

Exhibit D

Meeting Summaries

Sea-Tac Airport Concessions Policy
Stakeholder Outreach

July 25, 2011

Sea-Tac Airport Concessions Policy Stakeholder Outreach

Stakeholder Group: Small & ACDBE Businesses

Date: June 18, 2011

Location: Room 2A, Sea-Tac Airport

In Attendance:

- Dan Eberhardt, Quiznos
- Brett Habenicht, Quiznos
- David Fukuhara, Concourse Concessions (Tully's, LaPisa, Waji's)
- Jerry Whitsett, SeaTac Bar Group (Africa Lounge, Mountain Room)
- LeeAnn Subelbia, Filo Foods (Bagel Bakery x 2, Bigfoot Food & Spirits)
- Wally James, Wendy's
- Kenneth James, Wendy's
- Cary Cruea, Massage Bar
- Chrystal McCoy, Diva Espresso
- Ana Martinez, Diva Espresso
- Leslie Freytag, butter London
- Deanna Zachrisson, Sea-Tac Airport Concessions Program
- Rita Brogan, PRR (facilitator)
- Hadley Roderio, PRR

Introductions

Deanna Zachrisson gave an overview of the stakeholder engagement process and explained why the Port of Seattle feels it is important to develop a set of concessions programs policies.

She explained that this is one of six stakeholder groups that will be meeting to provide input on the draft policies. The groups are:

1. Small businesses
2. Prime concessionaires
3. Local businesses
4. Prospective operators
5. Airlines
6. Traveling public

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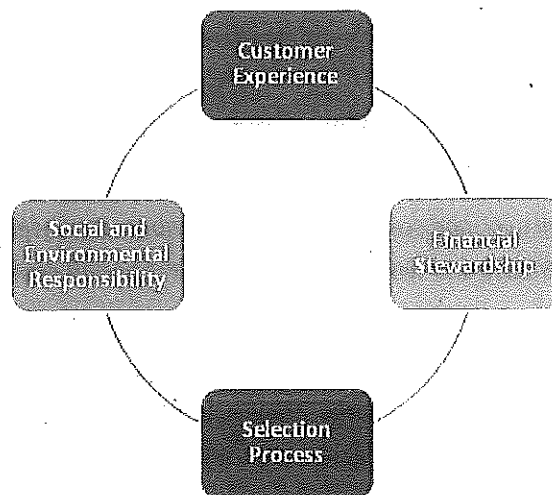
Sea-Tac Airport is at the midpoint between renewing major concessions contracts (90% of units will turn over in a two-year timeframe from 2015-17), so it is a good time to look at the goals and the vision for the concessions program. These policies will help the airport have a clearly articulated vision moving forward.

Best Practices

Deanna reviewed her research into national best practices in aviation concessions. She explained that the information will help inform Sea-Tac's concessions program by showing what other airports are doing well and what practices might be applicable to Sea-Tac's program in order to make it more sustainable and manageable in the future.

Discussion of Draft Principles

Rita explained that the goal of this process is to establish policies and principles to guide the future of the concessions program. She discussed the chart below and briefly outlined each of the policy categories.



Customer Service

Rita read through the Customer Service principles and then opened it up for discussion, asking participants for their general reaction to the principles and how they relate to small businesses.

Customer Service Principles

- The mix of venues at Sea-Tac should support a strong sense of place.
- A variety of operators promotes higher quality products and excellent customer service in competition for the traveler's dollar.
- There should be a wide variety of quality offerings available to Sea-Tac customers.
- Sea-Tac has a strict street pricing policy. The Airport should strive to win the customer's confidence in our pricing, particularly through the selection of street-side brands with directly comparable pricing.
- There should be a combination of national brands and local offerings at Sea-Tac, determined by customer feedback and chosen based on customer needs and desires. Sea-Tac should seek to eliminate non-branded, airport-only concepts.
- We will continually monitor customer satisfaction in order to make appropriate adjustments in the quality and type of offerings at Sea-Tac.
- Customer service also means providing passengers with opportunities to make environmentally friendly choices both in their selections for purchase and opportunities to minimize their environmental impact through recycling, composting and other airport programs.

Discussion

Participants felt there needs to be a better definition of what 'branding' means and more emphasis on finding the right mix between national and local brands. They said:

People come from all over and some customers want brands that they're familiar with. They're busy and want concessions that they can recognize and trust.

Several participants agreed that a local, Northwest sense of place comes from many elements (e.g. art, design, etc.), not just the mix of concessionaires. They suggested that the Port leave it open to allow Sea-Tac to talk to a variety of companies. Many agreed that the focus should be on the customer and finding ways to provide an experience that is unique and sets Sea-Tac apart from other airports. Specific comments include:

Creating a strong sense of place should be part of the overall strategy at Sea-Tac.

One of the strengths of Sea-Tac has been its success in letting operators be flexible and innovative and develop something new and different. The Port has allowed operators the freedom to be creative.

Some business owners felt strongly that customers do not always have a realistic idea of what kind of businesses are suited to the airport environment. They urged finding a balance between giving customers what they want, while also being realistic about what is viable for businesses. Some participants stressed that customer expectations are hard to meet as they often do not understand how airport businesses are different from those on the street.

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Participants said it is sometimes difficult for small business to get into a franchise situation. Policies should reflect the differences between independents and franchises. Several participants suggested allowing businesses to charge some percentage above street pricing to help tenants cover all the additional costs of doing business in the airport (e.g. security, badging, etc.) There was general agreement that businesses would like the flexibility to charge street pricing + 10%, but all felt it was important to look at the local economy to set prices and see what the market will bear. One business owner said:

Our customers are often surprised at how low the prices are at Sea-Tac.

Most participants felt that any stakeholder outreach with the traveling public should include several groups since there are vast differences between different types of travelers (i.e. business vs. recreation traveler). They said they want to be sensitive to customer needs, but make sure that policy-makers understand that surveys are not always clear indicators of what the broad traveling public wants and needs. If customer satisfaction research is done, make sure the sample is representative and includes a mix of different types of travelers.

Financial Stewardship

Rita read through the draft principles and asked the group for their general reactions.

Financial Stewardship Principles

- As owner, operator and steward of Sea-Tac, we will continue to maintain control of concessions development at Sea-Tac.
- Quality, variety, and northwest flavor in the program's offerings will allow Sea-Tac to be among the top 10 performing airports, as measured by sales per enplanement (SPE) in the annual industry ranking determined by Airport Revenue News.
- Sea-Tac will assume responsibility for base infrastructure, while tenants will be responsible for build-out with unit lease boundaries.
- Terms of leases should be made consistent with industry standards of 10 years for food and beverage and 5 to 7 years for retail. Some exceptions will be necessary in the coming years in order to stagger contract expirations to insure continuity of customer service as well as proper fiscal management.
- Rent structures should take into account factors such as Port regulatory and lease requirements (construction requirements, street pricing, etc.), costs of operation (labor costs, environmental and security requirements, etc.), quality of space and/or location.
- Rent structures should be tiered in accordance with the sales levels of tenants to provide risk mitigation for both tenants and the Port.

Discussion

Participants generally felt that information provided to concessionaires should include more explanation and rationale for policies including what assumptions drive certain requirements. Specific comments included:

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I'd like to know why it costs so much to build out a space in the airport. Leases should be clear as to why certain expectations are placed on tenants.

We talk about street pricing, but none of tenants' costs are street costs. Margins are very slim and costs are high to do business at the airport.

The group discussed lease terms and most people agreed that a 10-year lease with an option to extend would really help vendors and would make it easier for businesses to get financing. Additionally, several participants said that if the MAG was lower, or calculated differently, it would really help, as tiered rent structures do not always work for small businesses:

The current MAG penalizes small businesses for achieving more.

The MAG should not be an average, but it should follow the seasonality of business at the airport.

Participants suggested that the Port should consider adjusting rent structures to take into account location (area within the airport). Current rent structures are comparable for different areas of the airport, even though traffic levels vary considerably for different locations.

The group agreed that margins in the aviation concessions business are really shrinking, which makes it tougher for small businesses. They stressed that flexibility and the ability for tenants to make financial decisions that fit their business would help more small businesses be successful at the airport.

Rita suggested that the final policy document could include a comprehensive list of what costs are higher for airport vendors compared to street-side businesses. All participants agreed with this proposal.

Selection Process

Rita read through the selection process principles and then asked participants to offer comments and feedback.

Selection Process Principles

- The selection process should be timely and efficient, with clearly articulated selection criteria.
- The choice of the type of selection process should be tailored to the goals for a particular business opportunity.
- The Port will actively solicit quality tenants that can be financially successful, provide excellent customer service, products and services, and support the Port's social and environmental goals.
- The operator mix must include a good representation of local and small business ownership, which is distinct from "local" concepts owned and operated by national companies.
- Prospective operators must demonstrate financial stability, experience, and a commitment to serve the needs of the traveling public.
- Our tenants must comply with all applicable employment, environmental, and other regulations.

Discussion

Most participants feel the Port should try to find ways to streamline the selection process for small operators. They expressed agreement that the RFP process helps level the playing field, but the Port should consider other elements of the process to enable small businesses to compete equally (i.e. starting with a letter of interest or RFQ and then proceeding through the RFP process with a short list). One group member said:

The RFP process is hideous for all parties concerned... but, it is the only true and fair way to go about the selection process.

Several participants felt there should be a way for businesses to enter into a direct negotiation with the Port. They would like the policies to leave room for creativity and allow airport staff to make decisions based on what they think would be a good concept and retail mix. Participants feel the Port should look at tenants' earning records and other information to help inform decisions about when to extend a lease and how to make accounting decisions even if these decisions are not entirely transparent.

At the end of this section of the discussion, all participants stated that they would prefer to have a direct lease with the Port rather than be a sub-tenant under a prime concessionaire.

Social and Environmental Responsibility Principles

Rita read through the draft principles and then opened it up to the group for discussion, asking for their input and general reaction to the principles.

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Social and Environmental Responsibility Principles

- Sea-Tac and its tenants are committed to creating a sustainable airport that minimizes the environmental impacts of our operations.
- We will strive to be industry leaders in continuous improvement in its environmental practices, using specific metrics to monitor compliance and measure improvement.
- Due to the unique requirements of working in a secure airport facility, concessionaires often compete keenly for employees, and Sea-Tac will support their recruiting efforts through innovative job training and enrichment programs in order to attract new employees and reduce annual turnover to 15% or less.
- The Airport will support workforce development and worker retention in the Concession program through legally supportable and Port sanctioned programs and initiatives.
- The Airport will increase the percent of gross concession sales from ACDBE operators from less than 20% today to 25% by 2020; 25% of gross sales through ACDBEs is about the average participation at comparable airports. To the degree possible, we will achieve this goal through direct leases with ACDBEs.
- Sea-Tac will assure that its concessions selection process actively reaches out to local, small and disadvantaged businesses, and will strive to create a level playing field for business opportunities between large and small operators.

Discussion

This part of the meeting focused on the use of union labor and stakeholders' perspectives on worker retention and other labor principles. All participants agreed that it would be very difficult for them to remain in business if they were required to use union labor. Participants cited several reasons why worker retention would be difficult for small businesses including the higher cost of the union benefits package and requirements to provide medical insurance for all employees whether they want it or not. Specific comments included:

When you only have a few units, it doesn't make financial sense to have union labor.

I want to be able to choose employees who fit with my own business model.

Most participants agreed that the Sea-Tac concessions program should have requirements for DBE businesses. Several attendees said they would like to have the opportunity to bid on everything without limits or caps.

There was widespread support for the environmental policies included in the draft document. Some participants suggested ways to improve environmental practices, such as:

The Port could help with environmental practices by setting up collective contracts that all airport businesses can tap into for items that are cheaper to purchase in bulk (i.e. compostable cups).

Sea-Tac should improve the airport infrastructure to support composting, waste separation, and other processes.

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Next Steps

Rita said that the Port will continue gathering input from all stakeholders. By end of year, a draft policy guide will be circulated for comment before it is finalized.

