

Commissioners

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**APPROVED MINUTES
COMMISSION REGULAR MEETING MARCH 27, 2012**

The Port of Seattle Commission met in a regular meeting Tuesday, March 27, 2012, in the International Auditorium at Seattle-Tacoma International Airport, Seattle, Washington. Commissioners Albro, Bryant, Creighton, Holland, and Tarleton were present.

1. CALL TO ORDER

The regular meeting was called to order at 12:06 p.m. by Gael Tarleton, Commission President.

2. EXECUTIVE SESSION pursuant to RCW 42.30.110

The regular meeting was immediately recessed to an executive session estimated to last approximately 60 minutes to discuss matters relating to sale or lease of real estate, legal risk, and collective bargaining. Following the executive session, which lasted approximately 50 minutes, the regular meeting reconvened in open public session at 1:12 p.m.

PLEDGE OF ALLEGIANCE

(00:01:32) Temporary Committee to Recommend Outside Legal Counsel.

Commissioner Tarleton announced the Commission's intention to form a temporary committee composed of Commissioners Creighton and Albro for the purpose of recommending selection of outside legal counsel to review the injunction issued in the matter of *CityIce Cold Storage v. Port of Seattle*. She explained that the committee would not be empowered to take final actions, but would be charged with responsibility to review issues and make recommendations to the full Commission in accordance with Article III, Section 6, of the Commission Bylaws.

Motion to form a temporary committee to recommend outside legal counsel to review the injunction issued in the matter of *CityIce Cold Storage v. Port of Seattle* – Bryant

Second – Creighton

Motion carried by the following vote:

In Favor: Albro, Bryant, Creighton, Holland, Tarleton (5)

3. (00:02:34) APPROVAL OF MINUTES

Regular meeting of January 24, 2012.

Motion for approval of minutes for the regular meeting of January 24, 2012 – Albro

Second – Creighton

Motion carried by the following vote:

In Favor: Albro, Bryant, Creighton, Holland, Tarleton (5)

4. SPECIAL ORDERS OF BUSINESS

None.

5. (00:03:25) UNANIMOUS CONSENT CALENDAR

5a. Approval of the [claims and obligations](#) for the period of February 1, 2012, through February 29, 2012, in the amount of \$32,041,145.86.

5b. Authorization for the Chief Executive Officer to: (1) execute a contract to purchase one new passenger loading bridge (PLB) for Gate B1; (2) execute contracts to purchase proprietary and long-lead components required to refurbish one PLB at Gate B11; and (3) advertise and execute one major works construction contract to install one new PLB at Gate B1 and to refurbish one PLB at Gate B11 for the amount of \$1,570,000 (CIP #C800467).

Request document(s): Commission agenda [memorandum](#) dated March 16, 2012, provided by Michael Ehl, Director, Airport Operations; and Wayne Grotheer, Director, Aviation Project Management Group.

5c. Authorization for the Chief Executive Officer to advertise and execute a construction contract for the Lagoon 3 Bird Netting System Project. The estimate for this work is \$1,664,000 (CIP #C800417).

Request document(s): Commission agenda [memorandum](#) dated March 20, 2012, and [attachment](#) provided by Michael Ehl, Director, Airport Operations; Wayne Grotheer, Director Aviation Project Management Group; and Ralph Wessels, Airfield Program Leader, Project Management Group.

5d. Authorization for the Chief Executive Officer to issue a change order for the Bus Maintenance Facility (BMF) project to extend the completion date by a duration not to exceed 94 calendar days to complete commissioning of the BMF project. No additional funds are requested.

Request document(s): Commission agenda [memorandum](#) dated March 16, 2012, provided by Ralph Graves, Managing Director, Capital Development.

5e. Authorization for the Chief Executive Officer to enter into a settlement agreement with Cruise Terminals of America LLC for certain unpaid rent of leased premises of Port cruise terminals.

Request document(s): Commission agenda [memorandum](#) dated March 16, 2012, and [draft settlement agreement](#) provided by Linda Styrk, Managing Director Seaport; and Michael McLaughlin, Director, Cruise and Maritime Operations.

