% – both union & non-union
- Grow local/small/ACDBE share of sales from 30% to 40%

The Path to the Vision



Priorities to Balance



Stakeholder Involvement 2011-12

Involved businesses (national primes, small, ACDBE), labor, airlines, traveling public

Focus of discussion:

- Leasing structure
- Labor policies
- Balance of small, local and minority-owned vs. prime operators
- Build-out requirements, street pricing

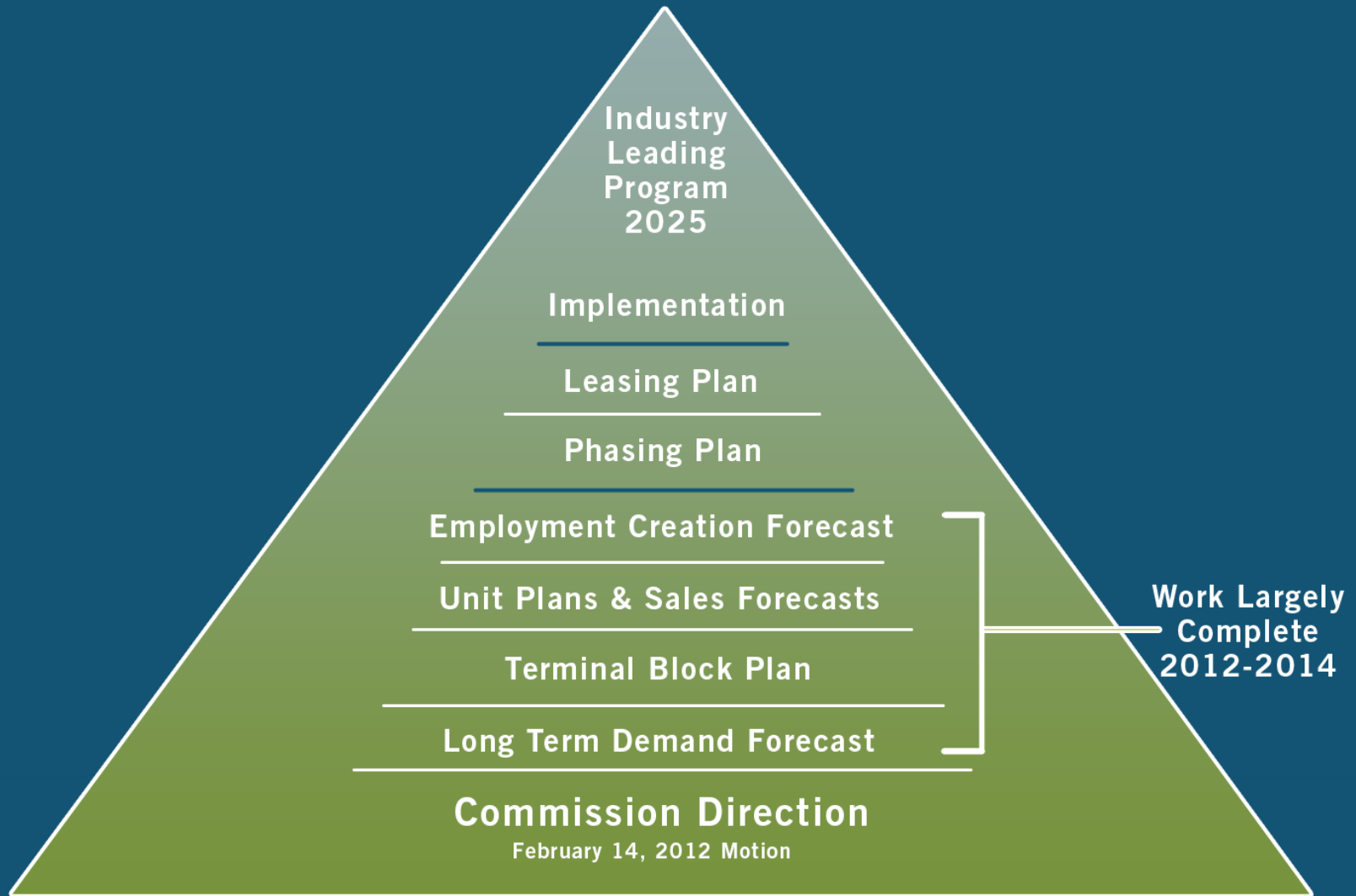
Lessons Learned Since 2004

- Have a flexible leasing process to attract diverse operators
- Provide infrastructure to lease line
- Have an efficient, affordable design & build-out process
- Lease directly with small and ACDBE tenants
- Have leasing strategy to balance operator risk
- Phase leases to avoid serious impacts

Foundation in Place for Next Steps

- Clear Commission vision and direction
- Valuable lessons learned since 2004
- Extensive knowledge of customers
- Successful track record of leasing
- More than 10 years experience with newer facilities
- Keen understanding of transition phasing

