

PORT OF SEATTLE
MEMORANDUM

COMMISSION AGENDA
ACTION ITEM

Item No.	<u>6a</u>
Date of Meeting	<u>June 26, 2012</u>

DATE: June 22, 2012
TO: Tay Yoshitani, Chief Executive Officer
FROM: Mary Gin Kennedy, Director, Commission Services
Deanna Zachrisson, Manager, Aviation Concessions Business
SUBJECT: Proposed Motion regarding Relief for Airport Concessions Disadvantaged Business Enterprises and Other Small Businesses

ACTION REQUESTED:

Request the Commission to adopt a motion providing relief for certain Airport Concessions Disadvantaged Business Enterprises (ACDBE) and other small businesses at Seattle-Tacoma International Airport.

SYNOPSIS:

This motion provides the opportunity to obtain relief for certain ACDBE and other small business concession owners operating three or fewer concessions at Seattle-Tacoma International Airport (Airport) in the form of lease extensions or new leases if their concessions units are located in a concessions zone of the Airport that has experienced a sustained drop of enplanements since 2009 and they have suffered a greater percentage drop in sales than the average percentage drop in sales suffered by concessionaires during CY 2009 and CY 2010.

BACKGROUND:

At the meeting of the Commission on April 10, 2012, the Commission discussed a draft motion to provide ACDBEs with the opportunity to negotiate lease extensions or new leases to minimize disruptions to the overall concessions program when most leases expire between 2015 and 2017; to recover infrastructure costs incurred during the recession; and to take into account reduced customer volumes for certain ACDBEs that have resulted from Airport gate alignments. The motion expressed the Commission's support for increasing the goal for ACDBE participation in the Airport concessions program to 30 percent, consistent with all requirements under the law. The motion also provided that the issue would be a matter of public discussion for at least 30 days. Following the meeting, the proposed motion was posted on the Port's website for public comment from April 11 to May 31, 2012.

The revised motion now being considered is intended to provide relief for qualified ACDBE and other small business owners who lease and operate three or fewer units at the Airport. They may enter into direct negotiations with the Airport to extend their current leases or enter into new leases provided the owner operates and leases a concessions unit located in a concessions zone of

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the Airport that has experienced a sustained drop of enplanements since 2009 and can demonstrate a greater decline in sales than the average percentage decline in sales suffered by concessionaires during CY 2009 and CY 2010.

The motion also provides that the Commission will establish a temporary committee under its Bylaws to work with the Chief Executive Officer to develop procedures for determining whether such criteria are met and for determining the appropriate term length of the lease extensions or new leases. The motion also stipulates that the terms and conditions of lease extensions or new leases will be substantially consistent with terms and conditions of concessions leases awarded since 2008 for the same type of concession. However, the motion does not provide a guarantee for a lease extension or new lease.

The revisions are intended to provide transparency and documentation of rational basis and fair process for decision-making about which operators receive a lease extension or new lease without having to compete, while providing relief for qualified ACDBE and other small business concessionaires.

The motion arises from the concern that small businesses and ACDBEs that lease and operate three or fewer concession units at the Airport may not be as financially able to weather declines in sales that may be associated with declines in enplanements because they do not have the advantage of scale that larger businesses have to counter-balance poor financial performance at one location with stronger performance at other locations at the same airport or multiple locations at other airports.

As part of the motion, the Commission supports an aspirational goal that 30 percent of all concessions units will be leased to small or local business or ACDBEs as current leases expire and new leases are negotiated. The ACDBE participation goal for the Airport would continue to be consistent with federal regulations in 49 CFR Part 23.

The Port received public comment from four individuals supporting the draft motion and no comments opposing the motion. Commenters were primarily current ACDBE business owners or representatives of such businesses. Generally, they expressed concerns about lower sales potential in their locations, high build out costs, and the effect of airline gate realignments.

This motion is consistent with the goals of the Airport concessions program adopted by the Commission on February 14, 2012, and its impact will be considered as the Concessions Master Plan is drafted “to guide the successful re-development of the airport concessions program in 2015 to 2017.” The Century Agenda also supports the promotion of small business as part of the overall goal of creating 100,000 Port-related jobs in the aviation or maritime sectors over the next twenty-five years.

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OTHER DOCUMENTS ASSOCIATED WITH THIS REQUEST:

- Motion of the Port of Seattle Commission regarding relief for certain Airport Concessions Disadvantaged Business Enterprises and other small business at Seattle-Tacoma International Airport.

PREVIOUS COMMISSION ACTIONS OR BRIEFINGS:

- April 10, 2012 – The Commission discussed a draft motion and directed that the motion be posted for public comment for at least 30 days.
- February 14, 2012 – The Commission adopted a motion giving policy direction to the Chief Executive Officer as Port staff creates a Concessions Master Plan to guide redevelopment of the concessions program from 2015 through 2017.