



Commissioners

Stephanie Bowman
Commission Co-President
Courtney Gregoire
Commission Co-President
Tom Albro
Bill Bryant
John Creighton

Tay Yoshitani
Chief Executive Officer

P.O. Box 1209
Seattle, Washington 98111
www.portseattle.org
206.787.3000

**APPROVED MINUTES
COMMISSION SPECIAL MEETING MAY 27, 2014**

The Port of Seattle Commission met in a special meeting Tuesday, May 27, 2014, in the International Auditorium at Seattle-Tacoma International Airport, Seattle, Washington. Commissioners Albro, Bowman, Bryant, Creighton, and Gregoire were present.

1. CALL TO ORDER

The special meeting was called to order at 11:39 a.m. by Commissioner Bowman, Commission Co-President.

2. EXECUTIVE SESSION pursuant to RCW 42.30.110

The special meeting was immediately recessed to an executive session estimated to last 90 minutes to discuss matters relating to sale or lease of real estate, potential litigation, and legal risk. Following the executive session, which lasted approximately 70 minutes, the special meeting reconvened in open public session at 1:09 p.m.

PLEDGE OF ALLEGIANCE

3. SPECIAL ORDERS OF BUSINESS

3a. Airline partners presentation on future plans at Seattle-Tacoma International Airport.

A PowerPoint presentation on the impact of terminal financing options on demand at the Airport was provided by Alaska Airlines representatives at the meeting. A copy of the presentation is by reference made a part of these minutes, is marked [Exhibit A](#), and is available in Port offices for review.

Presenter(s): Karen Gruen, Vice President, Corporate Real Estate, Alaska Airlines; Andrew Harrison, Vice President, Planning and Revenue Management, Alaska Airlines; and Mike Medeiros, Vice President – Seattle, Delta Airlines.

The Commission received a presentation that included the following relevant information:

- Alaska Airlines operates over 275 flights daily flights to 79 destinations on three of the Seattle-Tacoma International Airport's six concourses, with 80 percent of its customers passing through the Airport daily. Alaska Airlines also leases Airport facilities for its flight and ground crews, maintenance technicians, and ancillary service providers.

- Current and planned Airport projects will decrease the number of aircraft positions available to Alaska Airlines, especially regional aircraft.
- Alaska projects increased network growth with a two percent departure growth out of Seattle over the next five years.
- The airline plans to expand its use of larger aircraft with higher load capacities.
- Alaska supports the Airport's expansion of the North Satellite (NSAT) facility and the addition of more gates in 2019 to fulfill their future gate needs. This support is subject to the Port of Seattle completing an analysis of the train system to ensure that it can support a 20-gate facility while providing a high level of customer service.
- Alaska is concerned that the funding of the Airport's NSAT and IAF projects be equitable. It was noted that passenger facility charges comprise a larger portion of the funding plan for the IAF than use of the Airport Development Fund.
- Current project funding plans would result in a cost increase of \$0.67 for domestic tickets, decreasing demand by about 30,000-45,000 customers. Most of these lost passengers would be origin-and-destination passengers who live in Washington.
- While Seattle's Asian travel demand is growing, international travel out of the Airport is still lower than other West Coast gateways. A healthy and expansive domestic network is crucial to the expansion of the Airport's international capacity.
- Delta Airlines is the largest international carrier in Seattle, with seven international wide-body aircraft operating from the Airport.
- Delta plans to add three more operations in June, bringing its total daily international flights out of Seattle to 10, and add 76 domestic departures, with a total of 86 daily departures to 28 destinations. Growth plans at Seattle will continue beyond that, including doubling the planned 86 departures.
- Delta passengers have complained about long airplane hold times, long waits in Customs and Border Patrol processing, and flight misconnects in Seattle.
- Delta's misconnect rates in Seattle are higher than in any other hub in the U.S.

4. UNANIMOUS CONSENT CALENDAR

[Clerk's Note: Items on the Unanimous Consent Calendar are considered routine and are not individually discussed. Port Commissioners receive the request documents prior to the meeting and may remove items from the Consent Calendar for separate discussion and vote in accordance with Commission bylaws.]