Motion for approval of consent items 5a, 5b, 5c, 5d, and 5e – Bryant

Second – Albro

Motion carried by the following vote:

In Favor: Albro, Bryant, Creighton, Holland, Tarleton (5)

(00:04:18) PUBLIC TESTIMONY

As noted on the agenda, public comment was received from the following individuals:

- Heather Winfrey, Executive Director, Apprenticeship and Nontraditional Employment for Women (ANEW). Ms. Winfrey commented on the Apprenticeship Opportunities Project, noting 26 January apprenticeship placements and improving trends in trades employment. She commented on the Veterans in Construction/Electrical program, in which she said 40 veterans have been placed, with a direct placement agreement through the Puget Sound Electrical Joint Apprenticeship and Training Committee for entry into the IBEW (International Brotherhood of Electrical Workers) Local 46.
- Fred Felleman, Northwest Consultant for Friends of the Earth. Mr. Felleman commented on support by the Washington Department of Ecology, Puget Sound Partnership, and the Olympic Coast National Marine Sanctuary for two proposed amendments to the Cruise Memorandum of Understanding (MOU) and passage in California of a no-discharge zone along the entire California coast. He stated the benefit of the MOU amendments is as a defense against future discharge activities.
- Evan Schut, Regional Vice President for Hudson News. Mr. Schut commented on his work for Hudson News at the Airport since 2005 and the demand he observed for a McDonald's at the Airport, noting that he was asked on a daily basis for directions to McDonald's.
- Robert Comiskey, Owner/Operator of the Comwell Company, doing business as McDonald's. Mr. Comiskey commented on the quality of his franchise's food, the local nature of his business, and his commitment to the community. He remarked on his employment practices, noting his provision of competitive wages and benefits compared with existing large employers at the Airport, and advancement opportunities he provides outside the Airport. He commented on scholarship opportunities for his employees and his franchise's charitable activities.
- Angela Shim, General Manager of Mr. Comiskey's Tukwila McDonald's. Ms. Shim commented on her 35 years in Federal Way, her graduation from the University of Washington, and her advancement in Mr. Comiskey's franchise over the past 14 years. Ms. Shim recognized approximately 25 audience members who started as McDonald's line workers and advanced to management and supervisory positions. She spoke of the

value placed on individuals and diversity in Mr. Comiskey's organization and the nutritional value of the food served at McDonald's.

- Eli McBee, Owner of the EM Precision construction company. Mr. McBee commented on his Auburn-based commercial construction company that specializes in fast-food restaurants and directly employs 19 people, with indirect benefit to 115 subcontractor employees. He commented on the growth of his business due to his partnership with McDonald's and the benefits of building an Airport McDonald's for local construction suppliers and vendors.
- Mark Orlando, Director of Sales and McDonald's business lead for Darigold. Mr. Orlando commented on the partnership between McDonald's and Darigold to supply local dairy products to McDonald's restaurants. He stated Darigold has 863 employees in Washington and 550 employees in Darigold's McDonald's business.
- Martha Ball, Vice President of McDonald's Franchising Operations in the Northwest Region. Ms. Ball commented on advancement opportunities at McDonald's and the diversity of food options available at McDonald's worldwide. She described the quality of the ingredients used by McDonald's and noted that McDonald's purchased 786 million pounds of potatoes and 21 million pounds of apples in Washington in 2010.

6. DIVISION, CORPORATE, AND COMMISSION ACTION ITEMS

- 6a. (00:22:10) Request Port Commission authorization for the Chief Executive Officer to execute an Agreed Order No. DE 8938 with the Washington State Department of Ecology (Ecology) for the implementation of the Cleanup Action Plan, and to address contamination in the upland area of Terminal 91. This order will replace the 2010 Agreed Order No. DE 7321. Execution of the order commits the Port to implement the work required by Ecology as outlined in the order.**

Request document(s): Commission agenda [memorandum](#) dated March 16, 2012, [area map](#), and Department of Ecology [fact sheet](#) provided by Fred Chou, Project Manager, Seaport Project Management; Kathy Bahnick, Manager, Seaport Environmental Programs; and Susan Ridgley, Senior Port Counsel. A copy of [Agreed Order DE 8938](#) was provided electronically prior to the meeting, and a copy of the agreed order was made available at the meeting.

Presenter(s): Ms. Bahnick and Mr. Chou.

