



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 SEPTEMBER 11, 2014**

The Port of Seattle Commission met in a special meeting Thursday, September 11, 2014, at Port of Seattle Headquarters, Commission Chambers, 2711 Alaskan Way, Seattle, Washington. Commissioners Albro, Bowman, Bryant, Creighton, and Gregoire were present.

1. CALL TO ORDER

The special meeting was called to order at 12:00 noon by Courtney Gregoire, 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 60 minutes to discuss matters relating to sale or lease of real estate and qualifications for public employment. Following the executive session, which lasted approximately 60 minutes, the special meeting reconvened in open public session at 1:13 p.m.

MOMENT OF SILENCE

The Commission paused to remember those who died in attacks on the United States on September 11, 2001, and their families, and observed a moment of silence.

PLEDGE OF ALLEGIANCE

ANNOUNCEMENT

Commissioner Gregoire announced that the U.S. Department of Transportation had awarded a \$21 million TIGER grant to the Port for its terminal modernization project at Terminal 46. TIGER is the U.S. DOT's Transportation Investment Generating Economic Recovery program.

3. SPECIAL ORDERS OF BUSINESS

None.

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.]

At the request of Port staff, agenda item 4e was removed from the September 11 agenda entirely prior its publishing on September 8, 2014.

- 4a. Approval of the minutes of the regular meeting of February 25, 2014, and the special meetings of March 18, June 30, and July 1, 29, and 31, 2014.**
- 4b. Approval of the [claims and obligations](#) for the period of August 1-August 31 in the amount of \$45,201,911.01 including accounts payable check nos 826568-827117 in the amount of \$37,052,363.47 and payroll check nos P-177464-177682 in the amount of \$8,149,547.54 for a fund total of \$45,201,911.01.**
- 4c. Authorization for the Chief Executive Officer to execute contracts for the purchase of three Cobus 3000 Airport ramp buses for use at Seattle-Tacoma International Airport for a total authorization of \$1,820,000 (CIP #C800714).**

Request document(s) provided by Michael Ehl, Director, Airport Operations and Nick Harrison, Senior Manager, Aviation Operations:

- Commission agenda [memorandum](#) dated September 4, 2014.

- 4d. Authorization for the Chief Executive Officer to execute a design contract and prepare design and construction bid documents for the Closed Circuit Television Improvements Phase 2 Project at Seattle-Tacoma International Airport for an estimated cost of \$1,078,000 (CIP #C800642).**

Request document(s) provided by Wendy Reiter, Director, Aviation Security and Emergency Preparedness, and Wayne Grotheer, Director, Aviation Project Management Group:

- Commission agenda [memorandum](#) dated September 3, 2014.

4e. [REMOVED FROM AGENDA]

- 4f. Authorization for the Chief Executive Officer to execute an agreement for a three-year period with two one-year options for Environmental Liability Software Upgrades and Maintenance at a cost not to exceed \$553,000.**

Request document(s) provided by Boni Buringrud, Director Seaport Finance and Budget, and David Kleiber, Seaport Environmental Finance Manager:

- Commission agenda [memorandum](#) dated September 3, 2014.

- 4g. Authorization for the Chief Executive Officer to negotiate and execute a possession and use agreement between the City of SeaTac and the Port of Seattle for the partial taking of Port of Seattle property formerly known as the Town and Country Mobile Home Park and the Tye Mobile Home Park for the 24th/28th Street extension from 200th Street to 208th Street.**

Request document(s) provided by W. Allan Royal, Manager Real Estate Development:

- Commission agenda [memorandum](#) dated September 3, 2014.
- Presentation [slides](#).
- Possession and Use [Agreement](#).

4h. Authorization for the Chief Executive Officer to grant a non-exclusive Stormwater Easement to the City of Seattle's Seattle Public Utilities to accommodate the construction, operation, maintenance, and monitoring of City-owned stormwater drainage facilities and an outfall located under, across, and on Terminal 117 and adjacent aquatic land.

Request document(s) provided by Joe McWilliams, Managing Director, Real Estate Division, and Kathy Bannick, Manager Environmental Programs, Seaport Environmental & Planning:

- Commission agenda [memorandum](#) dated September 2, 2014.