4a. Authorization for the Chief Executive Officer to issue a change order for Contract MC-0316998, Eighth Floor Weatherproofing Project, at Seattle-Tacoma International Airport to extend the contract duration by 205 days making the new contract completion date July 31, 2014. No additional funds are required.

Request document(s) provided by Ralph Graves, Managing Director, Capital Development Division, and Janice Zahn, Assistant Director of Engineering, Construction Services:

- Commission agenda [memorandum](#) dated May 6, 2014.

Motion for approval of consent item 4a– Creighton

Second – Albro

Motion carried by the following vote:

In Favor: Albro, Bowman, Bryant, Creighton, Gregoire (5)

5. PUBLIC TESTIMONY

Public comment was received from the following individual(s):

- Grant McClamrock, Unite Here Local 8. Mr. McClamrock spoke in favor of worker retention at the Airport and commented on the opportunities provided by food services at Sea-Tac.
- Dontreale Cain, Airport concessions employee, Unite Here Local 8. Mr. Cain urged the Commissioners to support worker retention so that he can remain stably employed.
- Stefan Moritz, Unite Here Local 8. Mr. Moritz commented that in order for there to be a comprehensive transition program with the expansion of the Airport Dining and Retail Program, better developed plans for worker retention are needed, along with the establishment of labor peace agreements, and an increase in the percentage of prime concessionaires in the program.
- Roxanne Seibel, United Food and Commercial Workers Local 21. Ms. Siebel spoke in favor of worker retention.
- Larry Setchell, on behalf of Concourse Concessions LLC, The SeaTac Bar Group LLC, Sun's Inc., and JLAD LLC. Mr. Setchell requested consideration of the needs of Airport Concessions Disadvantaged Business Enterprises in the Airport Dining and Retail Master Plan. Mr. Setchell submitted his comments in writing. A copy of the document is, by reference, made a part of these minutes, is marked [Exhibit B](#), and is available for review in Port offices.

6. DIVISION, CORPORATE, AND COMMISSION ACTION ITEMS

- 6a. Second Reading and Final Passage of [Resolution No. 3691](#): A resolution of the Port Commission of the Port of Seattle declaring certain personal property surplus (Port of Seattle Passenger Loading Bridges (PLBs) N3, N7, N8, N9, N10, N11, and N14 and related spare parts) for Port of Seattle purposes; authorizing its sale to Alaska Airlines; and authorizing the Chief Executive Officer to execute all documents related to such sale.**

Request document(s) provided by James Jennings, Manager, Aviation Properties, and Jolene Culler, Senior Property Manager, Aviation Properties:

- Commission agenda [memorandum](#) dated April 22, 2014.
- [Resolution No. 3691](#).

Presenter(s): Mr. Jennings.

The Commission received a presentation that included the following relevant information:

- With the passage of this resolution, staff will execute documents on the sale of the Passenger Loading Bridges (PLBs) to Alaska Airlines.
- Concurrent with sale of passenger loading bridges (PLBs), the Port will proceed with the purchase of three PLBs from Alaska Airlines to the Port on Concourses C and D.
- This purchase-and-sale facilitates the Port's improvement of maintenance and repair processes for PLBs for Port and airline staff.
- It also provides potential flexibility for use of gates by different airlines. At the same time, it accommodates Alaska Airlines' desire to own and control a large number of the PLBs on the gates they lease.
- Seattle-Tacoma International Airport-wide strategy entails Alaska Airlines owning the PLBs at the North Satellite, while the Port will own the remaining PLBs at the South Satellite and on Concourses A, B, C and D.
- This is a strategic shift from the Airport's original plan to own and maintain all Airport PLBs, and is judged the best strategy for PLB maintenance and repair efficiency while preserving airline operational autonomy.

Motion for approval of item 6a – Bryant

Second – Albro

Motion carried by the following vote:

In Favor: Albro, Bowman, Bryant, Creighton, Gregoire (5)

6b. Motion of the Port of Seattle Commission Appointing a Member of the Commission Ethics Board for 2014-2017.

Presenter(s): Larry Ehl, Chief of Staff, Commission Office.

