

PORT OF SEATTLE
MEMORANDUM

COMMISSION AGENDA
ACTION ITEM

Item No. 6a
Date of Meeting August 6, 2013

DATE: July 30, 2013
TO: Tay Yoshitani, Chief Executive Officer
FROM: Kurt Beckett, Deputy Chief Executive Officer
Mike Merritt, Manager, Puget Sound/Washington Government Relations
Geraldine Poor, Regional Transportation Manager
SUBJECT: Commission Motion supporting Port participation in the SR-99 Alaskan Way Viaduct Replacement Program Funding Agreement

Amount of This Request:	NTE \$294,000,000 less credit for prior projects	Source of Funds:	Tax Levy
Est. Total Cost:	\$300,000,000		

ACTION REQUESTED

Request Port Commission adoption of a motion to direct and authorize the Port's Chief Executive Officer to execute a funding agreement with the State of Washington in substantially the form attached as Exhibit A, providing Port participation in the Alaskan Way Viaduct Replacement Program consisting of the SR-99 Tunnel Alternative, the SR-99 South Access Connection Project, and the SR-99 North Access Construction Project, and to authorize expenditure of \$275,000,000 in accordance with the terms of the funding agreement.

SYNOPSIS

The proposed funding agreement between the State and the Port fulfills the memorandum of agreement (MOA) between the State and the Port, adopted by the Commission on February 9, 2010. It affirms Port participation not to exceed \$300 million in the Alaskan Way Viaduct Replacement Program.

The agreement recognizes that \$25 million has been allocated by the Port for funding of transportation projects serving the SR-99 system. This \$25 million includes \$19 million previously expended for construction projects and \$6 million remaining at the Port's discretion to assist in the funding of transportation projects serving the SR-99 system. The State has through 2018 to request the spending of the \$6 million portion of this allocation.

The agreement also recognizes Port costs of \$7.3 million for 1) Port financing costs associated with the State's request to make an early payment in 2015 rather than providing full payment in 2016 through 2018 as originally stated in the MOA, and 2) Port staff costs for work related to the program in excess of regular Port operational activity.

COMMISSION AGENDA

Tay Yoshitani, Chief Executive Officer

July 30, 2013

Page 2 of 8

The proposed funding agreement commits the Port's payment of funds toward the SR-99 bored tunnel and the north and south portal projects in the amounts of \$120 million on May 1, 2015, and \$147.7 million on May 1, 2016, for a total of \$267.7 million.

BACKGROUND

In January 2009, Governor Christine Gregoire, Mayor Greg Nickels and County Executive Ron Sims recommended the Alaskan Way Viaduct (Viaduct) be replaced by a bored tunnel along with complementary transportation improvements and seawall reconstruction. Port CEO Tay Yoshitani participated in the announcement and committed to work in partnership and to pursue Port participation of not to exceed \$300 million to fund critical Port-related elements of the program, subject to Port of Seattle Commission (Commission) approval.

Under the replacement program, the State would move SR-99 into a bored tunnel beneath downtown, reconnect the street grid at the ends of the tunnel and remove the viaduct along the waterfront. The State is responsible for managing this project and the related environmental review. The City of Seattle (City) would build a new Alaskan Way roadway funded by the State, build new public open space along the waterfront once the viaduct is removed, improve other city streets, and replace the central seawall. King County (County) would seek new funding to invest in expanded transit service. The City and County are responsible for managing these projects, and their related environmental reviews.

Later in 2009, the Washington State Legislature approved the deep-bore tunnel concept for the replacement of the viaduct. The State's maximum contribution for the Alaskan Way Viaduct replacement was limited to \$2.4 billion, with up to \$400 million financed with toll revenue, for a total of \$2.8 billion. The amount to be funded through toll revenue subsequently was reduced to \$200 million.

On October 24, 2009, Mayor Nickels and Governor Gregoire signed an MOA that details investments in the SR-99 corridor, city streets, new Alaskan Way, Mercer, and Spokane streets, the waterfront promenade, and central seawall. The MOA outlined the City's obligation of \$927 million for the program, and designates accountability for projects and implementation roles.

In 2010, the State issued a Supplemental Draft Environmental Impact Statement (EIS) meeting the requirements of the National Environmental Protection Act and State Environmental Policy Act. A Final EIS and Section 4(f) Evaluation were issued in July 2011. In August 2011, the State issued a Record of Decision for the SR-99 Bored Tunnel Project.