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Sea-Tac Airport Concessions Policy Stakeholder Outreach

Stakeholder Group: Prospective Tenants

Date: July 25, 2011

Location: Copenhagen Room, Sea-Tac Airport

In Attendance:

- Mark Klebeck, Top Pot Donuts
- Joe Larson, McDonalds
- Bob Comisky, McDonalds
- John Loacker, Metsker Maps
- Jerrod Stafford, Beecher's Cheese
- Phil Sancken, Café Appassionato/Samurai Noodle
- Matt Galvin, Pagliacci Pizza
- Deanna Zachrisson, Sea-Tac Airport Concessions Program
- Elaine Lincoln, Sea-Tac Airport Concessions Program
- Rita Brogan, PRR (facilitator)
- Hadley Roderio, PRR

Note: These notes are a summary of key points in order to capture the nature of the discussion; they are not intended to be a complete transcript of the meeting.

Introductions

Deanna Zachrisson gave an overview of the stakeholder engagement process schedule and explained why the Port of Seattle feels it is important to develop a set of concessions program policies.

She explained that this is one of six stakeholder groups that will be meeting to provide input on the draft policies. The groups are:

1. Small businesses/DBEs
2. Large concessionaire companies
3. Current independent contractors
4. Prospective operators
5. Airlines
6. Traveling public

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She gave an overview of the concessions program since the transition from master concessionaire in 2005. Since 2005, new tenants have been direct leases with the airport. Sea-Tac Airport is now at the midpoint between renewing all major concessions contracts (90% of units will turn over in a two-year timeframe from 2015-17), so it is a good time to look at the goals and the vision for the concessions program. These policies will help the airport have a clearly articulated vision moving forward.

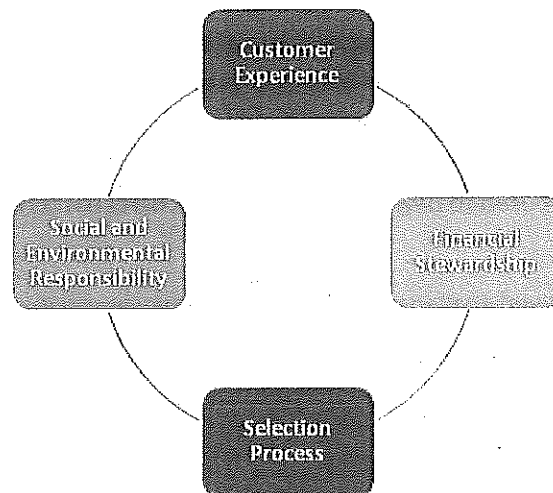
Deanna briefly explained the current state of the airport concessions industry. It is very competitive, with many more street-side players entering the market. Business practices are changing rapidly and some business lines are shrinking due to new technology and shifting traveler preferences.

Best Practices

Deanna reviewed her research into national best practices in aviation concessions. She discussed three key levers: management model, operator mix, and ownership concentration. This best practice information will help inform Sea-Tac's concessions program by showing what other airports are doing well and what practices might be applicable to Sea-Tac's program to make it more sustainable and manageable in the future. She noted that it makes sense to have a representation of local businesses because 80% of travelers at Sea-Tac originate in Seattle or have Seattle as their final destination.

Discussion of Draft Principles

Rita explained that the goal of this process is to establish policies and principles to guide the future of the concessions program. This process is intended to recognize that there are a variety of perspectives for doing business at the airport. She discussed the chart below and briefly outlined each of the policy categories.



Customer Service

Rita read through the Customer Service principles and then opened for discussion, asking participants for their general reaction to the principles.

Customer Service Principles

- The mix of venues at Sea-Tac should support a strong sense of place.
- A variety of operators promotes higher quality products and excellent customer service in competition for the traveler's dollar.
- There should be a wide variety of quality offerings available to Sea-Tac customers.
- Sea-Tac has a strict street pricing policy. The Airport should strive to win the customer's confidence in our pricing, particularly through the selection of street-side brands with directly comparable pricing.
- There should be a combination of national brands and local offerings at Sea-Tac, determined by customer feedback and chosen based on customer needs and desires. Sea-Tac should seek to eliminate non-branded, airport-only concepts.
- We will continually monitor customer satisfaction in order to make appropriate adjustments in the quality and type of offerings at Sea-Tac.
- Customer service also means providing passengers with opportunities to make environmentally friendly choices both in their selections for purchase and opportunities to minimize their environmental impact through recycling, composting and other airport programs.

Discussion

Participants generally agreed that all businesses want to provide good customer service, but it's becoming increasingly challenging due to tight cost margins. Participants asked how Sea-Tac ranks the customer service experience at the airport now and what plans are for improving. The group agreed that improved customer service is something that a local consortium of businesses could offer because they have connections to the community and incentives to advance their local brand.

The group discussed the additional costs of doing business at the airport that go beyond typical costs at their off-airport locations. While several participants agree in principle with the policy of street pricing, they feel something else needs to give in order to assure profitability. Several people suggested the only place to save is on the occupancy costs or lease payments. Others noted that most small, local business are not used to paying mall occupancy costs so it is difficult to compete with larger brands.

Participants raised several perceived challenges or hurdles that they associate with doing business at the airport. All agreed that they are interested in being a tenant at Sea-Tac, but have reservations or concerns about profitability. Specific challenges that participants raised include:

- Being placed in an undesirable location.
- Being in a certain location and having something change (i.e. an airline moves) so the location is no longer as favorable.
- The obligation to be open for the whole business day and associated increased operating costs. Participants noted that for some businesses (i.e. Top Pot) their business is more morning-driven. Some suggested a location where vendors can "piggyback" and support each other.

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- Opportunities to ensure visibility and control over signage opportunities. For example, representatives from McDonalds noted that it is important for it to be easy for customers to find them.
- High labor costs and the uncertainty of union presence (i.e. when street locations are non-union, risk of forced unionization)

Participants noted that the Central Terminal is attractive, but the concourses seem to have less variety and a lot of the same offerings. They suggested that if Sea-Tac is serious about improving the mix of vendors and brands then it needs to introduce other offerings and make the concourses more attractive as retail and food destinations. One participant said:

There are many touchstones in Seattle for an appealing mix (e.g. Pike Place Market, neighborhoods).

Selection Process

Rita read through the selection process principles and then opened it up for discussion.

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- The operator mix must include a good representation of local and small business ownership, which is distinct from "local" concepts owned and operated by national companies.
- Prospective operators must demonstrate financial stability, experience, and a commitment to serve the needs of the traveling public.
- Our tenants must comply with all applicable employment, environmental, and other regulations.

Discussion

Most participants agreed that Sea-Tac should find a way to make the selection process more seamless and less time-intensive, making it easier for everyone, especially smaller businesses.

Comments included:

Simpler is always much more appreciated.

Other RFPs that I've seen are very arduous. For a small, artisan company it makes it really hard to compete with larger businesses. We don't have the infrastructure to be competitive and to put together a response, and accounting fees and attorney fees are hard to cover.

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Participants suggested that the selection process policies include exceptions for small, local businesses because they are not looking to enter on a national, large-scale like prime concessionaires. They felt local businesses would benefit from a model that makes it easier to provide the requisite information (e.g. templates, forms, etc.)

The group briefly discussed the principles related to social and environmental goals. Several participants noted that their businesses already have social responsibility practices in place. Others suggested that the Port should post their environmental initiatives at the airport and advertise them more broadly.

Financial Stewardship

Rita read through the draft financial stewardship principles and asked the group for their general reactions. Deanna said that concessions are the third largest source of revenue for the airport (the other two are rental cars and parking).

Financial Stewardship Principles

- As owner, operator and steward of Sea-Tac, we will continue to maintain control of concessions development at Sea-Tac.
- Quality, variety, and northwest flavor in the program's offerings will allow Sea-Tac to be among the top 10 performing airports, as measured by sales per enplanement (SPE) in the annual industry ranking determined by Airport Revenue News.
- Sea-Tac will assume responsibility for base infrastructure, while tenants will be responsible for build-out with unit lease boundaries.
- Terms of leases should be made consistent with industry standards of 10 years for food and beverage and 5 to 7 years for retail. Some exceptions will be necessary in the coming years in order to stagger contract expirations to insure continuity of customer service as well as proper fiscal management.
- Rent structures should take into account factors such as Port regulatory and lease requirements (construction requirements, street pricing, etc.), costs of operation (labor costs, environmental and security requirements, etc.), quality of space and/or location.
- Rent structures should be tiered in accordance with the sales levels of tenants to provide risk mitigation for both tenants and the Port.

Discussion

Participants expressed confusion over the financial stewardship principles and asked several clarifying questions of Port staff. Several people noted the need for more information about market opportunities at the airport, since participants are not currently tenants and are less familiar with the concessions program. Questions included:

- Are sales per enplanement (SPE) at Sea-Tac higher than at other airports?
- Is it a given that Host and other prime concessionaires will automatically have their leases renewed?
- Will Sea-Tac be going towards direct leases for all tenants or keeping a mix of prime concessionaires and direct leases?

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- Why is Sea-Tac looking at a mix of national and local brands? Why continue to have national brands?

One participant noted that he likes the element of tenants being responsible for build-out. It's important for a small business to have that element of control and the flexibility to establish its brand.

Participants agreed that the Port should continue to manage the tenant selection process instead of turning it over to a large developer:

Keep the flexibility. Not every deal is the same.

As long as there isn't one set of rules on how to do things, then everyone is better off. Equality is not the same for all types of business.

The group discussed lease terms and all participants felt it is important to have a minimum of 10 years (for food and beverage businesses). Some said 10 years is the minimum they would be interested in for an intensive build-out, while others would want options beyond 10 years. Participants said that the minimum lease term on the street is generally 20-years.

Participants asked for clarification on costs at the airport relative to costs they expect to incur elsewhere:

- What are the incremental build-out costs at Sea-Tac relative to what costs are elsewhere?
- Has the Port done an evaluation of build-out at the airport compared to other retail locations?

Elaine explained that build-out costs are nearly double what they are elsewhere, but she stressed that the volume of business at the airport needs to be part of the equation when looking at all factors and costs. She said that some of the additional costs come from Port of Seattle requirements such as building codes and security costs.

Rita asked the group to think about what it would take for Sea-Tac concessions to be an attractive business relationship. Participants said that they would need to be convinced that it is possible to make money in this setting. Many expressed concern that they could be profitable, given the risks (e.g. location, lease terms, labor, etc.)

Social and Environmental Responsibility Principles

Rita read through the draft principles and then opened to the group for discussion.

Social and Environmental Responsibility Principles

- Sea-Tac and its tenants are committed to creating a sustainable airport that minimizes the environmental impacts of our operations.
- We will strive to be industry leaders in continuous improvement in its environmental practices, using specific metrics to monitor compliance and measure improvement.
- Due to the unique requirements of working in a secure airport facility, concessionaires often compete keenly for employees, and Sea-Tac will support their recruiting efforts through innovative job training and enrichment programs in order to attract new employees and reduce annual turnover to 15% or less.
- The Airport will support workforce development and worker retention in the Concession program through legally supportable and Port sanctioned programs and initiatives.
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- Sea-Tac will assure that its concessions selection process actively reaches out to local, small and disadvantaged businesses, and will strive to create a level playing field for business opportunities between large and small operators.

Discussion

In general, participants felt that many of these principles are already part of their business's best practices. Participants again asked clarifying questions and said they needed more information before they could comment on the draft principles. Specifically, participants asked about current DBE requirements and turnover rates. The group also asked questions about labor issues and whether it would be fair to assume that there will be labor requirements in place in the next 5-10 years.

Wrap-Up

In closing, Rita went around the room and asked for last words from each participant. Comments included:

I am interested in kiosk space or other lower-risk opportunities. The attraction is exposure to a lot of people and the opportunity to drive people to our other Seattle location and website.

Templates for RFPs would really help streamline the process.

In general, these principles are on the right track; hopefully Sea-Tac can be an innovator not a follower.

I am positive and excited about the process so far. The airport is the first and last thing visitors see, so the facility is important for the greater Seattle good.

The Portland airport is a great model for shopping.

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I need to run the numbers and see if this pencils for my business. I'm intrigued by the possibilities.

I would like to create a strong partnership with other businesses to create a strong brand that works for the airport setting.

This process seems like a great opportunity to set the standard and create what works for Sea-Tac with a blend of local and national brands to create a great experience.

