

Item Numbers: 6e 6f 6g EXHIBIT A

Date of Meeting: November 25, 2014

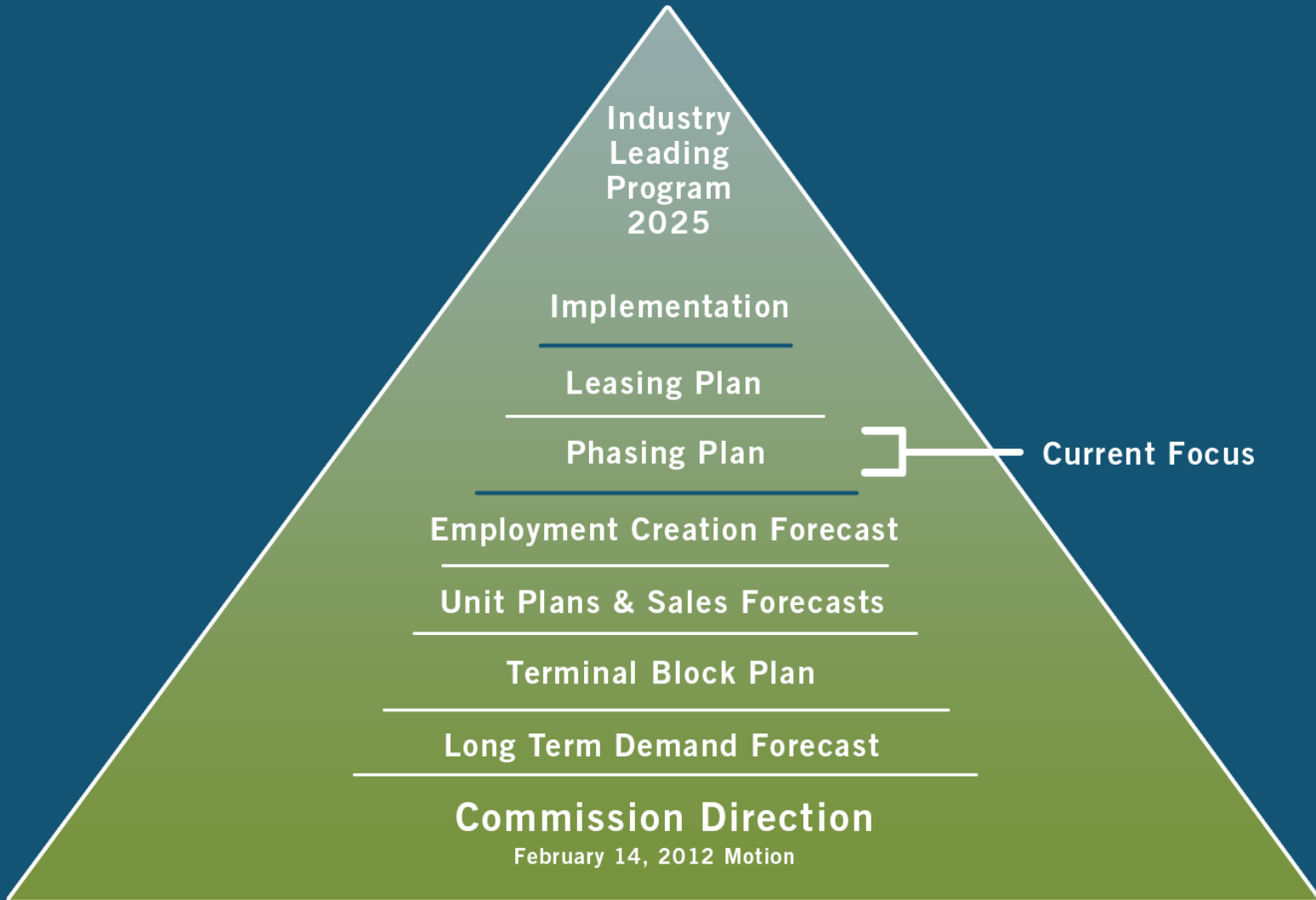
Airport Dining and Retail Program Authorization of Prime Lease Modifications

ACTION ITEMS

November 25, 2014

Port 
of Seattle®

Airport Dining & Retail Master Plan



Anticipated Commission Actions

2014

Authorization of Lease
S. Satellite Restaurant
3rd Quarter

COMPLETED

Authorization of Design
Phase I Infrastructure
October 28

COMPLETED

Authorization of Prime
Lease Modifications
November 25

Review Leasing Plan
and New RFP
January

2015

Authorization of
Construction Phase I
Infrastructure
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

Phasing Plan: Groundwork for New Opportunities

Following finalization of transition phasing, the leasing plan will consist of packages for every existing and new location:

- Number of units and locations
- Anticipated timeline for competition
- Type of competitive process
- Anticipated investment requirement
- Preferred offering and/or concepts

NEW UNIT NO.	CURRENT TENANT/USE	FUTURE USE	PACKAGE/CEP	ANTICIPATED INVESTMENT
FOOD PACKAGE #1				
CT-12	DISH D'LISH	SPECIALTY COFFEE/WINE BAR	FOOD PACKAGE #1	\$1.5 M
CA-1	STARBUCKS	SPECIALTY COFFEE	FOOD PACKAGE #1	\$250,000
CB-3	QUIZNOS	SPECIALTY COFFEE	FOOD PACKAGE #1	\$650,000
CB-4	CASA DEL AGAVE	LOCAL CHEF CASUAL DINING	FOOD PACKAGE #1	\$1.3 M
CC-16	FRESHENS	LOCAL CHEF QUICK SERVICE FOOD	FOOD PACKAGE #1	\$300,000
CC-07	WISHING STONE	SPECIALTY COFFEE	FOOD PACKAGE #1	\$1.5 M
NE-2	STARBUCKS	SPECIALTY COFFEE	FOOD PACKAGE #1	\$900,000
BC-6	VACANT ARRIVALS HALL	SPECIALTY COFFEE/WINE BAR	FOOD PACKAGE #1	\$1.1 M
SS-1	DUNGENESS BAY	FULL SERVICE DINING	FOOD PACKAGE #1	\$200,000
NE-6	STARBUCKS	SPECIALTY COFFEE	FOOD PACKAGE #1	\$300,000
LARGE PACKAGE #2				
CD-1	AFFORDABLE LUXURIES	FULL SERVICE DINING	LARGE FOOD PACKAGE #2	\$1.2 M
CD-4	SEATTLE BEST COFFEE	QUICK SERVICE FOOD	LARGE FOOD PACKAGE #2	\$800,000



