

PORT OF SEATTLE
MEMORANDUM

COMMISSION AGENDA
ACTION ITEM

Item No. 4b
Date of Meeting April 22, 2014

DATE: April 15, 2014
TO: Tay Yoshitani, Chief Executive Officer
FROM: Mike Burke, Director, Seaport Leasing and Asset Mgmt.
Tim Leonard, Capital Project Manager
SUBJECT: East Marginal Way and Argo Yard Truck Roadway Program authorizations

	EMWGS	EMW Phase II	Argo Yard Roadway
Amount of This Request:	\$800,000	\$2,400,000	\$1,200,000
Port of Seattle Cost:	\$22,480,807	\$2,975,000	\$3,400,000
Grants, Amounts paid by Partners:	\$33,775,364	\$400,000	\$4,350,000
Est. Total Project Cost:	\$56,256,171	\$3,375,000	\$7,750,000
Source of Port Funds:	Tax Levy	Tax Levy	Tax Levy

ACTION REQUESTED

Request Authorization for the Chief Executive Officer to:

- (1) execute the East Marginal Way Grade Separation project's (WP #102007) Memorandum of Agreement Between The City of Seattle and the Port of Seattle Regarding the East Marginal Way Grade Separation (MOA) and expend \$800,000 for final close-out construction elements and the conveyance of required properties/easements to the City of Seattle for a total project cost of \$56,256,171;
- (2) advertise, award, and execute a major works construction contract for the East Marginal Way Phase II project (WP#104866), and increase the project authorization in the amount of \$2,400,000 for a total project authorization of \$3,375,000;
- (3) execute the Argo Yard Truck Roadway Supplemental Agreement to Memorandum of Understanding to authorize acquisition of real property interests and term permit necessary for the Argo Yard Truck Roadway project (WP#'s 104739/104751/104754); and
- (4) advertise, award, and execute a major works construction contract for the Argo Yard Truck Roadway project (WP#'s 104739/104751/10754), and increase the project authorization in the amount of \$1,200,000 for a total project authorization of \$7,750,000.

COMMISSION AGENDA

Tay Yoshitani, Chief Executive Officer

April 15, 2014

Page 2 of 11

SYNOPSIS

The East Marginal Way Grade Separation (EMWGS) project is a major roadway overpass near the East Marginal Way/South Spokane Street intersection. The grade separation is a complex bridge structure that conveys surface traffic above both Burlington Northern/Santa Fe (BNSF) and Union Pacific Railroad (UPRR) tracks. The completed project improves freight mobility for numerous terminals and provides safer transit for all traffic by eliminating surface street/railroad crossing conflicts at this area.

The East Marginal Way Phase II project will complete surface street improvements at the south end of the EMWGS structure and eliminate the last remaining conflict between rail traffic and northbound traffic accessing the structure. Additionally, proposed construction project improvements beneath the new, adjacent SR-99 structure will enable southbound freight traffic from the EMWGS structure to cross East Marginal Way South and access the proposed Argo Yard Truck Roadway.

The Argo Yard Truck Roadway will reduce round-trip dray times for harbor truckers while improving safety for general-purpose traffic. The project will accomplish these goals by creating a direct drayage route shortcut to the Argo Yard that bypasses congested portions of East Marginal Way South. Additionally, UPRR will construct an Argo Yard gate and site upgrades, to speed truck processing.

The proposed East Marginal Way Phase II and Argo Yard Truck Roadway project improvements will be bid and constructed under a single contract in order to maximize construction efficiency and minimize total project costs.

BACKGROUND

The Freight Action Strategy (FAST) Corridor Partnership initiated the EMWGS project in the mid-1990s. The FAST Corridor partnership was established to support Port operations on highways and rail lines that sustain maritime international trade along the freight corridor from Tacoma to Everett. The Port of Seattle has been a partner since FAST's inception and has contributed or committed over \$40,000,000 to various projects in the corridor.