Rita ended by saying that the Port will continue gathering input from all stakeholders over the next few months and all input will be shared with the Port Commission. By the end of the year, a draft policy guide will be circulated for comment before it is finalized.

August 3, 2011

Sea-Tac Airport Concessions Policy Stakeholder Outreach

Stakeholder Group: Current Independent Operators

Date: July 27, 2011

Location: Copenhagen Room, Sea-Tac Airport

In Attendance:

- Kathy Taylor, Dilettante Chocolates
- Diane Eydt, Fireworks
- Carla Wytmar, Vino Volo
- Bob Donegan, Ivar's
- Bill Swan, ExOfficio (by phone)
- Dave Montanaro, Pallino
- Deanna Zachrisson, Sea-Tac Airport Concessions Program
- Elaine Lincoln, Sea-Tac Airport Concessions Program
- Mike Rosen, PRR (facilitator)
- Hadley Rodero, PRR

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She explained that this is one of six stakeholder groups that will be meeting to provide input on the draft policies. The groups are:

1. Small businesses/DBEs
2. Large concessionaire companies
3. Current independent operators
4. Prospective tenants
5. Airlines
6. Traveling public

A larger stakeholder meeting will be held in October to review policies and gather input on next steps in the process.

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Sea-Tac Airport is at the midpoint between renewing major concessions contracts (90% of units will turn over in a two-year timeframe from 2015-17), so it is a good time to look at the goals and the vision for the concessions program. These policies will help the airport have a clearly articulated vision moving forward. Since 2005, all new tenants have been added via direct leasing (for example, Vino Volo). The Port needs a strategy for managing the transition when many leases come up for renewal in the next few years.

Deanna explained that the aviation concessions industry is becoming very competitive as many more independent businesses are entering the market. Business practices are changing rapidly and some business lines are shrinking due to changing traveler preferences. She acknowledged that the costs of doing business at the airport are high and there are elements of risk involved.

Best Practices

Deanna reviewed her research into national best practices in aviation concessions. She discussed three key levers: management model, operator mix, and methods of selection. She explained that the best practice information will help inform Sea-Tac's concessions program by showing what other airports are doing well and what practices might be applicable to Sea-Tac's program to make it more sustainable and manageable in the future.

Deanna confirmed that Sea-Tac airport is moving forward with hiring an independent leasing consultant. Participants had several questions about this process:

- What will the independent leasing consultant do; what will their focus be? Deanna explained that Sea-Tac would like to strengthen the specialty retail side of the concessions program and will have the leasing consultant help with lease transitions and turnover. The consultant will also be asked to help with future visioning based on the outcome of the stakeholder outreach process.
- Why not hire this role in house at Sea-Tac? Deanna said there is more flexibility with working with someone from the outside.

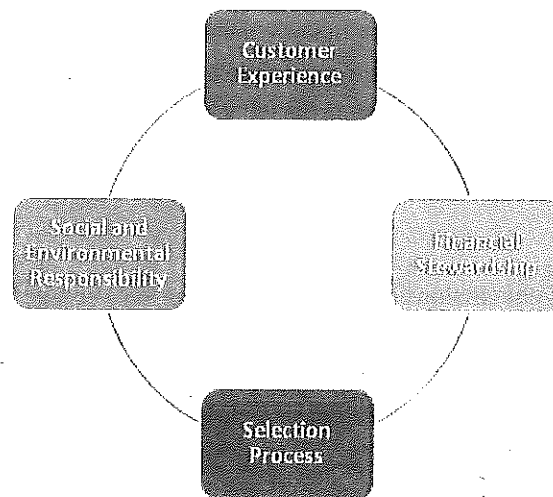
Deanna closed by outlining the airport's selection priorities. The stakeholder process will help confirm the priorities and where the focus should be in the future.

One participant asked for information on how independent operators compare to prime concessionaires. Elaine Lincoln agreed to provide the data.

Discussion of Draft Principles

Mike Rosen explained that the goal of this process is to establish policies and principles to guide the future of the concessions program. He discussed the chart below and briefly outlined each of the policy categories.

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Customer Service

Mike read through the Customer Service principles and then opened it up for discussion, asking participants for their general reaction to the principles and how they relate to independent businesses.

Customer Service Principles

- The mix of venues at Sea-Tac should support a strong sense of place.
- A variety of operators promotes higher quality products and excellent customer service in competition for the traveler's dollar.
- There should be a wide variety of quality offerings available to Sea-Tac customers.
- Sea-Tac has a strict street pricing policy. The Airport should strive to win the customer's confidence in our pricing, particularly through the selection of street-side brands with directly comparable pricing.
- There should be a combination of national brands and local offerings at Sea-Tac, determined by customer feedback and chosen based on customer needs and desires. Sea-Tac should seek to eliminate non-branded, airport-only concepts.
- We will continually monitor customer satisfaction in order to make appropriate adjustments in the quality and type of offerings at Sea-Tac.
- Customer service also means providing passengers with opportunities to make environmentally friendly choices both in their selections for purchase and opportunities to minimize their environmental impact through recycling, composting and other airport programs.

Discussion

One participant noted that it would be helpful to have more information on what the traveling public thinks and needs. She suggested that Sea-Tac provide periodic information on what customers like and don't like about concessions.

It would be nice to have the feedback; sometimes I feel a little at a disadvantage.

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Other participants said that they gather their own customer satisfaction feedback. Some said they hire independent firms to survey customers and one participant suggested using Facebook as a way to collect feedback.

Participants questioned whether the customer service principles are elements Sea-Tac aspires to or things the airport is already doing. One person pointed out some contradictions between current practices and goals stated in the principles (i.e. the customer experience matters, but there is not enough seating for customers in the Central Terminal).

Several participants said they appreciate the mix of local and national brands. Most agreed that a good sense of quality is important for all businesses to be successful. Comments included:

I like having something that I recognize and also being introduced to something local.

It's important to have variety so it looks unique and establishes Seattle's identity. There are things a big operator can do well and there are things that small operators do better and they can be more nimble.

Financial Stewardship

Mike summarized the draft financial stewardship principles and asked the group for their general reactions.

Financial Stewardship Principles

- As owner, operator and steward of Sea-Tac, we will continue to maintain control of concessions development at Sea-Tac.
- Quality, variety, and northwest flavor in the program's offerings will allow Sea-Tac to be among the top 10 performing airports, as measured by sales per enplanement (SPE) in the annual industry ranking determined by Airport Revenue News.
- Sea-Tac will assume responsibility for base infrastructure, while tenants will be responsible for build-out with unit lease boundaries.
- Terms of leases should be made consistent with industry standards of 10 years for food and beverage and 5 to 7 years for retail. Some exceptions will be necessary in the coming years in order to stagger contract expirations to insure continuity of customer service as well as proper fiscal management.
- Rent structures should take into account factors such as Port regulatory and lease requirements (construction requirements, street pricing, etc.), costs of operation (labor costs, environmental and security requirements, etc.), quality of space and/or location.
- Rent structures should be tiered in accordance with the sales levels of tenants to provide risk mitigation for both tenants and the Port.

Discussion

One participant noted that the principles focus on "topline" rather than "bottom line" metrics and encouraged the Port to consider a different way of looking at ratings.

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Participants shared general concern over the lease renewal process and all said they would like more certainty on whether their lease will be renewed. They said:

We're all in the end of our lease periods, so we're in a 'harvest period' where I need to make sure I have time to recover my investments without the uncertainty of whether my lease will be renewed.

I would like to know that I will automatically be able to renew my lease. It would change how I look at my investment over the next 3-5 years.

The group was very interested in the data for how Sea-Tac's performance is measured and what criteria and metrics are used for determining success. All agreed the airport should strive for excellence. Participants suggested that performance should also be measured by sales per square foot in addition to SPE. Others suggested that Sea-Tac should strive to be 'airport of the year' and not settle for being in the top 10.

The group discussed selection criteria and said the criteria should include a principle around not having similar businesses, or competitors, within sight of each other. For example, Ivar's noted that there is a competitor selling fish and chips within 200 feet of their location, which was never disclosed during the competitive process.

One participant asked about the return on investment for advertising costs that all operators are required to pay: Is there a return on investment? Does the campaign actually get to travelers and does it influence their purchasing decisions? There was some discussion and concern about requiring tenants to pay for these additional costs. Participants suggested that advertising should emphasize the difference between national and local businesses. Most local businesses already have a local brand presence.

Selection Process

Mike read through the selection process principles and then opened it up for discussion.

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Selection Process Principles

- The selection process should be timely and efficient, with clearly articulated selection criteria.
- The choice of the type of selection process should be tailored to the goals for a particular business opportunity.
- The Port will actively solicit quality tenants that can be financially successful, provide excellent customer service, products and services, and support the Port's social and environmental goals.
- The operator mix must include a good representation of local and small business ownership, which is distinct from "local" concepts owned and operated by national companies.
- Prospective operators must demonstrate financial stability, experience, and a commitment to serve the needs of the traveling public.
- Our tenants must comply with all applicable employment, environmental, and other regulations.

Discussion

Participants felt strongly that they would like more certainty on lease renewal. Participants agreed that a principle should be added that gives preference to existing tenants. They said:

We're building a community here and we shouldn't have to renew along with everyone else. It should be based on performance and other objectives, but don't throw away what's already been built.

It would be nice to have a process for incumbents to discuss with the Port when renewal time comes and more ease of the process.

It should be our business to lose.

Some participants provided examples of other airports that have given bonus points in the RFP process for existing tenants (i.e. DFW) or provided benchmarking points for businesses already established at an airport (i.e. DEN). They encouraged the Port to look at how other airports have handled turnovers and lease renewal processes.

Participants agreed that it would be helpful to know where they stand with the Port and suggested a review process or formal consultation points leading up to lease renewal. Comments included:

Are there things that we could be doing better?

The Port could involve the customer survey process to help in the renewal process.

Social and Environmental Responsibility Principles

Mike read through the draft principles and then opened it up to the group for discussion.

Social and Environmental Responsibility Principles

- Sea-Tac and its tenants are committed to creating a sustainable airport that minimizes the environmental impacts of our operations.
- We will strive to be industry leaders in continuous improvement in its environmental practices, using specific metrics to monitor compliance and measure improvement.
- Due to the unique requirements of working in a secure airport facility, concessionaires often compete keenly for employees, and Sea-Tac will support their recruiting efforts through innovative job training and enrichment programs in order to attract new employees and reduce annual turnover to 15% or less.
- The Airport will support workforce development and worker retention in the Concession program through legally supportable and Port sanctioned programs and initiatives.
- The Airport will increase the percent of gross concession sales from ACDBE operators from less than 20% today to 25% by 2020; 25% of gross sales through ACDBEs is about the average participation at comparable airports. To the degree possible, we will achieve this goal through direct leases with ACDBEs.
- Sea-Tac will assure that its concessions selection process actively reaches out to local, small and disadvantaged businesses, and will strive to create a level playing field for business opportunities between large and small operators.

Discussion

Participants agreed that the principles use many terms and statements that are not widely understood:

There's an awful lot of jargon.

Several participants said that 15% turnover is a difficult target in the restaurant business. They noted that some factors that contribute to employee turnover are beyond the control of the tenant (i.e. parking costs, light rail schedule, etc.), but they contribute to overall job satisfaction and whether employees choose to stay.

Participants discussed the labor principles. The group agreed that they need more explanation on where the workforce development and worker retention issue is heading before agreeing to the draft principles. Some said that, as written, it seems contrary to some of the other principles. They noted that businesses that are only in airports (such as Vino Volo) have a different perspective on union labor. For local businesses that also have non-airport locations, union labor requirements would be more difficult and cost prohibitive. On a similar note, participants said they do not want the Port involved in hiring and firing decisions or requiring them to choose employees from a labor pool. Comments included:

Union workers want guarantees. Business owners who operate outside the airport have different processes for advancing employees and rewarding loyalty.

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Long-term employees who want to work in the airport should be given the opportunity if a job is available.

Participants suggested taking out the concept of "a level playing field" for large and small operators, saying they do not want the Port to manipulate or show preference between different operators. Other noted that it is unclear what this principle implies.