Motion for approval of consent items 4a, 4b, 4c, 4d, 4f, 4g, and 4h – Bryant

Second – Albro

Motion carried by the following vote:

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

Without objection, the Commission advanced to consideration of –

6. DIVISION, CORPORATE, AND COMMISSION ACTION ITEMS

6a. Adoption of a motion to appoint Ted J. Fick to serve as Port of Seattle Chief Executive Officer, effective September 29, 2014, through September 30, 2017.

Request document(s) provided by Larry Ehl, Commission Chief of Staff:

- Commission agenda [memorandum](#) dated September 4, 2014.
- [Motion](#).
- [Employment agreement](#).
- [Code of Conduct](#).
- [Relocation Terms](#).

Commissioner Gregoire introduced Mr. Fick, who spoke briefly, and Commissioners offered comments in support of Mr. Fick's appointment.

Motion to appoint Ted J. Fick to serve as Port of Seattle Chief Executive Officer, effective September 29, 2014, through September 30, 2017 – Gregoire

Second – Creighton

Motion carried by the following vote:

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

RECESSED AND RECONVENED

Following consideration of agenda item 6a, the Commission stood in recess at 1:24 p.m. The Commission reconvened at 1:48 p.m., chaired by Commissioner Gregoire.

Without objection, the Commission advanced to consideration of –

ANNOUNCEMENT

Police Chief Colleen Wilson announced that there had been a security incident at the Airport based on a potential bomb threat and that an aircraft had returned to the Airport following take-off, that passengers had been deplaned, and that all passengers were being rescreened through security and routed to another gate. *[See announcement update below.]*

The Commission returned to consideration of –

5. PUBLIC TESTIMONY

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

- Steve Marquardt, employed by United Food and Commercial Workers Local 21. Mr. Marquardt commented in support of the job quality measures under consideration by the Port of Seattle. He stated that differences in rate of employee turnover are related to employee representation by labor organizations and encouraged an environment at the Airport conducive to employee representation.
- Stefan Moritz, Director of Strategic Affairs, Unite Here Local 8. Mr. Moritz commented in support of job quality measures at the Airport and stressed the importance of provisions for employment continuity during the upcoming concessions transitions at the Airport.
- Written comments were received from Diana Sweeney, Owner of Ken's Baggage and Frozen Food Storage Inc. operating at the Airport. Ms. Sweeney described the wages and benefits received by her employees and the effects a Port-imposed wage structure would have on her ability to provide benefits. A copy of the correspondence is, by reference, made a part of these minutes, is marked [Exhibit A](#), and is available for inspection in Port offices.
- Written comments were received from the City of SeaTac and were signed by City Manager Todd Cutts. The letter noted the proposal for the Port of Seattle to establish a stormwater utility and noted that the City questions that formation of such a utility would absolve the Port of payment of stormwater management fees to the City of SeaTac. A copy of the letter is, by reference, made a part of these minutes, is marked Exhibit B, and is available for inspection in Port offices.

6. DIVISION, CORPORATE, AND COMMISSION ACTION ITEMS

Agenda item 6a having been disposed of previously, the Commission advanced to consideration of –

- 6b. Second Reading and Final Passage of Resolution No. 3695: A Resolution of the Port Commission of the Port of Seattle declaring certain personal property surplus (Port of Seattle Cranes No. 61, 62, 63, 64, 66, and 68) for Port of Seattle purposes and authorizing its sale or disposal; and authorizing the Chief Executive Officer to execute all documents related to such sale or disposal.**

Request document(s) provided by Steve Queen, Container Operations Manager, and Curtis Stahlecker, Project Manager:

- Commission agenda [memorandum](#) dated September 4, 2014.
- Resolution [No. 3695](#).

There was no presentation at this time. The Port Commissioners received a presentation on Resolution No. 3695 during its consideration on August 19, 2014, and the request documents were distributed for review prior to the meeting of September 11, 2014.

Motion for second reading and final passage of [Resolution No. 3695](#) – Bryant

Second – Bowman

Motion carried by the following vote:

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

6c. Authorization for the Chief Executive Officer to negotiate and execute a lease and concession agreement with the proposer selected in the Port's current third-party Competitive Evaluation Process to operate a full-service restaurant in the South Satellite for a term of ten years. The draft lease (Exhibit A) is not necessarily the final version and is subject to negotiation within the stated parameters in the memorandum.

Request document(s) provided by James R. Schone, Director, Aviation Business Development, and Deanna Zachrisson, Business Leader, Airport Dining and Retail:

- Commission agenda [memorandum](#) dated September 3, 2014.
- Presentation [slides](#).
- Draft Lease and Concession [Agreement](#).

