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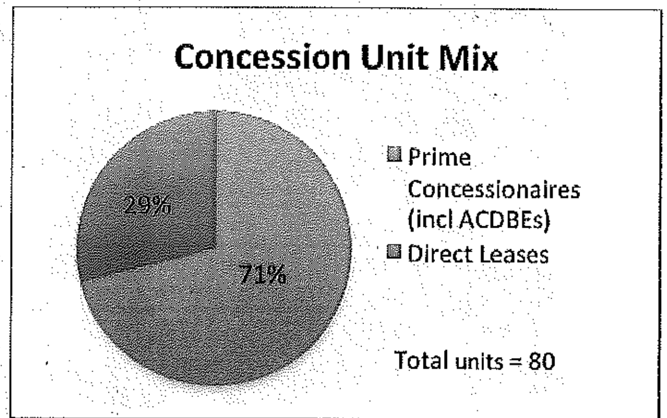
Date of Meeting: 12/13/2011

Sea-Tac Airport Concessions Program Stakeholder Process
Combined Stakeholder Meetings, November 2 & 3, 2011
Discussion Summary

Introduction

Background
Seattle-Tacoma International Airport (Sea-Tac) offers the traveling public a wide range of goods and services through a variety of vendors, who lease space through different contractual agreements. Between 2015 and 2017, nearly 90% of Sea-Tac's concessions leases will expire. This concentration of lease expirations is a continuing bi-product of the end of the master concessionaire era in 2005 when the majority of locations transitioned to new contracts.

The renegotiation of these leases presents a challenge and an opportunity to consider how to best serve the interests and needs of the traveling public, the vendors who serve them, and the residents of King County. The Sea-Tac concessions program initiated a stakeholder outreach process in June 2011 to inform the development of leasing policies and practices in anticipation of the upcoming lease expirations, as well as ongoing development. The outreach process has engaged all concessions stakeholders, including:

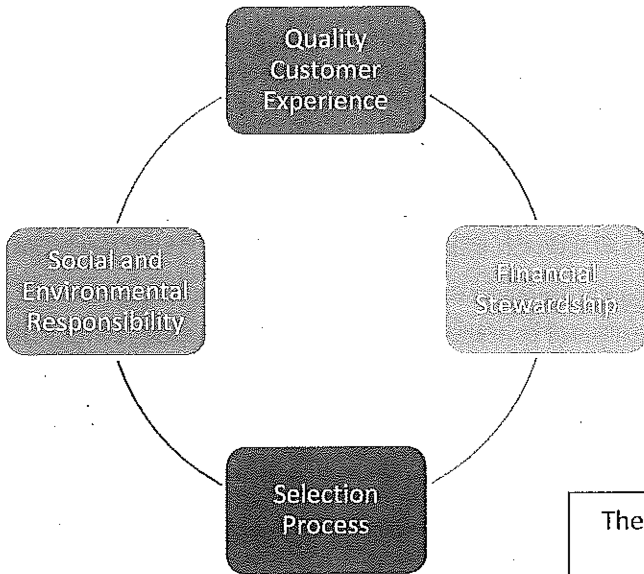


- Small/ACDBE businesses
- Prime concessionaires
- Local businesses
- Prospective operators
- Airlines
- Labor/work force

The outreach has also included three focus groups with travelers, one group of business travelers and two of leisure travelers. Summaries of the stakeholder consultation sessions and the traveler focus groups is presented in a separate report.[1]

The stakeholder outreach process was structured around a set of Draft Principles that could guide Sea-Tac as it develops principles and practices for future development of the program. Stakeholders were asked to provide input on the draft and to suggest other principles.

[1] Sea-Tac Concessions Stakeholder Meetings, 2011



The draft principles were structured into four major categories

Draft Concessions Principles

Customer Service

- The mix of venues at Sea-Tac should support a strong sense of place.
- A variety of operators promotes higher quality products and excellent customer service in competition for the traveler's dollar.
- There should be a wide variety of quality offerings available to Sea-Tac customers.
- Sea-Tac has a strict street pricing policy. The Airport should strive to win the customer's confidence in our pricing, particularly through the selection of street-side brands with directly comparable pricing.
- There should be a combination of national brands and local offerings at Sea-Tac, determined by customer feedback and chosen based on customer needs and desires. Sea-Tac should seek to eliminate non-branded concepts.
- We will continually monitor customer satisfaction in order to make appropriate adjustments in the quality and type of offerings at Sea-Tac.
- Customer service also means providing passengers with opportunities to make environmentally friendly choices both in their selections for purchase and opportunities to minimize their environmental impact through recycling, composting and other airport programs.