Wrap-Up

Mike went around the room and asked for comments on what participants believe is most important to get out of this process. There was general discomfort with the vagueness and lack of clarity of some of the principles and many comments focused on worker retention. Other comments included:

I'm concerned about the potential effects of worker retention on my business. This is related to how we're going to go through the lease renewal process in 2015.

I would like the selection process to be much more collaborative and start soon so everyone can look ahead to the next 5-10 years.

For the principles, less bullet points are better; be clearer and focus on the core values.

Give Port of Seattle managers the flexibility they need to manage and solve problems. Whenever there are policies and definition it diminishes their ability to solve problems. Less definition is better.

I'm interested in how the Port can be more efficient and get things done quicker and more cost-effectively. We spent more on buildout of this store than our other locations because of Port incompetence. Lower costs are better for everyone.

Need measureable data for all principles to track success.

Tensions over labor harmony and worker retention are high among tenants because they are currently undefined.

Evaluate the effectiveness of direct leases versus DBEs versus prime concessionaires and determine what is the most effective. Look at the data and use that to make decisions.

Information on the lease process earlier rather than later would be better. It is currently like a black cloud sitting over us.

Elaine asked what opportunities tenants see with the large number of locations turning over in the next few years. She asked if tenants would be interested in having additional units or expanding their presence at the airport. Participants said they were interested in the opportunities that come with

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gaining economies of scale, but they would need to consider the risks that come with locations outside the Central Terminal.

In closing, Mike said the stakeholder process will continue for several more months and there will be additional opportunities for input and engagement.

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Sea-Tac Airport Concessions Policy Stakeholder Outreach

Stakeholder Group: Prime Concessionaires

Date: August 9, 2011

Location: Conference Room 4E, Sea-Tac Airport

In Attendance:

- Renee Tedesco, HMS Host
- Pat Banducci, HMS Host
- Sylvia Ross, Concessions International
- Silvia Peralta, The Paradies Shops
- Les Cappetta, SSP
- Mike Blakely, Hudson
- Louise McKinney, Hudson
- Deanna Zachrisson, Sea-Tac Airport Concessions Program
- Elaine Lincoln, Sea-Tac Airport Concessions Program
- Bonnie Darch, Sea-Tac Airport Concessions Program
- Rita Brogan, PRR (facilitator)
- Hadley Roderio, PRR

Introductions

Deanna Zachrisson welcomed the group. She gave an overview of the schedule for the stakeholder engagement process and explained why the Port of Seattle feels it is important to develop a set of concessions program policies. The goal is to have a clearly articulated philosophy for how the Port manages and develops the concessions program. Deanna explained that this is one of six stakeholder groups that will be meeting to provide input on the draft policies. Sea-Tac Airport is at the midpoint between renewing major concessions contracts (90% of units will turn over in a two-year timeframe from 2015-17), so it is a good time to look at the goals and the vision for the program.

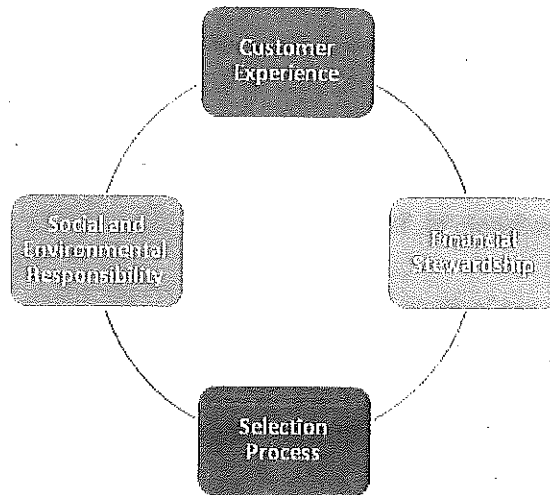
Best Practices

Deanna reviewed her research into national best practices in aviation concessions and discussed three key levers: management model, operator mix, and methods of selection. This information will help inform Sea-Tac's concessions program by showing what other airports are doing well and what practices might be applicable to Sea-Tac's program to make it more sustainable and manageable in the future.

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Discussion of Draft Principles

Rita Brogan explained that the goal of this process is to establish policies and principles to guide the future of the concessions program. She said the Port is looking for stakeholder comment on a set of draft principles, which were developed in consultation with staff.



Customer Service

Rita read through the Customer Service principles and then asked participants for their general reaction to the principles or for areas that need clarification.

Customer Service Principles

- The mix of venues at Sea-Tac should support a strong sense of place.
- A variety of operators promotes higher quality products and excellent customer service in competition for the traveler's dollar.
- There should be a wide variety of quality offerings available to Sea-Tac customers.
- Sea-Tac has a strict street pricing policy. The Airport should strive to win the customer's confidence in our pricing, particularly through the selection of street-side brands with directly comparable pricing.
- There should be a combination of national brands and local offerings at Sea-Tac, determined by customer feedback and chosen based on customer needs and desires. Sea-Tac should seek to eliminate non-branded, airport-only concepts.
- We will continually monitor customer satisfaction in order to make appropriate adjustments in the quality and type of offerings at Sea-Tac.
- Customer service also means providing passengers with opportunities to make environmentally friendly choices both in their selections for purchase and opportunities to minimize their environmental impact through recycling, composting and other airport programs.

Discussion

Several members of the group took exception to the statement "*A variety of operators promotes higher quality products and excellent customer service.*" They pointed out that one prime operator

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can operate several different concepts. They said the Port should consider an approach where one operator provides a mix of concepts. Most participants agreed with these comments and encouraged the Port to clarify whether it wants multiple operators or a mix of different offerings and concepts. Specific comments included:

You are limiting your options if you determine at the start how many operators you will allow. Your process should determine the best mix of operators.

Some airports have tied their hands by limiting in advance the number of packages an operator could win. It ended up in [the airport] not getting a good variety of offerings.

Even without competition among operators, there can be competition among concepts.

Participants felt strongly that single unit RFPs are not advantageous for most operators.

The group discussed the principles related to pricing and the variety of offerings available to the customer. Several members of the group said it is important to distinguish between customer groups (e.g. the traveling public and airport workers or airline employees). Participants said airport employees can be a big source of revenue if there are lower-priced food options available. One person cited studies that have shown that pricing is not the main concern for the traveling public and another asked the Port to provide evidence from the best practice research that street pricing does boost sales.

There was general agreement among participants that it costs more to do business at the airport. Several participants said other airports are setting prices at street + 10% to account for higher costs. They said that a slight premium above street pricing is imperceptible to the customer and urged the Port to consider allowing tenants to set prices above street-pricing levels because there is the potential for additional revenue the Port. The group also agreed that it is very important to be clear going into the RFP process on what "street" pricing is based on so proposers have a common understanding of how to set costs. Other comments related to pricing included:

We are running national concepts and some products come pre-priced from the manufacturer (i.e. brands like Lacoste). There is no flexibility to change the manufacturer's suggested retail price.

Be aware of the entire customer experience for the whole airport experience (include parking, luggage fees, etc). By the time customers get to us, they are already very price-sensitive and annoyed.

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Financial Stewardship

Rita summarized the draft principles and asked participants for their general reactions.

Financial Stewardship Principles

- As owner, operator and steward of Sea-Tac, we will continue to maintain control of concessions development at Sea-Tac.
- Quality, variety, and northwest flavor in the program's offerings will allow Sea-Tac to be among the top 10 performing airports, as measured by sales per enplanement (SPE) in the annual industry ranking determined by Airport Revenue News.
- Sea-Tac will assume responsibility for base infrastructure, while tenants will be responsible for build-out with unit lease boundaries.
- Terms of leases should be made consistent with industry standards of 10 years for food and beverage and 5 to 7 years for retail. Some exceptions will be necessary in the coming years in order to stagger contract expirations to insure continuity of customer service as well as proper fiscal management.
- Rent structures should take into account factors such as Port regulatory and lease requirements (construction requirements, street pricing, etc.), costs of operation (labor costs, environmental and security requirements, etc.), quality of space and/or location.
- Rent structures should be tiered in accordance with the sales levels of tenants to provide risk mitigation for both tenants and the Port.

Discussion

Participants again discussed the cost of doing business at the airport. They said it is very important to look at what it actually costs to run a business in Seattle compared to other markets. There was general consensus that Seattle is a very expensive place to build so the Port should consider longer term leases to allow time for tenants to recover their upfront costs. Although most participants agreed that longer-term leases are more desirable, many said it is difficult to specify exactly what the length of the lease should be without knowing other terms, as it is all part of a larger equation. Comments on this topic included:

It would be 'industry breaking' to create a lease that is adjustable for different risk factors. Lease agreements have been the same for years. It would be innovative to create a document that works for both tenant and landlord. Rent could fluctuate based on the number of passengers, for example.

The smaller the number of units in a package gets, the higher the risk. Over time this will definitely change, but with larger packages the risk is significantly lower.

Look at who has the authority to amend static leases. Is it the Airport Director or the Port Commission who has the flexibility to react to changing conditions? The Port has done a good job of reacting when something goes wrong. There has to be some

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flexibility and the ability to plan for the unknown within the agreement. Be creative and make things work.

Several participants felt that Sea-Tac should do more analysis to project beyond top-line sales. All agreed the Port has done a good job of working with tenants in the past, but they thought there needs to be more understanding about what the big picture is and the Port should show more concern about what is going on for concessionaires.

Take it farther and understand other elements of the cost model. Don't operate in a vacuum. Take the time to understand and listen to operators before making decisions.

Selection Process

Rita read through the selection process principles and then opened it up for discussion.

Selection Process Principles

- The selection process should be timely and efficient, with clearly articulated selection criteria.
- The choice of the type of selection process should be tailored to the goals for a particular business opportunity.
- The Port will actively solicit quality tenants that can be financially successful, provide excellent customer service, products and services, and support the Port's social and environmental goals.
- The operator mix must include a good representation of local and small business ownership, which is distinct from "local" concepts owned and operated by national companies.
- Prospective operators must demonstrate financial stability, experience, and a commitment to serve the needs of the traveling public.
- Our tenants must comply with all applicable employment, environmental, and other regulations.

Discussion

Participants discussed how the selection process is structured. One person suggested offering a variety of packages in different sizes, which gives larger operators the economies of scale they need, while still including smaller packages for local businesses or operators interested in a single unit. Many participants agreed that breaking units up into too many packages makes it difficult for concessionaires to decide what is cost effective to bid on and makes it more expensive to go through the bid process. Other comments about the selection process included:

It would be helpful to be clear about what it is that you want. Make sure documents are well-researched and sanitized. Don't make changes late in the process, especially when it results in additional costs to proposers.

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Look at ways to make the selection process clearer and smoother. This will help defend against challenges and protests. Make sure selection is very clear.

Participants suggested that the principle about "financial stability" be clarified. They said it should be more specific about whether it is referring to the parent company or the operator itself.

Several participants asked that consideration be given to whether there is a difference between a locally-owned national brand and a prime concessionaire that can bring in a really great "local" concept. They warned about unintended consequences if there are too many requirements on the operator mix.

Social and Environmental Responsibility Principles

Rita read through the draft principles and then opened it up to the group for discussion.

Social and Environmental Responsibility Principles

- Sea-Tac and its tenants are committed to creating a sustainable airport that minimizes the environmental impacts of our operations.
- We will strive to be industry leaders in continuous improvement in its environmental practices, using specific metrics to monitor compliance and measure improvement.
- Due to the unique requirements of working in a secure airport facility, concessionaires often compete keenly for employees, and Sea-Tac will support their recruiting efforts through innovative job training and enrichment programs in order to attract new employees and reduce annual turnover to 15% or less.
- The Airport will support workforce development and worker retention in the Concession program through legally supportable and Port sanctioned programs and initiatives.
- The Airport will increase the percent of gross concession sales from ACDBE operators from less than 20% today to 25% by 2020; 25% of gross sales through ACDBE's are about the average participation at comparable airports. To the degree possible, we will achieve this goal through direct leases with ACDBEs.
- Sea-Tac will assure that its concessions selection process actively reaches out to local, small and disadvantaged businesses, and will strive to create a level playing field for business opportunities between large and small operators.

Discussion

Participants asked about the 25% ACDBE participation goal: Is there a reason for increasing the DBE percentage? Was there a diversity study done?

