

PORT OF SEATTLE
MEMORANDUM

COMMISSION AGENDA
ACTION ITEM

Item No.	<u>6a</u>
Date of Meeting	<u>May 12, 2015</u>

DATE: April 21, 2015
TO: Ted Fick, Chief Executive Officer
FROM: Mike Campagnaro, Manager, Seaport Leasing and Asset Management
SUBJECT: Second Reading and Final Passage Resolution No.3708, of Real Estate Title transfer in accordance with Viaduct Settlement Agreement with exchange of real estate between Washington State Department of Transportation (WSDOT), the Port of Seattle and Total Terminals International LLC (TTI)

ACTION REQUESTED

Request (1) Second Reading and Final Passage of Resolution No. 3708: A Resolution of the Port Commission of the Port of Seattle, (i) amending Unit 20 of the Comprehensive Scheme of Harbor Improvements of the Port of Seattle by declaring certain real property surplus and no longer needed for Port of Seattle district purposes, deleting it from the Comprehensive Scheme, and authorizing the Chief Executive Officer to execute all documents necessary to transfer title of the property to the State of Washington Department of Transportation; and (ii) further amending Unit 20 of the Comprehensive Scheme to add certain real property conveyed to the Port by the State of Washington Department of Transportation and (2) authorization for the Chief Executive Officer to execute all documents necessary to (i) accept the transfer of State surplus property to the Port and (ii) release certain property to the Port's right of first refusal to purchase certain property in the WSDOT project area. The Port will receive financial consideration in the form of cash payment, real estate and in-kind road improvements valued at \$434,000.

SYNOPSIS

This request covers the final transfers of real estate in accordance with the series of prior Possession and Use transactions with WSDOT. Under this specific transaction, WSDOT previously paid the Port \$289,000 of the total agreed upon WSDOT offer of \$490,000 for fee and airspace property rights, related to the Possession and Use Agreement approved by the Commission on February 28, 2012.

The property line adjustments and final Real Property Settlement Agreement, contemplated herein, are associated with finalizing the property transfers related to the Possession and Use Agreement and the final construction for the new bridge across the BNSF Railway (BNSF) Seattle International Gateway (SIG) Yard tail track at S. Atlantic St. The final design and construction of the bridge has been a major improvement in functionality for the movement of Port trucks. It also provided a safer bicycle crossing across the Terminal 46 truck entrance.

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This final documentation reflects “as-built” final construction conditions of the corridor with resolution of fractional real estate ownership and property lines beneficial for both the Port and WSDOT. Resolution and final compensation for the transfer of property consists of a combination of the exchange of fee property ownership, air rights and previously constructed bridge improvements.

BACKGROUND

WSDOT and its contractors commenced work in 2009 on the S. Holgate Street to S. King Street Viaduct Replacement Project to:

- Relocate the existing BNSF Railway (BNSF) Seattle International Gateway (SIG) Yard tail track to the west (complete)
- Replace the viaduct's south end with a new facility (complete)
- Provide new SR-99 on and off-ramps near S. King Street, improving access to downtown (under construction)

When the project began construction in 2009, a fourth component of critical importance to the Port was construction of an underpass under the SIG Yard tail track to grade-separate the east-west movement of Port trucks between Port terminals and the SIG Yard and the freeway system on S. Atlantic Street. This project element was intended to solve a long-standing problem: Port-related rail switching on the tail track impeding the movement of drayage trucks serving Port terminals. In February of 2009, the Port Commission approved a possession and use agreement and on October 14, 2010, the sale of portions of Terminal 46 to support construction of these beneficial transportation improvements.

However, the design of the grade separation as an underpass, which at the time was preferred due to its ability to protect view corridors, meant that the existing direct north-south connection along S. Alaskan Way on the waterfront would be lost. Further analysis showed that the underpass would be more expensive, more risky, and take longer to build than a bridge. It also would have significantly higher life-cycle maintenance costs. Based on these considerations, WSDOT decided to build a bridge that provided a now grade-separated north-south connection on the waterfront and a grade separation of the new SIG Yard tail track in the east-west direction. The switch from an underpass to an overpass changed the project footprint, and the area of Terminal 46 that would be impacted.

