



**AMENDED COMMISSION
AGENDA MEMORANDUM**

ACTION ITEM

Item No.	7b
Date of Meeting	April 1, 2020

DATE: March 29, 2020
TO: Stephen P. Metruck, Executive Director
FROM: Lance Lyttle, Managing Director, Aviation
Dan Thomas, Chief Financial Officer

SUBJECT: Airport Relief Measures in Response to COVID-19 pandemic

ACTION REQUESTED

Request Commission authorization for the Executive Director to take such immediate, short-term actions as necessary to implement airport relief measures in response to the COVID-19 pandemic.

EXECUTIVE SUMMARY

The Executive Director and Seattle-Tacoma International Airport (SEA) leadership proposes to offer relief measures to airport tenants and concessionaires that have been significantly impacted by the COVID-19 pandemic. These measures will be consistent with Commission direction as stated in the accompanying economic relief motion considered by the Commission on April 1, 2020.

The Executive Director will also be developing economic relief measures for other parts of the Port organization – such as maritime and real estate. However, those measures will be developed after the passage of the Commission economic relief motion, so that those proposed measures will be fully aligned with Commission direction.

JUSTIFICATION

The dramatic economic impact of the COVID-19 pandemic requires an immediate response by the Port to be able to provide short-term relief measures to tenants and concessionaires. The direct effects on the Port, its customers and tenants include a substantial reduction in air travel, with the resulting decline in dining and retail concession sales, parking and transportation activity. As a result, airlines, tenants and concessionaires have been forced to reduce services, lay off employees or shutter their operations.

These responses will aid the continued operation and financial viability of these business partners, which is critical to advancing the Port's financial interests through the current economic downturn and into the economic recovery. The Port depends on these tenants and concessionaires to provide services to Port customers and generate revenue for Port operations. Maintaining its base of tenants and concessionaires is critical to the Ports financial strategy to navigate the impacts of the COVID-19 pandemic. Preserving and strengthening the Port's airport

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and seaport financial sustainability and operations will play a critical role in the economic recovery and return to growth in the Puget Sound region and the state of Washington.

DETAILS

The Executive Director and SEA leadership propose to offer relief measures to the tenants and concessionaires that have been significantly impacted by the COVID-19 pandemic. These measures will be consistent with Commission direction as stated in the Commission’s economic relief motion as well as state and federal law, and will be guided by the following principles:

- Rent, Minimum Annual Guarantee (MAG) or similar charges may be deferred and repaid in full through a payment schedule commencing in 2021.
- The tenant or concessionaire will reasonably commit to operating within public health directives and resuming full operations as business increases.
- The Port and tenant or concessionaire shall enter into an agreement detailing the arrangement that includes a payment plan with interest to be paid on deferred amounts and a waiver of other late fees and finance charges if the payment plan is satisfied.

The relief measures will include additional details and requirements as determined appropriate by the Executive Director and may change as circumstances warrant and may be applied to Airport and non-Airport tenants and concessionaires.

Currently, the Executive Director and SEA leadership propose to offer the following forms of relief regarding Airport tenants and concessionaires, **which for the proposed deferrals will be for two months, with the Port gathering information from tenants and concessionaires to assess the impacts of the COVID-19 pandemic before considering an extension for additional months:**

- ***Airlines***
 - Accelerate the 2019 settlement and revenue sharing
 - Plan to maintain rates at budgeted levels FY 2020
 - Consider deferral of rent and landing fees on a month-to-month basis
- ***Airport Dining and Retail***
 - Defer percentage of remaining MAG payments and percentage of gross for **two months**, with consideration for additional months at a future date.
- ***Rental Cars***
 - Defer percentage of remaining MAG payments and percentage of rent for **two months**, with consideration for additional months at a future date.
- ***Remote Parking***
 - Defer percentage of remaining MAG payments and percentage of rent for **two months**, with consideration for additional months at a future date.