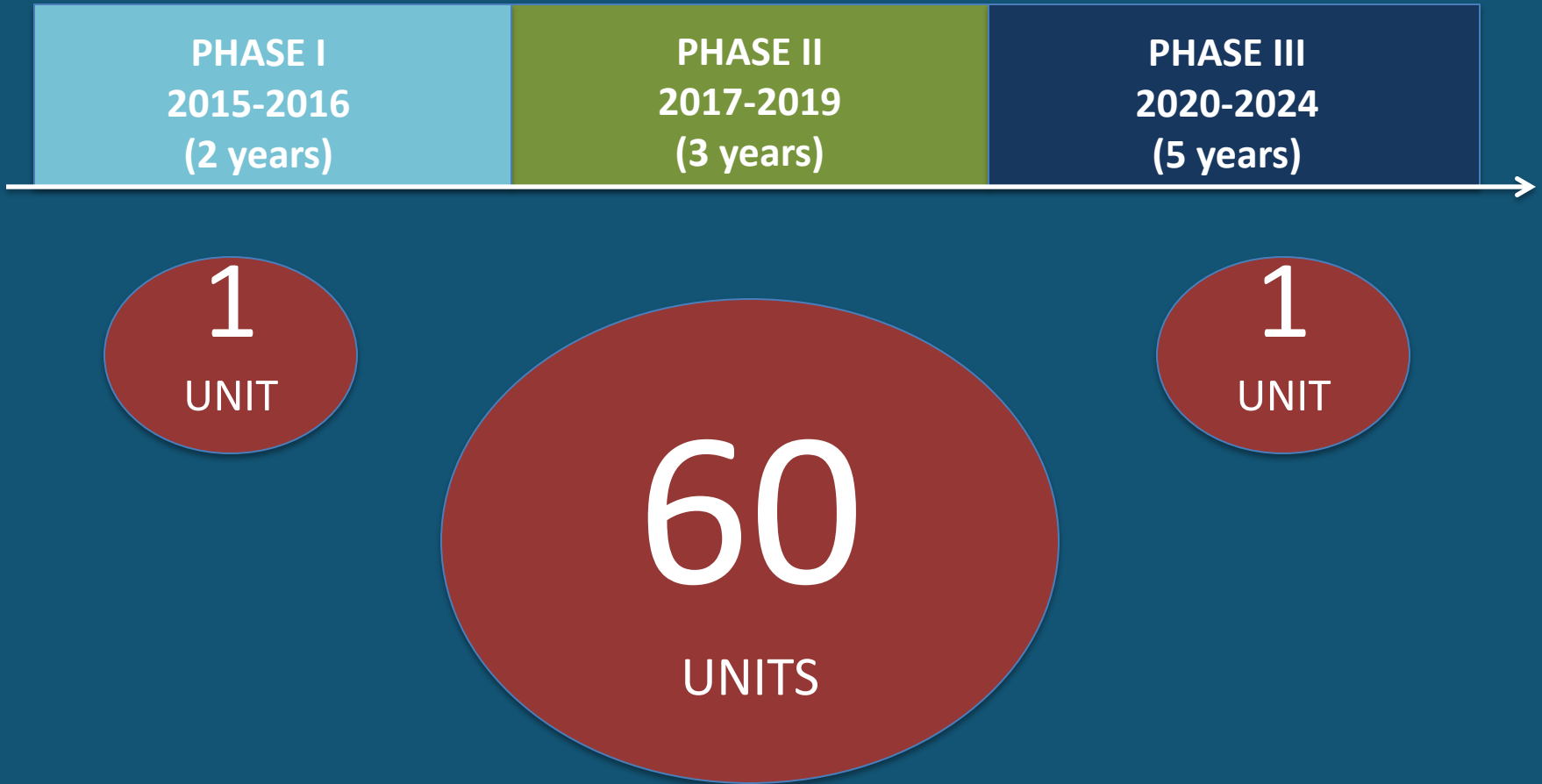
Airport-Wide Expirations 2015-2017

Phasing Plan Strategy

- Develop a phasing plan that mitigates impact by spreading expirations over several years
 - Avoid wide-spread closures in 2017
 - Assure adequate customer service in all parts of the airport
 - Maintain revenue generation to the Port
 - Mitigate employment instability