Financial Stewardship

- As owner, operator and steward of Sea-Tac, we will continue to maintain control of concessions development at Sea-Tac.
- Quality, variety and northwest flavor in the program's offerings will allow Sea-Tac to be among the top 10 performing airports, as measured by sales per enplanement (SPE) in the annual industry ranking determined by Airport Revenue News.
- Sea-Tac will assume responsibility for base infrastructure, while tenants will be responsible for build-out with unit lease boundaries.
- Terms of leases should be made consistent with industry standards of 10 years for food and beverage and 5 to 7 years for retail. Some exceptions will be necessary in the coming years in order to stagger contract expirations to insure continuity of customer service as well as proper fiscal management.
- Rent structures should take into account factors such as Port regulatory and lease requirements (construction requirements, street pricing, etc.), costs of operation (labor costs, environmental and security requirements, etc.), quality of space and/or location.
- Rent structures should be tiered in accordance with the sales levels of tenants to provide risk mitigation for both tenants and the Port.

Selection Process Principles

- The selection process should be timely and efficient, with clearly articulated selection criteria.
- The choice of the type of selection process should be tailored to the goals for a particular business opportunity.
- The Port will actively solicit quality tenants that can be financially successful, provide excellent customer service, products and services, and support the Port's social and environmental goals.
- The operator mix must include a good representation of local and small business ownership, which is distinct from "local" concepts owned and operated by national companies.
- Prospective operators must demonstrate financial stability, experience and a commitment to serve the needs of the traveling public.
- Our tenants must comply with all applicable employment, environmental and other regulations.

Social and Environmental Responsibility Principles

- Sea-Tac and its tenants are committed to creating a sustainable airport that minimizes the environmental impacts of operations.
- We will strive to be industry leaders in continuous improvement in its environmental practices, using specific metrics to monitor compliance and measure improvement.
- Due to the unique requirements of working in a secure airport facility, concessionaires often compete keenly for employees, and Sea-Tac will support their recruiting efforts through innovative job training and enrichment programs in order to attract new employees and reduce annual turnover to 15% or less.
- The Airport will support workforce development and worker retention in the Concession program through legally supportable and Port sanctioned programs and initiatives.
- The Airport will increase the percent of gross concession sales from ACDBE operators from less than 20% today to 25% by 2020; 25% of gross sales through ACDBEs is about the average participation at comparable airports. To the degree possible, we will achieve this goal through direct leases with ACDBEs.
- Sea-Tac will assure that its concessions selection process actively reaches out to local, small and disadvantaged businesses and will strive to create a level playing field for business opportunities between large and small operators.

Initial Stakeholder Response and Next Steps

Despite their diversity, stakeholders expressed consistent and general agreement with most of the draft principles, although they had numerous comments about leasing and contracting issues that were not directly addressed in the draft principles as written. Their opinions primarily diverged around the questions related to the "gray" area where free market principles and social policy can come into conflict.

To facilitate the next round of stakeholder interaction, Sea-Tac would appreciate further discussion between stakeholders about the role of the Port of Seattle/Sea-Tac Airport as a landlord and lessor of concession locations. The following issue summaries are intended to spark discussion between stakeholders around the following issues:

- Management model and leasing structure for the Sea-Tac concessions program
- Possible Port requirements regarding concessionaires labor practices
- The landlord responsibilities of the Port relative to build-out and operations costs

- Leasing opportunities for locally-owned businesses and/or small and Airport Concessions Disadvantaged Business Enterprise (ACDBE) operators

- Street pricing requirements and other contractual terms for operators

It is not necessarily expected that stakeholders will come to unanimous agreement on these issues. Rather, Sea-Tac seeks to further understand the reasons behind divergent perspectives, as well as to make sure that it has appropriately framed the issues, so that future concessions policies and practices appropriately reflect stakeholder interests, along with the financial and legal parameters within which the Port must operate.

