SUMMARY MINUTES
STRATEGIC DEVELOPMENT COMMITTEE
MEETING OF SEPTEMBER 18, 2018

Mr. Sudow chaired the September 18 Strategic Development Committee Meeting, calling it to order at 8:05 a.m. A quorum was present during the Meeting: Ms. Merrick (Co-Chair), Mr. Adams, Ms. Hanley, Ms. Lang, Mr. Lazaro, Mr. Mims, Mr. Pozen, Mr. Speck, Mr. Tejada, Mr. Uncapher, and Mr. Session (ex officio).

Ronald Reagan Washington National Airport Project Journey (Project Journey). Roger Natsuhara, Vice President for Engineering, was joined by Richard Golinowski, Manager, Engineering and Maintenance Department, Ronald Reagan Washington National Airport (Reagan National). Mr. Natsuhara provided an update on the Secure National Hall project. He stated that expenditures since the last report were approximately $6.8 million and total expenditures, as of August 2018, were $39.9 million.

Mr. Natsuhara reported that new construction would commence in September 2018 with respect to the following: install piles (roadway - partial lane closure on the arrival level); Lot H Sanitary - traffic detour - inner roadway - North (New Concourse apron project coordination); and the National Hall - south stair demolition. Mr. Natsuhara stated that he would provide a new date next month for completion of the Metro Bridge-North-pedestrian tunnel construction (temporary protective corridor) project since the schedule has changed to minimize passenger disruptions. He reported on the activities in progress for Secure National Hall: the installation of the Security Identification Display Area (SIDA) wall mockup of the wire mesh samples and the selective demolition of the secant wall (retaining wall - north and south benches) had been completed (completion was required in order to start the piles). Mr. Natsuhara advised that Paul Malandrino, Vice President and Airport Manager, Reagan National, and his team had reviewed and discussed different security options for the SIDA wall wire mesh with local Transportation Security Administration (TSA) representatives, and he noted that TSA has not developed a standard, and that the options have also been considered from an aesthetics standpoint. He stated that the north and south portal - selective demolition and electrical/telecommunication room rough-ins would be completed in October 2018; the excavation and installation box culvert - outer roadway - north work, the interior work - involving baggage claim areas

12 (north) and 1 (south) and selective overhead structural and mechanical, electrical, and plumbing demolition/modifications, was on track to be completed in November 2018; the relocation of communication rooms to ticket level entrances 2 and 5 were still on track to be completed in May 2019 and the maintenance of traffic, phases 2 & 3 - outer roadways, would continue through February 2019.

Mr. Natsuhara then referred to photos of some of the work in progress on the Secure National Hall project, including the North Box Culvert Excavation; the North Secant Wall depicting the cuts, the area where the underpinning secures the retaining wall and the area where the piles would be placed; the North-South Thomas Avenue roadway widening, which had been completed; the South Portal selective demolition; the North Portal electrical telecommunications room framing; the mechanical/electrical/plumbing rough-ins in vestibules 2 and 5; and overhead work for North baggage claim area 12 and south baggage claim area 1, all of which reflected work underway.

Mr. Natsuhara reported that the New Concourse expenditures since the last report totaled about $5.8 million and that total expenditures as of August 2018, were $60.3 million, which is on track for the budget. For the apron area of the New Concourse, Mr. Natsuhara reported that the update on Lot H Sanitary would start the following week. The Storm Water/Glycol Collection Installation Phase 1 work would be completed in October 2018. Mr. Natsuhara stated that the asphalt paving inside the surcharge area for Area 1 - Phase 1, on which he would discuss the surcharge removal later during his presentation, would start in October. The asphalt paving for area one outside the surcharge would be completed the following week, and the hydrant fueling for Phase 1 would continue through December. Mr. Natsuhara stated that as of September 17, the engineers advised that more than 30 percent of the surcharge settlement period would require about 45 additional days and that the Engineering team would be working with Turner Construction (Turner) to determine what portions it could start removing to try to adhere to the schedule. He further stated his belief that Turner would be able to start in October on the outer edges and that the inside of the surcharge area is where approximately 30 percent of it still needs to settle for about an extra 45 days, adding that the weather had not helped but with continued monitoring and coordination with Turner, they would work to maintain the schedule.