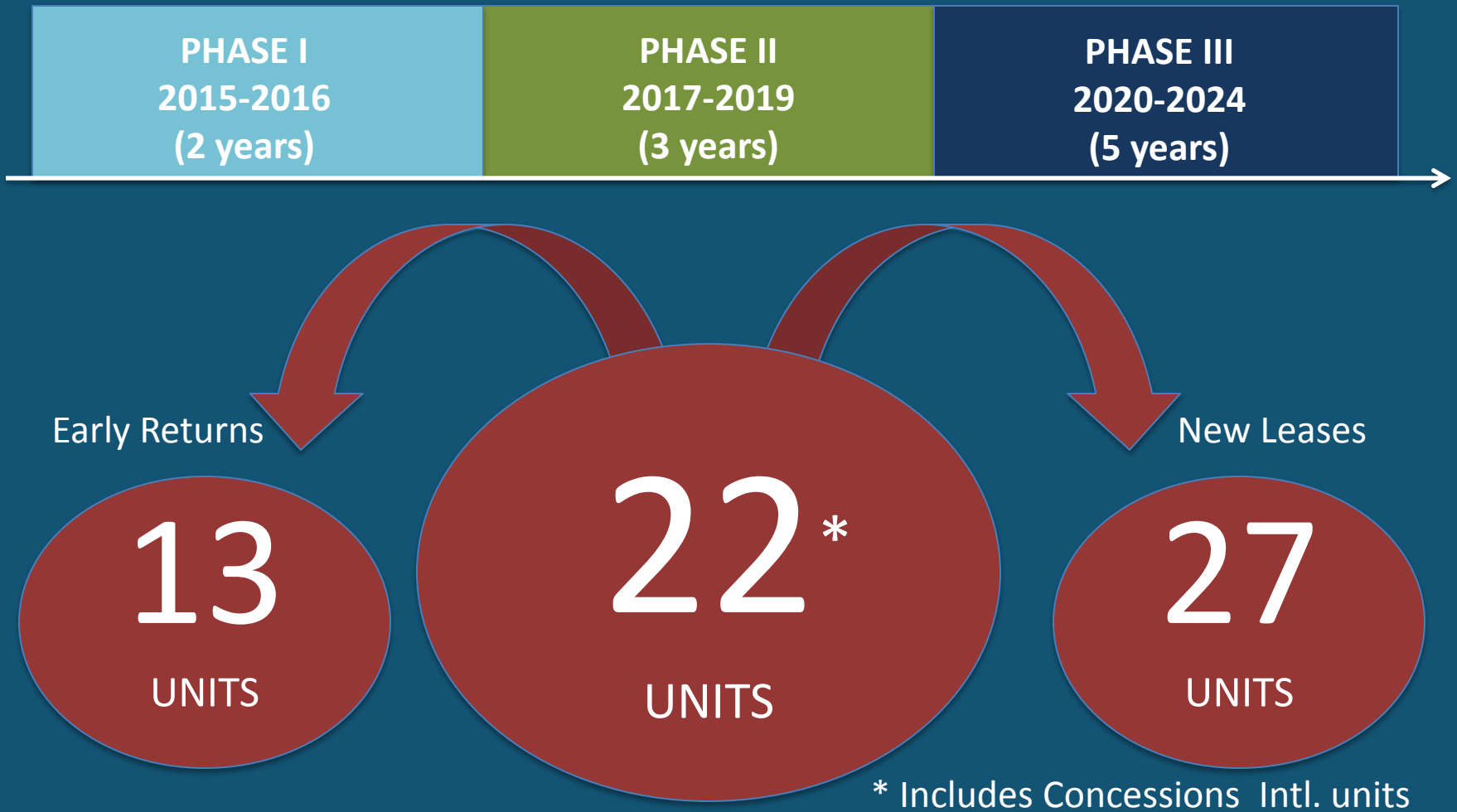
A well-conceived phasing plan is the best solution for the traveling public and the Port

Prime Lease Expirations



Current schedule of expirations is not manageable

Proposed Prime Lease Expirations



Achievable schedule of prime operator expiration dates⁸

Proposed Lease Modifications

Prime Operator Units:

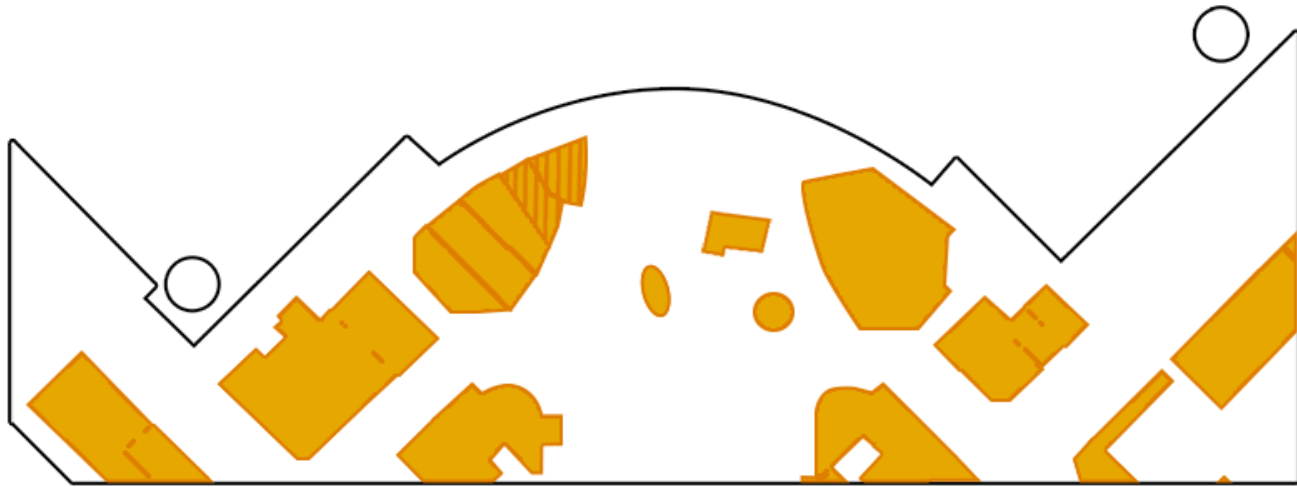
- Early Returns
- On-Time Expirations
- Extended Operation under Current Leases
- New Leases

*Lease Modification I:
Anthony's Restaurant*

Central Terminal Anchor Restaurant

- Opened in 2005
- Operated by HMSHost
- 7,000 square feet
- Initial investment: \$4.2 M
- Refurbished in 2010: \$400K
- Sales \$13 M in 2013
- Approx. 140 employees





Anthony's Restaurant

Phasing Proposal Summary

- Extend lease 2 years, 3 months (Sept. 2017)
 - Eliminate two 5-year options
- Total lease term: 12 years, 3 mos.
- Increased percentage rent to Port
 - Higher rent: 10.5% (tiered)
 - Longer term: \$600,000 incremental revenue