Issue #1 – Management Model and/or Leasing Structure for the Sea-Tac Concessions Program

Statement of Issue

Like most U.S. airports, Sea-Tac operated for decades under a master concessionaire concession model. Nearly all concessions, including restaurants, specialty retail, gift/news, duty free and vending, were operated by one company under one contract. The Port replaced this model in 2005 with a "hybrid" structure in which the Port holds many leases directly with tenants as well as contracts with a small number of national prime concessionaires operating multiple units.

Gross concessions sales have increased by 141% during the period 2001-2010 despite the introduction of street pricing in 2004. Currently, 71% of all concession units are under contract with prime concessionaires (including subtenants) and 29% are direct lease agreements with the Port. Direct leases give the Port greater influence over concession concepts (including local brands) and the ability to recruit local and small businesses; however, it also is more staff-intensive.

All stakeholder groups, with the exception of airline representatives, were in agreement that Sea-Tac should continue to develop and manage its own concessions program, rather than hiring a developer or fee manager. However, there is disagreement among the groups about the degree or balance that should be struck between direct lease agreements and agreements with prime concessionaires.

General Summary of Stakeholder Themes

- Local independent, small business and ACDBE tenants see direct leasing as their opportunity to run a business at the airport. They believe locally-owned businesses benefit the local economy.
- Organized labor advocates a limitation on direct leasing so that no more than 10% of employees are employed by direct lease tenants.
- Labor also believes that direct leasing dilutes the portability for employees to move from one unit to another by increasing the number of employers.
- Prime concessionaires are concerned about placing limits on how many units one concessionaire can operate, i.e. breaking up units into too many or small packages and encouraged the Port to clarify if it wants multiple operators or a mix of offerings or concepts (regardless of operator).
- Prime concessionaires emphasize that they can apply their knowledge of operating in an airport and resources as an advantage in the program.
- ACDBE tenants desire the opportunity to become direct lessees with the Port due to a perceived lack of benefit (in terms of business support, purchasing, and operational support) from being a subtenant to a prime concessionaire.
- Airlines suggest that the Port may want to consider hiring a fee manager or similar entity to manage its concession program, as has been done in other airports, in order to eliminate

political pressures on business decision-making. Some airlines may even want to operate concessions.

- Travelers (focus groups) seemed to indicate a preference for shopping with local businesses which they believe keeps their money in the local economy.

Policy Question:

How should the Port balance opportunities for multiple unit leases with large, national concessionaires and direct leases for smaller and/or local businesses?

Issue #2 – Requirements for Concessionaires Regarding their Labor Practices

Statement of Issue

About 70% of the Sea-Tac concession workforce is represented under union contracts between prime concessionaire businesses and Hotel Employees Restaurant Employees (HERE) Local 8 or United Food and Commercial Workers (UFCW) Local 21. Additionally, some major prime concessionaires have agreements with labor unions such as 'card check agreements' and 'recognition agreements' where concessionaires agree to support unionization activity (i.e. card check) or recognize the labor agreement of a predecessor concessionaire, when awarded new contracts. The remaining share of employees are employed by small and/or ACDBEs (typically as subtenants to primes) and independent non-union businesses with locations outside the airport (e.g. Fireworks, Body Shop, ExOfficio, Qdoba Mexican Grill).

There is disagreement regarding the degree to which the Port can or should impose requirements on prospective tenants to negotiate with labor unions for labor harmony and/or retention of a predecessor concessionaire's employees for a specific period of time. Among the issues discussed as part of the stakeholder process, this issue generated the most differing perspectives regarding the extent to which the Port should place requirements on concessionaire tenant labor practices (i.e. hiring and firing).

Legal Implications:

More so than with any other issue discussed within the stakeholder process, the subject of the Port's role in labor policy carries potential legal implications for the Port, concessionaires, Labor and employees. The issue also has a significant documented history with the Port, which is summarized here.

In 2000, by order of the Hon. Barbara Rothstein, United States District Judge, the Port was permanently enjoined from "any action . . . interfer[ing], either by its actions or inactions, with the exercise of federally protected rights of third parties using Port facilities to assign work to their own employees." CityIce Cold Storage Company v. Port of Seattle, No. 399-164R. ("CityIce"), pp. 15; 19-20. Judge Rothstein was not focused solely on future agreements the Port might enter into with any unions, but any action of any nature, including policies.

