



**COMMISSION
AGENDA MEMORANDUM**

Item No. 10a

ACTION ITEM

Date of Meeting May 26, 2026

DATE: May 1, 2026

TO: Stephen P. Metruck, Executive Director

FROM: Stephanie Jones Stebbins, Managing Director, Maritime
Linda Springmann, Director, Cruise Operations & Maritime Marketing

SUBJECT: **Norwegian Cruise Line Holdings Lease Amendments and Assignments**

ACTION REQUESTED

Request for Commission Authorization for the Executive Director to execute amendments and assignments associated with the existing lease with Norwegian Cruise Line Holdings (NCLH) incorporating a financial contribution to the Pier 66 shore power project. In addition to the shore power project financial contribution, the amendments include environmental and community requirements in addition to business terms; and require data sharing to support the public Cruise Dashboard for transparency along with tracking and reporting on performance over the term of the lease including extensions.

EXECUTIVE SUMMARY

The current lease with NCLH is in year 11 of a 15-year Agreement. The proposed amendment includes the extension of the 5-year option in the current agreement, extending the lease term through 2035, and adds two 5-year optional extensions at mutual agreement. This amendment additionally provides the Port of Seattle a continued long-term commitment from NCLH to deliver a minimum passenger guarantee, adds significant actions to drive decarbonization and air quality benefits, as well as other environmental, social and community commitments that align with the Port's goals, values, and commitment to social, environmental and economic sustainability.

Through this amendment, NCLH agrees to the following noteworthy terms, among others:

- Contribute \$15 million dollars toward the Pier 66 shore power project via marketing fund rebate, which will sunset after completion.
- Provide a guaranteed minimum number of passengers to Seattle annually.
- Deploy 100% shore power capable vessels to the Port of Seattle by 2027
- Pilot test a non-fossil fuel in Seattle by 2028
- Commitment to develop potential decarbonization pathways and associated prerequisite assumptions regarding fuel supply and/or technology advancements and provide to the Port.

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- Continue participation in the ECHO and Quiet Sound programs to reduce underwater noise.
- Provide incentive for ground handlers who use lower GHG alternative forms of transportation.
- Provide the Port with pre-season, weekly, and post-season reporting on specified environmental performance metrics.
- Meet annually to review progress on commitments, decarbonization and environmental action, and overall performance. The Port will consider these factors in granting an extension following the remaining 10-year term.

Inclusive of the current 2026 season, the current lease has 5-years remaining and with the granting of the 5-year extension, makes this a 10-year term, through 2035. It also includes two 5-year extension options at mutual agreement, through 2040 and 2045. The total revenue generated over the remaining term of the agreement is estimated to be \$194.4M, and \$516M if extended. It includes a revenue-passenger guarantee of 325,000 passengers annually, which is estimated to guarantee \$116M in revenue during the 10-year term and an additional \$200M if extended. The passenger fee and dockage rates remain capped at 4.5% through the initial term, until 2030. At that time, the rates will reset to 90% of tariff with an annual increase of 4.5%. The rate structure also includes five-year resets to 90% of tariff in 2035 and 2040, if the extensions are granted, and with continued 4.5% increases.

The data sharing terms in the agreement will allow the Port to maintain a public-facing dashboard of cruise performance data to enhance transparency and build public awareness of cruise operations in Seattle and the Alaska market. Additionally, it will support development of annual maritime emissions inventories to track and communicate cruise lines' progress toward the Port's climate and air goals.

The shore power connection at Pier 66, currently being utilized by NCLH, achieves the Northwest Ports Clean Air Strategy goal to electrify all three cruise berths by 2030, six years earlier than anticipated. This has laid the groundwork to achieve the Commission's shore power directive (Order 2024-08) of 100% connection of homeport shore power vessels by 2027, three years ahead of the 2030 goal set in the Maritime Climate and Air Action Plan (MCAAP).

The sublease from NCLH to the Port during non-cruise season will also be amended by this action to reflect the updated term and sublease rent. The lease and sublease will be assigned from a single entity (Norwegian Cruise Line Holding) to three entities (Norwegian Cruise Line, Oceania, and Regent Seven Seas).