*Lease Modification II:
Host*

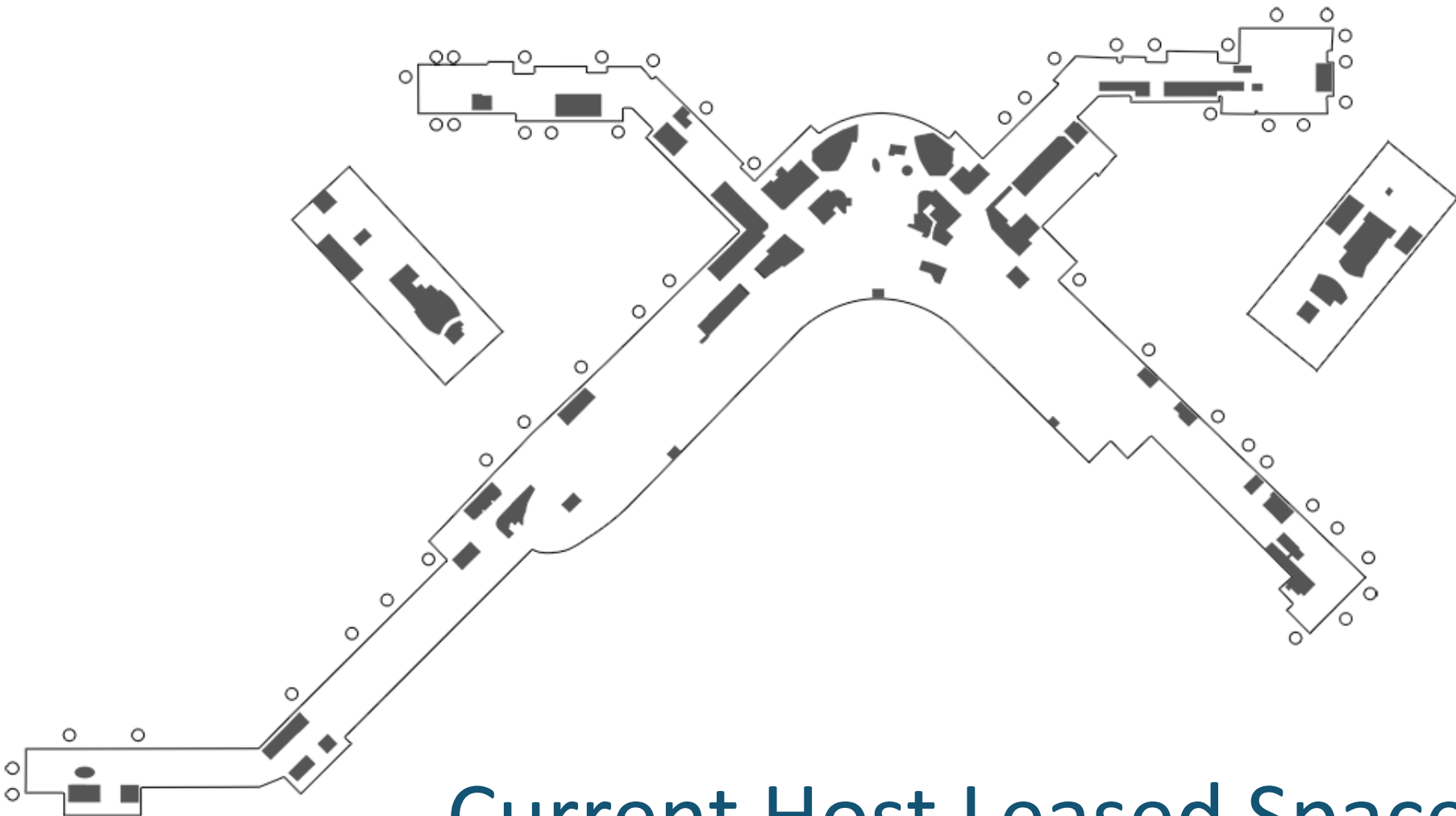
Host/SRA at Sea-Tac

- Master concessionaire 1963-2004
- Operates in 24 locations
- Leases 9 units to ACDBEs
- Employs 700 associates
- 2013 Gross sales: \$60 million

