

PORT OF SEATTLE
MEMORANDUM

COMMISSION AGENDA
ACTION ITEM

Item No.	<u>6b</u>
Date of Meeting	<u>February 4, 2014</u>

DATE: January 27, 2014
TO: Tay Yoshitani, Chief Executive Officer
FROM: Michael Burke, Director Seaport Leasing & Asset Management
Ticson Mach, Capital Project Manager
SUBJECT: Terminal 46 (T-46) Development Program (CIP #C102554)

Amount of This Request:	\$6,500,000	Source of Funds:	General Fund
Est. Total Project Cost:	\$20,000,000 to \$35,000,000		

ACTION REQUESTED

Request Commission authorization for the Chief Executive Officer to direct staff to purchase materials, advertise for construction bids, execute construction contracts, and fund the construction phase of the stormwater improvements portion of the Terminal 46 Development Program in the amount of \$6,500,000, bringing the total amount currently authorized for the program to \$12,500,000.

SYNOPSIS

On April 9, 2013, Commission approved \$6,000,000 in permitting, design, and project management funds for T-46 Development Program. The stormwater phase of this project will utilize an estimated \$1,500,000 of those funds. The design is near completion and the stormwater project is ready to advance into the construction phase. This phase will include purchase of materials, advertising for construction bids, execution of a major construction contract, and all other work necessary to complete the project, and is included within the 2014 Budget and Plan of Finance.

BACKGROUND

Total Terminals, Inc. (TTI) is the current tenant at T-46. The 13th Amendment to the TTI lease for T-46 committed the Port to certain capital improvements to the terminal. The Commission previously authorized permitting, design, and project management funding for T-46 lease improvements for an estimated cost of \$6,000,000 as part of the estimated \$20,000,000 to \$35,000,000 lease amendment commitments at T-46.

COMMISSION AGENDA

Tay Yoshitani, Chief Executive Officer

January 27, 2014

Page 2 of 6

PROJECT JUSTIFICATION AND DETAILS

Under the lease amendment, the Port is obligated to construct a stormwater treatment system that meets current stormwater standards in conjunction with Lessee's implementation of operational best management practices. TTI is required, under Ecology Administrative Order Docket Number 8864, to have stormwater treatment installed and operational at T-46 no later than September 30, 2014, to meet Industrial Stormwater General Permit (ISGP) Level 3 corrective action.

The majority of T-46's stormwater runoff comes from four distinct drainage basins (basins 2, 5, 6, and 8) and discharges to Elliott Bay through four main outfalls (outfalls 2, 5, 6, and 8). Basin 2, located at the northern end of the container terminal, is currently part of a sublease with the Washington State Department of Transportation (WSDOT) for the Alaskan Way Viaduct Replacement Project for barge transfer of spoils from the tunnel excavation. The majority of basin 2 is currently covered under a separate General Stormwater Construction Permit. However, when WSDOT's lease ends (2016 or later), TTI may be required to treat this outfall in addition to the other three outfalls. Staff will request the remaining construction funding in the future.

Project Objectives

- Install stormwater treatment systems at three existing outfall locations (outfalls 5, 6, and 8).
- Minimize disruption to the tenant and tenant operations.
- Incorporate environmentally sustainable practices into the project where practical.
- Complete project on time and within budget.

Scope of Work

The project consists of the following components:

- Remove existing manholes and connecting pipes.
- Install the stormwater treatment systems, connecting pipes, and flow control manholes.
- Re-pave area of disruption.

Schedule

	<u>Start</u>	<u>Finish</u>
Commission Authorization for Construction	February 2014	February 2014
Advertise and Award	February 2014	June 2014
Construction	June 2014	December 2014

COMMISSION AGENDA

Tay Yoshitani, Chief Executive Officer

January 27, 2014

Page 3 of 6

FINANCIAL IMPLICATIONS

Budget/Authorization Summary –

Capital

Expense

Total Program

T-46 DEVELOPMENT Program

Original Budget	\$0	\$0	\$0
Previous Authorizations	\$6,000,000	\$0	\$6,000,000
Current request for authorization	\$6,500,000	\$0	\$6,500,000
Total Program Authorizations, including this request	\$12,500,000	\$0	\$12,500,000
Remaining budget to be authorized	TBD	TBD	TBD
Total Estimated Project Cost	\$20,000,000 to \$35,000,000	\$0	\$20,000,000 to \$35,000,000

Project Cost Breakdown –

This Request

Total Stormwater
Project

STORMWATER IMPROVEMENTS

Construction	\$5,890,000	\$5,360,000
Construction Management	\$230,000	\$230,000
Design	\$380,000	\$1,480,000
Project Management	\$0	\$280,000
Permitting	\$0	\$120,000
Total	\$6,500,000	\$8,000,000

Budget Status and Source of Funds

The T-46 Development CIP was included in the 2014 Draft Plan of Finance under Committed-Authorized CIP #C102554 T-46 Development in the amount of \$35,114,000 (including actual/forecasted spending in 2013). The funds for the Stormwater Improvement Project were/are included in this CIP.