Mr. Natsuhara reported that some of the new starts on the building as follows: the Test Pile Program would begin the first week of October; the Production Pile installation would start shortly thereafter; foundation underslab construction would begin in November; and temporary ramp at Loading Dock C would start in May of 2019. The remaining work in progress was identified as primarily the North Substation Transformer Yard Enabling Preparatory Work, which would remain underway through November 2018. Mr. Natsuhara then referred to photos of the site as it appeared, including one of the hydrant fueling work, where quite a bit of work was ongoing and concluding; the apron excavation to subgrade; the site utility work around the North Substation, where there had been quite a bit of utility work stabilizing the foundation around the building; and the site utility work, which depicted prepping for the electrical duct banks for the transformer yard. The last set of photos depicted the chiller relocation outside of the terminal. Mr. Natsuhara reported that the chiller had been connected and testing is underway.

Mr. Uncapher asked what impact the 45-day delay in asphalt paving would have on the overall schedule, for clarification on the planned remediation steps or whether that was still to be determined. Mr. Natsuhara stated that it is anticipated that Turner will be able to start placing some of the utilities outside of the surcharge area, and that the Airports Authority will discuss with Turner how the work can be sequenced, instead of just clearing everything at once.

Mr. Golinowski then provided an update on recent and upcoming changes that Reagan National passengers would experience as a result of Project Journey, elaborating on some of the tasks that Mr. Natsuhara had previously reviewed. He reported that some signage and graphic displays were added in the Gate 35 hold room area to give Airport customers an appreciation for future changes, both graphically and in writing, so they can see what the new future will look like. Mr. Golinowski referred to a diagram of the Gate 35 hold room in his presentation, and explained that the architectural renderings depicted that passengers would be able to look out the window, see the construction, and then see what that area would look like in the coming months and in the coming year. Mr. Golinowski referred to Mr. Natsuhara's prior reference to the road realignment at the north end, and explained that the diagram under review reflected two lanes on the right, which would become the two main exit lanes coming off of the lower roadway from the Airport. He then explained that the road on the left would be closed as utility work started to cross the roadway. All Airport transportation network companies (TNCs) and taxis would be exiting the Airport via those two lanes shown on the right of the referenced diagram.

Mr. Golinowski reported on three new upcoming customer changes: the first was the traffic detour in Lot H; the second was the closure of the south stairwell; and the third was the North Pedestrian Bridge construction zone. He then referred to Mr. Natsuhara's discussion of the Lot H sanitary line work, which would begin in the upcoming weeks, noting that the work would require a detour in Airport vehicle traffic from the two lanes depicted on the left of the referenced diagram [entitled Traffic Detour in Lot H for Sanitary Line Relocation] in green, coming out of the lower roadway, detouring them through what was shown as a construction site. Mr. Golinowski advised that the roadway on the left would be closed as the sanitary work began, noting that the Airport had a similar detour early on in the Project, and only had one lane going through that area, which seemed to work out well. He stated his belief that with two lanes, there should not be much of a problem, and advised that the Police Department is already onboard and is prepared for any detour problems that they may encounter as work progresses.

Mr. Golinowski stated that the south stairwell in National Hallway, which extends from the south end of the ticket level to the south end of the concourse level beside the Qdoba restaurant near the south checkpoint, was closed commencing during the week of September 10. He then referenced a photo [Closure of South Stairwell to National Hall] which depicts the current area without the stairwell, and stated that that area is where the new portal would connect the new security checkpoint into National Hall. Mr. Golinowski referenced the mail drop on the left of the picture, as well as some charging stations that Reagan National customers can still use, demonstrating that an attempt was made to maintain as much space as possible in that area for Airport customers.

Ms. Merrick asked if signage would be added on the referenced wall. Mr. Golinowski answered in the affirmative. He also stated that in the coming months, work would begin on the North Pedestrian Crossing from the Main Terminal into the Metro Plaza area, which involves an area that is approximately 26-feet wide, which includes the two moving walkways on either side. Mr. Golinowski then referred to a diagram showing the future look of that area, including a construction wall, a minimum eight-foot tunnel that connects the Metro Plaza with the Main Terminal, and the removal from service of the two moving walkways. He explained that the two moving walkways would be permanently removed as part of the construction project because the walkway would be shortened for connection into the security checkpoint. Mr. Golinowski then referred to a diagram of the North Pedestrian Bridge and explained that the South Pedestrian Bridge would look very similar to it.