The group agreed that joint ventures are fine as long as there is active participation and it is a legitimate joint business arrangement. Several participants noted that they have learned a lot from joint venture partners and have had positive experiences. Others said they are happy to hear the issue of joint venture partnerships being addressed. They said that for joint ventures to succeed there needs to be clearly defined roles and responsibilities. While several people said that joint ventures are good for retail businesses, others said that it is preferable for food and beverage

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businesses to have sub-tenants because it allows for more hands on opportunities for risk and reward.

Most participants agreed that the Port needs to address labor harmony and worker retention. They said:

This needs to be decided before moving forward.

A greater level of consistency is definitely better. There is a spread in wages and costs depending on whether it's a union shop or not. If there are some shops that are organized and some not, it's hard to manage wages and benefits.

All agreed that the draft environmental and sustainability principles are good and would be supported as written.

Wrap-Up

In closing, Rita went around the room and asked for participants to summarize their thoughts about this process. Comments included:

It is exceptionally refreshing to have this level of discussion at this point in the process. Other opportunities to provide comments and thoughts at any point in the process would be welcomed, such as reviewing a draft RFP or anything else along the way.

Make sure you understand your customers (i.e. Sea-Tac has a lot of international inbound passengers). Make sure you think about what you put where and what you make available to whom. Look at customer segments. Make sure there is something for everyone.

Consider the evolution of trends in the aviation concessions industry. The industry will be very different in 10 years. Get ahead of the changes.

Figure out what works for Seattle, not just best practices from other airports. Be creative and think outside the box.

It would be good to develop a very defensible selection process.

It is refreshing to get together with competitors and agree on most things.

Don't limit your options by placing artificial limits on policies.

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Determine what program works for [Sea-Tac Airport] and focus on balance. All levers have to work for everyone. There is not a lot of room for mistakes.

Rita said that the Port is currently wrapping up the first round of stakeholder group meetings. She explained that the stakeholder process will continue and there will be more opportunities for input and comment on a draft policies document.

Sea-Tac Airport Concessions Policy Stakeholder Outreach

Stakeholder Group: Labor/Work Force

Date: September 12, 2011

Location: Conference Room 4A, Sea-Tac Airport

In Attendance:

- Peter Diaz, UFCW 21
- Erik Van Rossum, Unite HERE Local 8
- Stefan Moritz, Unite HERE Local 8
- Cindy Richardson, Unite HERE Local 8
- Deanna Zachrisson, Sea-Tac Airport Concessions Program
- Rita Brogan, PRR (facilitator)
- Hadley Roderio, PRR

Introduction

Deanna Zachrisson welcomed the group. She gave an overview of the schedule for the stakeholder engagement process and explained why the Port of Seattle feels it is important to develop a set of concessions program principles and policies. Sea-Tac Airport is at the midpoint between renewing major concessions contracts (90% of units will turn over in a two-year timeframe from 2015-17), so it is a good time to look at the goals and the vision for the program. The Port's goal is to have a clearly articulated philosophy for how to manage and develop the concessions program. Deanna pointed out that it is unclear at this point what action the Commission will take with the final policies and principles document.

Erik Van Rossum asked for an overview of the stakeholder process including what groups have been involved. Rita Brogan described the Port's plans for a second round of stakeholder engagement once a set of draft recommendations for the Commission has been developed. Deanna explained that this is the fifth stakeholder group to provide input on the draft policies.

Action Items:

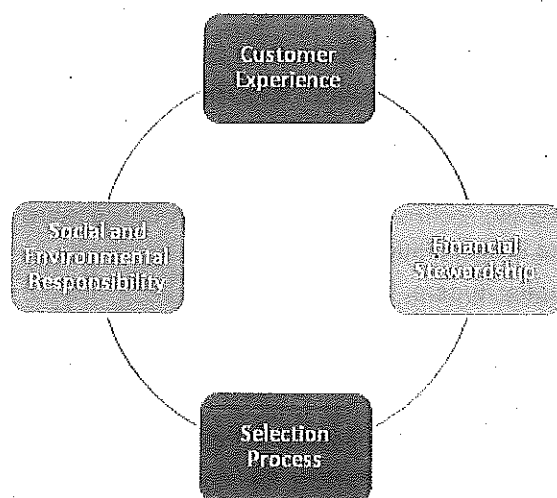
- Deanna to send a PDF of the presentation to all participants.
- Deanna to send a list of all current concessionaires (primes and directs) including a map of locations and sizes.

Best Practices

Deanna reviewed her research into national best practices in aviation concessions and discussed three key levers to developing an airport concessions program: management model, operator mix, and methods of selection. This information will help inform Sea-Tac's concessions program by showing what other airports are doing well and what practices might be applicable to Sea-Tac's program to make it more sustainable and manageable in the future.

Discussion of Draft Policies and Principles

Rita Brogan explained that the goal of this process is to establish policies and principles to guide the future of the concessions program. She said the Port is looking for stakeholder comment on a set of draft principles, which were developed in consultation with staff.



At this point, participants handed out a document outlining Unite HERE and UFCW's vision statement for airport concessions (see Attachment 1). They walked through the key points and suggested comparing their document with the Port's draft principles to determine areas of agreement and divergence.

In addition to points outlined in Unite HERE and UFCW's memo, the group made the following comments:

General Comments

Participants asked about Sea-Tac Airport's revenue sources and how much revenue the concessions program specifically accounts for.

Participants noted that a key element missing from the Port's document is a specific statement on the importance of creating living wage jobs and the Port's responsibility to create good jobs. They said it is very difficult for small concessionaires to provide health care and good wages if they are required to stick to street pricing. Costs are high at the airport and this means margins are slim for business operators.

Participants noted that, while the Airport should be concerned about customer, this needs to be balanced with pressure on operators to cut costs in other areas that end up impacting workers. The Port should be careful not to develop policies focused solely on maximizing Port revenue to the detriment of employees and businesses.

Concessions Management

Participants said that the prime concessionaire model is important for workers because there is the option for portability. Without master agreements, there is less opportunity for workers to shift jobs if one tenant goes out of business. They said that, looking forward, having a few prime concessionaires is desirable because having multiple operators can have a negative impact on workers' ability to maintain their job at the airport or to move between jobs without losing accrued benefits (i.e. vacation time) or seniority. Participants referenced Cathy Casey's Dish D'Lish concept that is a local concept operated under Host. They said it provides good jobs, but brings local flavor and upholds a local brand.

Participants noted that being a DBE or small operator under a prime concessionaire gives smaller and mid-size operators access to a larger network of employee services (e.g. training, security badging, etc.) and provides benefits for partnering and cost sharing that are not available to direct lessees. The unions would like to see about 10% of concessions could be left for direct leases.

Sustainable Jobs

The unions said that they have built a standard for good jobs at Sea-Tac and they want to build on and improve that standard.

Rita pointed out that during stakeholder meetings representatives from DBEs expressed some frustration about their relationship with prime concessionaires. She asked for participants' reaction to this and how it relates to their comments that the prime concessionaire model is desirable and beneficial to small businesses. In response, participants recommended more management oversight from the Port. They also suggested an equitable process for assigning spaces to tenants, noting that the desirability of a location can change without warning (i.e. an airline moves terminals). They feel that the Port needs to take more of a strong role upfront during the RFP process.

Participants stressed that one of their primary goals is for workers to have the opportunity to have careers at the airport. If one concept fails, than workers should have an opportunity to shift to another operator. They said that the majority of workers live in the community around the airport so it is important to connect jobs with the local community.

Sustainable Food

Participants explained that this section of Unite HERE and UFCW's memo focused on expanding on the sustainable food movement to the airport. They would like to see incentives for operators to bring in good products, such as allowances for premium pricing for locally sourced goods.

Participants said they think the Port's role is to stress the commitment to sustainable, locally-sourced foods, fair trade products, vegetarian options and other similar products. Participants agreed that the concessions policies should include room for flexibility in the leases to be able to adapt to changing environmental practices in the future.

Mix of Brands

Participants said that they generally support a mix of local and national brands. They would like a policy in place to ensure that companies that come into the airport are resourced well enough that they can provide a good product and good jobs. They reiterated that they have seen the model of the prime concessionaire work well because primes generally have the support structure in place to provide purchasing power, worker benefits and employee resources.

Pricing

Participants stated that they support street pricing + 15% because customers already think things at the airport are expensive any way. They suggest using the additional revenue to reward businesses that provide sustainable jobs.

Workforce Transition

The group discussed Unite HERE and UFCW's proposal for worker retention. Rita asked participants to explain the 180-day employee retainer. Erik Van Rossum explained that it provides a reasonable testing period for an employee with a proven track record at the airport and said that 180 days is standard for worker retention programs. Participants also said that worker retention is important because employees are already badged employees and they have training in recognizing suspicious behavior, which provides continuity to the Airport rather than bringing in someone new.

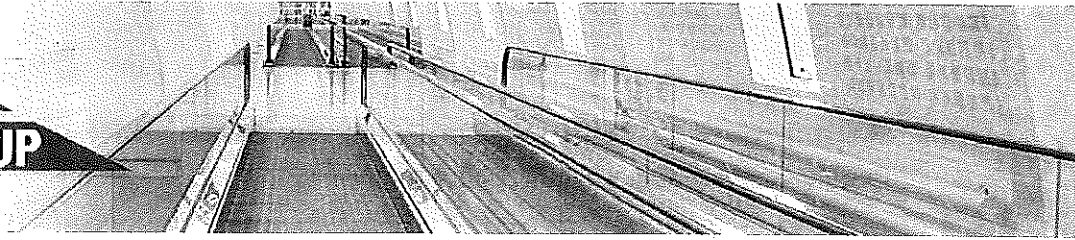
Closing

Rita asked that participants review and comment on the Port's draft policies document. Participants asked the Port to do the same with their memo and to provide a comparison between the two vision statements. A brief comparison of the two documents is included as Attachment 2.

Rita said that the Port is currently wrapping up the first round of stakeholder group meetings. She explained that the stakeholder process will continue and there will be more opportunities for input and comment as recommendations for the Commission are developed.

Attachment 1: Vision Statement from Unite HERE and UFCW

Document provided at September 12, 2011 meeting



SeaTac Airport Sustainable Concessions

Our Vision - Sustainable Food, Sustainable Jobs, Sustainable Community

SeaTac Airport is the industry leading concessions program built on a sustainable business approach. Customers enjoy a variety of world class food and retail choices. SeaTac concessions are leaders of the sustainable food movement. All concessions employees have sustainable, family supporting jobs with access to health insurance and retirement. Transitions between operators run smoothly and the traveling public, tax payers and employees are protected from the negative effects of service disruptions.

Sustainable Concessions Elements

1. Concessions Management

- a. The airport contracts directly with companies who operate the businesses
- b. No third party leasing managers or developers
- c. Airport has a mix of national and local concessionaires.
- d. The benefits of the program are maximized by allocating the vast majority of available real estate to no more than three prime concessionaires (2 food, 1 retail), covering no less than 90% of concessions workers. Up to 15% of employees can be employed by small and mid-size concessionaires in multi-unit opportunities of 3 units or less.
- e. No more than 10% of concessions workers can be covered by individual unit leases.

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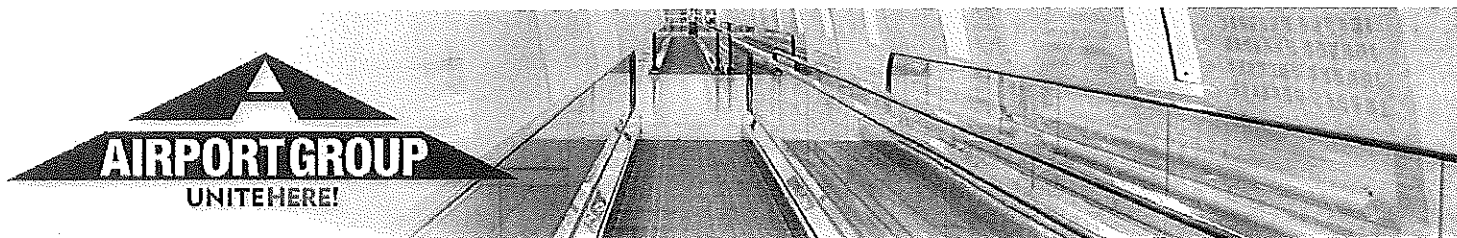
2. Sustainable Jobs

Attract concessionaires who:

- a. Meet or exceed SeaTac Airport's wage and benefit standards
- b. Provide continued employment opportunities for existing workforce
- c. Job growth opportunities for members of the surrounding community
- d. Provide career advancement opportunities to employees
- e. Have a proven track record of low employee turnover

3. Sustainable Food

- a. Work with leaders in the sustainable food movement to build the best sustainable food program in the airport industry
- b. Access to locally sourced food
- c. Incentivize quality, allow for premium product pricing
- d. Fairly exchanged products, certified wherever possible
- e. Provide a variety of food choices, including vegetarian and vegan food options



4. *Environmental Sustainability*

- a. Set minimum requirements for green practices and work with leaders in the environmental community to set industry leading standards.
- b. In addition to minimum standards, incentivize green products and recycling practices that go above and beyond.