The Commission received a presentation that included the following relevant information:

- Professor Anita Ramasastry, who has served with distinction in the field of ethics, would be appointed to serve a three-year term as a member of the Commission Ethics Board, effective June 4, 2014, and ending June 3, 2017.
- Professor Ramasastry will replace Attorney Jeffrey Coopersmith, whose term is expiring this month.
- The Commission Ethics Board is an external committee, consisting of three members to offer the Port Commission ethical advice from an unbiased perspective.

Motion for approval of agenda item 6b – Albro

Second – Gregoire

Motion carried by the following vote:

In Favor: Albro, Bowman, Bryant, Creighton, Gregoire (5)

7. STAFF BRIEFINGS

7a. Staff Briefing on the Airport Dining and Retail Master Plan for Seattle-Tacoma International Airport.

Presentation document(s) provided by James R. Schone, Director, Aviation Business Development, and Deanna Zachrisson, Manager, Concessions Management:

- Commission agenda [memorandum](#) dated April 18, 2014.
- Presentation [slides](#).
- Airport Dining and Retail Master Plan pyramid [diagram](#).

Presenter(s): Ms. Zachrisson.

The Commission received a presentation that included the following relevant information:

- Airport Dining and Retail generates over \$200 million in sales yearly for the Seattle-Tacoma International Airport, representing 10 percent of the Airport's total operating revenues. There are currently 92 dining and retail units in operation at the Airport, 19 of which are leased by local, small "independent" businesses.
- Sales per enplanement (SPE) has grown from \$6.74 in 2003 to \$11.23 in 2013. SPE is estimated to increase to \$15.00 or \$17.00 by 2025.
- Independent lessees currently lease approximately 30 percent of unit locations.
- While employment at the Airport has generally declined, employment in Airport Dining and Retail has grown over 100 percent since 2005, particularly quality jobs in the full-service restaurant sector.
- In 2003, Dining and Retail employed 732; by 2013, it employed 1,840. Increasing sales is expected to increase employment in the program.
- The Airport's restaurant and retail leases will begin expiring in 2015-2017 for the vast majority of units Airport-wide. Sixty units are under lease agreement with prime operators that will expire in late 2016 to early 2017, all within a five-month period.
- The proposed Airport Dining and Retail Master Plan is based on the Port of Seattle's Century Agenda, the Aviation Division's Strategic Goals, and the Port Commission's direction to staff in "Commission Motion Concerning the Airport Concession Program," approved February 14, 2012.
- Goals of the master plan include maximizing nonaeronautical revenue, creating a retail environment attractive to large and small businesses, encouraging competition between operators, fostering employment continuity and small and minority-owned businesses, making construction of tenant improvements easier, and continuing "street pricing."
- By 2025, the Airport will have grown SPE by 30 percent, reach and remain in the top 10 among the top 50 U.S. airports by SPE (excluding duty-free), grow revenues by 25 percent (conservative estimate due to rent deflation), grow both union and non-union jobs by 40 percent, and grow local, small and ACDBE (Airport Concessions Disadvantaged Business Enterprises) share of sales from 30 percent to 40 percent.
- To realize these goals, the Airport began working with stakeholders in 2011, entering a discussion on leasing structure, labor policies, the balance of small businesses and prime operators, build-out requirements, pricing, hiring and the Airport's contractual terms.