Ms. Bahnick reported that execution of the agreed order would obligate the Port to conduct the work described in the order, which she stated is required as a corrective action for contamination at Terminal 91. She noted that a 2010 replacement order for the original 1998 agreed order expanded the cleanup area from four acres to 124 acres and that the current order would implement the final Cleanup Action Plan. She estimated the cost of work under the current action plan at about \$11.7 million and reported that \$2.9 million of costs have been recovered to date from grants, settlements, and insurance. She stated costs not recovered would be funded by the tax levy and that the implementation costs were included in the 2012 Environmental Remediation Liability spending authorization and five-year plan approved by the Commission in December 2011.

Mr. Chou reported on design and permit acquisition for the project, estimated the work would take 12-14 months with construction activity expected between spring and fall 2014. In response to

Commissioner Bryant's question about alternatives to entering into the agreed order, Mr. Chou stated that the agreed order reflects the Port's recommended actions and is a low risk to the Port. Ms. Bahnick noted that if the Port opted not to execute the agreed order, the Department of Ecology could respond with an enforcement order.

In response to Commissioner Tarleton, Ms. Bahnick explained that long-term monitoring of the site would begin after completion of construction and last up to 30 years and that the Port would be responsible for maintaining the monitoring system.

Motion for approval of item 6a – Albro

Second – Bryant

Motion carried by the following vote:

In Favor: Albro, Bryant, Creighton, Tarleton (4)

Absent for the vote: Holland

6b. (00:29:50) Authorization for the Chief Executive Officer to prepare 100 percent design for the Cargo 5 hardstand at Seattle-Tacoma International Airport to provide additional parking for aircraft remaining overnight at the Airport. The amount of this request is \$3,230,000. The estimated total cost of the project is \$45,906,000 (CIP #C800254).

Request document(s): Commission agenda [memorandum](#) dated March 20, 2012, and [diagram](#) provided by Mike Ehl, Director, Airport Operations; and Wayne Grotheer, Director, Aviation Project Management Group.

Presenter(s): Ralph Wessels, Airfield Program Leader, Project Management Group; and Robert Kikillus, Development Manager, Airport Operations.

Mr. Kikillus reported that the project supports the need for additional remain-overnight (RON) parking at the Airport and described the demolition of the former postal facility on the site. He stated the current request is for completion of design and that a future request would be made prior to construction of the RON hardstands.

Commissioner Creighton commented on the project's support of Century Agenda goals for increasing air cargo.

Motion for approval of item 6b – Creighton

Second – Albro

Motion carried by the following vote:

In Favor: Albro, Bryant, Creighton, Holland, Tarleton (5)

7. STAFF BRIEFINGS

7a. (00:32:40) Staff Briefing about Interim Concessions Leasing, 2012-2014.

Presentation document(s): Commission agenda [memorandum](#) dated March 16, 2012, and computer slide [presentation](#) provided by James R. Schone, Aviation Business Development Director; and Deanna Zachrisson, Concessions Business Manager.

Presenter(s): Mark Reis, Airport Managing Director, and Ms. Zachrisson.

Mr. Reis commented on the background of the Airport concessions program, noting the 2010 issuance and subsequent withdrawal of a request for proposals for the Airport's duty-free concession; the 2011 stakeholder process for the Airport concessions transition expected in 2015-2017; and Commission authorization for a leasing agent to assist with direct recruitment in the concessions program. He explained the briefing is part of an effort to ensure that staff recommendations are consistent with the Commission's policy direction and are transparently communicated.

In response to the Commission's request of March 6, 2012, Ms. Zachrisson provided a review of interim leasing activity in the Airport concessions program prior to the anticipated major transition in the program between 2015 and 2017. She stated the conditions would likely fluctuate from the summary presented based on emergent circumstances but is representative of the current concessions scenario. She summarized preparations for the 2015-2017 concessions transition period, noting that 75 of the Airport's 84 concessions units have leases that terminate between 2015 and 2017. She described the concessions stakeholder process, past presentations to the Commission, Commission provision of policy direction, and preparation of a concessions master plan for the lease transition. She stated a draft framework for that plan is expected to be presented to the Commission in mid-2013.

Ms. Zachrisson provided a summary of the Commission's approval for a leasing agent contract on July 26, 2011, to assist with master planning and conduct direct recruitment for single-unit concessions opportunities aimed at local, small, and Airport Concessions Disadvantaged Business Enterprises (ACDBEs). She noted the consistency in the leasing agent approach with the Commission's policy direction of February 2012 related to direct leasing for smaller concessions opportunities.