5. *Mix of Local & National Brands*

- a. Established, well known local restaurants
- b. Widely popular and demanded national products

6. *Best in-Class Operators*

- a. Attract concessionaires able to finance the capital improvements needed to provide a world class customer service environment.

7. *Small Business Support*

- a. Encourage partnerships between small and large businesses.
- b. Offset higher cost of goods with discounted rent
- c. Create fund for low interest loans available for small businesses
- d. Work with local communities to provide access to bidding opportunities for additional small businesses.
- e. Work with the community to create new avenues to attract sustainable concessions.

8. *Pricing and Value*

- a. Street pricing with flexibility up to 15% for employers providing sustainable jobs.
- b. Incentivize value, allow for premium product pricing

9. *Workforce Transition Program*

Workforce transition programs have been proven throughout the airport concessions industry. The following elements are essential to a successful transition program.

- a. *Worker retention* - Employees will be retained for a minimum of 180 days to guarantee smooth transitions.
 - i. *Job offers* - Full employment will be offered to all employees who receive satisfactory evaluations.
 - ii. *Employee Pool* - Qualified employees from the available incumbent worker pool will be offered employment until it is exhausted or all positions are filled.
 - iii. *Industry Tested Implementation Procedures* - The Port of Seattle should continue working with the affected workforce representatives in continuing its industry leading procedures for retaining employees that utilizes seniority and job skills to pair employees with concessionaires.



b. Protect the Port of Seattle from Cost, Risk and Liability

- i. *Remove risks and liability from the Airport through arbitration* so that the Port of Seattle is minimally exposed to any risks or liability if disagreements about the worker transition program arise.
- ii. UNITE HERE and UFCW help administer the worker retention transition, including, but not limited to jointly funding the impartial arbitrator. The administrative costs relating to the airport's adopted worker retention requirements should be negligible.
- iii. *Labor Harmony* - "Best in Class" concessionaires will have letters of support from employees and their representative labor organizations. Employees and their representative unions will refrain from any type of economic interference with the concessions operations. This means a concessionaire can get 100% operational faster without workforce disagreements causing unnecessary delays. The airport will maximize concessions revenue during transitions from one concessionaire to another.

Attachment 2: Comparison of Unite Here Vision Statement and Draft Principles and Practices Guidance Document.

Issue	Unite HERE: Sea-Tac Airport Sustainable Concessions Vision Statement	Key References in Port of Seattle: Draft Principles and Practices Guidance Document
Concessions Management	<p>The airport contracts directly with companies who operate the businesses.</p> <p>No third party leasing managers or developers</p>	<p>As owner, operator and steward of Sea-Tac, should continue to maintain control of concessions development at Sea-Tac.</p> <p>The concessions program's selection processes should be designed to create a 'level playing field' in the selection of new concessionaires. In order to accommodate a wide variety of businesses – several types of processes, such as Requests for Proposals, Letters of Interest, direct negotiation and third-party leasing should be used to meet the goals of each specific business opportunity.</p>
	<p>Airport has a mix of national and local concessionaires.</p>	<ul style="list-style-type: none"> There should be a combination of national brands and local offerings at Sea-Tac, determined by customer feedback and chosen based on customer needs and desires. Sea-Tac should seek to eliminate non-branded, airport-only concepts. The operator mix should include a good representation of local and small business ownership.
	<p>The benefits of the program are maximized by allocating the vast majority of available real estate to no more than three prime concessionaires (2 food, 1 retail), covering no less than 90% of concessions workers. Up to 15% of employees can be employed by small and mid-size concessionaires in multi-unit opportunities of 3 units or less.</p> <p>No more than 10% of concessions workers can be covered by individual unit leases.</p>	
Sustainable Jobs	<p>Attract concessionaires who:</p> <p>a. Meet or exceed SeaTac Airport's wage and benefit</p>	<ul style="list-style-type: none"> The Port should actively solicit quality tenants that can be financially successful, provide excellent

Issue	Unite HERE: Sea-Tac Airport Sustainable Concessions Vision Statement	Key References in Port of Seattle: Draft Principles and Practices Guidance Document
	<p>standards</p> <ul style="list-style-type: none"> b. Provide continued employment opportunities for existing workforce c. Job growth opportunities for members of the surrounding community d. Provide career advancement opportunities to employees e. Have a proven track record of low employee turnover 	<p>customer service, products and services, and support the Port's social and environmental goals.</p> <ul style="list-style-type: none"> • Tenants should comply with all applicable employment, environmental and other regulations.
Sustainable Food	<ul style="list-style-type: none"> a. Work with leaders in the sustainable food movement to build the best sustainable food program in the airport industry b. Access to locally sourced food c. Incentivize quality, allow for premium product pricing d. Fairly exchanged products, certified wherever possible e. Provide a variety of food choices, including vegetarian and vegan food options 	
Environmental Sustainability	Set minimum requirements for green practices and work with leaders in the environmental community to set industry leading standards.	<ul style="list-style-type: none"> • Sea-Tac and its tenants are committed to creating a sustainable airport that minimizes the environmental impacts of our operations. • Sea-Tac concessionaires should strive to be industry leaders and focus on continuous improvement in their environmental practices.
Mix of Local & National Brands	<p>In addition to minimum standards, incentivize green products and recycling practices that go above and beyond.</p> <ul style="list-style-type: none"> a. Established, well known local restaurants b. Widely popular and demanded national products 	<ul style="list-style-type: none"> • There should be a wide variety of quality offerings available to Sea-Tac customers. • There should be a combination of national brands and local offerings at Sea-Tac, determined by customer feedback and chosen based on customer needs and desires. Sea-Tac should seek to eliminate non-branded, airport-only concepts.

Issue	Unite HERE: Sea-Tac Airport Sustainable Concessions Vision Statement	Key References in Port of Seattle: Draft Principles and Practices Guidance Document
Best in-Class Operators	Attract concessionaires able to finance the capital improvements needed to provide a world class customer service environment.	<ul style="list-style-type: none"> • The Port should actively solicit quality tenants that can be financially successful, provide excellent customer service, products and services, and support the Port's social and environmental goals. • Prospective operators should be able to demonstrate financial stability, experience and a commitment to serve the needs of the traveling public.
Small Business Support	<ul style="list-style-type: none"> a. Encourage partnerships between small and large businesses. b. Offset higher cost of goods with discounted rent 	<ul style="list-style-type: none"> • Rent structures should take into account factors such as Port regulatory and lease requirements (construction requirements, street pricing, etc.), costs of operation (labor costs, environmental and security requirements, etc.), quality of space and/or location. • Rent structures should be tiered in accordance with the sales levels of tenants to provide risk mitigation for both tenants and the Port.
	<ul style="list-style-type: none"> c. Create fund for low interest loans available for small businesses 	
	<ul style="list-style-type: none"> d. Work with local communities to provide access to bidding opportunities for additional small businesses. 	
	<ul style="list-style-type: none"> e. Work with the community to create new avenues to attract sustainable concessions. 	
Pricing and Value	<ul style="list-style-type: none"> a. Street pricing with flexibility up to 15% for employers providing sustainable jobs. b. Incentivize value, allow for premium product pricing. 	<ul style="list-style-type: none"> • Sea-Tac should maintain its street pricing policy. The Airport should strive to win the customer's confidence in our pricing, particularly through the selection of street-side brands with directly comparable pricing.

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Sea-Tac Airport Concessions Policy Stakeholder Outreach

Stakeholder Group: Airlines

Date: October 20, 2011

Location: Room 4A, Sea-Tac Airport

In Attendance:

- DJ Anderson, US Airways
- Clyde Spero, Frontier Airlines
- Donnell Harvey, Delta
- Kathy Smith, Alaska
- Keri Stephens, ATR
- Michael Graci, JetBlue
- Andrea Goodpasture, Southwest (by phone)
- Deanna Zachrisson, Sea-Tac Airport Concessions Program
- Hadley Roderio, PRR
- Amy Danberg, PRR

Note: These notes are a summary of key points in order to capture the nature of the discussion; they are not intended to be a complete transcript of the meeting.

Introductions

Deanna Zachrisson gave an overview of the stakeholder engagement process schedule and explained why the Port of Seattle feels it is important to develop a set of concessions program policies.

Action Item: There was a request for Deanna to send out the focus group summaries.

Deanna explained that this is one of six stakeholder groups that will be meeting to provide input on the draft policies. The groups are:

1. Small businesses/DBEs
2. Large concessionaire companies
3. Current independent operators
4. Prospective tenants
5. Airlines
6. Traveling public

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Larger, combined stakeholder meetings will be held in November to review policies and gather input on next steps in the process. Overarching ideas and recommendations from this process will be brought to the Port of Seattle Commission in December.

Deanna went on to explain that Sea-Tac Airport is at the midpoint between renewing major concessions contracts (90% of units will turn over in a two-year timeframe from 2015-17), so it is a good time to look at the goals and the vision for the concessions program. These policies will help the airport have a clearly articulated vision moving forward. Since 2005, all new tenants have been added via direct leasing (for example, Volo Volo). The Port needs a strategy for managing the transition when many leases come up for renewal in the next few years.

Deanna explained that the aviation concessions industry is becoming very competitive as many more independent businesses are entering the market. Business practices are changing rapidly and some business lines are shrinking due to changing traveler preferences. She acknowledged that the costs of doing business at the airport are high and there are elements of risk involved.

Best Practices

Deanna reviewed her research into national best practices in aviation concessions. She discussed three key levers: management model, operator mix, and methods of selection. She explained that the best practice information is helping inform Sea-Tac's concessions program by showing what other airports are doing well and what practices might be applicable to Sea-Tac's program to make it more sustainable and manageable in the future.

The group conversed about airlines taking over concessions in their gate areas and getting local concessionaires. The group discussed the idea that the airport is becoming part of the travel experience. The group also talked about employee retention from concessionaires and most participants did not think the Port should require concessionaires to keep employees from previous tenants.

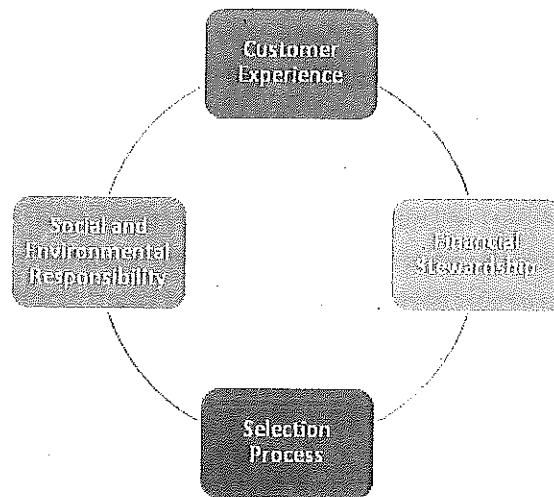
People are booking flights through a specific concourse just because of its amenities. This is a new concept, but travelers book based on the restaurant or experience in that concourse.

Let's get innovative. Employees are valuable. We want that institutional knowledge. But that can't be the driving force.

Discussion of Draft Principles

Hadley Rodero explained that the goal of this process is to establish policies and principles to guide the future of the concessions program. She discussed the chart below and briefly outlined each of the policy categories.

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Customer Service

Hadley read through the Customer Service principles and then opened it up for discussion, asking participants for their general reaction to the principles and how they relate to the airlines.