Despite the terms of the permanent injunction, the Port entered into a Memorandum of Understanding (MOU) in 2002 with organized labor, including United Food and Commercial Workers (UFCW) and Hotel

Employees, Restaurant Employees (HERE), where the Port agreed to recruit new concessions operators by issuing Requests for Proposals for prime concessionaires that required respondents to submit a "labor harmony plan" and required the successful respondent to retain the workers of the previous master concessionaire. For concessions other than prime concessions, the understanding with organized labor was that the Port would recruit small and local businesses ("direct lessees") to meet specific customer needs and to provide a Pacific Northwest flavor at Sea-Tac.

Following the implementation of the 2002 MOU, however, the Port, the former master concessionaire, and HERE were sued in federal court by a subtenant concessionaire that objected to requirements that the Port was allegedly trying to impose as a condition of renewal of its concession agreement. In the September 2005 order on summary judgment in the case, Judge Pechman indicated she found the MOU objectionable. Judge Pechman's order was significant in that it not only allowed plaintiff's claims against the Port of civil conspiracy, violation of 42 U.S.C. Sec. 1983, and tortuous interference to move forward to trial, it also revealed the court's view that there was strong legal and evidentiary basis for the plaintiff's claims. The Pechman order also rejected the defense that the union and Port were simply seeking "work preservation." In addition, with regard to plaintiff's claim that the Port was in contempt of Judge Rothstein's permanent injunction, Judge Pechman's order referred the civil contempt cause of action to Judge Rothstein for determination. The effect of the order was to highlight the Port's great legal exposure if the case proceeded to trial. Ultimately, the Port and the former master concessionaire settled with the subtenant and paid monetary damages.

Independent of any historic or future labor-related requirements, the Port recognizes the right of any employee to organize and engage in concerted activity. As the Port has twice been sued and penalized for interfering with the labor relations of third party employers and is subject to a permanent injunction enjoining the Port from interfering with the right of lessees to assign work to their own employees, implementing labor harmony and/or worker retention requirements could expose the Port to considerable legal risk.

General Stakeholder Themes

- Airline representatives feel that market forces should be allowed to shape concession businesses and employment at the airport, without intervention by the Port or other body.

- HERE Local 8 and UFCW Local 21 have expressed concern about the employment security of concessions employees in the event that new concessionaire companies are chosen to operate at the airport. Benefits and seniority would not be guaranteed to stay the same when concessionaire companies change.

- Small and ACDBE tenants emphasize that worker retention means, in practicality, a requirement to retain union labor of a previous concessionaire and that a requirement to use a unionized workforce would put them out of business.

- All stakeholder groups, with the exception of Labor, reject the suggestion that the Port should be involved with employee recruiting, training or retention initiatives or that the Port should require or set specific targets for retention of employees. Most felt that it is the employers' responsibility to earn the retention of their own employees.

- Prime concessionaires point out that requirements to maintain a union workforce mean increased costs that should be taken into account by the Port in its rent expectations.

- Labor advocates the adoption of a Port policy requiring new concessionaire employers to retain employees for a minimum of 180 days, and offer permanent employment to all employees who perform satisfactorily. Incumbent workers must be hired from a worker pool until it is exhausted or all positions are filled.

- Organized labor prefers to see most workers employed by a small number (no more than three) of prime concessionaire employers, with no more than 10% with unrepresented employers. (See issue #1)

- Independent businesses at the airport were concerned that they would not be able to have their own employees from other locations come to work in their airport operations.

- Labor states that labor harmony/worker retention means that unions will refrain from any type of economic interference with concession operations, maximizing revenue.

- Prospective businesses that operate locations outside of the airport were concerned that union labor requirements also would apply to their other locations. This concern was enough in some cases to deter a business from the airport environment.

- Operators contend that there has never been a loss of jobs as the result of a change in concessionaire, for example, Borders employees who wished to stay at the airport were able to find new jobs. Job opportunities have grown since the new concessions program began in 2005.

Policy Question:

Should the Port seek, within the limits of federal legal constraints, to influence the labor or employment policies/practices of its concessionaires?

Issue #3 – Landlord Responsibilities to Provide a Facility for Operations at a Reasonable Cost

Statement of Issue

With the end of the master concessionaire contract, a new group of tenants came into the airport and began building out locations. This initial experience was more costly for tenants than anticipated, which led to a Port relief package granted in 2005. Tenants were reimbursed for certain construction and materials costs, provided rent reductions and received a two-year term extension on 10-year leases.