JUSTIFICATION

This agreement aligns with the Port's Waterfront Guiding Principles (Commission Motion 2019-02) to support the financial sustainability of the Port, to expand economic, cultural and

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community benefits, to incorporate leading edge environmental stewardship and sustainability practices; and to provide facilities that exceed existing regulations beyond maximizing the use of the Port's deep-water facilities and industrial lands to serve maritime industrial uses. It also aligns with our Century Agenda goals of providing positive economic impact to the region and supporting a thriving workforce. Furthermore, this agreement represents an ambitious and collaborative step forward with Norwegian Cruise Line Holdings toward the Port's goal of being the greenest port in North America. The terms of this agreement specifically advance the following:

- The Port's Century Agenda goal two, to advance this region as a leading tourism destination and business gateway; and goal three, to responsibly invest in the economic growth of the region and all its communities; and goal four, to be the greenest and most energy-efficient port in North America.
- The Northwest Ports Clean Air Strategy goal for 2030:
 - To achieve 100% of major cruise and container berths with shore power installed
- The MCAAP goals for 2030:
 - To support domestic and international efforts to phase out emissions from ocean-going vessels.
 - To have shore power infrastructure installed at all cruise ship berths.
 - To achieve 100% of homeport cruise ship calls connected to shore power.
 - To support continual advancements in equipment efficiency and emission reduction from ocean-going vessels
 - To support continual advancements in equipment efficiency and emission reduction from cargo handling equipment

The climate benefits of shore power use are significant. Plugging into shore power can reduce diesel emissions from cruise ships at berth by 80 percent and GHG emissions at berth by 66 percent, on average, using Seattle City Light energy sourced primarily from hydropower. The terms in this agreement represent an essential component of the Port's efforts to achieve environmental goals. Based on modelled scenarios, using the 2025 cruise season as an example, if all ships were shore power capable and had access to a shoreside power connection per the future requirements in this agreement, the Port would see the following estimated emissions benefits:

- Avoids estimated 10,000 metric tons CO₂e
- Equivalent to 11% of total cruise emissions in the Airshed (based on airshed totals measured for 2022 Cruise Season)
- Equivalent to 8% of total Port maritime Scope 3 emissions in the Airshed

In addition to economic and environmental leadership, the agreement commits NCLH to increased local economic impact through tourism and provisioning efforts that grow participation by local, small, and disadvantaged businesses. The agreement prioritizes social and workforce development efforts including internships, donations, and educational ship engagements.

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Office of Equity, Diversity & Inclusion Collaboration

The Port's Office of Equity Diversity and Inclusion informed the elements related to tracking and measuring improvement on local provisioning, specifically related to Women and Minority owned Businesses, donations to local non-profits, ship tours for workforce development purposes, and annual reporting of disaggregated organizational demographics by hierarchy for shipboard and land-based programs.

DETAILS

Collectively, the following three elements provide transparency, equity, and economic benefit from the Port's cruise business:

Cruise Dashboard

The Cruise Dashboard was created with the assistance of the Port's Business Intelligence Team. Multiple data sources were utilized to construct a visual representation of the cruise season which includes key elements for homeport ships, number of calls, number of passengers, passengers utilizing Port Valet, shore power connectivity and the resulting CO2 emissions avoided. Additionally, the agreement with NCLH allows the Port to collect additional data, which will be incorporated into the dashboard as the data becomes available. This will include cruise line fleet profile data such as shore power capability, and information on vessels' Advance Wastewater Treatment Systems, Exhaust Gas Cleaning Systems, and noise reduction technology. The 2025 full season Dashboard has been published and 2026 will build monthly over the season.