Customer Service Principles

- The mix of venues at Sea-Tac should support a strong sense of place.
- A variety of operators promotes higher quality products and excellent customer service in competition for the traveler's dollar.
- There should be a wide variety of quality offerings available to Sea-Tac customers.
- Sea-Tac has a strict street pricing policy. The Airport should strive to win the customer's confidence in our pricing, particularly through the selection of street-side brands with directly comparable pricing.
- There should be a combination of national brands and local offerings at Sea-Tac, determined by customer feedback and chosen based on customer needs and desires. Sea-Tac should seek to eliminate non-branded, airport-only concepts.
- We will continually monitor customer satisfaction in order to make appropriate adjustments in the quality and type of offerings at Sea-Tac.
- Customer service also means providing passengers with opportunities to make environmentally friendly choices both in their selections for purchase and opportunities to minimize their environmental impact through recycling, composting and other airport programs.

Discussion

None of the individual principles drew the group's attention. But the group had the following comments and discussed certain elements of the customer service principles.

All participants agreed that environmental options for customers are great. However, the airlines do not want to see a mandatory program. It sounds great in

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concept and all are supportive, but participants cautioned the Port to avoid having it evolve into something more restrictive. For example, restricting materials that can be used on aircraft or requiring complicated and expensive recycling programs. They urged the Port to keep in mind the cost/benefit of going green.

Participants agreed that there should be a mix of national and local brands for concessions. There was a comment to keep in mind the demographics of the customers from concourse to concourse. Several participants requested research on what is recognizable as a local brand and what customers prefer.

We have this preconceived notion that familiarity brings guaranteed sales, for example, McDonalds. However, I think we should be open in that arena – a local concept would be better for the airport, for example a place like In and Out Burger in LA.

Hadley summarized that it would be helpful to re-work bullet 5 to something similar to: "...a mix of local and national brands based on who is traveling through that part of the airport." Most participants agreed.

Financial Stewardship

Hadley summarized the draft financial stewardship principles and asked the group for their general reactions.

Financial Stewardship Principles

- As owner, operator and steward of Sea-Tac, we will continue to maintain control of concessions development at Sea-Tac.
- Quality, variety, and northwest flavor in the program's offerings will allow Sea-Tac to be among the top 10 performing airports, as measured by sales per enplanement (SPE) in the annual industry ranking determined by Airport Revenue News.
- Sea-Tac will assume responsibility for base infrastructure, while tenants will be responsible for build-out with unit lease boundaries.
- Terms of leases should be made consistent with industry standards of 10 years for food and beverage and 5 to 7 years for retail. Some exceptions will be necessary in the coming years in order to stagger contract expirations to insure continuity of customer service, as well as proper fiscal management.
- Rent structures should take into account factors such as Port regulatory and lease requirements (construction requirements, street pricing, etc.), costs of operation (labor costs, environmental and security requirements, etc.), quality of space and/or location.
- Rent structures should be tiered in accordance with the sales levels of tenants to provide risk mitigation for both tenants and the Port.

Discussion

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There was a general discussion about rent differentials. Most of the airlines agreed that rent structures should take into account where the concessionaire is located in the terminal but on the ticketing level they should all pay the same.

There was also the comment that variable and tiered rental rates could cause a slippery slope when you pay different rates and some factors are out of a tenant's control. Participants felt strongly that airlines and concessionaires are both tenants of the Port, and therefore should be treated the same. They said that whatever happens for a concessions contract and rent structure has direct impact on how much the airlines have to pay.

There was a discussion about what happened when Delta moved off of Concourse A. Deanna explained that the Port offered Concourse A tenants that wanted to close the option of getting out. There was one tenant that chose to close. Everyone else stuck it out.

The group discussed the importance of controlling and limiting the perception that when it is necessary to move airlines around the Port does not need to involve concessions tenants. This is the discretion of the airlines and the Port, and the group felt strongly that the airlines' operations need to come first.

Selection Process

Hadley read through the selection process principles and then opened it up for discussion.

Selection Process Principles

- The selection process should be timely and efficient, with clearly articulated selection criteria.
- The choice of the type of selection process should be tailored to the goals for a particular business opportunity.
- The Port will actively solicit quality tenants that can be financially successful, provide excellent customer service, products and services, and support the Port's social and environmental goals.
- The operator mix must include a good representation of local and small business ownership, which is distinct from "local" concepts owned and operated by national companies.
- Prospective operators must demonstrate financial stability, experience, and a commitment to serve the needs of the traveling public.
- Our tenants must comply with all applicable employment, environmental, and other regulations.

Discussion

The group did not offer any comments on this section and generally agreed with the draft principles.

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Social and Environmental Responsibility Principles

Hadley read through the draft principles and then opened it up to the group for discussion.

Social and Environmental Responsibility Principles

- Sea-Tac and its tenants are committed to creating a sustainable airport that minimizes the environmental impacts of our operations.
- We will strive to be industry leaders in continuous improvement in its environmental practices, using specific metrics to monitor compliance and measure improvement.
- Due to the unique requirements of working in a secure airport facility, concessionaires often compete keenly for employees, and Sea-Tac will support their recruiting efforts through innovative job training and enrichment programs in order to attract new employees and reduce annual turnover to 15% or less.
- The Airport will support workforce development and worker retention in the Concession program through legally supportable and Port sanctioned programs and initiatives.
- The Airport will increase the percent of gross concession sales from ACDBE operators from less than 20% today to 25% by 2020; 25% of gross sales through ACDBEs is about the average participation at comparable airports. To the degree possible, we will achieve this goal through direct leases with ACDBEs.
- Sea-Tac will assure that its concessions selection process actively reaches out to local, small and disadvantaged businesses, and will strive to create a level playing field for business opportunities between large and small operators.

Discussion

There was a lot of discussion about bullet 4 – specifically, the word “support”. The group agreed that they were supportive of a jobs program but that they didn’t want the Port to pay for such a program. They were worried about smaller concessionaires have to pay for a jobs program and that the cost would be too great. There was a suggestion that the word “encourage” be used instead of “support,” especially as the Port strives to encourage local and ACDBEs. Specific comments about this issue included:

Wages and benefits of [a] company are not the airlines or the Port's problem.

The group agreed that it is important to lower the barrier of entry (i.e. facility build out) for smaller concessionaires, especially to try to bring in the local flavor, but would concede to nothing more beyond that.

Hadley asked participants if they felt it was important for the principles to specifically note that there should be a balance with the impact on all tenants, acknowledging the impact on the airlines. Everyone agreed that this was important

There was discussion about organized labor, and there was consensus among participants that having a direct relationship with employees is preferential rather than

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going through unions. Everyone at the table agreed that market conditions should dictate wages and benefits, not labor unions.

Closing

In closing, Hadley brought the group back to the discussion about airlines running concessions as the group indicated a strong interest in this topic. One participant said:

Airlines don't necessarily want to be in the concession business. But, I also don't want to preclude a business model down the road that could let airlines run concessions. It is something to continue to think about.

Most participants agreed with this statement and cited examples of successful concessions programs run by airlines (i.e. JetBlue at JFK, Delta's new terminal at JFK, etc). Hadley asked participants what they thought the role of the Port should be in this model. Participants said they see the Port as a business partner and landlord.

There was consensus around the table that the stakeholder process is a great approach and well worth their time to attend the meeting. Deanna noted the upcoming stakeholder meetings on Nov. 2nd and 3rd and encouraged participants to attend.

Sea-Tac Airport Concessions Policy and Practices Combined Stakeholder Meetings

Dates: November 2 and 3, 2011

Location: Seoul Conference Room, Sea-Tac Airport

In Attendance: November 2, 2011

- Pat Banducci, Host
- Mike Blakely, Hudson
- Evan Schut, Hudson
- Silvia Peralta, Paradies Shops (phone)
- Bob Donegan, Ivar's Seafood Bar
- Carla Wytmer, Vino Volo
- Bill Swan, ExOfficio
- Theresa Gibson, Dilettante Chocolate
- Michele Manasse, Fireworks
- Diane Eydt, Fireworks
- Michael Graci, JetBlue (phone)
- Mark Klebeck, Top Pot Donuts
- G. Page Tanagi, Concourse Concessions
- LeeAnn Subelbia, Filo Foods
- Rod O'Neil, SeaTac Bar Group
- Leslie Freytag, Butter London
- Chris Hauser, Butter London
- Crystal McCoy, Diva Espresso
- Ana Martinez, Diva Espresso
- Dan Eberhardt, JLAD, LLC
- Cary Cruea, Massage Bar
- Stefan Moritz, UniteHERE
- Deanna Zachrisson, Sea-Tac Airport Concessions Program
- Rita Brogan, PRR (facilitator)
- Hadley Roderio, PRR

November 3, 2011

- Theresa Gibson, Dilettante Chocolate
- Cindy Richardson, UniteHERE

- Stefan Moritz, UniteHERE
- Erik Van Rossum, UniteHERE
- Peter Diaz, UFCW Local 21
- Cary Cruea, Massage Bar
- John Loacker, Metsker Maps
- Jay Brown, Metsker Maps
- Max Heigh, BF Foods
- LeeAnn Subelbia, Filo Foods
- Dan Eberhardt, JLAD, LLC
- LeMonica Hakeem, Concessions International
- Mike Petersen, Hudson Group
- Evan Schut, Hudson Group
- Kenneth James, Wendy's/LaTrelle's Express
- Joe Larson, McDonald's
- Les Capetta, SSP
- Diane Eydt, Fireworks
- Kurt Dammeier, Beecher's Cheese
- Jerrod, Beecher's Cheese
- David Fukuhara, Concourse Concessions (phone)
- David Monantaro, Pallino Pastaria
- Phil Sancken, Café Appassionato
- Deanna Zachrisson, Sea-Tac Airport Concessions Program
- Rita Brogan, PRR (facilitator)
- Hadley Roderio, PRR

Two combined stakeholder meetings were held on November 2 and 3, 2011 to allow stakeholders the flexibility to attend the meeting that best fit their schedule. Both meetings followed the same agenda and discussion guide, which was sent to participants ahead of the meeting.

Introductions

Rita Brogan called the meetings to order. Deanna Zachrisson summarized the stakeholder process and reviewed the schedule. Deanna stated that the Port's ultimate goal is to deliver final recommendations and a report to the Port Commission in December.

Agenda Review and Meeting Protocols

Rita reviewed the ground rules and encouraged an honest and candid discussion. She told participants that discussion topics would focus on areas of disagreement and that she will allow time for discussion of key issues.

Areas of Agreement

Rita reviewed the areas of agreement based on feedback gathered in the first round of stakeholder meetings. Most stakeholders agree with the following:

- Importance of encouraging a strong sense of place
- “Green” practices and providing sustainable opportunities
- The cost of doing business at the airport is high and policies should reflect this
- The selection process should be efficient and fair and limit barriers to entry
- There should be a mix of offerings at Sea-Tac airport

Rita asked if anyone disagreed with this list or had questions; nobody offered any comments.

Discussion of Areas of Disagreement

Role of the Port

Rita told participants that one central question emerged from early stakeholder discussions. All issues stem from this question: What is the role of the Port of Seattle/Sea-Tac Airport as a landlord and lessor of concession locations?

Most stakeholders view the Port as a landlord of concessionaire tenants. As such, they feel the Port should focus its efforts on improving the things it directly controls (e.g. improve facility support to reduce high costs of operation and streamline processes to reduce unacceptably high build-out costs.) Otherwise, operators should be allowed to manage their businesses without interference beyond typical standards of operations. Organized labor views the Port not just as a landlord, rather additionally as a government agency with a social responsibility to taxpayers to elevate the living standards of workers.

To begin the discussion, Rita asked if there was anything missed in the Discussion Summary and if individual stakeholder perspectives were captured adequately. Participants did not offer any comments and they agreed that their comments were summarized accurately.

Issues

This basic disagreement about the Port’s role manifested itself in the following five issue areas and policy questions. The meeting discussion focused on these key issues.

