



January 23, 2012

The Honorable Frank Chopp, The Honorable Richard DeBolt, The Honorable Mike Sells, The Honorable Cary Condotta, and The Honorable Dave Upthegrove

The Honorable Lisa Brown, The Honorable Mike Hewitt, The Honorable Jeanne Kohl-Welles, and The Honorable Janéa Holmquist Newbry

Subject: The Concessions Program at Seattle-Tacoma International Airport

Dear Colleagues,

On behalf of the Port of Seattle Commission, I am writing to provide you an update on the status of the Port of Seattle's review of the Seattle-Tacoma International Airport's Concessions Program. The Commission is fully engaged in the issue and has been working with all stakeholders to develop a program that addresses the interests of the airport, businesses, their employees and the traveling public.

The airport will engage in bidding concessions leases before the current leases expire during 2015 to 2017. Today, there are more than 85 concession units employing more than 1,500 workers at Sea-Tac. The typical length of employment for a concessions worker at the airport is two to five years. These concessionaires and workers serve more than 30 million members of the traveling public every year. They provide food, retail, services and a familiar face for the 14,000 people who work every day at airport facilities. The concessions program generates operating revenues that are 100 percent reinvested at the airport, and are vital to sustaining the airport in this era of economic uncertainty.

In the coming years, as passenger traffic at Sea-Tac grows, new jobs will be created, and there will be new opportunities for entrepreneurs and new business owners at the airport. The concessions program is and will continue to be an economic engine and an engine of equal opportunity for the South King County communities.

Commission Decision Schedule

The Port Commission recognizes the many compelling interests in the airport concessions program and the future interests for over 1,500 airport workers. History proves the concessions program has been one of the most impressive jobs generators for South King County's diverse communities: since 2004, the number of concessions employees has grown from 732 to 1,508, more than doubling the work opportunities and serving as a major employment bulwark through this terrible recession. Our goal is to protect these jobs and to help concessionaires create new jobs in the future.

The Commission must shape its policy around earlier litigation with our tenants which may have an impact on the Port's ability to regulate certain lease terms with our airport concessionaires. For that reason, the Commission has retained Mr. Mark Hutcheson as outside legal counsel to advise us regarding policy-making in the concessions leasing arena. We anticipate having independent legal analysis completed by the end of January 2012. At that point, the Commission plans first to

discuss its policy options in public session prior to taking any vote on this issue. Following Commission direction, airport staff will be working with industry experts and concession program stakeholders throughout 2012 and 2013 to create a "Concessions Master Plan" to guide the successful redevelopment of the airport concessions program in 2015 through 2017.

In line with the Port's role as a major economic engine in Puget Sound and the State of Washington, the Commission has embarked on a once-in-a-generation, multi-year effort to advance our Century Agenda, an agenda with a vision to generate 100,000 new Port-related jobs for our region in the coming 25 years. Some of those jobs will be in airport concessions, and we will continue to stay true to our vision: to endeavor at all times to sustain and grow the concessions program in ways that will create good jobs with fair wages for all concession employees.

Commission Principles

The Port Commission has been developing some principles that will constitute, when they are adopted at a Commission meeting, the Commission's direction to Port staff regarding the concessions program and all future selections of concessions leases. Additionally, these principles have been provided to Mr. Hutcheson to inform his analysis and ensure that his recommendations and legal advice are responsive to Commission preferences wherever legally practicable.

Concession Program Vision. The Port of Seattle's airport concessions program reflects our commitment to the shared values of equal opportunity, economic security, and entrepreneurial initiative. We strive to provide exceptional services to our traveling public and airport customers, and to offer a variety of products and shopping experiences that reflect the Pacific Northwest character. We expect our concessionaires to follow the "best practices" of their industry; adhere to the highest standards of professional conduct; meet their contractual responsibilities to generate revenues for the Port of Seattle; and treat their employees, competitors, and the public with dignity and respect.

Concession Program Values. The Commission seeks to balance diverse values in implementing a policy governing current and future concession leases. These values include: encouragement of small business opportunities, preservation and expansion of employment opportunities for concessions employees, participation of disadvantaged business enterprises, job security for concessions employees, growth in non-airline revenue, and strengthening the Seattle and Pacific Northwest sense of place.

Preliminary Concessions Program Goals:

1. The Port of Seattle will identify and encourage participation from a mixture of local small businesses and national concessions companies for the future concessions program.
2. Contingent upon legal advice from outside counsel, the Port of Seattle will endeavor to maximize continued employment opportunities and job security for those qualified workers wishing to continue working in the concessions program in the event their employer does not remain an airport lessee. The Commission would like the airport concessions program to be equally attractive to large prime concessionaires, Airport Concession Disadvantaged Business Enterprises (ACDBE), small businesses and locally-themed businesses.
3. The Commission seeks to expand future ACDBE participation levels by creating more opportunities for ACDBE lessees throughout the duration of the concessions leases.
4. The Commission directs Port staff to develop a program that encourages very small businesses, for example those with average annual receipts of \$750,000 or less, to open concession units with kiosks or carts that require lower initial investment costs.

5. The concessions program will create more opportunities for local-themed businesses that reflect the Pacific Northwest's character and sense of place, and will develop strategies that encourage both national and local concessionaires to compete for these opportunities.

6. The concessions program will continue its policy of street pricing.

7. The Port will take several other steps to make it easier for concessionaires to build out their concessions and be open for business more quickly and inexpensively. These steps include providing all necessary utility infrastructure to the lease line of all concessions units, streamlining the architectural review process to minimize the time and expense associated with concessions facility development, and varying the lease terms of new tenants to minimize disruption in the concessions program and to better balance the demand for and supply of construction companies available to perform concessions development work at the airport.

The Port Commission appreciates the Legislature's interest in Sea-Tac Airport and our concession program, and would ask you to defer any further action on HB 1832. We are moving to develop the program and create new opportunities in a comprehensive and deliberate manner, recognizing the complex business, economic and legal issues involved. We are confident that the Commission will develop solutions that will continue to generate revenues to support airport operations as well as vital economic activity and new jobs for the region.

Sincerely,

A handwritten signature in black ink, appearing to read "Gael Tarleton". The signature is written in a cursive, flowing style.

Gael Tarleton
President
Port of Seattle Commission