This project will be funded from the General Fund.

Financial Analysis and Summary

CIP Category	Renewal/Enhancement
Project Type	Infrastructure Upgrade
Risk adjusted discount rate	Not applicable

COMMISSION AGENDA

Tay Yoshitani, Chief Executive Officer

January 27, 2014

Page 4 of 6

Key risk factors	<ul style="list-style-type: none">• Construction costs may increase due to market trends.• Unforeseen obstruction and contaminated material due to deep excavation.• Project schedule could be delayed due to project complexity, weather condition, or the need to minimize tenant disruptions.
Project cost for analysis	\$8,000,000
Business Unit (BU)	Seaport Lease and Asset Management
Effect on business performance (see note * below)	Based on an estimated asset life of 20 year, the stormwater project will increase depreciation by \$400K per year and will reduce Net Operating Income by a corresponding amount.
IRR/NPV (see note * below)	NPV is the present value of the project cost.

Note *: The financial analysis of the overall T-46 Development program is included in the April 9, 2013, Commission Memo.

Lifecycle Cost and Savings

The design team evaluated 14 combined conveyance and treatment alternatives, performed in-field pilot testing of two preferred treatment technologies, and bench-scale testing of a third. The selected treatment system is based on the following:

- Underground installation, reducing facility operational impacts by maximizing the best use of the limited available waterfront space at T-46 and limiting extent of existing drainage system retrofits required.
- Can be operated by gravity negating the requirement for pumping and significant power upgrades required under all other alternatives considered. Ongoing pumping of stormwater would not be required for the Up-Flo system, minimizing both construction costs and the carbon footprint of the treatment approach.
- Filter media is non-proprietary affording the Port the flexibility to test various different types of filtration media as necessary to identify and implement the most appropriate media mix for facility-specific discharge quality. This flexibility is particularly important for Port facilities where the commodities handled and resultant runoff water quality characteristics can be expected to vary based on economic and market influences.
- Lowest cost compared to other evaluated treatment systems.

STRATEGIES AND OBJECTIVES

This project meets a Port lease obligation and will support our Century Agenda Strategic Objective to grow Seaport annual container volume to more than 3.5 million TEUs (twenty-foot equivalent units).

COMMISSION AGENDA

Tay Yoshitani, Chief Executive Officer

January 27, 2014

Page 5 of 6

TRIPLE BOTTOM LINE

Economic Development

Maintaining Terminal 46 as an operating container terminal is key to the Port meeting its Century Agenda strategies of increasing container volume in Seattle to 3.5 million TEUs and doubling the value of exports from Seattle.

Environmental Responsibility

This project will provide the opportunity to apply environmental sustainability principles associated with the new improvements, including:

- Practices to avoid and minimize potential negative environmental effects;
- Upgrading the drainage system to better manage stormwater;
- Improvements aimed to balance one-time capital improvement and annual maintenance and operational costs.

Community Benefits

The Office of Social Responsibility will coordinate with the project manager and the procurement departments to determine opportunities for small business participation in support of Resolution No. 3618.

ALTERNATIVES AND IMPLICATIONS CONSIDERED

Alternative 1) – Do nothing. The Port of Seattle is obligated to construct a stormwater treatment system that meets current stormwater standards in conjunction with Lessee's implementation of operational best management practices. Cancellation of the project work would violate the terms of the lease amendment. This is not the recommended alternative.

Alternative 2) – Delay the construction to future years. TTI is subjected to a maximum fine of \$27,500 per day if a treatment system is not installed and operational at T-46 by September 30, 2014, to meet Industrial Stormwater General Permit (ISGP) Level 3 corrective action. This is not the recommended alternative.

Alternative 3) – Proceed with construction of stormwater treatment systems. This alternative allows TTI to comply with Ecology Administrative Order and allows the Port to comply with its lease obligation. **This is the recommended alternative.**

ATTACHMENTS TO THIS REQUEST

- Diagram of Terminal 46

PREVIOUS COMMISSION ACTIONS OR BRIEFINGS

- December 11, 2012 – Commission approved execution of the 13th Amendment to the lease for Terminal 46 with Total Terminals, Inc.

COMMISSION AGENDA

Tay Yoshitani, Chief Executive Officer

January 27, 2014

Page 6 of 6

- April 9, 2013 – Commission approved permitting, design, and project management funding for improvements committed as part of the lease amendment at Terminal 46.