The remaining project that Mr. Golinowski briefed the Committee on was the ticket level of the upper roadway of Terminal B/C, where a waterproof membrane on the concrete roadway would be installed above the new security checkpoints, on the north and south. He stated that there are five travel lanes that go through that area, and the plan in place involves closing one or two lanes at a time as the waterproofing is applied, and that each phase would take approximately seven to ten days to install and cure. Mr. Golinowski further stated that the south end of the roadway is where traffic congestion is of great concern, and the Airports Authority Police Department and the engineering team, as well as construction staff, are collaborating to attempt to minimize the impact. He advised that he anticipates that bottlenecking would occur with the traffic coming from Terminal A, and on the outer roadway that flows into that area, especially during peak times when there is congestion in that area. Mr. Golinowski stated that the Police Department would add extra officers to help control traffic in that area.

Mr. Sudow stated that the presentation on Project Journey was an informational presentation, and required no action. He then referred to weather delays that might have impacted the work on the field and asked when traffic was expected to return to moderate or normal activity, and whether the schedule, as originally projected, is being maintained. Mr. Natsuhara stated that traffic should return to normal in about one year. Mr. Golinowski responded that the roadways should return to normal sometime during the fall of next year. He stated that the rainy weather had impacted some of the outdoor work but advised that Turner's subcontractor had done a good job of dewatering and keeping things moving so that notwithstanding the impact, they are trying to recover the impact on the original schedule.

Mr. Pozen sought clarification on whether the membrane work that would cause the traffic issue was anticipated on the arrivals or departures level. Mr. Golinowski apologized and stated that he may have misstated that the traffic congestion would occur on the ticketing level, but it will actually occur on the departures level, which is the upper level of the Airport.

Mr. Adams referred to an earlier photo in Mr. Golinowski's presentation about the moving walkways and asked whether accommodations would be made for the unavailability of the moving walkways, especially for persons experiencing difficulty walking. Mr. Golinowski responded that there are two sections of moving walkways, one from the garage to the Metro, and then from the Metro to the terminal. He stated that the area from the garage to the Metro would maintain the moving walkways.

He stated that the section from the Metro into the terminal would not contain any moving walkways because the security checkpoint would be located in that area. Mr. Golinowski noted that it will be a very short distance from the Metro Plaza into the security checkpoint.

Mr. Adams asked about the distance. Mr. Golinowski responded that the distance is approximately 100 feet. Mr. Adams asked about the length of the moving sidewalks, as originally installed. Mr. Golinowski advised that they were approximately 200-feet long.

Ms. Hanley asked if the Airport would simply close the south walkway of the garage and whether the center is being left open. Mr. Golinowski answered in the affirmative and stated that the center would be open for pedestrian traffic while the moving walkways on either side would be shut down at different times.

Ms. Hanley asked whether the Airports Authority will post notices in the garage about the removal of the moving sidewalks. Mr. Golinowski answered in the affirmative.

Mr. Adams asked what accommodations would be made for the 200-feet of removed moving walkways during the construction period. Mr. Golinowski stated that the side of the construction area that goes into the security checkpoint would not have the second moving sidewalk. The other side, which is outside the security checkpoint, will maintain the moving walkway. He further stated that the plan is to make the area within the security checkpoint a pedestrian walkway, and to take the moving walkway out of service. No assistance for Airport customers will be provided from the Metro into the terminal.

Margaret McKeough, Executive Vice President and Chief Operating Officer, stated that there is always the opportunity for signage, and that the Airport will message these changes through all of the types of messaging that are used whenever customers are impacted during the

Project Journey construction. She noted that there is always the opportunity for persons to be dropped off on the ticketing level in order to try to avoid the longer walking distance, and that the airlines can provide, if needed, some wheelchair assistance from the ticketing level, if customers present themselves at ticketing.

Mr. Adams concurred with Ms. McKeough and recommended that staff consider and remain vigilant on the issue, perhaps adding some signage at the parking garage to give customers forewarning that there is no moving sidewalk and to allow appropriate time to walk to the terminal area. Mr. Sudow thanked Mr. Natsuhara and Mr. Golinowski for their presentations.

