

**MOTION 2019-09:  
A MOTION OF THE PORT OF SEATTLE COMMISSION**

amending prior policy statements of the Port Commission regarding street pricing principles for the Airport Dining and Retail program at Seattle-Tacoma International Airport; implementing an amended pricing policy for the Airport Dining and Retail program; and authorizing the Executive Director to take such necessary actions to implement the amended pricing policy.

**AMENDED AND ADOPTED  
JUNE 11, 2019**

**INTRODUCTION**

The Port of Seattle Commission has previously passed two motions directing policy for the Airport Dining and Retail program (the “ADR Program”) at Seattle-Tacoma International Airport, including policy direction with respect to prices charged by ADR Program concessionaires for products and services provided at the Airport.

By motion entitled “Motion of the Port of Seattle Commission Regarding Quality Jobs, Service and Employment Continuity Assurances for the Airport Dining and Retail Program,” adopted November 25, 2014, the Commission articulated various guiding principles for operation of the ADR Program, including one principle calling for “continuation of ‘street pricing’ of products and services.”

Subsequently, by motion reflected in Port Commission Meeting Minutes dated November 24, 2015, Item 6.d, the Commission approved a temporary, conditional policy to authorize “street” pricing plus up to ten percent (10%), with subsequent steps down year by year, to return to strict street pricing effective January 1, 2020.

This motion revises the street pricing principle in the motion adopted on November 25, 2014, repeals the temporary street pricing policy authorized by the motion adopted November 24, 2015, and establishes an amended pricing policy allowing ADR Program concessionaires to charge street pricing plus a maximum of five percent in 2020 and ten percent in 2021.

**TEXT OF THE MOTION**

(1) The Commission hereby amends the principles of ADR Program redevelopment within the Statement of Policy Direction section of the Commission motion adopted November 25, 2014, to delete, in its entirety, the following principle:

5. Continuation of 'street pricing' of products and services

(2) The Commission hereby repeals, effective January 1, 2020, the temporary street pricing policy established by the Commission motion adopted November 24, 2015 (Port Commission Meeting Minutes dated November 24, 2015, Item 6.d).

(3) Amended Pricing Policy for ADR Concessionaires.

(a) The Commission hereby adopts and authorizes the Executive Director to implement an amended street pricing policy to allow concessionaires in the ADR Program to set prices at not more than five percent (5%) in 2020 and not more than ten percent (10%) in 2021 above "street" prices for all products and services sold at the Airport ("Amended ADR Pricing Policy"); provided, that this Amended ADR Pricing Policy will only be extended to concessionaires if they offer:

1. Wages equal to or exceeding the minimum wage standards set forth in Chapter 7.45 of the City of SeaTac Municipal Code;
2. Payment of sick and safe time, which shall be accrued at the rate of one hour for every 40 hours worked;
3. Health insurance to full-time employees, consistent with the Affordable Care Act; and
4. Comply with any reasonable request from Port staff for verification of actual wages paid to the tenant's employees.

The above requirements (1.) through (4.) may be waived for employers with a bona fide collective bargaining agreement.

(b) The Executive Director is directed to begin implementation of this Amended ADR Pricing Policy, including review and processing of ADR Program concessionaire requests for approval of price adjustments based on the Amended ADR Pricing Policy.

1. Beginning on January 1, 2020, eligible ADR Program concessionaires may charge approved street pricing plus up to a maximum of five percent (5%) and beginning on January 1, 2021, up to a maximum of ten percent (10%) under this Amended ADR Pricing Policy.

2. Until January 1, 2020, concessionaires shall continue to adhere to the current street pricing policy established by the Commission motion adopted November 24, 2015 (Port Commission Meeting Minutes dated November 24, 2015, Item 6.d). Concessionaires who do not satisfy requirements (1.) through (4.) identified in paragraph (a) above, as verified by the Port, shall be limited to charging strict street pricing for their products and services commencing January 1, 2020.
- (c) The Executive Director is further authorized to take all such actions as necessary to implement the Amended ADR Pricing Policy described herein, including:
1. Development of (or adjustment to) procedures for review and confirmation of proposed concessionaire pricing;
  2. Revision to operational policies and procedure relating to pricing requirements for ADR Program concessionaires;
  3. Preparation and execution of necessary lease amendments, addenda and/or other documentation necessary to approve pricing of ADR Program concessionaire products and services and adherence to the Amended ADR Pricing Policy.

#### **STATEMENT IN SUPPORT OF THE MOTION**

In taking this action the Commission intends to support the Executive Director's recommendation to establish an amended policy to allow ADR Program concessionaires to charge street pricing plus not more than five percent (5%) in 2020 and not more than ten percent (10%) in 2021 for products and services offered at the Airport. The Commission and staff have heard from large prime operators as well as small, local and minority-owned concessionaires who have expressed concern regarding the increased cost of doing business at the Airport and the impact of those higher costs on their ability to operate viable businesses. However, the Commission is aware of the effect of price increases on airport customers and wants to ensure that any prospective increases are stepped in over two years.

These cost pressures are evident in the building out and refurbishing their units, the wages and benefits paid to their employees and the services that are necessary to operate their businesses at the Airport (for example, security badging, parking, common area maintenance fees, unified pest management, trash recycling, and adherence to Commission Resolution No. 3725).

Higher costs in these areas, together with the scheduled return to required strict street pricing in January 2020, has decreased the interest of new firms in bidding for leasing opportunities at the Airport and has led several current concessionaires to express concerns about their ability to operate profitable businesses.

The Commission recognizes that circumstances at the Airport will continue to evolve and flexibility may be necessary to reach our mutual goals of excellent customer service and attractive dining options. However, by this motion, and consistent with these goals, allowing street plus 5% pricing in 2020 and 10% pricing in 2021, gives time for the airport to understand the impact greater pricing flexibility has on the price of consumer goods at the airport, provides concessionaires with an enhanced ability to recover their higher costs, improves the opportunity for concessionaires to procure quality products and staff resources, and will likely increase the number and variety of small-business and other proposers for future concessions opportunities at the Airport.