Build-out costs at Sea-Tac, according to some concessionaires, are about 100% more costly than a street location. Sea-Tac is not unique for airports with its high build-out costs. Some of these costs may be justifiable or unavoidable as a consequence of the unique airport environment; however, most believe there is significant room for improvement.

A typical food and beverage investment might be $700-800 a square foot or more, and somewhat less for retail. Some of this cost stems from the lengthy Port design review process (26 weeks on average) where several departments and/or workgroups weigh in on tenant designs, which leads to many design revisions. Other costs are driven by the Port's facility requirements, which tend to be more strenuous than for a street location. As an example, international building code requirements for sanitary waste lines stipulate cast iron, whereas the Port requires stainless steel. The Port will typically require more extensive venting and fire suppression systems.

Another source of increased cost is the Port's practice of not providing needed infrastructure to the lease line. A tenant may be required to bring electricity, gas, water and communication lines to the space. If Port base building systems such as HVAC are not adequate, the tenant may be required to install its own supplemental infrastructure.

The costs of operating in the airport are also much higher than on the street. The airport facility tends to be more labor-intensive due to extended hours of operation, security requirements and undersized or antiquated infrastructure to support concession operations.

General Summary of Stakeholder Themes

- Some current tenants feel the Port needs to provide better facility support, for example, some say that there is not enough seating provided by the Port in the Central Terminal.
- Current tenants also feel that the Port can be more efficient and get things done quicker and more cost-effectively.
- Small and ACDBE tenants emphasize that build-out costs are high, margins are slim and costs to operate are high. They do not understand why it costs so much to build at the airport. With restrictions on pricing, it becomes difficult to impact profitability.

- Small businesses feel that Sea-Tac should improve the airport infrastructure to support composting, waste separation, and other processes.
- Small businesses propose that a lease with an option to extend would make it easier to get financing for an expensive build-out.
- Labor proposes that the Port lend money to small businesses for their build-out costs.
- Prime concessionaires and independent businesses emphasized the need for better facility planning.

Policy Questions:

How should the Port gain an understanding of the build-out costs' impact to tenant profitability and risk?

How might the Port identify improvements to the tenant construction process to increase efficiency and reduce costs?

Issue #4 – Leasing Opportunities for Locally-Owned Businesses and/or Small and ACDBE Operators

Statement of Issue

Prior to 2005, opportunities for locally-owned and small/ACDBE operators were mostly limited to subtenant agreements under the master concessionaire. Today, the majority of opportunities still have been provided as ACDBE subtenant opportunities within prime concessionaire contracts, which have required primes to sublet units in order to achieve 25% of sales from ACDBEs. Among the current prime concessionaires which use subleasing as a means to meet their ACDBE requirement, one fully meets the 25% goal. However, operators that demonstrate "good faith efforts" to achieve this goal are considered to be in compliance. The annual overall Sea-Tac ACDBE participation goal is 19.56% of gross sales.

The opportunities for local and small businesses (including ACDBEs) have grown with the introduction of direct leasing. There are currently a number of locally-owned businesses under direct lease contracts, including some ACDBEs. As the local business community has come to understand that the former master concessionaire is no longer the gateway to opportunities at Sea-Tac, interest in direct leasing opportunities at the airport has grown.

At the same time, the airport is not a realistic venue for most small/local businesses. It is a challenging environment to succeed in – financially and operationally. Most small businesses will not have the capital necessary for the level of required investment at the airport. Typical bank financing is a challenge due to the high costs. However, there is untapped potential and interest among many already established street-side local businesses, which have economies of scale outside the airport. Airport-only small business tenants without operational scale face the greatest obstacles and risk.