Recommendation to Approve the Request of Virginia Department of Transportation for Easement across Washington Dulles International Airport Property at Route 28. Johnna Spera, Deputy General Counsel, made the presentation. Ms. Spera stated staff's request that the Committee approve and recommend that the Board authorize the President to execute permanent easements across Airports Authority property at Washington Dulles International Airport (Dulles International) in favor of VDOT, in connection with the widening of Route 28. She further stated that as a part of the Route 28 Public-Private Partnership Corridor Improvement Program, VDOT had completed several phases of construction and widening along Route 28 between I-66 and Route 7, in Fairfax and Loudoun Counties. Portions of Route 28 are located on Airports Authority property at Dulles International, subject to a 1977 easement granted by the Federal Aviation Administration and subsequent easements granted by the Airports Authority.

Ms. Spera reported that VDOT received funding in June 2018 for another component of the program, to widen northbound Route 28 between the Dulles Toll Road and Sterling Boulevard from three lanes to four lanes. In order to complete the project, VDOT has requested permanent easements across 4.948 acres of Airports Authority property at Dulles International. Ms. Spera stated that this would be VDOT's final request for easements on Airports Authority property in connection with the Route 28 program. She referred to the inset map in the lower left corner of the presentation, which showed the general location of the easement at Dulles International in the yellow circle. She also stated that the larger photo in the presentation provided a close-up of the specific easement areas, and noted that the red outline depicted the requested easement, which runs along northbound Route 28, from the Dulles Toll Road north to Old Ox Road. The easement area is essentially between the existing roadway and the Airport boundary.

Ms. Spera reported that staff worked with VDOT and its contractor to evaluate the request, and submitted comments and changes, all of which were adequately addressed. Ms. Spera advised that the design for the project ensures that the Airports Authority's interests are protected, and minimizes the amount of Dulles property required for the widening.

Ms. Spera also reported that the project is expected to improve traffic flow and reduce congestion and delays on northbound Route 28, benefitting the Airports Authority and users of Dulles International. Consistent with the Airports Authority's practice of providing easements on its land and to governmental entities at no cost, VDOT will not be assessed a charge for the easements.

The Committee approved the recommendation, and Mr. Sudow stated that he would offer a resolution at the October Board Meeting.

<u>Recommendation to Approve the Sale of 424 Acres at Washington Dulles International Airport</u>. Jerome L. Davis, Executive Vice President and Chief Revenue Officer, began his recommendation that staff approve the sale of approximately 424 acres of Airports Authority land at Dulles International.

As background, Mr. Davis stated that from 2005 through 2007, the Airports Authority acquired several parcels of land west of Dulles International, totaling approximately 854 acres to accommodate the fourth runway and additional support facilities. The runway and the anticipated support area utilized approximately 414 acres, and the majority of the remaining acreage remained undeveloped and underutilized. The Airports Authority engaged a real estate firm to market 424 acres, and holds the remaining sixteen acres in fee. Mr. Davis then referred to an aerial of the western lands.

Mr. Davis stated that in July 2017, the Board approved the selection of CBRE Inc. to provide real estate brokerage and consulting services to the Airports Authority. CBRE released an offering memorandum to the public on December 8, 2017, inviting offers to purchase or lease the western lands, and marketing continued through February 28, 2018. The Airports Authority received multiple offers, including offers to purchase and offers to lease, and CBRE issued a request for best and final offers in April 2018. Mr. Davis stated that CBRE and the Airports Authority identified the highest responsible bidder, and in April 2018, CBRE entered into negotiations with that bidder. On May 25, 2018, Digital Realty Trust (Digital) executed a letter of intent to purchase the Western Lands for $236.5 million. The Airports Authority and Digital proceeded to negotiate the terms of a Purchase and Sale Agreement (PSA), which was executed July 12, 2018, and Digital posted a $5 million deposit.

Mr. Davis advised that the PSA allowed Digital a 60-day due diligence period to study the Western Lands. The due diligence period had expired, and Digital had elected to move forward with the purchase of the Western Lands. Mr. Davis stated that closing was contingent upon Board approval of the sale, and was expected to occur between September 28 and October 12.[1]

Mr. Davis stated his belief that approval of the outlined transaction was in the best interest of the Airports Authority for several reasons, including the following: the Western Lands are not needed for present or foreseeable future Airport purposes; the sale would generate significant non-aeronautical revenue for the Airports Authority; the sale price was reflective of the current active real-estate market around Dulles International, and could change in the future. Digital's intended use of the Western Lands would be compatible with the Airport and current zoning. He also stated that the deed conveying title to Digital would include covenants designed to ensure continued compatibility with the Airport.