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- **Ground Transportation (such as taxis, TNCs and courtesy shuttles)**
 - Defer MAG payments, activity fees and permit payments for **two months**, with consideration for additional months at a future date.
- **Non-aeronautical Commercial Properties (such as Flight Kitchen)**
 - Defer MAG payments and percentage of rent for **two months**, with consideration for additional months at a future date.
- **Non-aeronautical Terminal (such as CLEAR)**
 - Defer MAG payment and percentage of rent for **two months**, with consideration for additional months at a future date.

AIRPORT DINING AND RETAIL EMPLOYMENT

As discussed above, fewer passengers in the concourses means business in airport dining and retail establishments has declined dramatically. As of March 30, 1,267 ADR employees have been laid off or furloughed, about half the total employment in February. The financial impact has been severe for all firms, including major international concerns, but especially for smaller locally owned units with fewer years in operation and lower cash reserves.

One of the key reasons cited by many ADR business owners for Port assistance is that they need cash to continue paying for health insurance for their workers, along with other businesses expenses. Once the economy recovers, they hope to bring back workers who are trained in their operations and the airport environment.

The economic success of the airport and its concessionaires post-COVID-19 is inexorably tied to the ability of these businesses to bring back these employees once customer demand returns. To ensure that these employees are available, healthy and open to returning, the best way to support them during the immediate crisis is providing continuing payments and/or benefits. The Commission is grateful to the large majority of its concessionaires who are already doing so, and urges these efforts to continue; the provision of economic relief is a key way for the Port to facilitate the provision of that support.

RISKS

The relief recommendations and future actions are based on certain assumptions about the length of the pandemic and its effect on airport operations, as well as the time it will take for airlines and other airport businesses to recover. Other scenarios are possible, which will influence the airport's finances. Risks include:

1. COVID 19 pandemic duration is longer than anticipated
2. Some tenants and airlines become financially insolvent, and therefore unable to pay back any deferred payments
3. Financial recovery different from anticipated, such as a temporary recovery followed by economic decline

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4. Additional requests for financial relief from other important stakeholders/partners to the airport

BACKGROUND

The World Health Organization declared the worldwide outbreak of COVID-19 to be a pandemic on March 11, and our federal, state, and local officials are regularly updating their guidance and directives regarding the health and safety measures deemed necessary to contain and mitigate the outbreak. On February 29, 2020, Governor Jay Inslee proclaimed a state of emergency in the State of Washington due to the spread of COVID-19. On March 1, King County Executive Dow Constantine likewise proclaimed a state of emergency within King County.

On March 16, 2020, both Governor Inslee and King County issued updated directives limiting the extent of events and social gatherings. Under the Governor’s Proclamation 20-13, all restaurants, bars and similar venues in which people gather for the consumption of food or beverages were ordered to close, except for establishments that offered take-out products for consumption at home. Under Governor’s Proclamation 20-14, gatherings of 50 people or more are prohibited, and activities of less than 50 are prohibited unless organizers can comply with CDC-established measures for sanitation and social distancing. The March 16, King County Local Health Officer Order mandates similar requirements for King County.

On March 23, 2020, Governor Inslee issued a “Stay Home – Stay Healthy” Order throughout Washington State, prohibiting all people in Washington State from leaving their homes or participating in social, spiritual and recreational gatherings of any kind regardless of the number of participants, and preventing all non-essential businesses in Washington State from conducting business. This restriction stays in place until at least April 6, 2020, and the Governor has stated that the restrictions may be extended beyond April 6.

The worldwide outbreak of COVID-19 has caused, and is anticipated to continue to cause, extreme and unprecedented disruptions to business operations. The Port recognizes that the COVID-19 pandemic has had immediate and severe impact on the revenues of its tenants and concessionaires. This has occurred both through a sharp drop in persons traveling and patronizing these businesses and direct orders from public health officials prohibiting these businesses from operating to stem the spread of COVID-19 to protect the health and safety of the general population.

The Port has a strong interest in supporting the economic viability of these business partners so that they may survive and continue to provide services to the extent possible through the current severe economic downturn and be in operation and able to resume full operations when it passes. The best strategy to advance this interest is to provide immediate, short-term relief measures in the form of rent deferrals. This will improve the Port’s financial position by preserving its base of tenants and concessionaires to generate increasing revenue when the economic recovery begins, and by avoiding the costs of having to replace tenants and concessionaires.