Subsequent input by Port staff and trucking interests led to two important beneficial changes to WSDOT’s initial design for the new bridge, both of which also impact Terminal 46:

- The addition of a north-to-east bound turn lane enables Port trucks to head for the SIG Yard or freeway without having to stop on the western uphill portion of the bridge (which pushes the western edge of the structure farther onto the eastern edge of Terminal 46); and

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- A safer interface between T-46's truck entrance and the bike path crossing it. (The bike path on the north side of the truck entrance is curved to ensure that bicyclists approach the crossing at low speeds and enables bicyclists and truck drivers to see each other. Accommodating this design requires a small section of the former labor parking lot.)

Port staff worked closely with the Viaduct project team in the redesign of this critical project. The final design and construction minimized the land-in-fee requirements for the eastern side of the operational area of Terminal 46, while providing significant long-term mobility benefits and guaranteeing truck access to the terminal during construction.

As part of the previous agreement between the parties, WSDOT agreed to expand the project bridge by adding a truck lane as described above at their sole cost, while the Port would contribute the land needed for the extra truck lane. WSDOT estimated the construction cost of expanding the bridge at approximately \$2,000,000. WSDOT originally proposed, and the Port agreed, that the Port contribute the necessary property rights to accommodate the expanded bridge. As further described herein, the value of the Port contributed property was \$209,000. During the negotiation process, Port staff was able to reduce this amount to \$56,000 of property value largely by WSDOT agreeing to transfer previously acquired land no longer needed by the project back to the Port at no cost. In addition, the Port agreed to release its future interest in a right of first refusal over property needed for the WSDOT project. RCW 39.33.010 permits a transfer of property or property rights between the State and other municipal corporations (such as the Port) on mutually agreed to terms and conditions (including price).

PROPERTY VALUATION

Following execution of the previous Possession and Use Agreement, the Port and WSDOT have been in discussions with respect to finalizing the exact parcel areas and the appropriate compensation values. A description of the parcels to be conveyed are described as follows:

1. Fee acquisition by WSDOT from the Port of 3,094 square feet of land area at Terminal 46 valued at \$90.00 per square foot totaling \$279,000 (rounded up).
2. Fee acquisition by WSDOT from the Port of 87 square feet of airspace corridor ("air rights") valued at \$20.00 per square foot for a total value of \$2,000 (rounded up).
3. In consideration of WSDOT agreeing to expand the project bridge by adding a truck lane as described above with an estimated construction value of \$2,000,000, the Port agreed to contribute in fee the following areas as consideration exchange to accommodate the expanded bridge. Using the same unit values as described above, the total contributed Port property value for these areas is \$209,000:
 - 1,768 square feet of land area valued at \$90.00 per square foot for a total value of \$159,000 (rounded down).

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- 2,524 square feet of airspace corridor air rights valued at \$20.00 per square foot for a total value of \$50,000 (rounded down)
4. In final negotiations, WSDOT agreed to transfer fee ownership to the Port (at no cost) of certain property areas valued at \$145,000 previously acquired from the Port and deemed surplus or not needed by the project. Due to the change in design described above, WSDOT had previously proposed that these areas be acquired back by the Port, with the Port paying WSDOT the actual unit values described below:
- 698 square feet of land area valued at \$90.00 per square foot for a total value of \$63,000 (rounded up).
 - 1,169 square feet of airspace encumbered land area valued at \$70.00 per square foot for a total value of \$82,000 (rounded up).
5. Total Port contributed property value of \$209,000 is offset by the \$145,000 value of the WSDOT surplus property given back to the Port plus the difference in land value previously paid by WSDOT and the real value of the land which turned out to be \$8,000. The sum of these 2 offsets reduced the Port's total contribution of property value to \$56,000.

The above is summarized as follows:

Port property conveyed in fee to WSDOT (#1 and #2 above)	\$281,000
Port contributed property in fee to WSDOT (#3 above)	\$209,000
Total Property Value to WSDOT:	\$490,000
Cash Payment to the Port (#1,#2 and \$8K from #5)	(\$289,000)
WSDOT Surplus Property to Port (#4 above)	(\$145,000)
Total Port Contributed Land Value for Expanded Bridge	\$ 56,000

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FINANCIAL IMPLICATIONS

Budget Status and Source of Funds

No funds needed.