Mr. Davis advised that as a federal grant recipient, the Airports Authority is required to comply with Airport Improvement Program (AIP) Grant Assurances, some of which apply to the Airports Authority, including the Western Lands. In anticipation of selling the Western Lands, Mr. Davis stated that the Airports Authority had requested that the Federal Aviation Administration (FAA) release the Western Lands from all obligations imposed by the AIP Grant Assurances and that in August 2018, the FAA granted this request and released the Western Lands from all grant assurances subject to conditions that the Airports Authority could and would meet.

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[1] Due to conditions imposed by Loudoun County that the Airports Authority close an abandoned well, closing is now anticipated to occur by November 9, 2018.

Mr. Davis stated that in addition to approving the sale, two other related matters were on the day's meeting agenda. Before discussing those two matters, Mr. Davis advised the Board that Digital's intended use of the Western Lands would be compatible with the Airport and with current zoning, and that the deed conveying title would include covenants designed to ensure continued compatibility with the Airport, such as avigation easements; passage of aircraft over the land, right of entry to cut, remove, or lower improperly-erected structures; land use compatibility, no residential, no educational facilities, no noise-sensitive land use incompatible with airport noise; height restrictions; no wildlife attractions; FAA filing prior to constructing anything on the property; navigational interference; and no use of property to create communication interference. Mr. Davis advised that all of those aspects of the transaction would be included in the Airports Authority's press release about the sale that would be issued later that afternoon.[2] He also stated that a slide would be added to the day's presentation that was under review to reflect the addition of those matters.

Mr. Davis advised that the Strategic Development Committee would be asked to consider an amendment to the 2015 Airport Use Agreement and Premises Lease (Agreement) for Dulles International, which addresses the manner in which the Western Lands sale proceeds, net of transaction and bond defeasance cost, would be administered and utilized by the Airports Authority at Dulles International. He also advised that the Finance Committee would be asked to consider an amendment to the Investment Policy, which would apply to the investment of the net proceeds from the sale of the Western Lands.

Mr. Sudow thanked Mr. Davis for the presentation and stated that the proposed sale is a very significant transaction for the Airports Authority in terms of the generation of non-airline revenue, and utilizing its real estate to contribute to that very important objective of reducing the costs to the airlines. Mr. Sudow asked if Jack Potter, President and Chief Executive Officer, would comment on whether the needs of Dulles International had been refreshed, and whether, after the property is sold, there would be enough land to accommodate the Airport's anticipated future growth, given that enplanements have increased, and the great expectations in terms of the growth of Dulles International. Mr. Potter

[2] The press release was coordinated with Digital and released on Monday, September 24.

stated that staff had taken a very careful look at those issues and advised that there is a plan for a fifth runway at Dulles Airport, which would be an east-west runway, for which land has been set aside. He stated further that there is no anticipation that there will be a need for an additional north-south runway. Mr. Potter advised that the land that the Airports Authority purchased was part of a larger piece of property, which the owner sold for a smaller parcel since the cost of having the land divided was almost as much as it was for purchasing the entire parcel, and so the Airports Authority made the purchase of the additional land with no vision for how it might be useful to the organization.

Mr. Potter stated that as a result of the sale, the Airports Authority would monetize the land and have the proceeds help with the Authority's operations, and the growth that is desperately needed at Dulles International. To put it in perspective, Mr. Potter noted that as of the day's Board meeting, Dulles International had approximately 23 million passengers, while the Airport as of that time could handle 40 million passengers without an additional runway. In fact, he stated that the Airport could handle probably 80 million passengers without an additional runway. Mr. Potter further stated his belief that the Airports Authority is well-positioned to handle growth at Dulles International, and there is not a foreseeable use of the parcel [that has been recommended for sale]. He advised that a runway could not be created from the parcel under discussion because it has its limitations. Mr. Potter added his belief that it is great that the Airports Authority will receive the benefit of monetizing the parcel. He noted that staff also believes the sale is great for the county because they will be able to put the land back in the tax base, and as development occurs on it, there will be significant tax dollars going to Loudoun County. Mr. Potter stated that he was aware of some concerns about traffic resulting from the land sale, but stated that the anticipation is that in all likelihood, the land will be used for data centers, which have a very limited amount of demand associated with the roadway. Therefore, he expressed his belief that the sale would be a win-win all the way around.