Presenter(s): Ms. Zachrisson.

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

- The shell space for this restaurant was approved in 2012. The space is ready for tenant build-out and is approximately 1,500 square feet.
- The additional restaurant will make up for a lack of food service in the South Satellite.
- Approval to proceed with the competitive evaluation process would pave the way for execution of lease in November and opening of a new restaurant in time for the 2015 summer travel season.
- There are currently one full-service restaurant, one coffee shop, and two quick-service food concepts at the South Satellite to serve 2 million annual departing passengers.
- Passengers leaving from the South Satellite spend an average of \$4.10 on food concessions, while passengers travelling through the main terminal spend an average of \$6.30. The difference is considered one of inadequate capacity at the South Satellite, where long lines discourage people from buying food at the Airport and where passengers often bring food with them from the main terminal. This represents a loss of non-aeronautical revenue at the South Satellite estimated around \$250,000 per year.
- Staff hopes to ensure acceptable wage and benefit provisions for employees of the new restaurant through inclusion of language in the new lease, which would be finalized after the Port adopts its own quality jobs proposals.

Motion for approval of item 6c – Bryant

Second – Albro

Motion carried by the following vote:

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

6d. Authorization for the Chief Executive Officer to execute an amendment to the lease and concession agreement with Anton Airfoods (operated by HMSHost) for an additional two years and three months under modified terms and conditions. The draft lease amendment is attached (Exhibit A). [postponed]

Without objection, at the request of Commissioner Creighton, agenda item 6d was laid on the table.

Without objection, the Commission advanced to consideration of –

ANNOUNCEMENT

Police Chief Colleen Wilson announced that the potential bomb threat incident at the Airport had been resolved and was determined to be a hoax. There had been no danger to passengers at the Airport. [See earlier announcement above.]

The Commission returned to consideration of –

6e. Authorization for the Chief Executive Officer to execute, substantially consistent with the terms described in this memorandum, an option to ground lease agreement for an approximately 20-acre site in the City of SeaTac with Credit Lease Investments LLC or an affiliated entity.

Request document(s) provided by Mark C. Griffin, Director Real Estate Development, and W. Allan Royal, Manager Real Estate Development:

- Commission agenda [memorandum](#) dated September 3, 2014.
- Presentation [slides](#).
- Ground lease [agreement](#).

Presenter(s): Mr. Griffin and Mr. Royal.

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

- The General Services Administration (GSA) is seeking to lease approximately 300,000 square feet of space for the Federal Aviation Administration's regional headquarters over a 20-year term. The space must be available by August 2017 to house about 1,600 employees. The criteria for the lease, such as proximity to transit, security considerations, and LEED certified design suggest that the Port may be able to provide a location south of the Airport on South 200th Street. This site has been preliminarily qualified by the GSA.
- Key lease terms of the option-to-ground-lease agreement that would be specific to the FAA opportunity and would be executed with developer Credit Lease Investments (CLI) include the following:

- ▶ CLI must be selected by GSA.
 - ▶ The option term is one year.
 - ▶ There is a one-percent non-refundable fee of \$8.727 to be paid by CLI.
 - ▶ The initial term is 22 years.
 - ▶ There are 10 five-year options and one three-year option, which represents the maximum statutorily allowable.
 - ▶ The maximum construction term is 24 months. During construction, rent is about \$70,000/year.
 - ▶ After construction, the rent would be about \$700,000/year.
 - ▶ Rent would be adjusted by five percent per year, compounded annually. Two reappraisals are included to keep rent comparable with fair market value.
 - ▶ CLI pays all utilities, tax, and insurance. The Port carries no maintenance expenses on the property.
- Net present value for the initial 22-year term is \$8.9 million, based on a risk discount of seven percent. With all options exercised, the net present value is \$21.1 million. Nominal rent for the entire term is \$440 million.
 - There are several sites in Seattle and South King County that will compete for this opportunity.

Motion for approval of item 6e – Albro

Second – Bryant

Motion carried by the following vote:

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

6f. First Reading of Resolution No 3696: A Resolution of the Port Commission of the Port of Seattle establishing a Port Stormwater Utility and adopting a Stormwater Utility Charter pursuant to RCW 53.08.040 et seq. and other statutes, for the purpose of establishing, operating, furnishing, and funding a stormwater system comprising facilities, services, and programs for the management, collection, control, conveyance, treatment, and discharge of stormwater within the Port of Seattle.