Airport Dining & Retail Master Plan

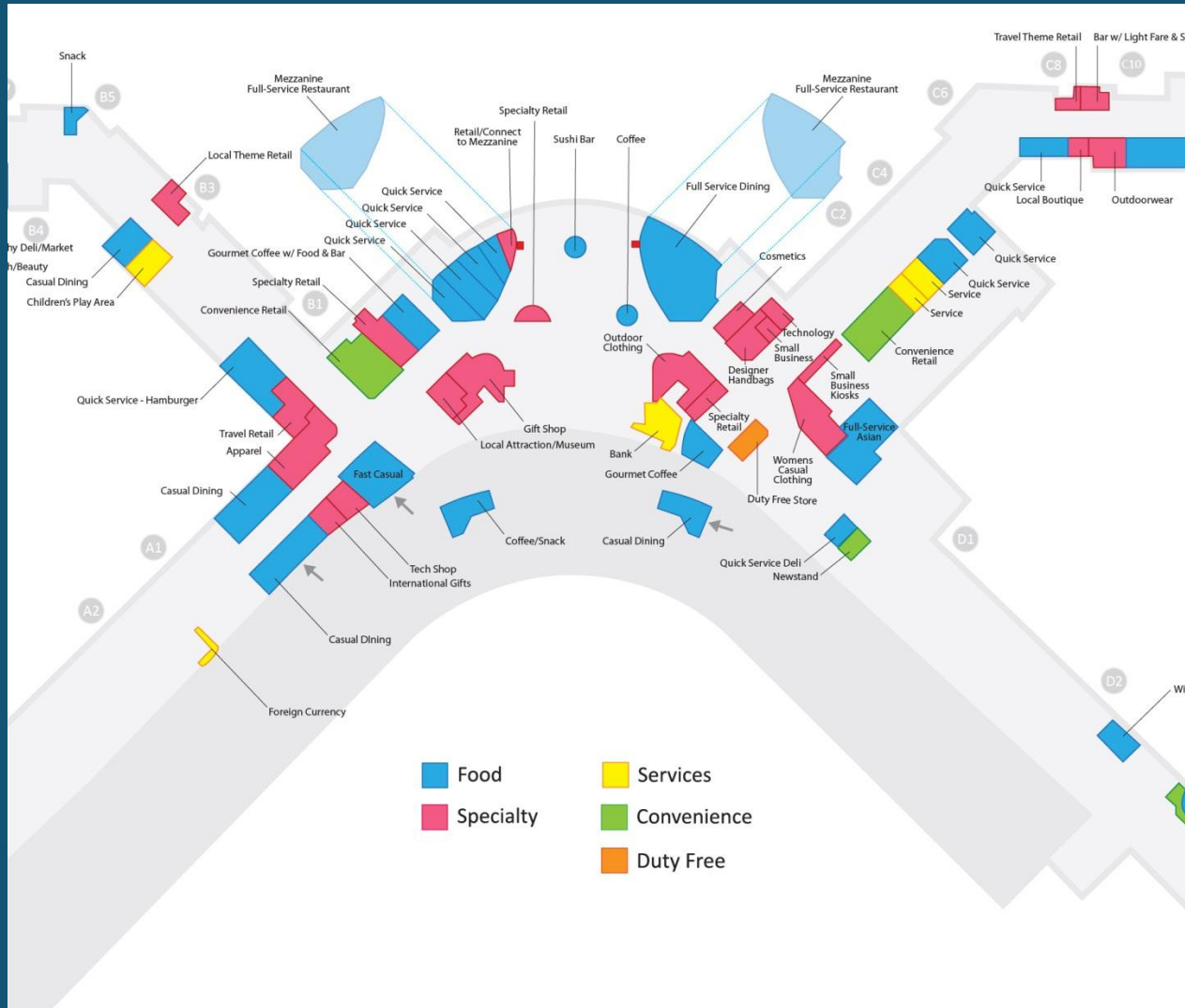


Demand Analysis 2025

Location	Existing Square Footage	Required* Square Footage	Square Footage Shortage
Main Terminal	126,670	146,200	(19,530)
South Satellite	16,800	36,500	(19,700)
North Satellite	19,500	52,500	(33,000)
