

PORT OF SEATTLE COMMISSION

**Motion Regarding Relief for
Airport Concessions Disadvantaged Business Enterprises
And Other Small Business
at Seattle-Tacoma International Airport**

June 26, 2012

Statement in Support of Motion

On February 14, 2012, the Port of Seattle Commission (“Commission”) adopted a motion that identified Concessions Program Goals at Seattle-Tacoma International Airport (“Airport”) and provided policy direction to the Chief Executive Officer (CEO) “to guide the successful re-development of the airport concessions program in 2015 through 2017.” Subsequent to this action, the Commission, the CEO and airport managers have continued to discuss the scope and intent of this policy.

An important aspect of the Airport concessions program is the Airport Concessions Disadvantaged Business Enterprise Program, whose participants are hereafter known as “ACDBEs.” To qualify as an ACDBE, the owner must be a woman or disadvantaged minority with a personal net worth which may not exceed \$1.32 million (excluding personal residence) exercising independent control over a business limited in size to gross receipts of \$52.47 million, and the owner must meet other federal requirements. Today there are 19 ACDBE concession units at the Airport. The owners of these 19 units are certified as ACDBEs in accordance with federal regulations. Another important aspect of the Airport concessions program is its emphasis on providing opportunities for small and local business.

The Port Commission is concerned 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 counterbalance a poor financial performance at one unit with stronger financial performance at other units.

Since 2005, certain ACDBEs, under sub-tenancy to prime concessionaires Host International and Seattle Restaurant Associates, have claimed that due to a decline in enplanements and an associated reduction in passenger volumes, they have suffered a greater percentage decline in sales than the average percentage decline in sales suffered by other concessionaires due to such decline in enplanements. Certain ACDBEs have also claimed that they were more affected by high initial build-out costs at the Airport than other concessionaires.

This motion is consistent with the Commission’s policy direction as expressed in the February 14, 2012, motion that the Airport concessions program (1) should consist of a mixture of packages of competitively selected concessionaires and direct solicitations for ACDBEs and small and local businesses and (2) the level of participation of ACDBEs will be expanded to create more ACDBE opportunities. This motion also reflects the Commission’s Century Agenda goal of promoting job creation and small business growth.

The Port Commission received public comment on this motion from April 11 – May 31, 2012, and has taken these comments into account.

Motion

- 1) As the Airport Concessions Program undergoes changes from 2015 to 2017, the ACDBE participation goal shall be consistent with the federal regulations in 49 CFR Part 23. The Airport shall make good faith efforts to meet or exceed this goal.
- 2) The Commission supports an aspirational goal that 30 percent of the concessions units shall be leased by ACDBEs and/or small and local business as current leases expire and new leases are negotiated.
- 3) The Commission directs the CEO to provide an opportunity to current ACDBEs and other small businesses that lease and operate three or fewer units at the Airport to enter into negotiations directly with the Airport to extend current leases or enter into new leases for some period of time provided that they meet either of the following criteria (a or b):
 - (a) Such business (i) operates and leases a concession unit located in a concessions zone of the Airport that has experienced a sustained drop in enplanements since 2009; and (ii) has suffered a greater percentage decline in sales than the average percentage decline in sales suffered by concessionaires at the Airport during CY 2009 and CY 2010 (as a proportion of, and taking into account differentials in, build-out costs, original lease term lengths and any other extenuating factors).
 - (b) Alternatively, such business completed its initial build-out after January 1, 2007.
- 4) The Commission directs the CEO to develop procedures for determining whether the above-referenced criteria are met and determining the appropriate term length of any lease extension or new lease. The Commission shall form a temporary committee to work with the CEO in developing these procedures in accordance with Article III, Section 6, of the Commission's Bylaws. This motion serves to establish this temporary committee. The procedures will include the following requirements:
 - (a) Submission of qualified business financial records as well as analysis relevant to the determination of whether the above-referenced criteria are met; and
 - (b) Use of a third party consultant to review the submission of records and analysis.
- 5) The Commission directs the CEO to negotiate in good faith any new leases or lease extensions with businesses deemed eligible and that are found to meet the criteria referenced above in Section 3. Provided, however, this motion shall not be interpreted as

providing a guarantee of a lease or lease extension. The terms and conditions of any leases or lease extensions negotiated pursuant to this motion shall be substantially consistent with other such terms and conditions of concession leases awarded since 2008 for the same type of concession. If agreement is not reached and the new lease or lease extension is not executed by January 1, 2015, the Airport may open up the concession opportunity to competition.