In response to Commissioner Tarleton, Ms. Zachrisson reported that as of July 26, 2011, there were four retail units and three restaurant units available for direct leasing, which she described as fairly limited opportunities. In response to Commissioner Tarleton, Ms. Zachrisson described the proposed locations for McDonald's and Beecher's Handmade Cheese relative to the seven units available in July 2011 and the concessions adjacent to the proposed McDonald's location. She added that the Seattle Tap Room is not considered a competitor to McDonald's because approximately 50 percent of its sales are alcoholic beverages. The other adjacent concession is a news and gift store. Ms. Zachrisson explained that farther down Concourse B is a bar with approximately 65 percent of sales in alcohol, a Quizno's restaurant, and a Starbucks coffeehouse.

Ms. Zachrisson summarized unexpected developments in the Airport concessions program since July 2011, including vacancies by Borders and Regus Business Center and unsolicited letters of intent from Hudson News, Beecher's Handmade Cheese, and McDonald's and described the primary considerations in making isolated, direct leasing decisions. In response to Commissioner

Tarleton, Ms. Zachrisson described the process for promoting concessions opportunities, noting that the Airport's current concessions opportunities are relatively few and that there is sensitivity when dealing with currently occupied units. She commented on the frequency of unsolicited inquiries, which are tracked on a Port database.

Commissioner Holland commented on the need for a presentation to ACDBE businesses of Airport concessions opportunities and pitfalls. Ms. Zachrisson remarked that although there are few opportunities currently, staff was very active during the last major transition in 2005 in reaching out to prospective concessionaires and the public.

Commissioner Tarleton commented on public visibility in the process of conducting direct leasing and the need to promote public understanding of the concessions leasing process generally.

Ms. Zachrisson presented the relative benefits of employing a request for proposals (RFP) versus direct negotiation or recruitment for concessions opportunities. Commissioner Tarleton commented that a 10-year lease commitment justifies the investment required by an RFP process. In response to Commissioner Creighton, Ms. Zachrisson reported that communication of the visionary opportunities of Airport concessions to nontraditional small businesses is a challenge that would be addressed during outreach for the 2015-2017 transition period.

Ms. Zachrisson commented on past misperceptions that overall sales cannot accommodate addition of new concessionaires at the Airport, noting the trend for increase of overall annual sales volumes. In response to Commissioner Tarleton, Ms. Zachrisson reported that sales volumes increase with increased passenger volume. Mr. Reis commented on potential for higher sales per enplanement at the Airport.

In response to Commissioner Albro, Ms. Zachrisson clarified that there are 84 concessions units currently occupied, with a total of 93 units in the concessions program. She explained the specialized services represented by the 18 units not covered by the 2015-2017 concessions transition.

In response to Commissioner Holland, Ms. Zachrisson described the reasons for the proposed McDonald's location, considerations applicable to converting retail space to food service, the space needs for McDonald's, and the factors complicating location of another restaurant in the Central Terminal. In response to Commissioner Albro, Ms. Zachrisson confirmed that since 2005, the space proposed for McDonald's has been vacant and has not attracted interested bidders. She explained that the Quizno's farther down Concourse B has been a tenant since 2005 and commented on the factors surrounding upgrading the Quizno's location.

Ms. Zachrisson presented an interim leasing plan for 2012-2014, including completion of an RFP and selection of a duty-free operator, creation of a new food and beverage RFP opportunity, launch of the Concessions Entrepreneur Initiative for kiosk operations, and leasing remaining identified retail units through a leasing agent. She commented on considerations applicable to the duty-free RFP, noting plans to execute a lease by mid-August 2012 and showed the locations currently included in the RFP. Ms. Zachrisson summarized the key components of an interim food and beverage RFP targeted to a multi-unit operator. She also summarized the Concessions

Entrepreneur Initiative encompassing 10 kiosk locations Airport-wide intended for local, small, or ACDBE retailers.

Ms. Zachrisson presented a depiction of the 2012-2014 interim leasing strategy with units identified for the duty-free RFP, food-and-beverage RFP, direct leasing, and Concessions Entrepreneur Initiative. Commissioner Tarleton requested posting of the graphic on the Port's website.