Shore Power Requirement

To accelerate the Port's goal requiring cruise ships to utilize shore power connections and to maximize the investment in shore power infrastructure, the Port has accelerated its goal to have all homeport vessels plugging into shore power requirement by three years, from 2030 to 2027. Cruise lines have adequate time to redeploy their homeport fleets so that ships calling in Seattle by 2027 should be shore power capable and commissioned. Via the terms in this amendment, Norwegian Cruise Line Holdings will contribute \$15 million to the cost of the Pier 66 Shore Power installation.

Norwegian Cruise Line Holding Lease Amendment

Norwegian Cruise Line Holding includes Norwegian Cruise Line, Oceania, and Regent Seven Seas brands homeporting and/or calling in Seattle. The lease and sublease will be assigned to the three NCLH brands. Port Finance has completed a thorough review of corporate materials relevant to this Assignment.

NCL was the first cruise brand to commit to homeporting ships to Alaska from Seattle in 2000. They are currently 10-years into the 15 year Lease with the Port. These agreements provided certainty to the Port in terms of revenue and commit NCLH to Lease obligations for the Pier 66 cruise terminal operations. The most recent NCLH Lease dated August 14, 2015, included a fifteen-year term with one five-year extension option. During the pandemic and the loss of cruise

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operations for over a year, the terms of this Lease obligated NCL to pay \$4 million to the Port while not operating cruises.

In 2023 NCLH brands brought 86 ship calls to Seattle representing 30% of the Port's cruise calls. In 2024, 2025 and 2026 NCLH brands again have four of their brand's ships committed to the Seattle market offering the longest season of all cruise customers.

These proposed amendments are another world-class example of how the Port can leverage business agreements to advance shared priorities. Examples of how this agreement is innovative include the following:

- It includes robust terms in length of agreement and rates, including a financial contribution to the installation of shore power
- It advances the Port's environmental commitments,
- It establishes social and economic impact as priorities and requirements.

Terms: The lease amendment provides for a five-year extension to the current 15-year term, taking them to 2035, with two mutually agreeable 5-year options to extend to 2040 and 2045. The Port explicitly states in the agreement that the approval of these extensions is in the Port's sole discretion, and consideration of such extensions will include decarbonization progress and the demonstrated achievement of other sustainability terms. It includes a revenue-passenger guarantee of 325,000 passengers per year. The current lease allows for an annual rate increase to be capped at 4.5% which will remain through the original 15-year term (through 2015). After that time, the rate will reset to 90% of Tariff with an annual increase cap of 4.5%. This rate structure also includes a five-year reset to 90% of Tariff at each five-year extension in 2035 and 2040, if the extensions are granted, and with continued 4.5% annual increases. Importantly, the amendment calls for a contribution of \$15 million by NCLH in support of the installation of shore power at Pier 66. This \$15 million will be recovered from the Marketing Fund in the current lease starting in 2026 and over the course of the remaining original term and 5-year extension. Once fully recovered, this Marketing Fund will sunset.

The environment: The new agreement upholds environmental compliance commitments, such as ongoing participation in the Memorandum of Understanding between Washington Department of Ecology (DOE), Port of Seattle and the cruise lines, and introduces new commitments. Through this agreement, NCLH also affirms their commitment to continue to partner with the DOE and others on public engagement and policy making around the use of exhaust gas cleaning systems, adherence to the Port's stormwater best management practices, and reporting on shore power connectivity. The agreement includes piloting a non-fossil fuel by the 2028 season as a demonstration project and to signal demand. It commits NCLH to developing potential decarbonization pathways and associated prerequisite assumptions regarding fuel supply and/or technology advancements and sharing the results with the Port by December 31, 2026. Shoreside, the agreement requires NCLH to incentivize ground handlers and stevedores (if contracted directly) to use of low emission equipment with a goal to use zero emission shoreside equipment by 2030.

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Social and economic impact: To support educational and workforce development NCLH will offer ship tours and sponsorships in support of low-income and/or minority communities in the region. The agreement also includes participation in maritime-focused non-profit entities, such as Maritime High School, and agreement to collaborate with the Port on Anti-human trafficking efforts, signing on to the Port Allies Against Human Trafficking Pledge.