General Stakeholder Themes

- Airline representatives support outreach to local and small businesses for concessions opportunities and feel that the Port should do what it can to reduce barriers to entry (i.e. high build-out costs).
- Prime concessionaires emphasize that an operator does not need to be local in order to operate a local concept. They can operate local concepts by way of license agreements or similar arrangements.
- Local, small and ACDBE subtenants appreciate the opportunity to represent a community presence at the airport, and the chance to advance their local brand.
- Organized labor wants the airport to attract strong operators that are able to finance capital improvements needed and can meet or exceed (Sea-Tac) wage and benefit standards.
- Airlines suggest that Sea-Tac make a better attempt to understand travelers' needs and bring in concepts that appeal to those needs and desires. They urge Sea-Tac to make no assumptions about the popularity of national brands.
- Small, local and ACDBE businesses describe the typical RFP process as very arduous. Small companies say that they don't have the infrastructure to be able to prepare a response that is competitive with the large concessionaire companies.
- For small business, Labor believes that the Port should offset higher costs with reduced rent and create a fund for low interest loans so that small businesses have the margins they need to meet wage and benefit standards.
- Prime concessionaires use both joint venture agreements and subleasing as a means of meeting ACDBE participation. Some primes feel that subleasing gives the ACDBE the best opportunities to learn and exposure to risk and reward. Others have had positive experiences with joint ventures.
- Labor supports partnerships between large and small businesses (i.e. prime/subtenant contracting) and believe they offer the small/ACDBE operator operational support and financial benefit due to the prime concessionaire's economies of scale.
- ACDBE tenants claim that prime concessionaires sublet only the less-desirable locations. Labor believes that the Port should play a more active role in primes' subleasing practices.

Policy Question:

How should the Port maintain and/or increase participation in the concessions program by locally-owned, small and/or ACDBE businesses?

Issue #5 – Sea-Tac Concessions Program Pricing Policies and Other Contractual Terms

Statement of Issue

The industry-typical means of selecting concessionaires for multiple unit contracts is the Request for Proposals/Qualifications (RFP/RFQ). In these processes, airports usually stipulate a desired use for a specific space(s), and may set minimum guarantee (MAG) requirements, maximum ranges for rent, minimum dollar per square foot investment requirements and pricing restrictions. There may be additional Common Area Maintenance (CAM) fees, marketing fees, taxes, utility and storage charges which must be added to the proforma.

The competition between operators is fierce due to the relative scarcity of airport opportunities. Once beyond the phase of securing the business, the realities of airport operations begin. Capital investments may be higher than anticipated. Negotiated wages and benefits for employees may be higher than planned. Enplanement forecasts may not materialize. Operators also may discover that they overbid a contract in the zeal of competition.

Concession agreements are rigid legal contracts, with little room for adjustment for changing conditions. It is not uncommon in the industry for concessionaires – large and small – to make an appeal to an airport authority for reductions in rent, MAG or increases in price, citing any number of reasons.

Evidence supports that the costs of doing business in an airport are high, much higher than for a street location. However, this fact is countered by the tremendous volume potential that exists in an airport. Very few street-side venues can bring the number of potential customers to a business that an airport can. Travelers are considered a captive audience. Square footage sales can be two or three times that of a comparable street location. The area of disagreement lays in the respective perceptions of the reasonable relationship between higher costs, risk, and profit potential.

General Summary of Stakeholder Themes:

- In all stakeholder groups, with the exception of airlines, there was general consensus that Sea-Tac is a very expensive place to build so the Port should consider longer term leases to allow time for tenants to recover their upfront costs.
- Some prime concessionaires cite studies that show that passengers are not primarily concerned with price in an airport, and questioned whether there is any evidence that lower prices boost sales.

- Travelers (focus groups) believe that rents in airports are higher and may justify higher prices, but most also would prefer not to pay higher prices. Consistently, travelers believe that airport prices have been historically high, but some also have recognized the drop in prices recently.

- Many interested potential tenant stakeholders agree in principle with street pricing, but emphasize that occupancy costs need to be kept in check in order to be profitable. This is particularly important for small businesses not used to paying mall-like occupancy costs.

- Prime concessionaires and their ACDBE subtenants note that many other airports are setting prices at street + 10%, and that a slight premium above street pricing is imperceptible to the customer. They also urged the Port to consider allowing tenants to set prices above street-pricing levels because there is the potential for additional revenue to the Port.

- Labor advocates for the flexibility of up to street +15% in order to provide margins operators need for acceptable wages and benefits. They also advocate incentivizing quality to allow for premium pricing.

- Some prime concessionaires also supported emphasis on quality rather than price, citing that travelers will pay for higher quality.

- Several participants felt that Sea-Tac should do more analysis to project beyond top-line sales and the Port needs to be more understanding of the big picture and show more concern about what is going on for concessionaires.

Policy Questions:

Should the Port initiate a comprehensive analysis of the implications of the current street pricing policy (both structure and implementation) for large and small concessionaires, the traveling public and the Port?