Airport Total	162,970	235,200	(72,230)

* Square footage required to meet passenger demand, initially completed in 2013; subject to change with ongoing terminal planning

Illustrative Terminal Block Planning

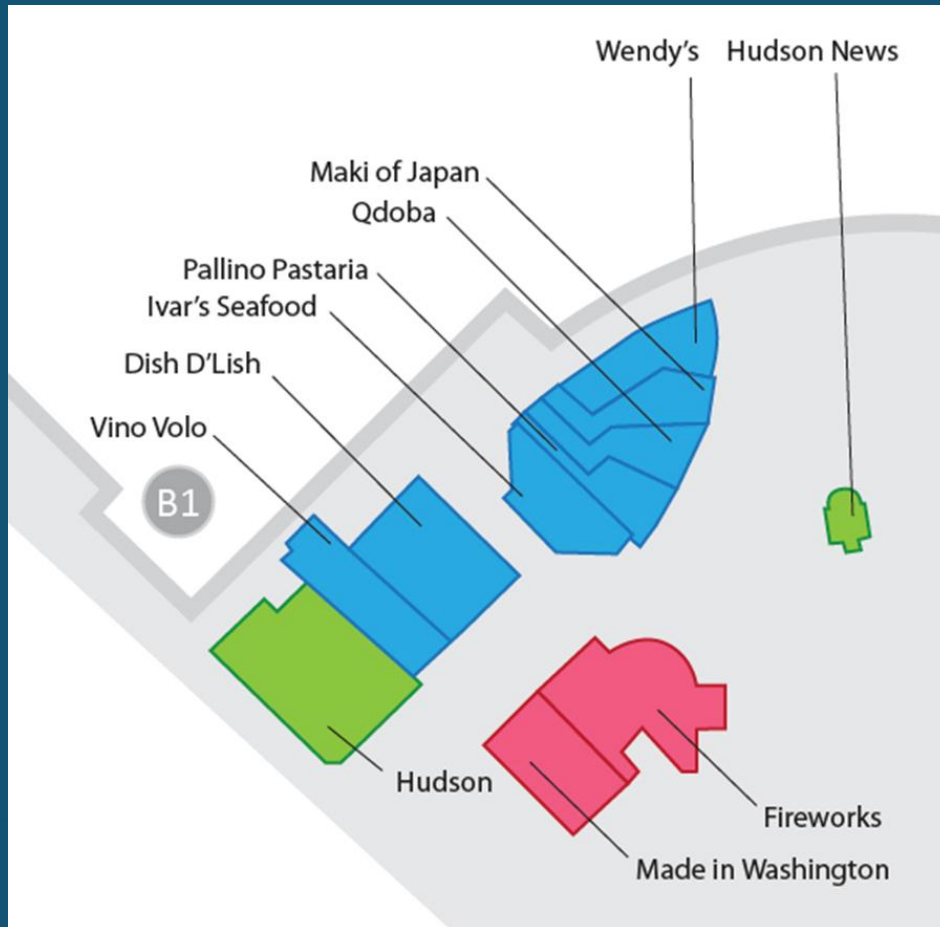


Does not include:

