

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:

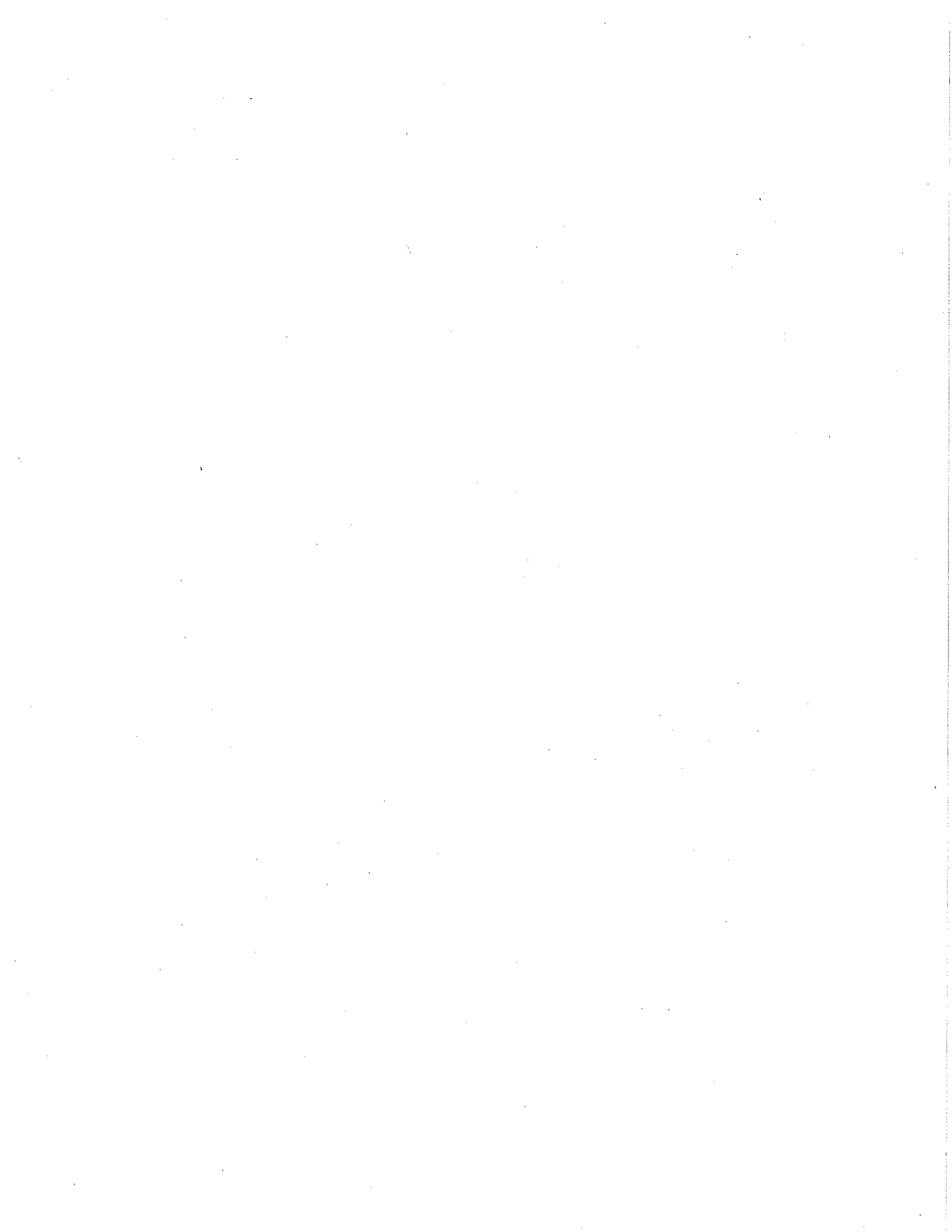
- The Port has got it right -- maintain a mix of prime contracts with direct leasing.
- No artificial or prescriptive constraints - all types of concessionaires want the opportunities to compete.
- Manage ACDBEs as direct lessees rather than as subtenants to primes -- both primes and ACDBE sub-tenants 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.