Should this include current contractual requirements (investment, term, rent, pricing, etc) with the goal of understanding more fully the financial picture for both small and large concessionaire tenants?

Combined Stakeholder Meetings Summary

Role of the Port

Most stakeholders view the Port as a landlord of concessionaire tenants. As such, the Port should focus its efforts on improving the things it directly controls, i.e. its own internal processes; improve facility support to reduce high costs of operation and streamline processes to reduce unacceptably high build out costs. Otherwise, businesses should be allowed manage their businesses without interference beyond typical standards of operations.

Organized labor views the Port not just as a landlord, but additionally as a government agency with a social responsibility to taxpayers to elevate the living standards of workers.

Issue #1 – Management Model and/or Leasing Structure for the Sea-Tac Concessions Program

Prevalent View:

- The Port has got it right – maintain a mix of prime contracts with direct leasing.
- No artificial or prescriptive constraints - all types of concessionaires want the opportunities to compete.
- Manage ACDBEs as direct lessees rather than as subtenants to primes – both primes and ACDBE sub-tenants voice support for this approach.
- Assure that only packages intended for primes have enough units to support the scale they need (minimum of 4-6 units).

Divergent View:

- ACDBE participation should occur as subtenant opportunities to prime concessionaires to maintain portability for workers across units (with same wages and benefits). The Port should direct primes to sublease specific units to ACDBEs.
- Direct leasing should be limited as it dilutes the system of portability for workers by increasing the number of separate employers.

Issue #2 – Requirements for Concessionaires Regarding their Labor Practices

- The Port should not place mandates on the employment practices of concessionaires – businesses want control over their P&Ls and their own ability to succeed or fail.

- There are enough jobs at the airport that employees have a choice where they want to work. Entrepreneurs will go elsewhere.

- Employers have difficulty finding good employees and want to hire from the airport employee base, but they do not want a requirement.

- The employees that a business chooses to hire come to reflect their brand and philosophies and it is important to be able to choose these employees freely.

Divergent View:

- Labor Harmony agreements do not mandate unionization. They establish a code of ethics and assure that labor laws are followed.

Issue #3 – Landlord Responsibilities to Provide a Facility for Operations at a Reasonable Cost

Prevalent View:

- The Port needs to change its design approval process. It is excessively long and costly due to administrative inefficiencies and requirements to build "above code."

- Tenants should not be building infrastructure for the Port. Needed base infrastructure should be provided by the Port and brought to the lease line.

- The Port could promote more competition for tenant builders at the airport. There are too few construction companies willing to build at the airport, and concessionaires are at their mercy to pay whatever they charge.

- Stagger lease expirations to avoid spikes in construction activity, which exacerbates the high construction cost problem by creating too much demand at one time.

Divergent View:

- The Port should consider providing low-interest loans to small businesses to help with the high investment costs.

Issue #4 – Leasing Opportunities for Locally-Owned Businesses and/or Small and ACDBE Operators

Prevalent View:

- The Port has got it right – there are good opportunities for local, small and ACDBE businesses.

- Reduce the barriers to entry for small business: excessive process (RFPs) and high costs of investment.

Divergent View:

- Small business/ACDBE participation should not be increased, and possibly reduced, if these operators believe they cannot afford "living wage" standards and provided family health care for workers. The system is broken if this is the case.

Issue #5 – Sea-Tac Concessions Program Pricing Policies and Other Contractual Terms

Prevalent View:

- The Port should not need to use pricing policies and lease terms to compensate for its internal shortcomings that drive up costs.

- Local operators with local street-side locations feel that they must maintain street pricing because their customers compare between locations.

- Street pricing becomes factor with the high build out costs and high costs of operation and the inability to use higher pricing to re-coup those costs. The flexibility of street pricing plus 10% is preferred by most.

- Examine the structure and implementation of the street pricing lease language to provide some more flexibility for different types of operators.

- The more competition the Port adds via direct leases, the less pricing will matter – customers will vote with their feet. But this makes the high cost side even more critical to address.

- If the Port puts mandates in place that affect labor costs, the Port needs to adjust its expectations for financial return, i.e. rent.

- If the airport is going to have street pricing, it needs to be marketed more aggressively, for example, signs in every unit.

Divergent View:

- The Port should allow for street pricing plus 10 or 15 percent. This margin must go to supporting worker wages and benefits, not profit.