Schedule

The Cruise Dashboard is live for the 2025 season and a 2026 version will launch shortly with April/May data and will continue to build monthly. The dashboard will expand to include the new “Fleet Profile” detail. Each year within a month of the cruise season’s end the Port will publish the updated dashboard for that completed cruise season to include the annual infographic.

ALTERNATIVES AND IMPLICATIONS CONSIDERED

The Port’s options are to decline to sign these amendments and assignments and have NCLH continue with the remaining 5 seasons of the existing Lease or enter into these amendments and assignments, providing for the contribution by NCLH of \$15 million toward the Pier 66 Shore Power project, the execution of the 5-year extension in the current Lease and adding two 5-year optional extension.

Alternative 1 – Decline to amend and assign the existing lease documents.

Cost Implications: no view of expected revenues or number of port calls further than 2030 and potential end of NCLH Lease. Losing one 4,000 passenger ship for 20 turns amounts to approximately \$4.8M dollars in revenue to the Port in addition to related jobs and economic impact to the community.

Pros:

- (1) Port has flexibility when the existing Lease expires at the end of the 2030 season.

Cons:

- (1) No financial contribution to the Pier 66 Shore Power project.
- (2) Loss of collaboration on Environmental, Social, Community efforts as included in proposed new agreement.

This is not the recommended alternative.

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Alternative 2 – Execute a Conditional Consent to Assignment and amendments to the existing Lease and sublease exercising the existing 5-year option and adding two additional optional extensions in exchange for financial contribution to Pier 66 Shore Power project.

Cost Implications: guaranteed passenger visits and revenue visibility for the next 10-20 years to allow for capital, expense budgeting, and employment planning. Related commitments to regional economic impact and jobs to support cruise calls and their customers.

Pros:

- (1) Provides certainty for Port of Seattle related to projected incomes.
- (2) Provides \$15 million contribution to the Pier 66 Shore Power installation.
- (3) 10-year window gives time for innovations in technology related to alternative fuels and other decarbonization efforts to evolve and be in place for the next possible agreement.
- (4) Continues a long-term relationship with our first cruise customer to commit to the Seattle market.
- (5) Two 5-year options are tied to decarbonization effort and achievements.

Cons:

- (1) Unpredictability over the next 10-years of environmental innovations and NCLH’s willingness to enter into amendments to take advantage of these mid-agreement.
- (2) Locking-in this lease for longer gives no flexibility if new customer approaches the Port to enter into the market for a similar arrangement.

This is the recommended alternative.

FINANCIAL IMPLICATIONS

This lease amendment will provide certainty of future revenues that could not be guaranteed without this extension and future options. The passenger and dockage fee rates in this agreement are capped at 4.5% growth through the original term, through 2030. The 5-year extension in the current lease will be automatically granted, through 2035, however rates will reset to 90% of tariff rate in 2031. Extensions, should they be granted in 2035 and 2040, will have a similar rate reset to 90% of tariff with 4.5% annual caps in subsequent years. The 325,000 minimum revenue passenger guarantee would secure revenues of approximately \$116M during the 10-year term and an additional \$200M during the two 5-year extension period.

Financial Analysis and Summary

Project cost for analysis	N/A
Business Unit (BU)	Cruise Operations
Effect on business performance (NOI after depreciation)	10-Year Minimum Annual Guarantee Revenue: \$116M 20-Year Minimum Annual Guarantee Revenue: \$316M Estimated 10-Year Passenger Revenue: \$194.4M Estimated 20-Year Passenger Revenue: \$516M
IRR/NPV (if relevant)	N/A
CPE Impact	N/A

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ATTACHMENTS TO THIS REQUEST

- (1) Lease Amendment
- (2) Sublease Amendment
- (3) Conditional Consent to Assignment
- (4) Presentation slides

PREVIOUS COMMISSION ACTIONS OR BRIEFINGS

May 2026 – Commissioners briefed on final terms.

September 5 & 6, 2024 – Commissioners were briefed on status of terms being negotiated

December 2022 – Briefed Commissioners on initial plan for negotiation and term inclusions