



**COMMISSION
AGENDA MEMORANDUM**

Item No.

8d

ACTION ITEM

Date of Meeting

February 24, 2026

DATE : February 24, 2026

TO: Stephen P. Metruck, Executive Director

FROM: Erik Johnson, Aviation Real Estate and Portfolio Manager III
Jason Johnson, Assistant Director Airline Affairs & Aviation Properties
Rick Duncan, Director of Aviation Business and Properties

SUBJECT: PACCAR Lease Termination

ACTION REQUESTED

Requesting Commission authorization for the Executive Director to execute a Lease Termination Agreement for the PACCAR Lease Agreement at SEA to facilitate their transition to Boeing Field and support SEA's airport capital development program and operations.

EXECUTIVE SUMMARY

PACCAR is a long-standing tenant at SEA and has been a valued customer over the years. There has been an increased desire from PACCAR to explore opportunities to relocate PACCAR's operation out of SEA. In their exploration, PACCAR was able to secure a lease agreement at Boeing Field for a new hangar and plans to relocate their operations over to BFI mid/late 2026. As part of this authorization to support an early lease termination, PACCAR will be making improvements to the building requested by Port staff to ensure it is in an acceptable condition to support SEA's vision, in lieu of full demolition of the improvements. In the Lease Termination Agreement PACCAR will be required to perform the following Tenant Improvements:

- Remove all AFFF impacted fire suppression system components and associated systems from the building
- Install a new water-based fire suppression system
- Remove the underground aircraft fueling system

In the interim, the facility will be used to support SEA's growing operation by providing real estate to support multiple Port functions. The anticipated future and long-term use of this site will support future development at SEA.

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JUSTIFICATION

SEA is extremely space constrained, and our continued growth is putting pressure on our existing operations and Capital Development Program. The termination of this lease agreement to accommodate immediate Port needs such as Fire Department, Maintenance, Capital Development, Operations. In the long term, use of this site will support future development at SEA. As part of the lease termination, PACCAR will be performing Tenant Improvements to the building to ensure it is in usable condition and remedies the condition for which a fire code variance has been required to continue operations. In addition to the building, the Port will be reclaiming airside ramp space and public side parking space which can support multiple different functions.

Lease Termination Details

Tenant Name	PACCAR
New Termination Date	Effective once Tenant Improvements are completed and signed off by the Port
Rental Rate (monthly)	\$37,360.36
Original Termination Date	05/31/2031
Environmental Indemnification	The existing lease agreement indemnification will survive lease termination in the event the Port discovers environmental contamination during the demolition of the building
Tenant Improvement Requirements	<ul style="list-style-type: none">- Removal of PFAS fire suppression system and components in continuous contact with PFAS- Installation of water-based fire suppression system at a lower rating converting the hangar into a warehouse- Removal of underground Aircraft Fueling system to include, but not limited to, underground fuel tank, piping, fixtures, and any environmental contamination discovered during the removal

ALTERNATIVES AND IMPLICATIONS CONSIDERED

Alternative 1 – Do not terminate the PACCAR Lease Agreement

Cost Implications: \$37,360.36 in monthly revenue per month, approximately \$2 million throughout the remainder of the life of the agreement.

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Pros:

- (1) Port continues to lease the building to PACCAR and collect revenue
- (2) PACCAR responsible for demolishing the building at the end of the agreement

Cons:

- (1) Port loses the ability to utilize crucial airside real estate to facilitate SEA operations
- (2) Lease requirements limit Port's ability to recapture facility
- (3) 2-Year notice requirement for an approved capital project
- (4) Unlikely PACCAR will secure another opportunity to relocate prior to lease termination

This is not the recommended alternative.

Alternative 2 – Terminate the PACCAR Lease Agreement

Cost Implications: Port would be responsible for demolition of the PACCAR building when the Port is ready to construct future facilities. The estimated cost for demolition is approximately \$1.5 million.

Pros:

- (1) Port recaptures critical airside real estate with multiple potential uses
- (2) Building is returned to Port in a fire code compliant condition with a non-PFAS-containing fire suppression system in place.
- (3) Flexibility to adapt to future direction of Port vision
- (4) Reduced airspace congestion
- (5) Potential to recapture revenue through other means

Cons:

- (1) Port is responsible for demolition of the building, when applicable.
- (2) Reduction in annual revenue of \$448,324.32 or approximately \$2 million over the remainder of the agreement

This is the recommended alternative.

FINANCIAL IMPLICATIONS

After PACCAR building transitions to Port ownership, Aviation Maintenance will be responsible for maintaining the building. Average cost for similar buildings is approximately \$47,000 per year.

ATTACHMENTS TO THIS REQUEST

- (1) PACCAR Lease Termination Agreement
- (2) Presentation Slides

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PREVIOUS COMMISSION ACTIONS OR BRIEFINGS

November 16th, 2021 – Authorization for the Executive Director to execute an amendment (Amendment No. 7) with PACCAR

February 27th, 2018 – The Commission authorized a lease amendment to the lease with PACCAR and design and construction of the Interim Westside Fire Station Project