- North Satellite
- South Satellite

Illustrative Unit Planning

Current Central Terminal



Current conditions:

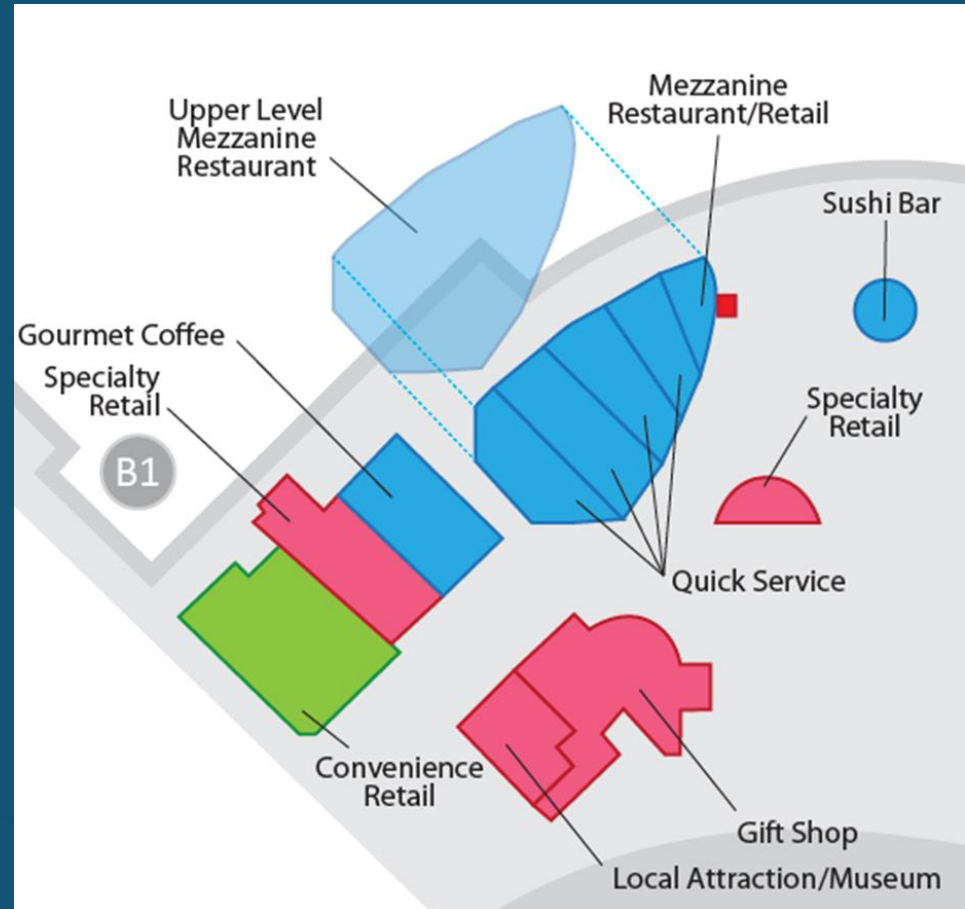
- Poor grease duct venting
- Inadequate air circulation (HVAC)
- Inefficient space configurations
- Chronic queuing issues
- Inadequate unit frontage
- Anchor retail too small (currently Fireworks)

Illustrative Unit Planning

Future Central Terminal

Planning Considerations:

- Current operational problems
- Infrastructure capacity
- Demand analysis
- Checkpoint use/passenger flow
- Local spending trends
- Sea-Tac passenger surveys
- Local demographic data
- Focus groups