Request document(s) provided by Ralph Graves, Acting Director, Stormwater Utility, Stephanie Jones Stebbins, Director Seaport Environmental & Planning, and Marilyn Guthrie, Stormwater Program Manager:

- Commission agenda [memorandum](#) dated September 3, 2014.
- Presentation [slides](#).
- Resolution [No. 3696](#).
- Utility [Charter](#).

Presenter(s): Mr. Graves and Ms. Jones Stebbins.

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

- Over the next five years, the Port and its tenants will spend \$50 million to \$100 million to manage stormwater runoff in addition to \$10 million in municipal permit pollution prevention and \$23 million in stormwater maintenance spending.
- City stormwater utility fees add to this amount. The Port has paid about \$24 million in these fees since 1997. Over the next five years, the Port will pay an additional \$23 million in these fees.
- Improvements to Port stormwater infrastructure will have an impact on water quality in Puget Sound and facilitate Port and tenant compliance with stormwater quality standards. Maintenance of Port stormwater systems has no current funding source.
- No stormwater drains from the Airport into the City of SeaTac's stormwater management system. Approximately 10 percent of Seaport stormwater drains into the City of Seattle stormwater system and some City of Seattle stormwater drains into the Port's system.
- Payment of stormwater fees to the City of SeaTac is governed by an interlocal agreement that addresses multiple aspects of the Port's relationship with SeaTac.
- A timeline of discussions with the City of Seattle over stormwater fee issues was presented going back to 2011.
- RCW 53.08.043 grants ports the same authority to regulate stormwater systems as are granted to cities, and staff recommends establishment of a Port stormwater utility in order to recoup funding for Port stormwater system maintenance that is currently directed to the City of Seattle through payment of stormwater fees. No application of a stormwater utility to the Port's Airport properties or change in the Port's stormwater relationship with the City of SeaTac is recommended at this time.
- The resolution would activate the utility charter provided upon adoption. The timing of the transition of payments to the City of Seattle is still under consideration.
- Changes are proposed to the charter regarding bond issuance and will be provided prior to second reading of the resolution.
- A clarifying amendment to the resolution is proposed.

AMENDMENT

Without objection, the resolution was amended as follows: In the third whereas clause on page 2, delete "for which the Port and its tenants receive no benefits" and insert in lieu thereof: while the Port largely manages stormwater flows from its property

Motion for first reading of Resolution No. 3696, as amended – Albro

Second – Creighton

Motion carried by the following vote:

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

7. STAFF BRIEFINGS

7a. 2015 Payroll Budget Assumptions Briefing.

Presentation document(s) provided by Dan Thomas, Chief Financial & Administrative Officer, and Michael Tong, Corporate Budget Manager:

- Commission agenda [memorandum](#) dated August 22, 2014.

There was no presentation at this time. The information contained in the materials posted for the public on October 8, 2014, was provided to Commissioners in August 2014, and the presentation documents were distributed for review prior to the meeting of September 11, 2014.

7b. Job Quality and Employment Continuity for Airport Dining and Retail Employees.

Presentation document(s) provided by Mark Reis, Managing Director, Aviation Division; James R. Schone, Director, Aviation Business Development; and Deanna Zachrisson, Business Leader, Airport Dining and Retail:

- Revised Commission agenda [memorandum](#) dated September 8, 2014.
- Presentation [slides](#).
- [Policy Matrix](#).

Presenter(s): Ms. Zachrisson.

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

Information about Airport Employees

- Consultants performed independent surveys of Airport employers in August 2013 in order to inform the transition of the Airport Dining and Retail program. Additional information regarding employment continuity is available from extensive 2011 stakeholder outreach efforts.
- There are currently approximately 1,640 employees at the Airport in the dining, retail, and personal services sectors. Of these, 58 percent are represented by labor unions, and 83 percent are employed full-time.
- Summer hiring spikes reflect increased business at the Airport during that period.
- Average employee tenure is 5.97 years. Average annual turnover is between 10 and 20 percent, depending on business type, and approximately 40 percent of employees speak English as a second language on average. The percentage of non-native English speakers varies depending on business type.
- About 75 percent of the Airport workforce is employed in food service. The remaining 25 percent work in retail and passenger services.
- The vast majority of these employees have only secure access, which means they access their work environment via checkpoints and are screened just like passengers. They undergo background checks and threat assessment, but are not required to take security training. Access to restricted areas is limited by the Transportation Security Administration to 25 percent of employees per location. Storage units and garbage and recycling areas have restricted access.