Financial Analysis and Summary

CIP Category	N/A
Project Type	N/A
Risk adjusted Discount rate	N/A
Key risk factors	The Port has elected to rely on the independent appraisal of the properties; an appraisal funded by WSDOT, dated 9-11-2011 in determination of the respective land and air rights values. There is a slight variance between the area appraised and the final area conveyed.
Project cost for analysis	N/A
Business Unit (BU)	Seaport Container Operations.
Effect on business performance	The proposed Property Settlement Agreement at Terminal 46 will not result in a reduction in lease revenue. It is expected that neither the transfer of fee nor transfer of air rights will reduce container terminal lease revenue.
NPV	NA

ECONOMIC IMPACTS AND BUSINESS PLAN OBJECTIVES

Proceeding with this property transfer would enable the Port and WSDOT to finalize property transfers related to the Possession and Use Agreement and associated with the new bridge grade-separating both east-west traffic on S. Atlantic Street from the BNSF SIG Yard tail track. The new bridge is considered to improve drayage truck operating efficiencies.

STRATEGIES AND OBJECTIVES

WSDOT's project supported the Port's strategic objective to be a catalyst for regional transportation solutions and the Century Agenda's goal of positioning Puget Sound as a premier international logistics hub. It ensured long-term effective access to seaport facilities, provides access to future land development projects, supports freight mobility, and promotes regional economic competitiveness by improving access between Port container terminals, the regional freeway system and the North SIG Rail Yard.

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TRIPLE BOTTOM LINE

Economic Development

The Settlement Agreement memorializes the real estate ownership interests and allowed the Port and WSDOT to complete the final phase of work associated with a critical transportation link for the Port and the community.

Environmental Development

The project is anticipated to improve air quality by eliminating drayage truck back-ups at the grade crossing of S. Atlantic St. and the SIG Yard tail track.

Community Benefits

WSDOT's project will improve the drayage operations supporting the Port's container terminals. Eliminating the wait time at the at-grade crossing will improve air quality, efficiency of drayage operations, and help Port truck drivers to earn a living.

ALTERNATIVES AND IMPLICATIONS CONSIDERED

Alternative 1) Do not agree to the Real Property Settlement Agreement with exchange of property rights between the Port and WSDOT. This is not the recommended alternative because Port and WSDOT staff supports the project and the associated alignment of real property interests is consistent with as-built improvements. An alternative to refusing the property rights transfer would merely provide future title and ownership confusion in the future.

Alternative 2) Agree to the Real Property Settlement Agreement and transfer of property rights between the Port and WSDOT. The transfer of property rights Terminal 46 Alaskan Way frontage will be consistent with existing use and ownership interests. **This is the recommended alternative.**

ATTACHMENTS TO THIS REQUEST

- Resolution No. 3708

PREVIOUS COMMISSION ACTIONS OR BRIEFINGS

- April 28, 2015, First Reading of Resolution No. 3708 and public hearing
- February 28, 2012, Possession and Use Agreement between the Port and WSDOT.
- October 5, 2010, Second Reading and Final Passage, as amended and restated, of Resolution 3642, amending Unit 20 of the Comprehensive Scheme of Harbor Improvements related to the Surplus and Transfer of Title of Certain Real Property to WSDOT.
- August 24, 2010, Second Reading and Final Passage of Resolution No. 3642, as amended, to add the proceeds to the sale to said property to the Port's Transportation and Infrastructure Reserve.
- August 10, 2010, First Reading of Resolution No. 3642 and public hearing.

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- On March 9, 2010, the Commission authorized the Chief Executive Officer to execute the Eleventh Amendment to the Lease with TTI, which in part deleted from the lease the area covered under the possession and use agreement with WSDOT.
- On July 14, 2009, the Commission authorized the Chief Executive Officer to execute the First Amendment to the possession and use agreement between WSDOT, the Port of Seattle, and TTI for the partial taking of Port of Seattle Terminal 46 for the Holgate Street to S. King Street Viaduct Replacement Project.
- On February 10, 2009, the Commission authorized the Chief Executive Officer to execute a possession and use agreement between WSDOT, the Port of Seattle, and TTI for the partial taking of Terminal 46 for the S. Holgate Street to S. King Street Viaduct Replacement Project.