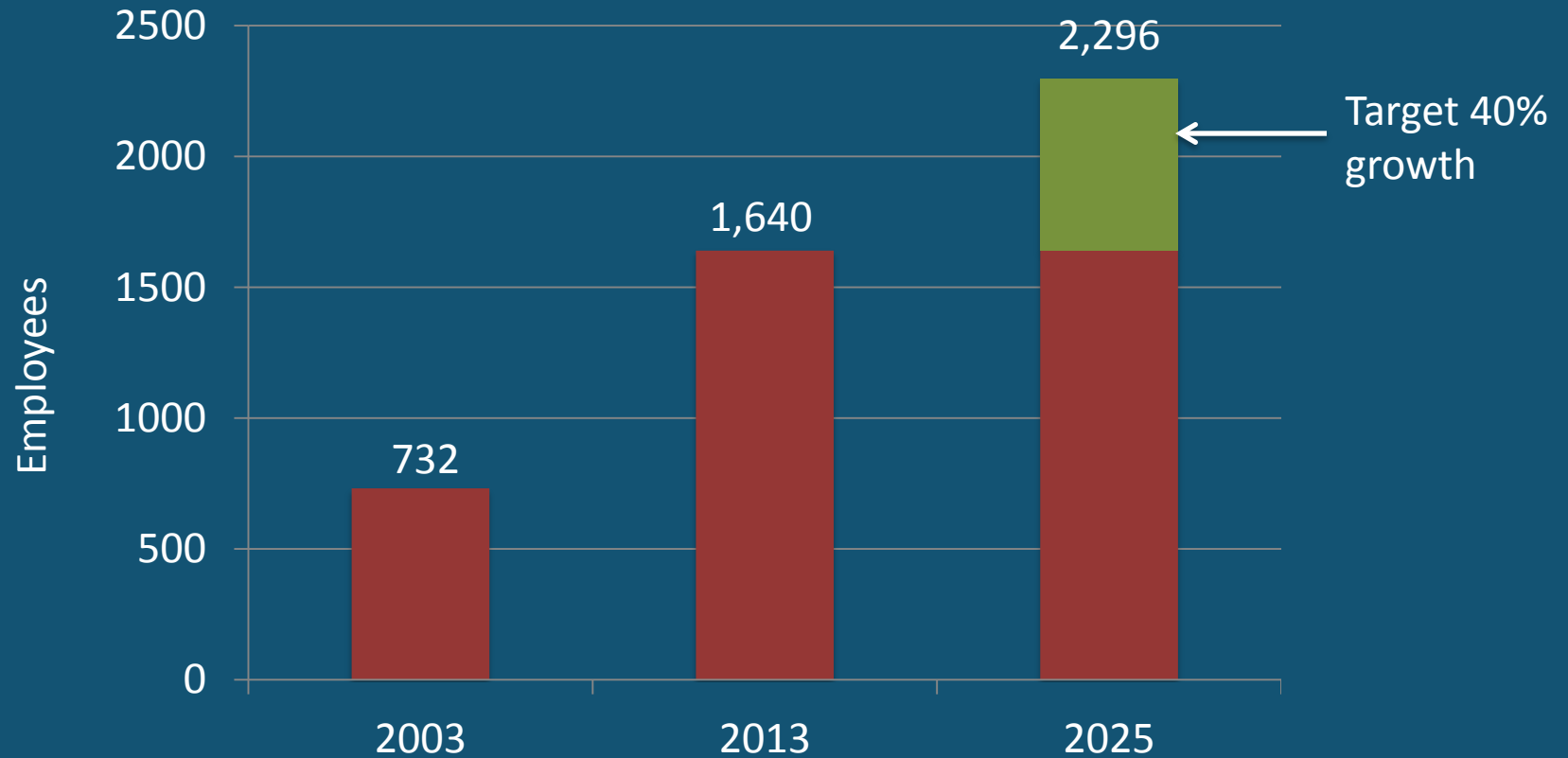


Illustrative Sales Forecasts

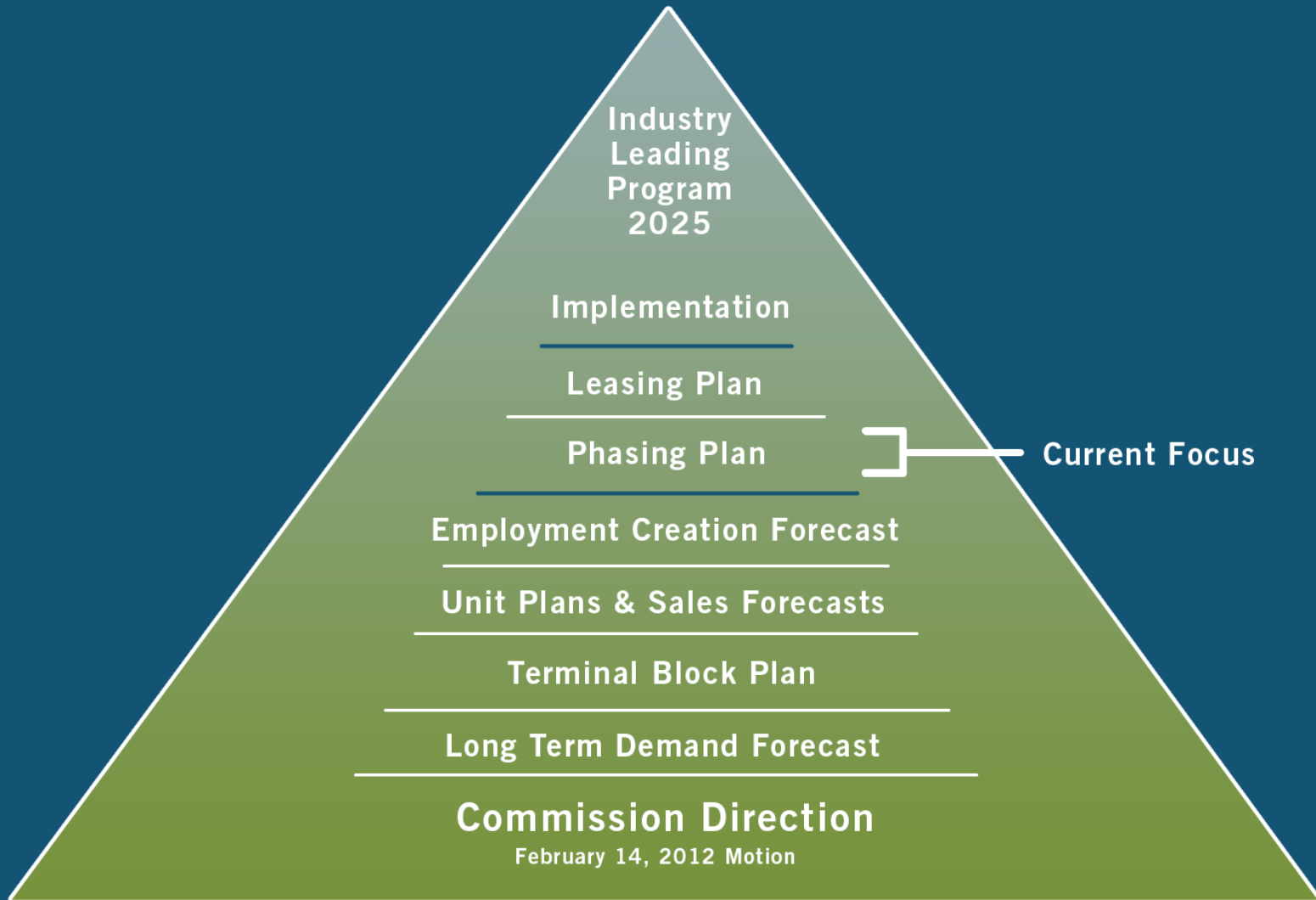
**Seattle-Tacoma International Airport
Service Directive 3: Concession Master Plan
Sample Unit Roster - Central Terminal**