Ms. Hanley then stated her observation that there was a stated intent to use the proceeds of the sale to help the Airport and the Airports Authority and asked about any restrictions on the use of the proceeds of the sale. Mr. Potter stated that there would be an upcoming presentation on the Agreement, in which there would be discussion about the fact that under the AIP Grant Assurances the only thing that the Airport can do with the funds is to reinvest them in Airport activity.

Ms. Hanley then clarified that reinvestment of the funds could not be made for road and trains, but planes only. Mr. Potter stated that the proceeds could not be invested in roads or trains, but in planes only. Mr. Potter added that the proceeds could not be used for commercial development in downtown D.C. but had to benefit the aviation operation and incenting airlines to use the Airports of the Airports Authority.

Mr. Uncapher then stated that speaking on behalf of the entire Board, the Directors really appreciated the work that had gone into the sale of the Western Lands, which is a real accomplishment on the part of the team. He stated his recognition of the fact that the discussions about the possible monetization of this piece of land had been going on for quite some time, and that this recommendation was the culmination of a very successful process.

Mr. Davis thanked the Board for its support.

The Committee approved the recommendation, and Mr. Sudow stated that he would offer a resolution at the day's Board Meeting.

Recommendation to Approve an Amendment to the Airport Use Agreement and Premises Lease for Washington Dulles International Airport. Phil Sunderland, Vice President and General Counsel, made a presentation to the Committee to amend the Agreement at Dulles International, in connection with the sale of the Western Lands and to authorize the President and CEO to sign that amendment on behalf of the Airports Authority. Mr. Sunderland advised that the proposed amendment was included in the materials that had been provided for the day's meeting.

As background, Mr. Sunderland stated that the Committee had just received an overview on the sale of the Western Land parcel, which would produce gross proceeds of about $236 million. After deducting the Airports Authority's cost in selling and marketing the property, as well as the costs that would be incurred in defeasing the bonds that were used to purchase the property in 2008, Mr. Sunderland said that it is estimated that the Airports Authority's net proceeds from the sale would be approximately $207 million. He stated that under the current Agreement for Dulles International, the term "revenues" is defined to mean every dollar, all revenues, that are derived from the operations or otherwise at the Airport, except categories of revenues that are specifically excluded from the definition. None of those exclusions include lump sum payments that are received for the sale of real estate. As a result, under the current Agreement, the entire amount of the net proceeds, $207 million, would be considered revenue in a single fiscal year, and would be distributed in a single year. Therefore, Mr. Sunderland stated that approximately 75 percent of the net proceeds would be distributed to the airlines and approximately 25 percent to the Airports Authority under the current Agreement.

Mr. Sunderland stated that to avoid a single-year distribution of the net proceeds of the sale of the Western Lands, the amendment proposed to the Dulles Agreement would accomplish the following things. First, it would amend the definition of "revenues" to expressly exclude the net proceeds derived from the sale of the Western Lands. Second, it would require the Vice President and Chief Financial Officer, acting on behalf of the Airports Authority, to create a separate account into which the net sale proceeds will be placed to retain the proceeds, along with all the investments made with the proceeds, in that separate account, which would be managed and maintained over time. Third, it would require that any distribution that the Airports Authority makes from the separate account could be used solely for the purpose of reducing the costs that the Airports Authority would otherwise include in calculating the rents, fees and charges that it assesses airlines that operate at Dulles International. Fourth, it would require the Airports Authority each year to distribute interest in earnings in the form of interest and dividends that are received from the investments in the account and further require those distributions to be made for the Airport cost reduction principal or purpose stated in accomplishment number three. Mr. Sunderland stated that every year interest and dividends will be distributed to offset airline costs. Fifth, it would authorize, but not require, the Airports Authority, in its discretion, to make additional distributions from the account that exceed just the interest and the dividend earnings, and require that any such larger distributions also be subject to the airline cost reduction principal in accomplishment number three. Lastly, Mr. Sunderland advised that the amendment would provide that following the expiration of the current Agreement, the term of which ends at the end of December 2024, the management of the account and the utilization and the distribution of the funds that are in the account at that time, will be governed by the terms of the new Agreement in effect at Dulles International, effective January 1, 2025.

