

**PORT OF SEATTLE**  
**MEMORANDUM**

**COMMISSION AGENDA**  
**ACTION ITEM**

**Item No.** 6d  
**Date of Meeting** September 13, 2016

**DATE:** September 6, 2016  
**TO:** Ted Fick, Chief Executive Officer  
**FROM:** Wayne Grotheer, Director, Aviation Project Management Group  
Don Robbins, Senior Environmental Program Manager  
**SUBJECT:** Lora Lake Apt. Site Remediation and Lora Lake Fill/Remediation (Expense)

<b>Amount of This Request:</b>	\$4,800,000	<b>Source of Funds:</b>	Airport Development Fund
<b>Est. Total Project Cost:</b>	\$24,300,000		
<b>Est. State and Local Taxes:</b>	\$1,685,000		

**ACTION REQUESTED**

Request Commission authorization for the Chief Executive Officer to advertise and execute a major works construction contract for the environmental remediation at the Lora Lake Apartment Site and Lora Lake Property with a total project cost of \$24,300,000, and increase the Environmental Reserve Liability by \$4,800,000.

**SYNOPSIS**

As a result of earlier industrial operations prior to Port of Seattle ownership, the Lora Lake Apartment Site, located on the west side of Des Moines Memorial Way in the City of Burien, was contaminated with dioxins in the soil and groundwater. During the remedial investigation of the apartment site, samples of sediment in the adjoining Lora Lake Property were also required by Washington State Department of Ecology (Ecology) to be tested. Those sediments also contained dioxin contamination that is presumed to have migrated from the apartment site. In order for future site redevelopment, and for the Port to comply with state law and the Model Toxics Control Act (MTCA) Consent Decree, the dioxin contamination in the soil sediment and groundwater at the Lora Lake Apartments Site and Lora Lake Property must be remediated.

The recent cost estimate based on 90-percent design has increased the total project cost from a conceptual-level, pre-design budget of \$19.5 million to \$24.3 million. This increase was not included in the 2016 Environmental Remediation Liability (ERL) authorization. The primary drivers of this increase are:

- a) a much more complex design of the lake parcel sediment capping, fill, and wetland restoration, based on results of groundwater modeling that will require two construction seasons to implement,
- b) the increase in the amount of contaminated soil to be removed from the apartment site,
- c) The need to upgrade the barrier to wildlife at the Dredge Material Containment Area (DMCA) from simple gravel to permeable asphalt pavement to comply with the King County Storm water Manual.

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This project has been underway since 1999. Clean-up of the sites requires approximately 29,000 cubic yards of soil to be removed and 38,000 cubic yards of clean soil to be imported. A federal grant of \$5 million has been received with more potentially available by 2019.

### **BACKGROUND**

The Lora Lake Apartment complex was the site of a barrel cleaning facility in the 1940s and 1950s, and an auto wrecking yard in the 1950s through the 1980s. Both of these types of industrial uses are known to have had high potential for releasing contaminants to the environment. The Novak Barrel Washing Company ceased to exist sometime in the late 1940s or early 1950s. Burien Auto Wrecking went out of business when the property was purchased by the Mueller Development Company in the mid-1980s for the construction of the apartment complex.

During the construction of the apartment complex in 1986-87, the developer conducted environmental investigations and remediation that were approved by Ecology under standards in place at that time.

The Port acquired the apartment property as part of the Third Runway project to meet Federal Aviation Administration (FAA) flight safety zone regulations. By 1999 all residents had vacated the property in anticipation of the construction of the Third Runway and redevelopment for airport and airport-compatible light industrial/commercial use. Due to delays in Third Runway construction, and prior to demolition, the Port sold the property to the King County Housing Authority for a limited period, for residential use. King County sold the property back to the Port in July 2007, at which time the Port demolished a sufficient number of structures to comply with FAA regulations for Airport runway operation. At that time, the Port conducted environmental sampling to define site conditions in support of future property redevelopment. Sample data indicated significant contamination remained at the site. Further investigations confirmed those findings.

In July 2009, the Port and Ecology entered into an agreed order that required the implementation of a remedial investigation/feasibility study, and the development of a draft cleanup action plan. During the remedial investigation of the apartment site, Ecology ordered the Port to collect samples of sediment in the Lora Lake Property. The Lora Lake Property is located on the east side of Des Moines Memorial Way in the City of SeaTac. Those sediments contained dioxin contamination that is presumed to have migrated from the apartment site. It was also discovered that sediment had been dredged from the lake in 1982 and placed on Airport property located to the northeast of the lake in the DMCA.

The Apartment parcel of the Lora Lake Apartment Site is located within the City of Burien's Northeast Redevelopment Area (NERA). The City and Port have partnered to prepare a redevelopment strategy for the NERA. The redevelopment strategy identified the Lora Lake Apartment site appropriate for large-scale commercial or industrial uses such as auto dealerships or air cargo logistics.