Unit No.	Square Feet	Type	Concept	Sample Tenants	Year 1 Sales/Enplanement	Year 1 Sales	Sales/Square Foot
CT-7	2,636	Specialty Retail	Outdoor Clothing	ExOfficio, North Face, Eddie Bauer, Nike	0.13	\$2,344,452	\$889
CT-6	1,027	Specialty Retail	Women's Accessories	Francesca's or Sole Food, Walking Co.	0.07	\$1,262,397	\$1,229
CT-2	822	Specialty Retail	Cosmetics	Mac, Clinique	0.06	\$1,082,055	\$1,316
CT-3	1,370	Specialty Retail	Designer Handbags	Coach, Kate Spade, Longchamp	0.06	\$1,082,055	\$790
CT-18	354	Food Service	Gourmet Coffee	Dilettante, Fran's Chocolates, Kakao	0.07	\$1,262,397	\$3,566
CT-15	1,116	Food Service	Food Court - Italian/Pizza	MOD Pizza, Serious Pie, Pagliacci Pizza	0.13	\$2,344,452	\$2,101
CT-8	2,856	Specialty Retail	Gift Shop	Fireworks, Muji	0.21	\$3,787,192	\$1,326
CT-12	1,693	Food Service	Gourmet Coffee	Starbucks Coffee, Caffe Vita, Peet's Coffee, etc.	0.18	\$3,246,164	\$1,917