- Approximately 83 dining and retail employees have access to the Air Operations Area. These employees are covered under the provisions of Resolution No. 3694, which defines minimum wage, total compensation levels, benefits, and employment standards for some employees working at the Airport.

Job Quality Information

- Nearly all non-managerial employees at the Airport earn less than \$15 per hour in wage compensation. The weighted average is \$11.16 per hour. Half of managers earn more than \$20 per hour in wage compensation.
- Gratuities are a significant element of compensation for a variety of Airport Dining and Retail employees.
- Compared to their counterparts outside the Airport, average tenure of Airport employees is significantly longer and is relatively consistent across different kinds of employers.
- Employers vary widely in size, length of tenancy, and number of people employed. Nearly all provide benefits in addition to wages, and competition between employers for employees is a factor in improving job quality for workers at the Airport.
- Large employers pay an average weighted wage for non-management staff of \$11.25 per hour. Small employers pay an average weighted wage for non-management staff of \$10.72 per hour.
- The weighted, non-managerial average medical benefit for large employers is \$4.41 per hour. For small employers, the weighted, non-management medical benefit averages \$2.32 per hour or more.
- Large employers report that tips in food service at the Airport range from \$20-\$25 per hour or more and sales commissions range from \$2-\$14 per hour.
- Small employers report that food-service tips range from \$3.75-\$6.50 per hour and sales commissions average \$5 per hour.
- Employer benefits depending on responder include paid time off, subsidized medical coverage, retirement, free or discounted meals or merchandise, and Airport parking or transit passes.
- The weighted average benefit cost reported for all employer types came to \$4.17 per hour; however, benefits are not usually calculated on an hourly basis, so the actual amount may be higher.
- Most of the 23 locally owned and operated businesses at the Airport also have locations in the City of Seattle.
- Current weighted average wages and wages plus medical benefits for both large and small Airport businesses already exceed the 2015 wage and wage and medical benefits levels of the City of Seattle's new minimum wage ordinance.
- Development opportunities offered by Airport employers include tuition reimbursement, employer training programs, Airport University accommodation, and entry-level skill training. Opportunities also exist with some employers to advance within the business or to transfer to other off-Airport business locations or locations at other airports.

Employment Continuity

- During past transitions of individual employers since 2003, there has been no indication of job loss. In the transition of foreign currency exchange operators in 2013, the new

- operator granted interviews to all the previous employer's employees and all of them were hired. This was done voluntarily at the new operator's initiative.
- A six-month stakeholder process conducted in 2011 returned the following information:
 - ▶ Organized labor favors the Airport's having no more than 2-3 prime operators, who would employ 90 percent of the dining and retail workforce.
 - ▶ Local businesses believe the Airport benefits from an increased presence of local participation.
 - ▶ Organized labor seeks mandatory worker retention and labor harmony policies.
 - ▶ Small and independent businesses want to hire experienced employees but want to choose their employees without a mandate to retain the employees of previous operators.
 - Nationally, airports with employment continuity or worker retention policies tend to be large airports operated by large developers and large business operators. Most of them are in California, although New York/New Jersey is an example of this category.
 - Models for employment continuity include the use of an employee pool. This approach appears to be effective when transitioning to multiple new employers and has been used successfully in San Diego and Phoenix. In this approach, employees are placed in the pool by employment category and employers are required, encouraged, or incentivized to hire from the pool.
 - Growth in the Airport Dining and Retail program would likely promote employment continuity as a matter of course by increasing employment opportunities.
 - Success of the Airport's hybrid model of large operators and small, local operators depends on the willingness of small, independent, and disadvantaged business enterprises to compete for opportunities. Hiring requirements that are perceived to be too restrictive may jeopardize participation by these kinds of businesses.

Commissioner Albro commented in favor of applying the standards of the Quality Jobs measures for Air Operations Area employees in Resolution No. 3694 to workers in the Airport Dining and Retail program now as a lease provision of new leases executed in the program. He remarked that he favors uniform application of minimum standards.

8. NEW BUSINESS

None.

10. ADJOURNMENT

There being no further business, the special meeting was adjourned at 3:15 p.m.

Tom Albro
Secretary

Minutes approved: October 28.