In a significant step forward in October 2010, Governor Gregoire announced at a press conference at Pier 69 that the two teams which had submitted bids for the SR-99 Bored Tunnel design-build competition were at or below the contract price. In January 2011, the State

COMMISSION AGENDA

Tay Yoshitani, Chief Executive Officer

July 30, 2013

Page 3 of 8

executed a design-build contract with Seattle Tunnel Partners for the design and construction of the SR-99 Bored Tunnel Project as a replacement for the Alaskan Way Viaduct.

As the program has progressed into design and construction, the Port has and will continue to be actively engaged in review of design, construction, and maintenance of traffic documents, and other partnership activities.

PROJECT JUSTIFICATION AND DETAILS

The Port of Seattle supports the replacement of the Alaskan Way Viaduct with the bored tunnel alternative and related system improvements, as affirmed by the Port Commission motion on December 15, 2008. This design best affords essential transportation capacity, provides significant environmental benefits, and minimizes construction related disruption on the waterfront.

The central waterfront section of the viaduct is a critical north-south transportation facility of regional, state and national significance, and one of two limited access routes through Seattle's urban core carrying more than 100,000 vehicles daily. The SR-99 corridor is crucial to the region's freight mobility because it provides for 1.5 million freight trips annually by grade-separation of through-traffic, rail lines and industrial corridors near the Port's marine terminals, which support the movement of \$30 billion in cargo value through the Port each year. It also supports freight mobility within the Seattle for the variety of commercial and residential needs.

The Alaskan Way Viaduct Replacement Program is now under construction. The design for the program elements will improve waterfront transportation access, including over 8 million annual ferry riders; ensure connectivity, including an oversized-vehicle corridor, between the Ballard-Interbay and Duwamish industrial areas and Seattle-Tacoma International Airport; provide access to Port cargo, fishing and cruise facilities; minimize construction disruption; and increase opportunities for the public and freight to access the waterfront. Construction has been completed or is underway for complementary system upgrades to the transportation system.

Completed projects include SR-519, Spokane Street Widening, East Marginal Way Overpass, and Intelligent Transportation Systems. These projects benefit the Port by improving speed, efficiency, and safety for the movement of freight among Port cargo terminals, rail yards, and warehouse and distribution centers. The Mercer Corridor project now under construction will create an improved east-west corridor from Interstate 5 for freight and cruise buses north of the downtown area. Replacement of the Elliott Bay seawall, due to begin this fall, will protect waterfront properties and the vital Alaskan Way surface corridor.

There are currently 194,000 jobs supported by the Port. The Port's Century Agenda calls for the creation of 100,000 new jobs in our region through economic growth led by the Port of Seattle over the next 25 years. This goal can only be achieved with the effective movement of freight and goods locally, nationally and internationally. Seattle's Duwamish and Interbay industrial areas are served by the SR-99 corridor and constitute a significant portion of Seattle's maritime and industrial sector, contributing approximately one-third of the city's tax base. Ultimately,

COMMISSION AGENDA

Tay Yoshitani, Chief Executive Officer

July 30, 2013

Page 4 of 8

such infrastructure investments will help Washington State achieve growth in trade and jobs and increase our region's competitiveness in global markets.

The Duwamish industrial area has an employment base of 50,000 and is home to busy warehouse, manufacturing and distribution centers. Agricultural export and manufactured goods from throughout Washington and Idaho converge on this area. The road network serving the area includes Interstates 90 and 5, along with State Routes 519, 99 and 509, together representing billions of dollars in present and future State investment. The mainline of the BNSF Railway, serving the BNSF, UP, Amtrak and Sounder freight and passenger rail operations, runs through the Duwamish industrial core.

The Port continues to actively participate in the design and construction planning for the Alaskan Way Viaduct Replacement Program to ensure adequate connection to freight and cruise facilities, as well as in planning for construction mitigation and maintenance of traffic. The Port, the State, the City of Seattle and King County will continue to work collaboratively toward the successful program completion.

Project Objectives

The Port's highest priorities for an Alaskan Way Viaduct Replacement Program are that it:

- Provide sufficient capacity to move freight traffic efficiently.
- Grant easy access to our cargo, commercial fishing and cruise facilities and Sea-Tac International Airport.
- Minimize construction disruption, while other alternative scenarios under study risked closing the waterfront for up to seven years.

Scope of Agreement

The State responsibilities as outlined in the funding agreement are to ensure that the program ultimately facilitates efficient movement of freight and other traffic in the tunnel and on the waterfront segment of the surface road. Further, the State ensures the following:

- Environmental documentation is complete.
- Project design is consistent with State and Port needs and provides the Port with the direct benefit committed to by the State.
- Opportunities for the Port for coordination, review and comment on channelization and maintenance of traffic during construction.
- Project costs funded by Port-issued bonds meet the requirements for use of tax-exempt bond proceeds.

