

PORT OF SEATTLE
MEMORANDUM

COMMISSION AGENDA
ACTION ITEM

Item No.	<u>6a</u>
Date of Meeting	<u>August 9, 2016</u>

DATE: August 2, 2016
TO: Ted Fick, Chief Executive Officer
FROM: Geri Poor, Regional Transportation Manager
Lindsay Wolpa, Regional Government Affairs Manager
SUBJECT: South Lander Street Grade Separation Project Memorandum of Agreement (MOA)

Amount of This Request: \$5,000,000 **Source of Funds:** Tax Levy

ACTION REQUESTED

Request Commission authorization for the Chief Executive Officer to execute a Memorandum of Agreement (MOA), substantially as drafted, with the City of Seattle, obligating the Port to contribute \$5 million to the City for the Lander Street Grade Separation Project.

SYNOPSIS

South Lander Street is an important east-west corridor in Seattle's SODO neighborhood, serving traffic from freight, daily commuters, pedestrians, bicyclists and King County Metro. The Seattle Department of Transportation (SDOT) will build a bridge over the train tracks on South Lander Street between 1st Ave S and 4th Ave S to improve local traffic circulation, rail operations and safety in SODO. With funds secured recently from several sources, the City is seeking to finalize the design of the grade separation in summer 2017 and begin construction early the following year. The City has requested that the Port become a financial partner for the project.

BACKGROUND

The South Lander Street Grade Separation Project was first proposed almost 20 years ago. In conjunction with the Freight Action Strategy for Seattle-Tacoma (FAST) Corridor Partnership, the Port of Seattle has supported this project since 2002.

Established in 1998, FAST pursues funding for high-priority projects for transportation improvements along the Puget Sound corridor between Everett and Tacoma. FAST is a partnership of state, local, and regional agencies, including Puget Sound ports, and the railroads. Its goals are to improve mainline rail capacity and connectivity, eliminate roadway chokepoints where rail and arterial roads intersect, provide safe rail crossings in communities, and establish reliable truck links between ports, rail yards, and freight distribution centers.

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In the past, the Port's support of the Lander project was for regional freight mobility within the Duwamish Manufacturing Industrial Center (Duwamish MIC), reduced railroad at-grade crossings (intermodal and all other trains), and for resiliency and redundancy (especially for local traffic since the majority of regional container trucks use existing grade separated freeway access on Spokane Street and SR-519/Atlantic Street). The project was stalled in 2008 after further design work resulted in significant cost increases. Funding from the Bridging the Gap levy was redirected to the Mercer Street project. Re-embarking now, the City is taking a fresh approach and intends to build the bridge to heavy haul standards. According to the City's project manager, the total cost is estimated at \$140 million, slightly lower than the last estimate.

On July 7, with the support of U.S. Senators Patty Murray and Maria Cantwell, the City was awarded a FASTLANE grant of \$45 million for the South Lander Street Grade Separation project. This is additive to funding commitments already in place: \$7 million committed from the state, \$20 million from city funds (through the 2015 Move Seattle transportation levy), up to \$8 million in grant money from the Freight Mobility Strategic Investment Board (FMSIB), \$9.5 million in federal grant funds recommended through the Puget Sound Regional Council, and \$5 million from BNSF Railway Company. The Port has already been an active supporter of the project by sending letters of support for the FMSIB and federal grant proposals and we will continue to support the City with their solicitations of other funders for the project. We understand that a \$40.5 million gap remains for full funding, after the anticipated contribution by the Port.

To fill their additional funding gap, SDOT staff shared with Port staff that they intend on seeking funds from Sound Transit, King County (Metro) and maybe others. Port staff suggested that they consider approaching private sector partners as well. SDOT staff insists that an early financial commitment by the Port is crucial to successfully securing funds from the other partners.

PROJECT JUSTIFICATION AND DETAILS

The project will be a grade separated overpass on South Lander Street between 1st Ave S and 4th Ave S. While the project design has not yet been finalized, SDOT staff anticipates that the final cost of the project will be approximately \$140 million, including both design and construction. It will be built to heavy haul standards. SDOT engineers are reevaluating the project's earlier design to see how costs can be reduced by increasing efficiencies while maintaining project goals. Should the Port Commission authorize executing the attached agreement, Port staff will remain involved in the design process and in ensuring our needs are met.