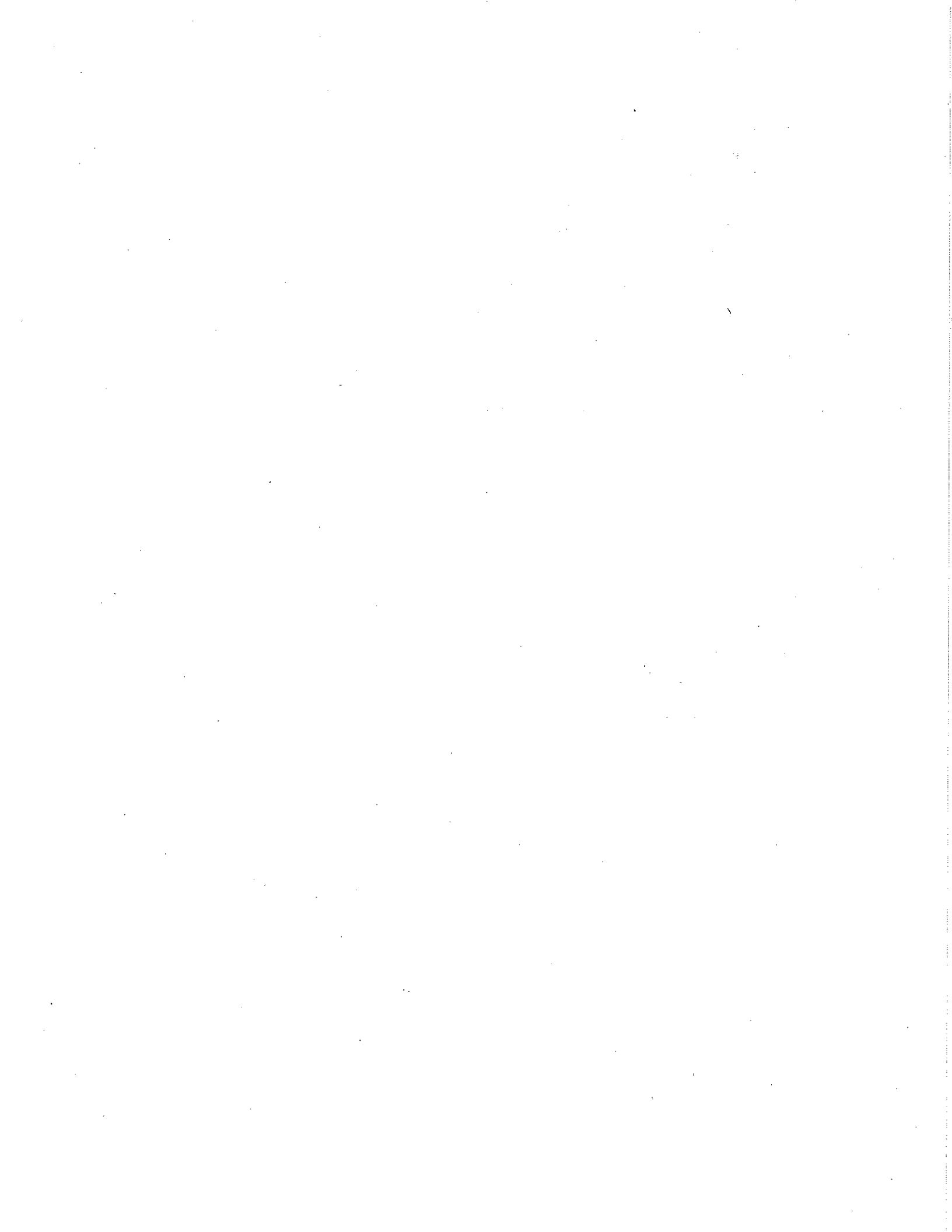
Divergent View:

- 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.