Mr. Sunderland reported that once the amendment is approved by the Committee and the Board, it would be presented to all the airlines operating at Dulles International that are our signatories to the Agreement, and the amendment will become effective for all airlines on the earlier of the date they sign it, or the date on which the Agreement is signed by the airlines that collectively accounted for more than 50 percent of landing fees and terminal rentals paid by all the airlines in 2017.

With regard to the utilization of the funds from the proceeds of the sale, including investment income derived from it, Mr. Sunderland advised that those funds would constitute Airport revenue, as Mr. Potter had previously reported. He stated that the Airports Authority is subject to a revenue policy issued by the Department of Transportation (DOT), and as a result, all of the revenue that the Airports Authority derives has to be used for purposes of aviation at either Reagan National or Dulles International. Therefore, the Airports Authority is restricted in terms of how it can use the money by federal regulations. Also, under the terms of the Airports Authority's bond indentures and Agreement with the airlines, since the revenue is Dulles International revenue, the Airports Authority is obligated to keep all of the revenue made at Dulles International at that Airport and may not be used for the benefit of, or to pay expenses incurred within, the Dulles Corridor Enterprise. Mr. Sunderland stated that the Airports Authority cannot breach the firewall that is established between the Aviation Enterprise Fund and the Dulles Corridor Enterprise Fund.

For all of the reasons Mr. Sunderland cited, staff recommended that the Committee and Board approve the proposed amendment to the Agreement and authorize Mr. Potter to sign it on behalf of the Airports Authority.

For clarification purposes, Mr. Uncapher sought confirmation that the amendment to the Agreement would not govern how the proceeds of the sale will be invested, to which Mr. Sunderland answered affirmatively. He stated that the amendment solely addresses segregating the funds and limiting how they may be used, which is separate from how the funds can be invested.

Mr. Uncapher observed that the Agreement anticipates its terms will be revisited in six years, when the terms come up for renewal in 2024 so the Airports Authority will need to have those funds available at that time for reconsideration. Mr. Sunderland stated that in 2023, the Airports Authority staff would begin negotiations for a new agreement to be effective in January 2025. Mr. Sunderland reiterated that DOT's rules on the use of revenue would continue to apply at that time.

Mr. Potter stated his belief that the Airports Authority could, prior to a new agreement, invest some of the sales proceeds in instruments with longer than six-year terms, and that such longer-term instruments would have to be a consideration when the Agreement expires. He further stated that if negotiations resulted in a different direction, some of such longer-term instruments might have to be disposed of and, in that case, a penalty could be potentially be required to do so.

Mr. Uncapher stated that there is a sequence of questions approaching because of the negotiation of a new agreement in five years. He inquired whether paying down current Airports Authority debt would be inconsistent with the amendment to the Agreement.

Mr. Sunderland sought clarification on whether the question was with respect to the paying down of debt in the future. Mr. Uncapher responded that his question was on the paying down of debt in the next five years. Mr. Sunderland stated that the questions should be addressed by Mr. Rountree because it was a financial question, but added that the proposed amendment to the Agreement requires that the sales proceeds be used in a manner that distributes benefits entirely to the airlines and does so roughly in proportion to their utilization of the Airport and to the relative costs they incur in operating at the Airport. He stated further that if the Airports Authority were to use the sales proceeds to offset existing Airport debt, the benefits of doing so may not be limited to the airlines at the Airport or may be distributed to airlines in proportion to their use of the Airport or the costs they incur in operating at the Airport.

Mr. Potter stated his belief that the proposition made by Mr. Uncapher was not inconsistent with the Agreement. Mr. Uncapher stated that his presumption that a redistribution of whatever savings could be presumably, consistent with the Agreement. Mr. Sudow stated that he thought all options were possible and that it should be prudent to recognize that the real estate that was being sold provides an opportunity to generate a long-term stream of revenue for the Airports Authority.

Mr. Uncapher stated that it was his intention not to open up the investment discussion, but to be clear about what the Agreement required of the Airports Authority, in terms of investment and use of proceeds.

Other comments and dialogue occurred on this matter which culminated in the unanimous approval of staff's recommendation by the Strategic Development Committee.

The meeting was thereupon adjourned at 8:54 a.m.