- Much of the dining and retail demand is in the North Satellite (NSAT) and South Satellite (SSAT) facilities, where there is currently no additional square footage available.
- The planned NSAT Renovation and Expansion Project will increase dining and retail square footage.
- The SSAT facility currently has space ready for a full-service restaurant and prospects for a tenant by summer.
- Dining and Retail offerings at the Airport have not significantly changed their location in 10 years. Transition block planning offers an opportunity to ensure that offerings are where passenger flow and revenue are maximized.
- After block planning is complete, the Airport will complete unit-by-unit planning. Current tenants may need to compete for different or new space depending on use changes.
- The master plan includes a target employment growth of 40 percent by 2025, up to 2,296 jobs.
- The most important step in the master plan is lease renewal phasing. The lease renewal phasing strategy will help maintain revenues, obtain employment stability, and avoid detrimental impacts to Airport operations and customer service levels.
- The strategy includes a plan encouraging economic competition. Between 2014 and 2024, every lease will, at some point, be subjected to one of the Airport's two competitive leasing processes.
- The strategy introduces staggered lease renewals for the 60 prime concessionaire leases expiring between 2016 and 2017.
- The convenience retail package of 21 units will be broken into two smaller packages for easier scheduling.
- During Phase 1, some units will return to the Port ahead of their expiration schedules, including all leases scheduled to expire next year. Those leases that need to stay in operation longer will be moved to Phase 2. Critical infrastructure work will also take place. Phases 2 and 3, taking place between 2017 and 2019, will include scheduled expirations, extended leases, and expirations from earlier phases.
- Phasing will ensure the stability of approximately 700 jobs.
- All leases will be renewed competitively.
- Competition will influence the final leasing plan vision. At the completion of the phasing plan in fall 2014, the Commission will be presented with a more specific leasing plan.
- An ideal transition schedule is between 2025-2035, with a sustainable schedule of lease renewals over time drawn up by 2024.
- The anticipated Commission action schedule for 2014-2015 includes providing feedback on the program's phasing strategy, approving the prime concessionaire phasing leases and adjustments to current leases (including subtenants), approving specific design scope for utility upgrades, approving the program's leasing plan, and reviewing the new request for proposals.
- 2015 lease authorizations may include early returned food service and retail units, five to eight new restaurants, three to five specialty retail units, and two to four units for personal care.
- Three new tenants have joined the Kiosk Program since the beginning of 2014. All kiosk tenants come through a competitive evaluation process, and leases are short-term.

7b. 2014 First Quarter Update on the Airport's NorthSTAR Program.

Presentation document(s) provided by George England, Program Leader, Aviation Project Management Group; Michael Ehl, Director, Aviation Operations; and Dave Soike, Director, Aviation Facilities and Capital Programs:

- Commission agenda [memorandum](#) dated May 21, 2014.
- Presentation [slides](#).

Presenter(s): Mr. England.

The Commission received a presentation that included the following relevant information:

- The NorthSTAR program, scheduled to be completed in July 2020, consists of one programmatic capital project and five capital construction projects. The program is currently in construction of two of those projects.
- The North Satellite Renovation and Expansion and the Main Terminal Renovation are both currently behind schedule due to design and need considerations, and Alaska Air Group's (AAG) desire to evaluate vertical circulation to accommodate fore and aft door enplaning and deplaning, or "dual-door operations."
- The cash flow for this reporting period stands at \$1.91 million, below the planned \$2.63 million. The budget stands at \$314.7 million, forecasting \$489.6 million. Budget finalization awaits the Port Commission's final authorization of the NSAT project in July.
- The remaining contingency budget has increased from the last quarterly report, to \$36.69 million. This is due to the North-South Concourse C Vertical Circulation component receiving five contractor bids. Pending Transfers/Trends stands at \$175 million for gate expansion.
- The NorthSTAR program is following the standard Port policy and approach for working with the Office of Social Responsibility to ensure that the program employs a percentage of small businesses and women and minority-owned contracting firms.
- The NSAT Renovation and Expansion project includes the construction of nine additional bays and 20 new gates.
- Approximately 60 million passengers will use the NSAT facility during four years of construction so disruption of operations is a major concern.
- The NSAT Renovation project has completed the 15 percent conceptual design phase, including developing a design report that selected the best conceptual design for continued development using evaluation criteria developed jointly by the Port and AAG.
- The project team has completed the level-of-service (LOS) analysis of the NSAT floor plan, including an evaluation of passenger flow through various aspects of the concourse level, and working to better balance hold rooms, concessions and circulation performance.
- The estimated future LOS level stands at B. The project has developed a general plan, to be presented to the Commission during the final authorization request in July, for implementing improvements to hold rooms, concessions, and circulation.
- The NSAT project team has developed and is currently evaluating a list of sustainability design options. The "passenger experience" option includes working with the Planning Department to implement interactive features as passengers move through the

concourse, describing the Airport's Sustainability Master Plan. There may also be areas of quiet space for passengers.