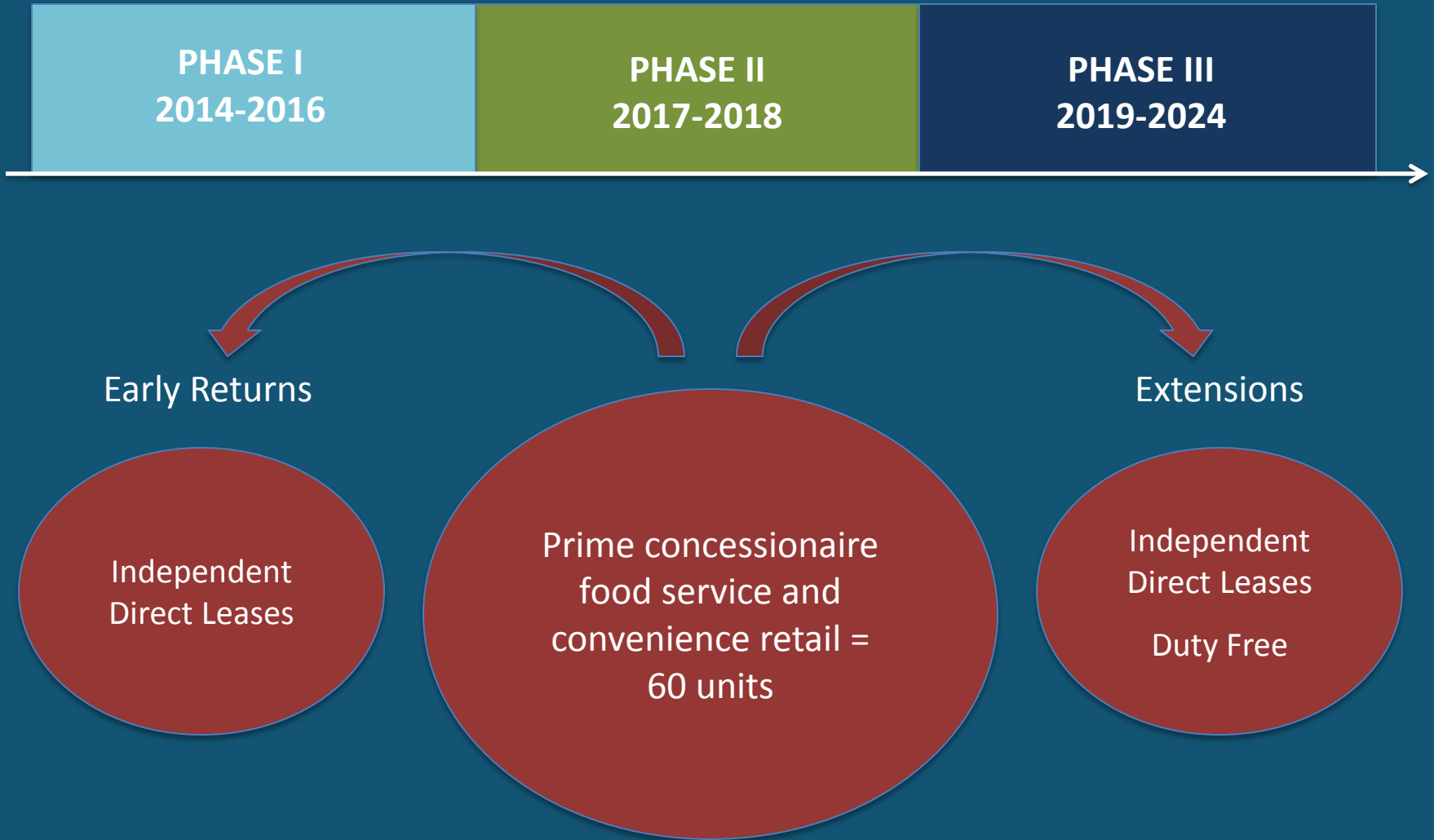
Employment Forecast



Airport Dining & Retail Master Plan



Sustainable Phasing Overview



Adjusting Current Prime Leases Key to Phasing

Prime Concessionaire Food Service (39 units, expiration 12/31/16):

- Early transition and re-concept of returned units
- New lease term for some units with investment requirement
- Phasing extensions for units, including subtenants, consistent with 9/11/12 ACDBE/small business motion - no new investment
- Continued operation of North & South Satellite units until facilities change
- Stability of approximately 400 jobs
- Continued work on leasing mechanics

Adjusting Current Prime Leases Key to Phasing

Prime Concessionaire Convenience Retail (21 units, expiration 5/31/17):

- Early transition and re-concept of returned units
- New lease with extended expiration dates for some units in order to transition lease into two future packages
- Continued operation of North & South Satellite units until facilities change
- Stability of approximately 300 jobs
- Continued work on leasing mechanics

Post Phasing Plan Outcome

IDEAL TRANSITION SCHEDULE
Years 2025-2035



UP TO 10 UNITS ANNUALLY
PROGRAM-WIDE
Prime Packages and Independent Leases
(food service & retail, including new
development)



Leasing Plan Vision

- Continue diversity of operators and concepts similar to the current program
- Increase sales that will lift all types of operators
- Create at least five new prime packages (4+ units) (representing 50-60% gross sales)
- Create combination of single-unit and 2 to 3-unit packages (representing 40-50% gross sales)

Competition will influence final outcome

Next Steps in 2014

1. Commission feedback on program phasing strategy
2. Approve prime concessionaire phasing leases/ adjustments to current leases (including subtenants)
3. Approve specific design scope for utility upgrades
4. Approve program leasing plan and review new RFP

Anticipated Commission Actions

2014

Authorization of Prime
Lease Modifications
3rd Quarter

Authorization of Lease
S. Satellite Restaurant
3rd Quarter

Authorization of Design
Phase I Utility
Upgrades
4th Quarter

Approve Leasing Plan
New RFP Review
4th Quarter

2015

Authorization of Phase
I Utility Construction
1st Quarter

Authorization of Leases
for Personal Services
2nd Quarter

Authorization of Leases
for Food & Beverage
3rd Quarter

Authorization of Leases
for Specialty Retail
4th Quarter

2015 Lease authorizations may include:

- Early returned food service and retail units
- 5-8 new restaurants
- 3-5 specialty retail units
- 2-4 units for spa/massage/manicure

Packaging contingent on outcome of phasing plan