The Port of Seattle implemented the EMWGS project as a solution to general and freight traffic delays at railroad crossings in the East Marginal Way South vicinity and Duwamish Avenue south of Spokane Street. Funds received for this project came from federal, state, local, railroad, and Port of Seattle sources. Construction of the new overpass structure was substantially completed in 2012, and vehicular traffic is now able to travel over the existing BNSF and UPRR railroad tracks at Duwamish Avenue without stopping for trains. The MOA between the Port and the City of Seattle has been finalized accordingly. Per the MOA, the Port will transfer ownership (and thereby long-term maintenance) of the grade separation improvement and any related property interests to the City.

The proposed East Marginal Way Phase II improvements project arose from an opportunity created by the Washington State Department of Transportation's (WSDOT) SR-99 Timber

COMMISSION AGENDA

Tay Yoshitani, Chief Executive Officer

April 15, 2014

Page 3 of 11

Trestle Replacement project immediately south of the EMWGS project. Advanced by an agreement between the Freight Mobility Strategic Investment Board (FMSIB), Seattle Department of Transportation (SDOT), WSDOT, and the Port, a structural design change in the new trestle replacement structure created an opening for a pass-through lane under the structure to enable southbound freight traffic to access the proposed Argo Yard Truck Roadway. This design change and associated construction cost was funded by a FMSIB grant. Further review of the updated WSDOT structure design provided a substantial additional opportunity: modification of one of the proposed column locations has made possible a proposed East Marginal Way surface roadway alignment improvement that will enable northbound traffic to avoid the final remaining railroad track conflict in this area and continue unencumbered onto the EMWGS overpass.

For many years, harbor drayage stakeholders have envisioned a shortcut from Harbor Island to the Argo Yard. With the completion of the EMWGS overpass structure, this vision has gained traction as a significant component for creating a virtually seamless expressway between marine terminals and the near-dock, intermodal yard at Argo.

Currently, trucks traveling between Port terminals and the Argo Yard utilize East Marginal Way South and southbound freight traffic must merge through three lanes of traffic in a distance of only 1,000 feet in order to turn east at Diagonal Way South. The number of trucks awaiting the left turn signal at this intersection frequently exceeds the capacity of the holding lane, which in turn causes increased congestion and unsafe driving conditions for general southbound vehicular traffic on East Marginal Way South.

The proposed Argo Yard Truck Roadway project will result in a safer, direct-access southbound freight route between the EMWGS structure and the Argo Yard. Per an MOU signed in 2012 between the Port and the other project stakeholders - FMSIB, the City, UPRR, and Prologis LLC (Prologis) – the Port will construct, own, and maintain a one-way dedicated truck roadway between East Marginal Way South (at the new WSDOT SR-99 structure) and Colorado Avenue South on property owned by UPRR and Prologis. Additionally, the Port will construct public street and rail crossing improvements along Colorado Avenue South and Diagonal Avenue South to increase truck turning movement capacity, better delineate traffic lanes, and improve pedestrian safety.

The proposed improvements to be constructed by the Port, as well as the required easements to be purchased from Prologis, will be funded by the Port and FMSIB. UPRR will provide the Port necessary easements for the roadway in return for funds from FMSIB to be applied toward the cost of their proposed Argo Yard gate and site upgrades. The City will be granting the Port term permits for the portions of public rights-of-ways that will be crossed by the proposed truck roadway.

The stakeholders, Port, FMSIB, City of Seattle, Prologis, and UPRR, have negotiated a Supplemental Agreement that clarifies each stakeholder's responsibilities and obligations and supplements the 2012 MOU to accomplish the real estate transactions necessary for

COMMISSION AGENDA

Tay Yoshitani, Chief Executive Officer

April 15, 2014

Page 4 of 11

accomplishment of the Argo Yard Truck Roadway project. The proposed Supplemental Agreement addresses the terms and conditions for conveyance and acquisition of easements; identifies and legally describes the real property subject to the easements and the term permit; and addresses limitation of environmental liability/risk. The proposed easement documents, as well as the legal description of the portion of City right-of-way to be covered by a term permit, are attached as exhibits to the proposed Supplemental Agreement. Authorization for the Port to execute a Supplemental Agreement, substantially as set forth in the Attachment to this Commission Agenda Action Item Memorandum, is a prerequisite for acquisition of easements and the term permit, which are in turn necessary to move forward with awarding a construction contract and constructing the project. As of the date of publication of this Commission action memorandum, Prologis has indicated that its agreement is contingent on UPRR's agreement to a long-term lease with a termination provision that deviates from UPRR's standard termination provision.