To complete site cleanup, a City of Burien storm water line that crosses the Apartment site and discharges into Lora Lake must be abandoned and relocated. The line currently conveys water from an 80-acre area of Burien located to the northwest of the former apartments and extends through the contaminated soil excavation zone in an alignment that would conflict with future site development. The City of Burien is relocating the pipe down 8<sup>th</sup> Avenue South and outside of the Apartment parcel

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with support from an Ecology grant. Alternately, the Port would relocate the pipe within the Apartment site in an alignment that would not conflict with future site development. Moving the pipe outside of the Apartment site is preferred as it would eliminate the introduction of storm water to the Lake property which could complicate the lake remedy design and future compliance monitoring. Early pipe relocation would facilitate implementation of the Apartment Site and Lake Property cleanup projects. Therefore it is possible that the pipe relocation schedule could delay the remediation implementation and result in additional cost. Should that occur, staff will return to the Commission for an increase in authorization.

The Commission authorized the CEO to sign a previous version of the Lora Lake Apartment remediation Consent Decree in September 2013. As a result of the input received during the public comment period, Ecology made changes to the Consent Decree language and the scope of the cleanup, and solicited a second round of public comments. This second public comment period ran from May 4, 2015 to June 17, 2015. A public meeting was held on May 13, 2015, where Ecology personnel presented the proposed cleanup.

After completion of a public comment in May and June 2015, the Commission authorized entering into the revised Consent Decree for the remediation of the Lora Lake Apartment Site in July 2015. The Consent Decree and its exhibits describe in detail the agreement between the Port and Ecology on how and when the site will be remediated, requirements related to future land use, payment of agency oversight costs, and other conditions.

Port staff and consultants have completed the remedial design to implement the conditions set forth in the Consent Decree.

## **PROJECT JUSTIFICATION AND DETAILS**

The overall goal of the site cleanup is to significantly reduce or eliminate the exposure of ecological and human receptors to soil contamination and thereby reduce or eliminate adverse effects on resources in the project site. In addition, cleanup of the apartment parcel will allow for its beneficial reuse.

### ***Project Objectives***

- Perform the remediation work at the site in accordance with the Consent Decree.
- Manage and perform the work, with project controls and contract systems in place.
- Identify and consider community values and concerns, as part of a formal public participation plan.
- Carry out the remediation design and implementation in a manner that considers the potential needs of future development on the Lora Lake Apartment Site
- Remediate Lora Lake Property contaminated sediment in a manner that reduces wildlife hazard to aircraft operations and enhances ecological functions.

### ***Scope of Work***

Cleanup of the Apartment parcel will consist of the removal of approximately 25,570 cubic yards of dioxin-contaminated soil with a concentration greater than 100 parts per trillion (ppt). This soil will be transported to a landfill permitted to accept this type of material. Soil remaining on the site with a

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concentration less than 100 pptr, but above the cleanup level of 13 pptr will be covered with a barrier to prevent direct contact with people or animals. The City of Burien storm drain currently on the Apartment parcel will be abandoned as part of this excavation.

At the Lora Lake property, contaminated sediments will be capped by filling the lake with approximately 38,500 cubic yards of clean fill, and restoring it to a wetland similar to the adjacent Vacca farm wetland mitigation site. The fill will be engineered to immobilize the dioxin contained in the lake sediments. Converting the Lake to a wetland clarifies that it will be subject to MTCA soil standards rather than sediment standards. By converting the open water lake to a vegetated wetland, a bird attractant presenting an aircraft operations hazard will be greatly reduced. In addition, adverse water quality conditions in Miller Creek created by stagnating lake water will be eliminated. In addition to capping the lake sediments, approximately 3,500 cubic yards of upland soil containing low levels of dioxin will be removed from the Lora Lake property, and will be transported to a landfill permitted to accept this type of material.

### ***Schedule***

- Notice to Proceed: Q2 2017
- Construction Complete
  - Lora Lake Fill Phase One: Q3 2017
  - Lora Lake Apartment Site: Q4 2017
- Lora Lake Fill Phase Two:
  - Restart Q2 2018
  - Construction Complete Q4 2018

### **FINANCIAL IMPLICATIONS**

All costs will be accounted for as environmental remediation liabilities and charged to expense in accordance with Port Policy AC-9. The Airport Development Fund will be the funding source.