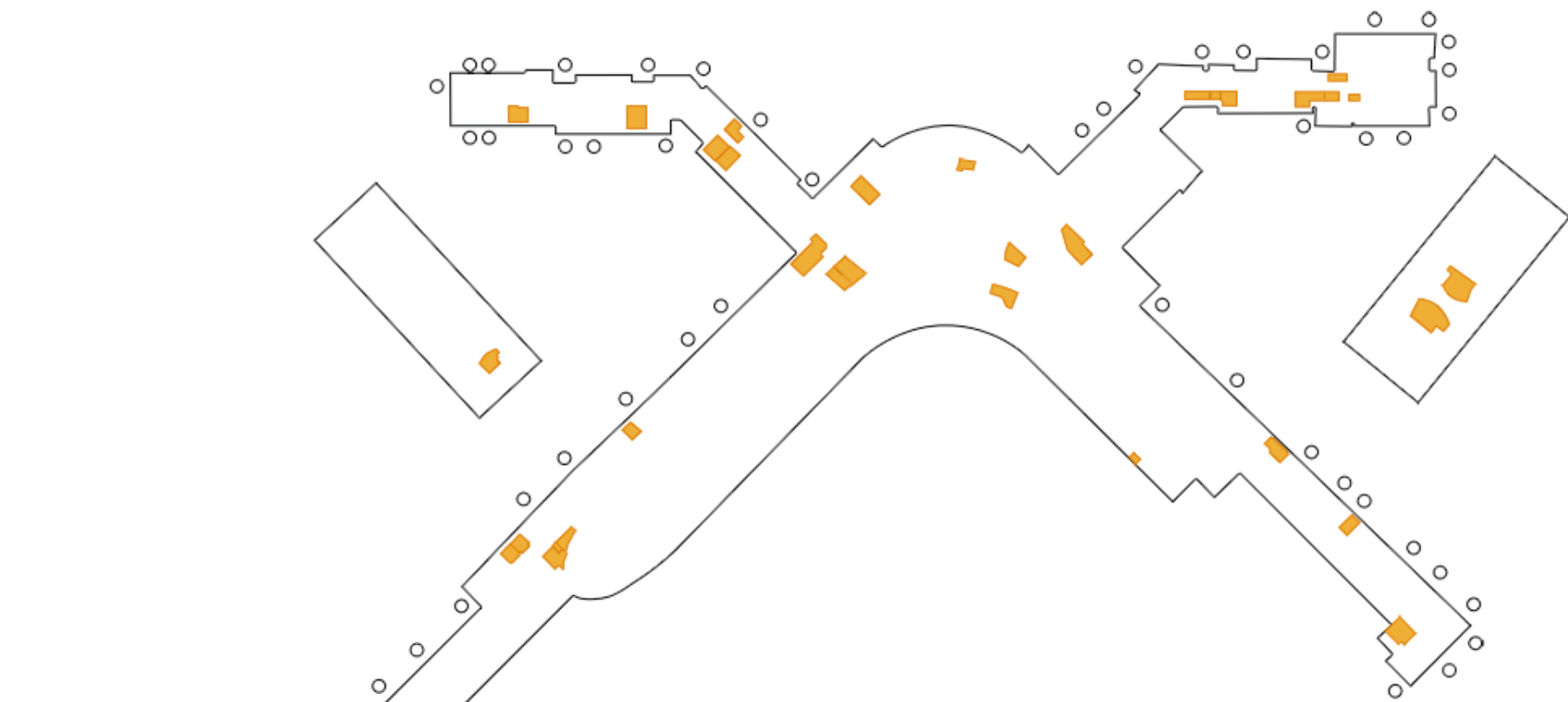


Phasing Proposal Summary

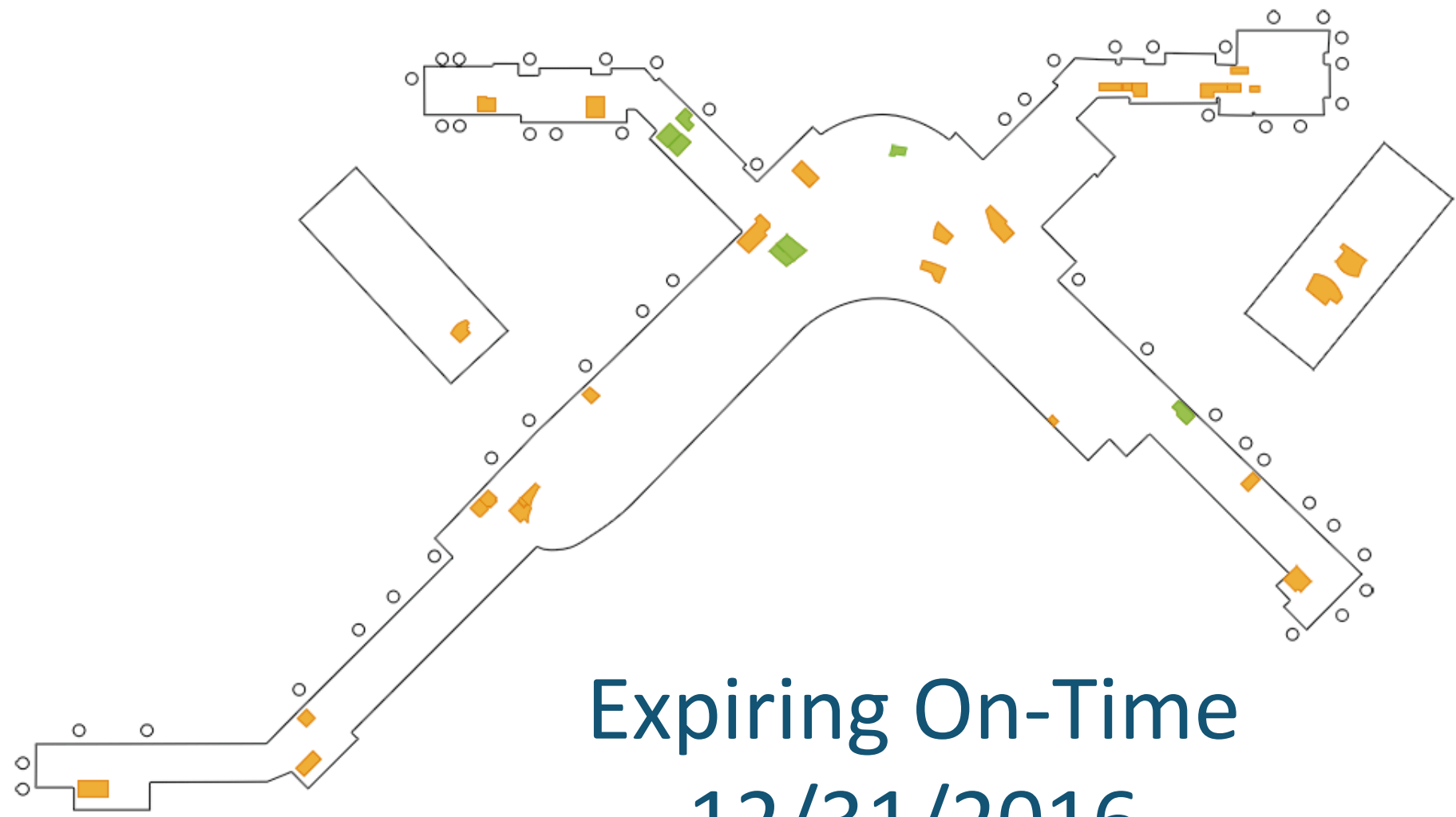
- Return six units early (2015-2016)
 - No reimbursement for remaining value (\$352,000)
- Six Host/SRA operated units expire on-time, four North Satellite units remain in operation
- Four subtenant units expire on-time, five continue operation additional 1-2 years
- Ten Host exclusive-concept units in a new lease expiring in 2023