PROJECT JUSTIFICATION AND DETAILS

The EMWGS, East Marginal Way Phase II, and Argo Yard Truck Roadway projects collectively provide a system of traffic improvements that eliminate at-grade conflicts between vehicular and rail traffic between South Spokane Street and Duwamish Avenue; provide a direct access route for freight traffic to the UPRR Argo Yard; and improve traffic safety and efficiency on East Marginal Way South.

Project Objectives

- Enhance the vehicular traffic flow and safety of the public and freight handling businesses.
- Assure the continued viability of Port investments in containerized shipments consistent with the Port's Century Agenda.

Scope of Work

EMWGS:

The remaining scope includes:

- the construction of UPRR track crossing improvements at the Evergreen Electric site entrance along Duwamish Avenue;
- the installation of ballast rock under the structure on the south side of Duwamish Avenue;
- the maintenance and replacement of installed landscaping plantings until the City takes ownership of them in 2016; and
- the formal conveyance of structure-related properties and project infrastructure easements to the City.

East Marginal Way Phase II:

The proposed construction scope consists of new East Marginal Way South surface street improvements under the new WSDOT SR-99 structure including concrete pavement, curbs,

COMMISSION AGENDA

Tay Yoshitani, Chief Executive Officer

April 15, 2014

Page 5 of 11

drainage, striping, signage and lighting as well as new roadway crossing panels and associated pavement for the UPRR spur track servicing Ash Grove Cement and Terminal 104.

Argo Yard Truck Roadway:

The project consists of three elements:

- Element I - designed, permitted, and constructed by the Port. It consists of a new private, southbound only, concrete roadway from East Marginal Way South to Colorado Avenue South. The roadway will be for the sole use of freight traffic, and as such, will contain barriers along both sides and signage prohibiting its usage by general public traffic. The roadway will be lit with LED street lighting and require associated stormwater treatment facilities.
- Element II - designed, permitted, and constructed by the Port, involves public street improvements along Colorado Avenue South and Diagonal Avenue South. These improvements will consist of intersection island modifications, new curbs, sidewalks, and striping to better accommodate truck movements, more clearly delineate traffic versus rail traffic lanes, and improve pedestrian safety. Additionally, new concrete panels and pavement replacement with ballast rock will be installed along the UPRR track crossing the southeast corner of Prologis's property in order to improve the delineation of railroad versus vehicular traffic lanes.
- Element III - designed, permitted, and constructed by UPRR, consists of the installation of an automated gate system and related site improvements at the Argo Yard. Port to administer pass-through FMSIB funds to UPRR.

Schedule

EMWGS:

- Remaining project-related construction items to be completed by spring 2015
- Conveyance of structure-related properties and easements to City by end of 2015

East Marginal Way Ph. II:

- Remaining design and permitting to be completed by June 2014
- Advertisement for construction bids in June 2014
- Construction to be completed by Jan 2015

Argo Yard Truck Roadway:

- Remaining design and permitting to be completed by June 2014
- Advertisement for construction bids in June 2014
- Construction to be completed by Jan 2015

FINANCIAL IMPLICATIONS*Budget/Authorization Summary*

Project Element	FMSIB	TIB	POS	Federal Grants	BNSF	UPRR	City of Seattle	Total Project Cost
EMWGS	\$6,920,000	\$7,300,000	\$22,480,807	\$16,525,364	\$950,000	\$480,000	\$1,600,000	\$56,256,171
EMW PHASE II	\$400,000		\$2,975,000					\$3,375,000
Argo Element I	\$440,000		\$2,529,259					\$2,969,259
Argo Element II	\$160,000		\$795,741					\$955,741
Argo Element III	\$3,750,000		\$75,000					\$3,825,000
Total	\$11,670,000	\$7,300,000	\$28,855,807	\$16,525,364	\$950,000	\$480,000	\$1,600,000	\$67,381,171

<i>Project Cost Breakdown</i>	This Request	Total Project
--------------------------------------	---------------------	----------------------