- The NSAT project team is evaluating economically feasible measures to minimize energy use in the expanded facility. The NSAT sustainability features will be incorporated into the Airport's Sustainability Master Plan.
- As part of the 30-percent design phase, the NSAT's current wayfinding and signage were evaluated and found inadequate. Outside of the NorthSTAR program, staff are developing interim improvements, to be implemented over the coming months.
- The original project delivery method was traditional design-bid-build. The project team is currently evaluating whether to use General Contractor/Construction Management (GC/CM) instead, with an acquisition plan to be ready by next Tuesday. The project delivery method will form part of the July final authorization request.
- GC/CM would allow early work, relieving concerns on phasing, and aiding AAG in remaining operational throughout the renovation.
- The team is currently refining the concessions and overall architectural layout of the design, and plan to bring the final layout before the Commission in July.
- The team conducted a passenger survey concerning customer experience with the existing concourse transit system, especially the train ride. The survey results, viewed by the design team, the Port, and AAG, indicate a reasonable level of satisfaction with the current transit system.
- The 15 percent conceptual design phase placed AAG's requested passenger boardroom at a new mezzanine level above the existing concourse. The boardroom will be located at the north end of the facility, with a view of Seattle and surrounding mountains. The project team and AAG are considering the incorporation of a destination restaurant at the same level.
- A major risk of the NSAT project is inadequate electrical-mechanical infrastructure to support the current facility expansion and anticipated future dogleg expansion, currently under evaluation under the Sustainable Airport Master Plan. Infrastructure risk spills over into the contingency budget.
- The Airport, project team, and AAG met on May 19 to discuss the incorporation and justification of the North-South Concourse C Vertical Circulation plan to accommodate dual-door operation. AAG is currently ensuring the elimination of equipment safety issues.
- If the vertical circulation plan is justified by July, it will be included in the final authorization request.
- On February 12, the Vertical Circulation contract was awarded to Forma Construction Co., now working onsite. Forma has completed work on the micropiles, and begun demolition and saw-cutting work by Gate C14, allowing start of foundation work for new sloped walkways, a key element of the project.
- Port Construction Services (PCS) removed four passenger loading bridges (PLBs) at Gates C10, 12, 14, and 16. One PLB was surplus and stored. The other three PLBs were scrapped due to age.
- At the request of the Commission a financing plan proposal will be completed before the airlines' majority-in-interest vote in June.

- Improvements on the Main Terminal have begun, including the reconfiguration of the north end of the ticket lobby, the existing airline ticket office and ticket counters, and the north checkpoint.
- The NorthSTAR program advertised on March 17 for a consultant to perform preliminary engineering and facility analysis. The selected firm, Landrum & Brown, is currently negotiating the contract.
- Project planning will be in coordination with NSAT, the Sustainability Master Plan, and the Terminal Development Strategy, to ensure cohesion on configuration and aesthetics.
- The contract for the North-South Baggage System Refurbishment project has been awarded at \$11.8 million, 19 percent below the engineer's estimate.
- PCS has finished all upgrades to the baggage system and tunnel before the May 15 deadline. The tunnel will now operate at a higher speed in time for AAG's summer busy season.
- Consultant performance resulted in an eight-week delay. The consultants have been notified that they are responsible for associated future impacts.
- The project will increase the lifespan of the C92 baggage system for 15 years, on a recently reevaluated budget of under \$21 million.
- 10 system shutdowns were originally anticipated in connection to the tunnel work, but only one occurred. One belt remained operational during tunnel work.
- The prospective North-South Concourse C&D Exterior Stairs project has not yet been approved.

8. NEW BUSINESS

None.

RECESSED AND RECONVENED

The special meeting was recessed at 3:43 p.m. to an executive session estimated to last two hours to discuss matters relating to qualifications for public employment. Following the executive session, which lasted approximately 2½ hours, the special meeting reconvened in open public session at 6:28 p.m.

9. ADJOURNMENT

There being no further business, the special meeting was adjourned at 6:28 p.m.

Tom Albro
Secretary

Minutes approved: February 10, 2015.