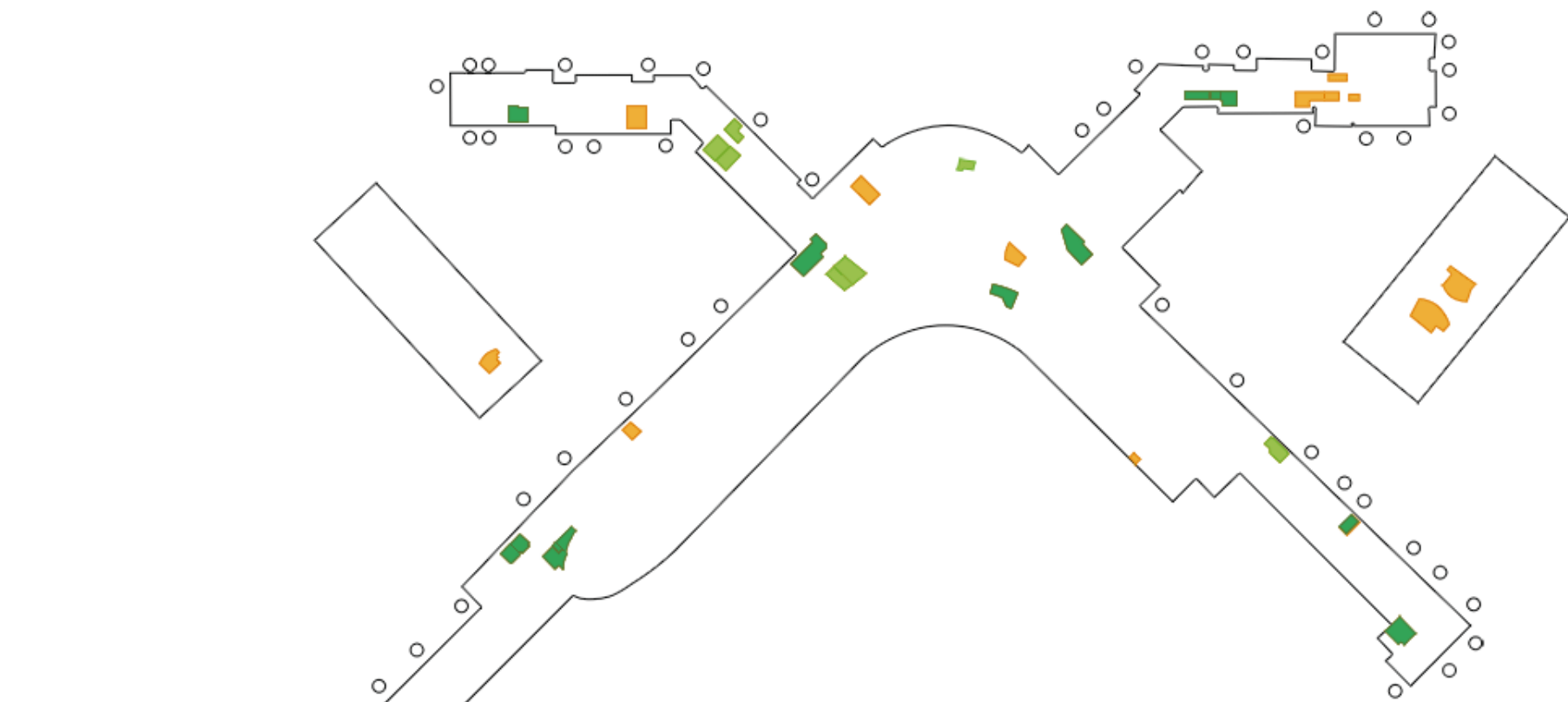
Current Host Leased Space



Early Return Units 2015-2016



Expiring On-Time
12/31/2016



Extended Operation 2017-2019

ACDBE Lease Expirations

- Four units proposed to expire on-time allow for new opportunities, e.g:
 - Concourse A restaurant/gourmet market
 - Specialty retail
 - Personal services
- Five units proposed to remain in operation for an extended period between 15-24 months
- Total extended lease term: ~14.5 years

Transition Lease Objectives

- Reasonable 'premium' rent in exchange for a negotiated contract
- Only HMSHost's exclusive brand-name concepts, e.g. Starbucks Coffee
- Balance desired new investment in as short a lease as possible



New Lease
Food Package #1
Expire 2023

Summary of Proposed Terms

Rent Tiers	Percentage
0 - \$10 million	12%
\$10,000,001 - \$20 million	13%
Sales over \$20 million	15%

Proposal Summary	
New Expiration Date	2023
New Investment	\$7.2 million
Net Book Value for Returned Units	\$352,000
Effective Rent	13.5%
Estimated First Year Sales	\$26.1 million
Estimated Term Revenue to Port	\$27.3 million
Jobs Supported	250

Recommended New Host Lease

Benefits for the Port:

- Premium percentage rent
- Higher square footage productivity
- All Host-exclusive, local sense-of-place concepts
- Staple brand Starbucks in place for transition
- Limited to ten units, preserves future competition
- Continuity of employment for 250 Host associates

Comparison	Current	Proposed
Effective Rent	12.6%	13.5%
Square Footage	13,606	11,689
Estimated Sales per SF	\$1,675	\$2,200