Justification for the Port of Seattle's contribution to the project includes an indirect benefit to container terminals as we anticipate that it will remove some congestion to the primary east-west corridors for container trucks, SR-519 and Spokane Street to access I-5 and I-90. In addition, it will provide an alternative to Holgate Street, currently a more popular option for port trucks than Lander Street. Beyond that, SDOT anticipates that the new overpass will provide relief for approximately four and a half hours of delay from train traffic. In turn, this will offer a decrease from air emissions given the minimized idling time. One additional benefit for everyone will be

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the improved safety – conflicts among cars, bikes, trains and pedestrians at this site have led to several fatalities.

Project Objectives

The project aims to improve local traffic circulation, rail operations and safety in the SODO neighborhood. It will improve freight train movements for more than 3,000 rail cars and reduce truck delays, congestion, and emissions for more than 13,000 vehicles each weekday.

Schedule

The City anticipates completing design work to 30 percent in September 2016. They hosted a public open house on the project in early June and intend to hold a follow-up event sometime this fall. Target completion for the final design is summer 2017. Construction is estimated to begin early 2018 be completed by early 2020.

FINANCIAL IMPLICATIONS

Project Cost Breakdown

Lander St Overpass Port participation	\$5,000,000
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Budget Status and Source of Funds

The 2016 Plan of Finance includes \$1,700,000 for this project as a future use of tax levy fund. This agreement for \$5,000,000 is 3,300,000 more than the estimate included in the tax levy presentation last October. The funding source for this agreement will be the tax levy.

Financial Analysis and Summary

CIP Category	Regional Transportation
Project Type	Freight Mobility
Risk adjusted discount rate	NA
Key risk factors	A potential risk factor is that the delivered project does not provide the expected benefit to the Port. This risk is mitigated by the clause in the MOA that requires the City of Seattle to collaborate with the Port on any design changes that impact the Port's expected benefit. In the event the Port's expected benefits are reduced by these changes, and the parties cannot agree on a resolution, the Port has the option to terminate the MOA and would not be required to pay for any construction work it has not approved and that has not been completed.
Project cost for analysis	NA
Effect on business performance	Spending on this project will be expensed as incurred, as a non-operating expense over the city's construction period.
IRR/NPV	NA

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STRATEGIES AND OBJECTIVES

Contributing to this project would indirectly support several aspects of the Century Agenda. The project could lead to improvement in the region as a logistics hub in allowing improved traffic flow outside cargo terminals and minimizing emissions from fewer idling vehicles. In implementing the project, the City of Seattle and the Port of Seattle will collaborate to maximize the opportunities and participation of minority-owned, women-owned, and disadvantaged businesses, including those small businesses within the Seattle-Metropolitan region, within the rules and regulations of federally funded projects.

ALTERNATIVES AND IMPLICATIONS CONSIDERED

Alternative 1 – Contribute nothing to the project.

Cost Implications: zero

Pros:

- (1) Savings for the Port of Seattle.
- (2) Available funding can go to other priority projects.

Cons:

- (1) Negative implications to the Port's relationship with the City of Seattle and other industry partners that support the project.
- (2) No ability to influence the design of the project.

This is not the recommended alternative.

Alternative 2 – Contribute \$10 million to the project.

Cost Implications: \$10 million

Pros:

- (1) Could potentially offer greater influence over project details.
- (2) Could benefit other Port of Seattle priorities in consideration by the City of Seattle.

Cons:

- (1) Creates a new precedent in the Port's financial participation with in other agency-led projects.
- (2) Takes away near-term spending for other Port high priority projects

This is not the recommended alternative.

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Alternative 3 – Contribute \$5 million to the project.

Cost Implications: \$5 million

Pros:

- (1) Offers some level of influence over project details.
- (2) Represents an accurate level of participation for where the project falls on priorities for Port capital projects.

Con:

- (1) Even with this contribution and the federal grant, there remains a funding gap for the project, thus the project still might not move forward.

This is the recommended alternative.

ATTACHMENTS TO THIS REQUEST

- Computer slide presentation.
- Memorandum of Agreement with the City of Seattle
- Agreement attachments

PREVIOUS COMMISSION ACTIONS OR BRIEFINGS

- None.