EMWGS

Administration	\$0	\$382,300
Construction	\$200,000	\$23,837,871
Construction Management	\$0	\$6,879,700
Design	\$380,000	\$6,504,200
Project Management	\$100,000	\$3,791,500
Permitting	\$100,000	\$2,867,900
State & Local Taxes (estimated)	\$20,000	\$20,000
Real Estate		\$11,972,700
Total	\$800,000	\$56,256,171

EMW Phase II

Construction	\$1,750,000	\$1,750,000
Construction Management	\$485,000	\$500,000
Design	\$0	\$250,000
Project Management	\$0	\$460,000
Permitting	\$0	\$250,000
State & Local Taxes (estimated)	\$165,000	\$165,000
Total	\$2,400,000	\$3,375,000

Argo Yard Truck Roadway

Construction	\$530,000	\$5,800,000
Construction Management	\$185,000	\$400,000
Design	\$65,000	\$250,000
Project Management	\$215,000	\$400,000
Permitting	\$150,000	\$370,000
State & Local Taxes (estimated)	\$55,000	\$530,000
Total	\$1,200,000	\$7,750,000

Budget Status and Source of Funds

EMWGS, EMW Phase II, and Argo Yard Truck Roadway Element II: Spending on these projects is expensed as incurred, as non-operating Public expense. Amounts included in the 2014 Non-Operating Expense Budget totaled \$1,780,000 while current forecasted amounts total \$2,050,000 creating an unfavorable expense variance of (\$270,000) for 2014. Total spending over the remaining schedule of the project increased by \$1,838,467.

Argo Yard Truck Roadway Element I: Project element was included in the 2014 Plan of Finance Approved Capital Budget under CIP C800546 Argo Yard Roadway Element 1 in the amount of \$2,323,797 (net of grants). The current expected net cost to the Port is \$2,529,259 or a \$205,462 increase over the amount included in the Approved Capital Budget.

COMMISSION AGENDA

Tay Yoshitani, Chief Executive Officer

April 15, 2014

Page 8 of 11

Argo Yard Truck Roadway Element III: All but \$75,000 in administrative costs of project element III will be funded by grants and UPRR. The forecasted \$20,000 in administrative costs expected to be incurred in 2014 were not included in the 2014 Operating Budget creating a minor unfavorable expense variance. The related operating grant revenue and offsetting expense were not reflected in the 2014 Operating Budget, but the net impact is \$0. Port spending over the life of the project increased by \$75,000.

All amounts funded by the Port of Seattle will be funded by the Tax Levy. The net increase in tax levy funding over what was included in the 2014 Budget and related Draft Plan of Finance Approved Capital Budget is approximately \$2,118,246.

