MOTION
OF THE PORT OF SEATTLE COMMISSION
TO EXTEND SIGNATORY LEASE AND OPERATING AGREEMENT AND CONTINGENT DIRECTION TO IMPLEMENT RESOLUTION 3677 TO FURTHER DEVELOPMENT OF A SUSTAINABLE AVIATION FUELS PROGRAM

ADOPTED
OCTOBER, 10, 2017

TEXT OF THE MOTION, AS REVISED OCTOBER 6, 2017

The Port of Seattle Commission directs the Aviation Managing Director to (1) continue the Signatory Lease and Operating Agreement 2013-2017 at Seattle-Tacoma International Airport on month-to-month holdover status until the earliest of (a) March 31, 2018, or (b) Port Commission approval of a new Signatory Lease and Operating Agreement to commence before March 31, 2018; and (2) immediately implement Resolution No. 3677, as amended, in the event a new Signatory Lease and Operating Agreement has not commenced by April 1, 2018. The new Signatory Lease and Operating Agreement shall include a provision identifying use of non-aeronautical revenue, among other funding sources, for the purposes of supporting a sustainable aviation fuels program at the airport.

STATEMENT IN SUPPORT OF THE MOTION

The Century Agenda of the Port of Seattle includes the goals of reducing aviation-related emissions at Seattle-Tacoma International Airport by 50 percent by 2030 and to meet increased energy needs through conservation and renewable sources. As the operator of the region’s largest commercial airport and an engine for economic vitality, the Port is engaging in partnerships with the aviation industry to achieve these important environmental and community goals.

The use of sustainable aviation fuels has been demonstrated as a potentially effective means of reducing particulate emissions, greenhouse gas emissions, and reliance on fossil fuel. The Port has been an early supporter of research and development efforts to chart a path to making use of sustainable aviation fuel commercially feasible and available to airlines operating at Sea-Tac.

As stated in the executive summary of the Sustainable Aviation report by the Rocky Mountain Institute-Carbon War Room and SkyNRG:

“Global aviation generates approximately 2 percent of global greenhouse gas emissions and is forecast to grow to 5 percent by 2050. While most industries have a range of cost-effective options available to reduce carbon emissions, aviation does not. For the foreseeable future, there is no alternative to liquid fuels for jet aircraft. The single largest opportunity to decarbonize air travel is to replace conventional, fossil-based jet fuel with sustainable aviation fuel (SAF). However, SAF commercialization has barely begun and the industry is grappling with a variety of economic and market challenges.

The Port of Seattle can leverage its unique position at the intersection of airlines, fuel suppliers, governments, and communities to support the scale-up of SAF. Airports can aggregate fuel demand across airlines and play an integral role in their regional economy. Bold leadership from airports will accelerate industry sustainability and SAF adoption."

In order to accomplish these objectives, the Port has entered into negotiations with airlines operating at Sea-Tac. The Port wishes to identify funding sources that can be utilized to support a comprehensive and effective sustainable aviation fuels program. Among other sources, it is appropriate and necessary to utilize non-aeronautical revenues generated at the airport to support such a program, subject to Federal Aviation Administration revenue-use rules and applicable Washington State laws. The Port wishes to identify the potential use of these non-aeronautical revenues as an element of the successor Signatory Lease and Operating Agreement between the Port and signatory airlines.

The current Signatory Lease and Operating Agreement (SLOA III) between the Port and signatory airlines for the use of facilities at the Airport expires on December 31, 2017. Airport staff and airline representatives have been meeting regularly since February of this year negotiating a successor lease agreement (SLOA IV). Progress has been made on a number of issues, including development of a Sustainable Aviation Fuels program, but it is now unlikely that agreement will be reached in time to implement the new agreement by January 1, 2018. Recognizing that the Port seeks to reach an agreement with the airlines, but also recognizing that a deadline can focus the parties to resolve issues, the motion allows for additional time to reach agreement by extending SLOA III for up to three months in month-to-month holdover status. If agreement is not reached by March 31, 2018, staff is instructed to implement Resolution No. 3677, which specifies a methodology to set airline rates and charges in the absence of a lease agreement.

Airports are not required by the Federal Aviation Administration (FAA) to have lease agreements with airlines. The FAA has a rates and charges policy for airports. This policy guides airports in setting rates for airline use of airport facilities (e.g., landing fees for use of the airfield, terminal rental rates for use of terminal space, etc.) The Port developed the methodology in Resolution 3677 consistent with this FAA policy. After SLOA II expired at the end of 2012, and before SLOA III was agreed to in late 2013, the Port implemented Resolution 3677. The cost centers and much of the rate making methodology are the same under Resolution 3677 and SLOA III. The key differences between Resolution 3677 and SLOA III include: 1) no revenue sharing, 2) no Majority-in-Interest votes on capital projects, 3) no preferentially leased gates, and 4) increased vacancy risk for the Port for certain aeronautical space. In terms of rate setting methodologies, SLOA IV is expected to be very similar to SLOA III.