*Lease Modification III:
Hudson*

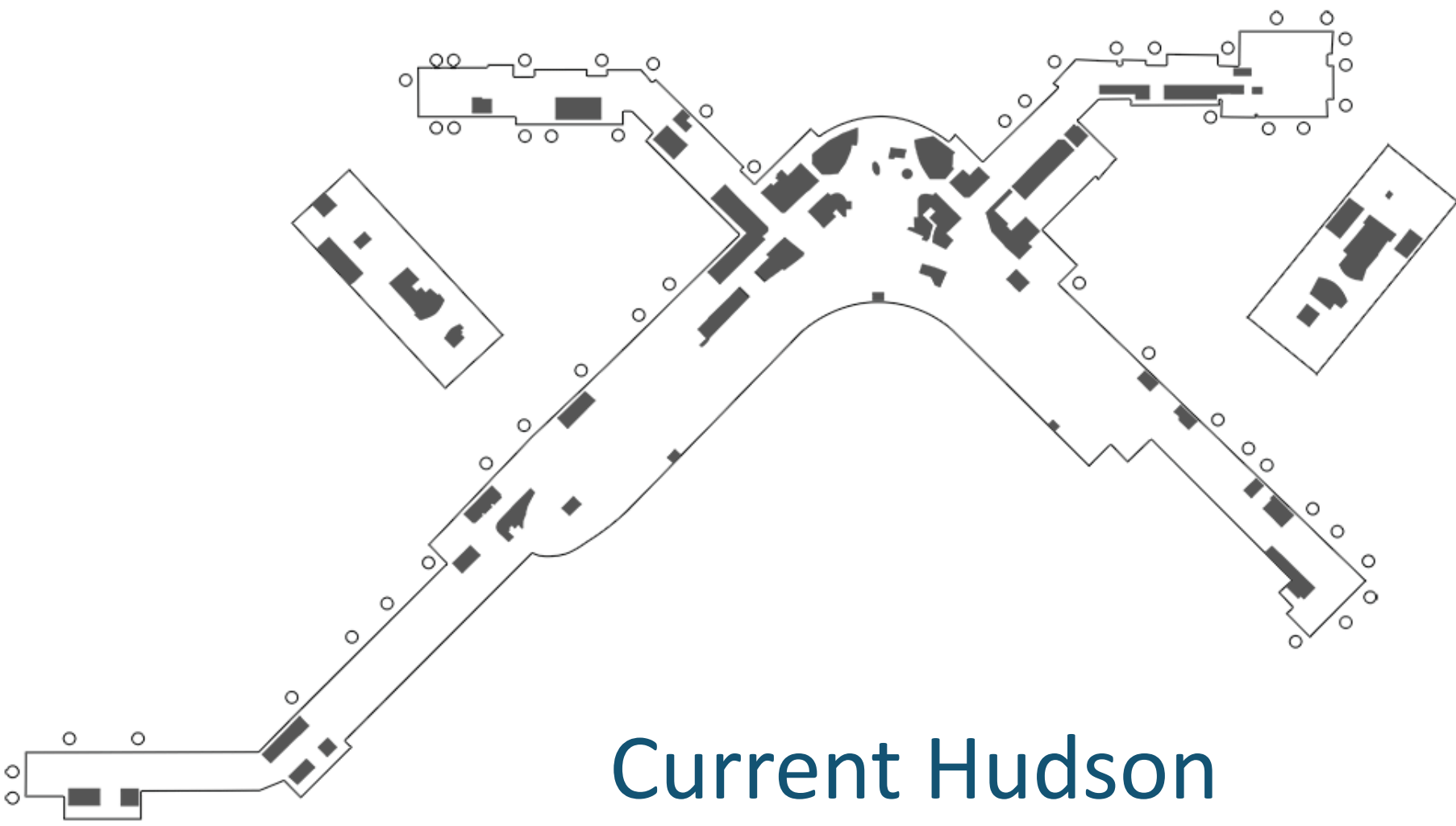
Hudson at Sea-Tac

- Awarded in RFQ process
- Evolving to convenience retail
- Employs 250 associates
- ACDBE ownership: 25%
- 2013 Gross sales: \$55 million

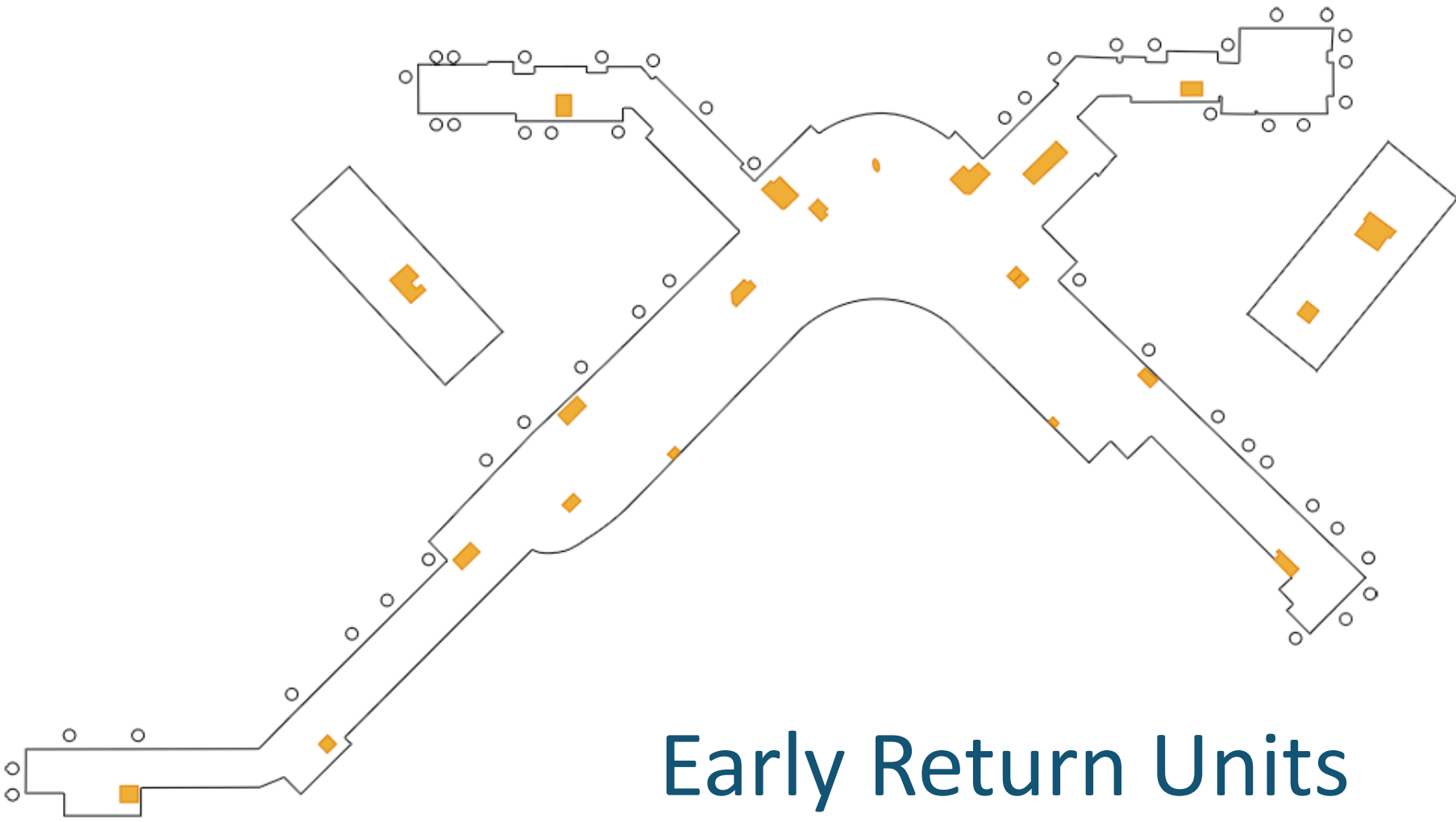


Phasing Proposal Summary

- Return seven units early (2015-2016)
 - No reimbursement for remaining value (\$1.2 million)
- \$12.3 million in new investment to increase sales
- Two lease packages with different expiration dates, two years apart
- Package #1: 6 units + 2 NorthSTAR limited duration, Package #2: 9 units
- Increased percentage rent to Port