Port responsibilities are to the funding and schedule described below.

The funding agreement further provides directions regarding modifications, notification, records, disputes, duration, and indemnification.

COMMISSION AGENDA

Tay Yoshitani, Chief Executive Officer

July 30, 2013

Page 5 of 8

Schedule

The terms and conditions of the funding agreement commit the Port to make two lump sum payments to the State as follows:

- \$120,000,000 no later than May 1, 2015.
- \$147,700,000 no later than May 1, 2016.

In addition to the Port contribution above, no later than 2018, the State may request an additional \$6,000,000 toward projects identified by the State as serving the SR-99 system. The Port Commission would decide whether to contribute, and the minutes of the Port Commission meeting authorizing such a contribution would be attached as Supplement 1 to the agreement.

FINANCIAL IMPLICATIONS

<i>Budget/Authorization Summary</i>	Government Expense
Original Budget	NTE \$300,000,000
Previous Authorizations *	(\$19,000,000)
Remaining budget to be authorized:	
• SR-99 program-related projects	(\$6,000,000)
Today's action	\$275,000,000
Current request:	
• Net Port contribution	\$267,700,000
• Early financing and Port staff time	\$7,300,000
Total Estimated Project Cost	\$300,000,000

* Previous authorizations include \$19 million contributed toward complementary program transportation investments that provide capacity for future growth and improved safety. These include the East Marginal Way Overpass, Spokane Street Viaduct, Duwamish Intelligent Transportation System and the SR-519 South Seattle Intermodal Access Project Phase 2.

Budget Status and Source of Funds

Funding for the Port's contribution was included in the tax levy funding plan presented to the Commission on October 23, 2012. Funding will be provided by the Port's property tax levy through a combination of available cash in the Transportation and Infrastructure Fund, which is currently projected at \$37 million, with the balance of approximately \$231 million provided by General Obligation bond proceeds. Per the funding agreement, \$120 million will be provided in 2015, and \$147.7 million will be provided in 2016. The expenditure will be accounted for as a non-operating expense.

STRATEGIES AND OBJECTIVES

The Port's Century Agenda strategies support participating in this funding agreement.

COMMISSION AGENDA

Tay Yoshitani, Chief Executive Officer

July 30, 2013

Page 6 of 8

Our Century Agenda vision calls for the addition of 100,000 new jobs in our region through economic growth led by the Port of Seattle over the next 25 years, for a total of 300,000 Port-related jobs in the region, while reducing our environmental footprint. This goal can only be achieved with the effective movement of freight and goods locally, nationally and internationally. Seattle's Duwamish and Interbay industrial areas are served by the SR-99 corridor and constitute a significant portion of Seattle's maritime and industrial sector. Ultimately, such infrastructure investments will help us achieve growth in trade and jobs and increase our region's competitiveness in global markets.

In addition, related planks of the Century Agenda include:

Position the Puget Sound region as a premier international logistics hub

- Grow seaport annual container volume to more than 3.5 million TEUs.
- Triple the value of our outbound cargo to over \$50 billion.
- Double the economic value of the fishing and maritime cluster.

Advance this region as a leading tourism destination and business gateway

- Make Seattle-Tacoma International Airport the West Coast "Gateway of Choice" for international travel.
- Double the economic value of cruise traffic to Washington State.

Be the greenest, and most energy efficient port in North America

- Anchor Puget Sound urban industrial land use to prevent sprawl in less developed areas.

ALTERNATIVES AND IMPLICATIONS CONSIDERED

Alternative 1) Do not approve the motion or funding agreement. This action would be inconsistent with Commission action from 2010. It would be contrary to the multiagency funding partnership and could delay or prevent the implementation of the Alaskan Way Viaduct Replacement Program as designed. Given the benefits to the Port of the tunnel alternative and the statewide need to complete this vital public asset, this is not the recommended alternative.

Alternative 2) Approve the motion authorizing the CEO to sign the funding agreement for the Alaskan Way Viaduct Replacement Program. **This is the recommended alternative.**

ATTACHMENTS TO THIS REQUEST

- Motion
- Final Draft Funding Agreement
- Computer slide presentation by Port staff and WSDOT
- State and Port MOA 2010, GCA 6444

PREVIOUS COMMISSION ACTIONS OR BRIEFINGS

- On August 9, 2007, the Commission reviewed and commented on the six Moving Forward projects and an overview of the central waterfront Collaborative Process. This

COMMISSION AGENDA

Tay Yoshitani, Chief Executive Officer

July 30, 2013

Page 7 of 8

was an extension of the articulation of the Port's business concerns that the Port CEO had expressed to the Mayor, the Governor and the King County Executive after the March 2007 announcement of the Collaborative Process. Those concerns were: maintaining system capacity, freight mobility, access to waterfront businesses and the seawall's function and construction planning to mitigate impacts and support Port tenants and other private businesses. Public comment was also taken.