7b. (01:25:00) Port Jobs 2011 Annual Report.

Presentation document(s): Commission agenda [memorandum](#) dated March 20, 2012, [funding attachment](#), [2011 annual report](#), and computer slide [presentation](#) provided by Luis Navarro, Director, Office of Social Responsibility; and Heather Worthley, Executive Director, Port Jobs.

Presenter(s): Mr. Navarro and Ms. Worthley.

Mr. Navarro explained that the Port Jobs contract is overseen by the Office of Social Responsibility and that Port Jobs is required to report its progress annually to the Commission. He stated that Port Jobs received \$465,000 in operating support, approximately \$162,000 of in-kind support, and \$50,000 in direct funding for the Apprenticeship Opportunities Project from the Port of Seattle. Mr. Navarro summarized the services provided by Port Jobs as including workforce development, training for employees at the Seattle-Tacoma International Airport, management of the Port's contribution to the Apprenticeship Opportunity Program, Port-related workforce support services, and support for approved transportation and logistics programs.

Ms. Worthley reported that Port Jobs has served nearly 80,000 people and helped to fill over 12,000 job openings in almost 20 years. In 2011, Ms. Worthley stated that Port Jobs assisted over 8,000 job seekers and helped fill over 600 open positions. She commented on assistance to workers to complete credit-bearing college classes and placements in apprenticeships and trade-related jobs with average hourly wages greater than \$18 per hour in addition to benefits. Ms. Worthley noted that although the number of job seekers between 2010 and 2011 was nearly level, job and apprenticeship placements rose. She presented information regarding additional services provided by Port Jobs and leveraging of Port funding.

In response to Commissioner Holland, Ms. Worthley explained that apprenticeship placements are not necessarily tied to Port projects, but are applicable to skilled construction trades that may include work on Port projects.

7c. (01:37:08) Monthly Briefing – Update on the Consolidated Rental Car Facility Program.

Presentation document(s): Commission agenda [memorandum](#) dated March 20, 2012, [update attachment](#), and computer slide [presentation](#) provided by Michael Ehl, Director Airport Operations; George England, Program Leader, Project Management Group; and Janice Zahn, Assistant Director Engineering Construction Services.

Presenter(s): Mr. England and Ms. Zahn.

Ms. Zahn summarized the status of work on the Consolidated Rental Car Facility project, noting presence of 45 project workers on site, approximately 100 workers involved in tenant improvements, turning on of parking lot lighting, commencement of parking lot paving, landscaping, signage work, and other incidental assignments. She reported that the Bus Maintenance Facility maximum capacity test was successfully completed using buses provided by Pierce Transit.

In response to Commissioner Creighton, Mr. England reported that a coffee kiosk is planned but will not be operational until after the grand opening.

Ms. Zahn reported on the status of project claims, and Mr. England reported that AT&T is within weeks of completing work on cell phone service at the facility. Mr. England commented on preparations by the rental car companies for the cut-over to using the new facility, including detailed scheduling. He reported that the program budget is forecasted close to \$396 million and that customer facilities charges (CFCs) continue to trend above forecast. In response to Commissioner Bryant, Mr. England stated that CFCs are expected to continue to exceed forecast, and Mark Reis, Airport Managing Director, noted the seasonality built into the CFC forecast model.

8. NEW BUSINESS

(01:45:05) Declaration of Emergency.

Chief Executive Officer Tay Yoshitani announced that, pursuant to Resolution No. 3605, as amended, he had signed a declaration of emergency related to failure of an electrical transformer at Terminal 46 and authorized the award of public works contracts to respond to the emergency.

Ralph Graves, Managing Director, Capital Development, reported that on March 25, 2012, a transformer that provides power for cranes at Terminal 46 failed, with a crane spreader bar trapped inside a vessel. He explained that a replacement transformer was obtained from Seattle City Light so operations could continue. Mr. Graves submitted a copy of the memorandum declaring an emergency signed by the Chief Executive Officer and dated March 26, 2012. A copy of the declaration is, by reference, made a part of these minutes, is marked [exhibit A](#), and is available for inspection in Port offices.

9. POLICY ROUNDTABLE

None.

10. ADJOURNMENT

There being no further business, the regular meeting was adjourned at 3 p.m.

Tom Albro
Secretary

Minutes approved: June 5, 2012.