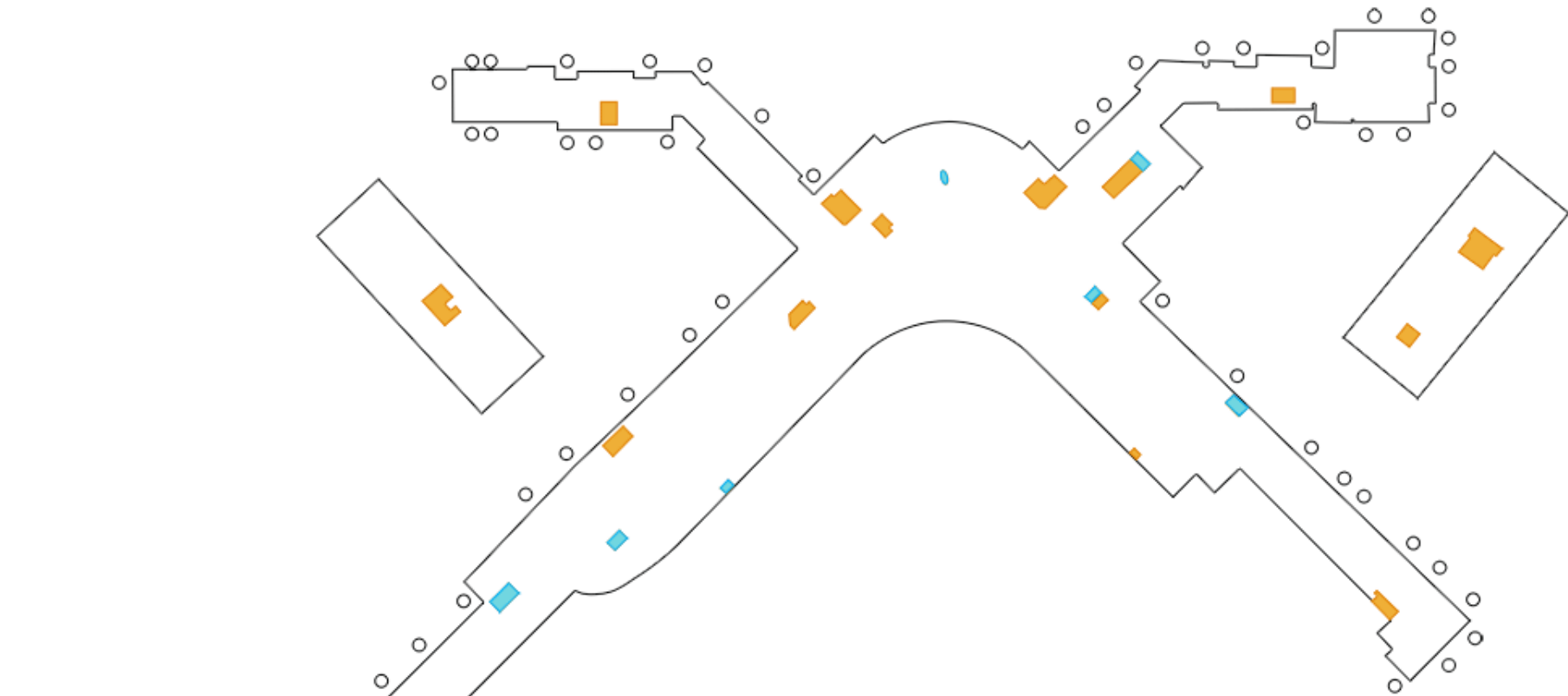
Current Hudson Leased Space



Early Return Units 2015-2016

Transition Lease Objectives

- Reasonable 'premium' rent in exchange for negotiated contracts
- Split the current business into two packages
- Require investment to generate higher sales in convenience retail
- Re-concept specialty retail to Hudson premium brands, e.g. Coach



**New Lease
Retail Package #1
Expire 2022**



New Lease
Retail Package #2
Expire 2024

Summary of Proposed Terms

Rent Tier – Convenience	Percentage
0 - \$25 million	16%
\$25,000,001 - \$45 million	17.5%
Sales over \$45 million	19%

Rent Tier – Specialty	Percentage
0 - \$10 million	9%
\$10,000,001 - \$15 million	10%
Sales over \$15 million	11.5%

Proposal Summary		
New Expiration Date	2022	2024
New Investment	\$3.3 million	\$9 million
Estimated First Year Sales	\$27.1 million	\$27.9 million
Net Book Value for Returned Units	\$1.2 million	
Effective Rent	16.4%	
Estimated Term Revenue to Port	\$82 million	
Jobs Supported	250	

Recommended New Hudson Leases

Benefits for the Port:

- Premium percentage rent
- Appropriate reduction in square footage
- Higher square footage productivity
- Splits business into two packages
- New investment in 2015-2016
- At full capacity for transition
- Continued ACDBE ownership
- Continuity of employment for 250 Hudson associates

Comparison	Current	Proposed
Effective Rent	15.1%	16.4%
Square Footage	32,336	26,992
Estimated Sales per SF	\$1,688	\$2,044

PRE-2004 MASTER CONCESSIONAIRE	2005-2017 HYBRID PRIME	2017-2024 TRANSITION	2024 & FORWARD
<p>FOOD HMS Host</p> <p>NEWS/GIFT HMS Host</p> <p>DUTY FREE HMS Host ACDBE Subtenants</p>	<p>FOOD HMS Host SRA Concessions International ACDBE Subtenants (10) Direct Leases</p> <p>RETAIL Hudson</p> <p>DUTY-FREE Dufry</p>	<p>FOOD Multiple New Packages for Primes, Local, Small & Disadvantaged HMS Host Recompete 2023 ACDBE (6) Subtenants Recompete 2018-19</p> <p>RETAIL Hudson Recompete 2022, 2024</p> <p>DUTY FREE Dufry Recompete 2020</p>	<p>ALL UNITS RECOMPETED Food Retail Duty Free</p>