Financial Analysis and Summary

CIP Category	Regional Transportation																																								
Project Type	Freight Mobility																																								
Risk adjusted discount rate	NA																																								
Key risk factors	Cost overruns required to be funded by the Port.																																								
Project cost for analysis	NA																																								
Business Unit (BU)	Seaport																																								
Effect on business performance	<p>EMWGS, EMW Phase II, and Argo Element II: Spending on these projects is expensed as incurred, as a non-operating Public expense.</p> <table border="1"> <thead> <tr> <th>NonOp income (exp) (in \$000's)</th> <th>2014</th> <th>2015</th> <th>2016</th> <th>Total</th> </tr> </thead> <tbody> <tr> <td>NOI After Depreciation</td> <td>\$0</td> <td>\$0</td> <td>\$0</td> <td>\$0</td> </tr> <tr> <td>Public Expense</td> <td>(\$2,050)</td> <td>(\$2,470)</td> <td>(\$200)</td> <td>(\$4,720)</td> </tr> <tr> <td>Incr (Decr) to Net Position</td> <td>(\$2,050)</td> <td>(\$2,470)</td> <td>(\$200)</td> <td>(\$4,720)</td> </tr> </tbody> </table> <p>Argo Element III: As the grant administrator, the Port will report the grant revenue as operating revenue and the related offsetting expense as operating expense.</p> <table border="1"> <thead> <tr> <th>Net Operating Income (in \$000's)</th> <th>2014</th> <th>2015</th> <th>2016</th> <th>Total</th> </tr> </thead> <tbody> <tr> <td>Operating Grant Revenue</td> <td>\$1,000</td> <td>\$2,750</td> <td>\$0</td> <td>\$3,750</td> </tr> <tr> <td>Operating Grant Expense</td> <td>(\$1,020)</td> <td>(\$2,805)</td> <td>\$0</td> <td>(\$3,825)</td> </tr> <tr> <td>Net Operating Income</td> <td>(\$20)</td> <td>(\$55)</td> <td>\$0</td> <td>(\$75)</td> </tr> </tbody> </table> <p>Argo Element I: The completed roadway will be recorded as a Port asset depreciated over the expected service life of 30 years. Depreciation expense will increase by approximately \$99K per year and Net Operating Income After Depreciation will decrease by the corresponding amount.</p>	NonOp income (exp) (in \$000's)	2014	2015	2016	Total	NOI After Depreciation	\$0	\$0	\$0	\$0	Public Expense	(\$2,050)	(\$2,470)	(\$200)	(\$4,720)	Incr (Decr) to Net Position	(\$2,050)	(\$2,470)	(\$200)	(\$4,720)	Net Operating Income (in \$000's)	2014	2015	2016	Total	Operating Grant Revenue	\$1,000	\$2,750	\$0	\$3,750	Operating Grant Expense	(\$1,020)	(\$2,805)	\$0	(\$3,825)	Net Operating Income	(\$20)	(\$55)	\$0	(\$75)
NonOp income (exp) (in \$000's)	2014	2015	2016	Total																																					
NOI After Depreciation	\$0	\$0	\$0	\$0																																					
Public Expense	(\$2,050)	(\$2,470)	(\$200)	(\$4,720)																																					
Incr (Decr) to Net Position	(\$2,050)	(\$2,470)	(\$200)	(\$4,720)																																					
Net Operating Income (in \$000's)	2014	2015	2016	Total																																					
Operating Grant Revenue	\$1,000	\$2,750	\$0	\$3,750																																					
Operating Grant Expense	(\$1,020)	(\$2,805)	\$0	(\$3,825)																																					
Net Operating Income	(\$20)	(\$55)	\$0	(\$75)																																					
IRR/NPV	N/A																																								

COMMISSION AGENDA

Tay Yoshitani, Chief Executive Officer

April 15, 2014

Page 9 of 11

STRATEGIES AND OBJECTIVES

- Enhance the vehicular traffic flow and safety of the public and freight handling businesses.
- Assure the continued viability of Port investments in containerized shipments consistent with the Port's Century Agenda.
- Improve vehicle and freight mobility to assure viability of container terminal operations and reduce emissions from vehicle idling.

Environmental Responsibility

The EMWGS, East Marginal Way Phase II, and Argo Yard Truck Roadway projects will collectively significantly reduce both drayage trucks idling at railway crossings and street intersections, as well as general traffic congestion, thereby reducing greenhouse gas and diesel particulate emissions. Construction design includes installation of stormwater quality detention and treatment for 2.43 acres and use of efficient LED street lighting for the proposed East Marginal Way Phase II improvements and Argo Yard Truck Roadway.

Community Benefits

These projects will increase traffic mobility as well as safety for both harbor truckers and general traffic as the dangerous movement of southbound trucks entering SR-99 along its west side and crossing over multiple lanes of traffic in order to turn east on Diagonal Avenue South, toward the Argo Yard, within a very short distance is eliminated.

ALTERNATIVES AND IMPLICATIONS CONSIDERED

EMWGS:

1. Retain Port ownership of the structure and related properties and accept associated long-term liabilities and maintenance costs. This is not the recommended alternative.
2. Keep authorization at current level and risk ability to close out the project and convey the required structure and related properties to the City in accordance with the project MOA. This is not the recommended alternative.
3. Approve the project MOA and increase the authorization in the amount of \$800,000. This alternative will enable the remaining construction close-out tasks to be completed as well as the effort required to convey the structure and related properties to the City in accordance with the project MOA. **This is the recommended EMWGS project alternative.**

East Marginal Way II:

1. Seek other funding source rather than Port funds to increase the project authorization for construction to improve northbound traffic flow to the EMWGS structure and create a road connection to the proposed Argo Yard Access Roadway. The implications of this alternative are freight mobility improvement delay and increased cost if implemented in the future. This is not the recommended alternative.