1. Management model and leasing structure for the Sea-Tac concessions program
 - How should the Port balance opportunities for multiple unit leases with large, national concessionaires and direct leases for smaller and/or local businesses?
2. Possible Port requirements regarding concessionaires’ labor practices
 - Should the Port seek, within the limits of federal legal constraints, to influence the labor or employment policies/practices of its concessionaires?
3. The landlord responsibilities of the Port relative to build-out and operations costs

- How should the Port gain an understanding of the build-out costs' impact to tenant profitability and risk?
 - How might the Port identify improvements to the tenant construction process to increase efficiency and reduce costs?
4. Leasing opportunities for locally-owned and/or small businesses and Airport Concessions Disadvantaged Business Enterprise (ACDBE) operators
- How should the Port maintain and/or increase participation in the concessions program by locally-owned, small and/or ACDBE businesses?
5. Street pricing requirements and other contractual terms for operators
- Should the Port initiate a comprehensive analysis of the implications of the current street pricing policy (both structure and implementation) for large and small concessionaires, the traveling public, and the Port?
 - Should this include current contractual requirements (investment, term, rent, pricing, etc.) with the goal of understanding more fully the financial picture for both small and large concession tenants?

Issue #1: Leasing structure for the Sea-Tac concessions program

Rita reiterated the policy question and opened it up for discussion. Most participants feel the Port has got it right and should continue to maintain a mix of prime contracts with direct leasing. There was less agreement about the split between primes and directs. Independent business operators feel that the emphasis should be small, local businesses, because that's what travelers are familiar with and what they seem to want. They feel there should be more direct leases. Labor prefers to see one large concessionaire as a prime tenant with subs or joint ventures, as they feel this system benefits workers the most and allows them good jobs to sustain a family.

- *"The smaller the packages, the more we limit worker portability. Larger pool of units under one prime concessionaire offers workers a greater chance to move between units."*

Both primes and ACDBE subtenants voiced support for managing ACDBE's as direct lessees rather than as subtenants to primes. One participant pointed out that the Port should focus on the mix of direct and prime leases based on what makes the most revenue.

Representatives from prime concessionaires said they have a minimum that they need to operate and achieve efficiencies, so that should be taken into account if the percentage of primes is reduced. They said that packages intended for primes must have enough units (minimum of 4-6) to support the scale they need.

Participants said all types of concessionaires should have opportunities to compete for space at the airport. Some small businesses said the Port could do more to make the process easier.

- *"Do not exclude small businesses and ACDBEs by making the process too arduous. Ensure there are opportunities available for everyone."*

For some businesses, having the support of a prime is helpful, and for others, having management control and direct responsibility over their own business is preferable. Many participants mentioned wanting to remain “In charge of their own destiny.” Small and independent businesses enjoy direct communication with the Port as a direct lessee without having to communicate through a prime.

- *“Small business, by its nature, is about efficiency and making quick decisions. That fluidity and ability to have control over as many elements of our business model is important.”*

Participants expressed different perspectives on the role of the Port. Most feel the Port should be “The landlord who you send your monthly rent check to.” They feel that tenants should be responsible for their own business plan and success. It’s not the role of the Port to ensure a business’ success.

Issue #2: Possible Port requirements regarding concessionaires’ labor practices

The group discussed the policy question for Issue #2: Should the Port seek, within the limits of federal legal constraints, to influence the labor or employment policies and practices of its concessionaires?

Participants had divergent views about the role of the Port in labor decisions. Some say the Port should not be involved at all, while others feel that, as a public agency, the Port needs to protect its financial interest and the interests of workers.

- *“I don’t see how the Port has any business dictating how we run our business.”*
- *“The Port is a public entity set-up to provide opportunities for everyone, not just independent business owners. Taxpayers help provide the infrastructure.”*

Many participants said the Port should not place mandates on the employment practices of concessionaires. Some business owners felt strongly that they should have the ability to hire who they want and others want the ability to promote from within and bring employees from other locations. These businesses said they want to retain control over their own profits and losses and their own ability to succeed or fail. Many participants said that they have difficulty finding good employees and generally want to hire employees with airport experience, but they do not want this to be a requirement. Small and independent businesses said that employees come to reflect their brand and business philosophy so it is important to be able to choose these employees freely.

- *“When making hiring decisions, I want to choose people that best fit my business model and that will help contribute to our success.”*

Labor representatives said that labor harmony is about the Port protecting revenue, not dictating employment. Worker retention programs help ensure smooth transitions between operators and a process for seeing workers through transitions. Labor representatives stated there is clear legal precedent that the Port can require certain minimum labor standards and protect its revenues through labor harmony. One prime concessionaire pointed out that labor harmony agreements can help guarantee that there is a smooth transition between tenants. Other primes said they have found that as long as there is a good working relationship with labor, then there is no issue with unionization.

Labor also feels strongly that there should be requirements in place to protect worker portability. Small business owners said that in their experience, portability exists without dictating it. Demand is high for quality, badged workers and all businesses would look at employees who have experience working at the airport as a top choice.

Many attendees agreed that labor requirements only work in economies of scale and for tenants with many locations. They feel the Port should "Take into consideration the cost burden for all different types of business." Others said that the Port should continue to offer flexibility to workers to find the job that best works for them by offering union and non-union options. Labor countered that this puts workers at a disadvantage by having an environment that is subsidizing small businesses and ACDBEs. Labor representatives said that if there is a mix of union and non-union then it should not be at the expense of the worker.

Issue #3: The landlord responsibilities of the Port relative to build-out and operations costs

Rita moved on to the next issue and asked the group the following policy questions:

- How should the Port gain an understanding of the build-out costs' impact to tenant profitability and risk?
- How might the Port identify improvements to the tenant construction process to increase efficiency and reduce costs?

All participants agree that it is very expensive to operate at the airport and they suggested that the Port needs to change its design approval process. It is excessively long and costly due to administrative inefficiency and requirements to build "above code." Several business owners said they feel that contractors add a "hassle fee" into all bids because they know how difficult it is to work at the airport. One participant suggested the Port should talk to the contractors and get a good understanding of what they are thinking and why they build higher costs into their bids. All agreed there are too many people involved in the review process and the Port should streamline and refine the entire process.

- *"The Port of Seattle has a very arduous process, more than we see at other airports. There are too many people involved in the approval process."*
- *"The process was a real problem. My contractor had to go from one office to another."*

Some tenants feel they should not be building infrastructure for the Port. The needed base infrastructure should be provided by the Port and brought to the lease line. Several participants pointed out inconsistencies between different areas of the airport and what infrastructure requirements are placed on tenants. They would like to "level the playing field" so all tenants have the same requirements.

Many attendees feel the Port could promote more competition for tenant builders at the airport. Concessionaires are at construction companies' mercy to pay whatever they charge. Participants said that one of the greatest variables to starting a business at Sea-Tac is the bids they get from general contractors. The RFP process does not allow for operators to control their own costs. Several attendees

suggested the Port establish a position or program to help shepherd a contractor through the complicated process and make sure there is one point of contact.

Some attendees suggested that the Port should consider providing low-interest loans to small businesses to help with the high investment costs. Others disagreed with this proposal.

- *"The Port is our landlord, not our bank."*
- *"The Port is a government entity, so it does have greater responsibilities than other landlords."*

Meeting attendees agreed that the Port should do more to understand the cost of tenant build out and how it impacts concessionaires' profitability and risk. Some people said that build out costs are only one piece of the puzzle and that other factors should also be considered to get a realistic picture of the cost of doing business at the airport. Primes mentioned their experience operating in other airports and suggested looking at best practices to help value engineer the whole process. In summary, most participants agreed that there is an opportunity for the Port to put together a task force to look at efficiencies in anticipation of so many leases turning over in 2015-2017.

Issue #4: Leasing opportunities for locally-owned businesses and/or small and Airport Concessions Disadvantaged Business Enterprise (ACDBE) operators

Rita asked participants for their responses to the policy question. Most feel the Port has got it right and there are good opportunities for local, small and ACDBE businesses.

Many participants stressed that the Port should find ways to reduce the barriers to entry for small business (e.g. excessive process, RFPs, and high costs of investment). The Port should look at the process to make sure this is an attractive venture for small, local and ACDBE businesses.

- *"Everybody should have a chance!"*
- *"Length of lease terms should be increased to help attract small businesses and help them get loans from the bank."*
- *"Don't throw out road blocks. Small businesses have the most creative and inventive concepts in the airport concessions industry."*

Some participants felt that small business/ACDBE participation should not be increased, and possibly should be reduced, if these operators believe they cannot afford "living wage" standards and provide family healthcare for workers. They think the Port should maintain the current mix or focus on larger entities that can provide higher wages and better benefits. Others countered by pointing out that increasing the number of units to allow for economies of scale may allow small businesses and ACDBE's to offer better wages and benefits.

Representatives from prime concessionaires said that the Port should accommodate ACDBE goals through direct leases and not put that burden on the primes. Some suggested that there should be a process for sub-tenants to "graduate" and become direct leases under their own contracts once they are established and able to operate on their own.

- *"We cannot meet everyone's goals for employment and DBEs. The Port should relieve the primes of some of the requirements for having ACDBE participation."*

Issue #5: Street pricing requirements and other contractual terms for operators

Rita asked the group to comment on the following policy questions:

- Should the Port initiate a comprehensive analysis of the implications of the current street pricing policy for large and small concessionaires, the traveling public, and the Port?
- Should this include current contractual requirements with the goal of understanding more fully the financial picture for both small and large concessionaire tenants?

Nearly all participants agreed that the Port should reconsider its street pricing policy and that the issue warrants further study. Participants especially felt that street pricing becomes a 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 stakeholders.

- *"Really focus on what the Port is getting out of street pricing. The Port needs to look at whether street pricing really does drive revenue."*

Several stakeholders said the Port should not need to use pricing policies and lease terms to compensate for its internal shortcomings that drive up costs "find a balance."

- *"Give me street rent and I'll give you street prices."*

Local operators with local street-side locations feel that they must maintain street pricing because their customers compare between locations. They stressed that some businesses at the airport are "street pricing no matter what."

Participants agreed that the Port should examine the structure and implementation of the street pricing lease language to provide more flexibility for different types of operators.

- *"Pricing is a lever that needs to be balanced with all other levers."*

Given more flexibility, operators will have the ability to charge a bit more to offset their other costs, but will keep it in balance.

- *"The Port should not dictate prices – let operators run their businesses."*

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 even more critical to address.

- *"More competition will lead to more variety in pricing."*

Many participants noted that if the airport is going to have street pricing, it needs to be marketed more aggressively. Most participants agreed that customers think prices are high at the airport and it is difficult to dissuade them of this idea.

- *"Perception is reality."*

Labor feels that if the Port were to allow for street pricing plus 10 or 15 percent, the margin must go to supporting worker wages and benefits, not profit. The Port should explore this link in any study or analysis. Labor representatives said that street pricing is a problem because there is less money available to run a successful business and still pay workers fair wages and benefits.

Wrap-up and Next Steps

In closing, Rita asked all stakeholders to provide their final thoughts on what they think the Port should focus on as it develops concessions policies. Answers included:

- Do not require labor harmony or worker retention.
- Streamline the permitting and review process.
- Provide the ability for businesses to make decisions that best reflect their brand.
- The Port should focus on what the Port can control; it should not worry about things it cannot control, but focus on its own internal processes.
- The labor issue is big because minimum wage is already really high, which makes it hard for small businesses.
- Advertise street pricing policies.
- Some flexibility in pricing would allow businesses to remain competitive.
- Allow the right for owners to control their own business and hire who they want to hire.
- Let operators be operators and let them run their businesses how they see fit.
- Reduce the tenant marketing fee.
- Sustainable concessions program also needs to include sustainable jobs.
- Do not create an environment that hurts opportunities for small retailers.
- Staying with a strong prime concessionaire is very important to ensure portability for workers.
- It is important to continue the stakeholder dialogue to clarify the misunderstandings and disagreements.
- Need to address ways to provide living wages and benefits.
- The RFP process should be made easier, shortened and streamlined. All qualified companies should be able to bid on any package.
- More direct leases.
- Find ways for policies to be less politicized and let the best concepts come out on top.
- Do not lose sight of the customer experience and customer preferences.

Deanna ended both meetings by giving an overview of next steps. She said the Port will merge the general themes from the stakeholder process and develop recommendations for the Port Commission to consider in December.