- On August 5, 2008, the Washington State Department of Transportation (WSDOT) and the Seattle Department of Transportation (SDOT) program team presented the guiding principles and measures, and eight hybrid scenarios for Commission review and discussion. Port staff summarized discussions with the program team, including the Commission's consistent statements about our overarching tenets to maintain or enhance system functionality, complementary system upgrades, freight mobility, access to Port and other waterfront properties (including provision for growth in business activity) and the seawall's function. These tenets must be measured both for the final design concept and for construction impacts.
- On December 2, 2008, Speaker of the House Frank Chopp provided a slide presentation to the Commission of his concept to replace the Viaduct.
- On December 9, 2008, the Commission reviewed and commented about the scenarios' performance on the guiding principles and measures to the WSDOT, SDOT and King County program team.
- On December 15, 2008, the Commission adopted a motion recommending to the State, City, and County that a Subsurface Hybrid option be retained for further study as part of the Viaduct and Seawall Replacement Program. Public comment was also taken.
- On January 6, 2009, Port staff updated the Commission on developments since the passage of the December 15, 2008, motion, including Stakeholder Advisory Committee support and the anticipated process for the final recommendation.
- On January 27, 2009, Port staff reviewed Viaduct replacement program issues as developed by WSDOT and benefits for the Port, freight mobility and the regional system. Public comment was also taken.
- On March 10, 2009, the WSDOT and SDOT Viaduct Program Team briefed the Commission on the Bored Tunnel Hybrid, particularly with regard to the north portal and freight connections. After the briefing, the Commission also hosted a Policy Roundtable with key Port customers and stakeholders to discuss the Viaduct Replacement Program.
- On January 5, 2010, Port staff and the WSDOT and SDOT Alaskan Way Viaduct program team representatives presented an update on project design, early action construction and stakeholder involvement, and project benefits and areas of concern for the Port. The State requested a Memorandum of Understanding to memorialize the Port's support for the program, including Port participation not to exceed \$300 million.

COMMISSION AGENDA

Tay Yoshitani, Chief Executive Officer

July 30, 2013

Page 8 of 8

- On January 12, 2010, the Commission hosted a policy roundtable to discuss the Viaduct Replacement Program with Port customers and stakeholders and noted that a draft Memorandum of Agreement with the State of Washington is expected to be ready for consideration in early February.
- On February 2, 2010, Port staff briefed the Commission on the proposed Memorandum of Agreement with the State of Washington outlining the Port's potential financial participation not to exceed \$300,000,000 in the Alaskan Way Viaduct Replacement Program. Public comment was also taken.
- On February 9, 2010, the Commission adopted a motion to direct and authorize the Port's CEO to execute the Memorandum of Agreement with the State of Washington affirming Port participation not to exceed \$300,000,000 in the Alaskan Way Viaduct Replacement Program, if and to the extent that, the Port of Seattle Commission authorizes funds for these purposes. Public comment was also taken.
- On November 2, 2010, Port staff and WSDOT and SDOT representatives updated the Commission on the Alaskan Way Viaduct Replacement Program and the Supplemental Draft Environmental Impact Statement.
- On May 10, 2011, WSDOT and SDOT representatives briefed the Commission on the progress of the Alaskan Way Viaduct Replacement Program and associated projects of interest to the Port, its tenants, and stakeholders. Public comment was also taken.
- On February 28, 2012, the Commission authorized a Possession and Use Agreement with WSDOT and Total Terminals International LLC at Terminal 46 as one of the "Moving Forward" projects associated with the Alaskan Way Viaduct Replacement Program. Public comment was also taken.
- On March 13, 2012, the Commission held a policy roundtable to discuss regional transportation issues, including the Alaskan Way Viaduct Replacement Program, the Port's transportation investments and freight flows supporting the waterfront and industrial business.
- On October 23, 2012, the Tax Levy presentation included funding projections for the Port's contribution to the Alaskan Way Viaduct Replacement Program.
- On November 6, 2012, Port staff presented follow-up information on the tax levy discussion held on October 23, 2012, including the Alaskan Way Viaduct Replacement Program.