COMMISSION AGENDA

Tay Yoshitani, Chief Executive Officer

April 15, 2014

Page 10 of 11

2. Increase project authorization in the amount of \$2,040,000 for project construction in order to improve northbound access to the EMWGS structure and provide access to the proposed Argo Yard Truck Roadway. This alternative supports the FAST Corridor program and maintains support to FMSIB. **This is the recommended EMW Phase II project alternative.**

Argo Yard Truck Roadway:

1. Proceed with project without approving the Supplemental Agreement to the project MOU. The implications of this alternative are non-defined terms and conditions for conveyance and acquisition of easements; insufficient identification of the real property subject to the easements and the term permit; and increased environmental liability/risk for the Port. This is not the recommended alternative.
2. Approve the Supplemental Agreement to the project MOU and increase the authorization in the amount of \$1,200,000 for project construction. This alternative will clarify each project stakeholder's responsibilities and obligations, supplement the 2012 MOU to accomplish the real estate transactions necessary, enable the construction of the Argo Yard Truck Roadway in accordance with the previously approved project MOU, and improve freight mobility. **This is the recommended Argo Yard Truck Roadway project alternative.**

ATTACHMENTS TO THIS REQUEST

- Memorandum of Agreement Between The City of Seattle and the Port of Seattle Regarding the East Marginal Way Grade Separation and its Exhibits A and B
- Argo Yard Truck Roadway Project Supplemental Agreement to Memorandum of Understanding and its Exhibits 1-9

PREVIOUS COMMISSION ACTIONS OR BRIEFINGS

- April 1, 2014 – Briefing to Commission regarding project updates and upcoming requested actions.
- April 23, 2013 – Commission Authorization for (1) Ratification of \$232,159 for costs already incurred in excess of current authorization for the East Marginal Way Grade Separation project; (2) additional authorization in the amount of \$1,637,841 to complete outstanding work on the project for a total project authorization of \$55,456,171.
- September 11, 2012 -- Authorization for the Chief Executive Officer to: (1) obligate the Port to pay Washington State Department of Transportation a not-to-exceed amount of \$500,000 for work associated with SR-99 Trestle Replacement to allow East Marginal Way Grade Separation (EMWGS) Phase II and Argo Yard Access Road projects to proceed; and (2) direct staff to develop design and prepare bidding documents for EMWGS Phase II in the amount of \$350,000 (CIP #C001725).
- September 11, 2012 -- Commission authorization to increase previous the Project Authorization by the amount of the American Recovery and Reinvestment Act (ARRA)

COMMISSION AGENDA

Tay Yoshitani, Chief Executive Officer

April 15, 2014

Page 11 of 11

grant in the amount of \$2,875,171 received after Commission authorization on March 24, 2009, resulting in the total project authorization of \$53,575,171.

- December 13, 2011 – Commission authorization of Argo Yard Roadway Memorandum of Understanding (MOU).
- May 18, 2010 – Commission authorization of a change order for a not-to-exceed amount of \$430,000.
- May 11, 2010 – Commission authorization for a Purchase and Sale agreement between Port of Seattle and Ash Grove Cement Company for a portion of Ash Grove's real property.
- November 30, 2009 – Commission approved agreement for early termination of Clear Channel Outdoor, Inc.'s leaseholds and settlement of any claims related to the removal of certain signs on Port-owned property acquired for EMWGS project.
- March 24, 2009 -- Commission authorization to (1) increase previous Project Authorization by the amount of \$17,200,000 resulting in a total Project Authorization of \$50,700,000, and (2) advertise for bids for a total of \$50,700,000.
- January 13, 2009 -- Commission Project update.
- April 11, 2006 -- Commission authorization for project wide elements for a total of \$34,500,000.
- December 9, 2003 -- Commission authorization for design refinement.
- April 9, 2002 -- Commission authorization East Marginal Way Grade Separation conceptual design development.
- July 14, 1998 -- Commission approved Resolution No. 3283, to authorize participation in the FAST Corridor.