Total cost for the entire cleanup is currently estimated at \$24.3 million. This is an increase of \$4.8 million since the last ERL authorization in December 2015. The increase is due to further definition of contaminated soil at the Apartment Site and additional design tasks to collect data needed to design the Lake Property remedy. The cleanup costs of the Lora Lake Apartments Site and the Lora Lake Property will be accounted for differently. The \$11.5 million for cleanup at the Lake property will be accounted for as an operating cost as the property is part of the object-free area within the runway protection zone, and therefore no development is permitted. The Lora Lake Apartments Site is not necessary for airfield operations (although a corner is in the controlled action area of the runway protection zone). The Port's intent is to clean up the site in anticipation of sale. The \$12.8 million clean-up costs for the apartments parcel are being accounted for as non-operating costs.

The costs are eligible for Remedial Action Grants from Ecology if and when funds for such grants are available. Currently this project has been granted \$5,000,000. An application for additional grant dollars was submitted to Ecology for the 2015-17 biennium's, but was not funded by the state legislature. The Lora Lake Apartments grant application is active and may be funded in the 2017-19 biennium.

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### ***Budget/Authorization Summary***

	Capital	ERL Expense	Total Project
Original Budget	\$0	\$19,500,000	\$19,500,000
Lake Parcel Increase (Operating)		\$5,200,000	\$5,200,000
Apartment Parcel (Non-operating)		\$(400,000)	\$(400,000)
Total Budget Increase (Decrease)	\$0	\$4,800,000	\$4,800,000
Revised Budget	\$0	\$24,300,000	\$24,300,000
Previous Authorizations	\$0	\$19,500,000	\$19,500,000
Current request for authorization	\$0	\$4,800,000	\$4,800,000
Total Authorizations, including this request	\$0	\$24,300,000	\$24,300,000
Remaining budget to be authorized	\$0	\$0	\$0
Total Estimated Project Cost	\$0	\$24,300,000	\$24,300,000

### ***Budget Status and Source of Funds***

These projects are being authorized in the annual ERL program authorization requests. Authorizations are recorded in previous Commission Memos. All costs will be accounted for as environmental remediation liabilities and charged to expense in accordance with Port Policy AC-9. The Airport Development Fund will be the funding source.

### ***Project Cost Breakdown (Lora Lake Apartments)***

	This Request	Total Project
Construction	\$10,540,000	\$10,540,000
Design	\$1,370,000	\$1,370,000
State & Local Taxes (estimated)	\$880,000	\$880,000
Total	\$12,790,000	\$12,790,000

### ***Project Cost Breakdown (Lora Lake)***

	This Request	Total Project
Construction	\$9,500,000	\$9,500,000
Design	\$1,210,000	\$1,210,000
State & Local Taxes (estimated)	\$800,000	\$800,000
Total	\$11,510,000	\$11,510,000

### ***Financial Analysis and Summary***

<b>CIP Category</b>	Compliance
<b>Project Type</b>	Regulatory
<b>Risk adjusted discount rate</b>	N/A
<b>Key risk factors</b>	N/A
<b>Project cost for analysis</b>	\$5,200,000 (increase over previously expensed amount)
<b>Business Unit (BU)</b>	Airfield Movement Area cost center (Lora Lake site)
<b>Effect on business performance</b>	NOI after depreciation will increase
<b>IRR/NPV</b>	N/A
<b>CPE Impact</b>	\$.23 in 2018

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### ***Lifecycle Cost***

## **STRATEGIES AND OBJECTIVES**

This project will achieve the strategic objective of accomplishing cleanup of the Port's property, with the intent of returning it to productive use.

Remediation of the Lora Lake Apartments Site will reduce to acceptable levels threats to the environment caused by historical property uses and operations, achieving compliance with regulatory mandates, management of Port liabilities, and support of the local community, all in alignment with the goals and objectives of the Century Agenda and Airport Strategies. Returning the property to productive use benefits both the Airport and the local community. Completion of the site remediation, moreover, is directly responsive to the Port's commitment to cooperative joint Port and City of Burien property redevelopment.

## **SMALL BUSINESS**

As part of the remediation process, there will be small business opportunities during the project that will contribute towards its successful cleanup and rehabilitation of the area. Potential opportunities would include soil removal, landscaping, traffic control, and stormwater related efforts.

## **ALTERNATIVES AND IMPLICATIONS CONSIDERED**

### **Alternative 1 – Delay construction of both projects for one year.**

Cost Implications: \$1,019,000 additional costs for one year delay

#### Pros:

- (1) Possible inclusion of design for future development
- (2) Reduced construction overlap with City of Burien storm water realignment

#### Cons:

- (1) Possible added scope increases cost and further delay
- (2) Non-compliance with Consent Decree

This is not the recommended alternative.

### **Alternative 2 – Authorize Lora Lake Apartment Site Remediation only; delay Lora Lake Fill for one year.**

Cost Implications: \$483,390 additional cost of one year delay for Lake property only

#### Pros:

- (1) Reduce immediate cost
- (2) Would meet compliance obligation for remediation
- (3) Clean-up will be completed for resale/redevelopment of apartment parcel

#### Cons:

- (1) Cost increase of Lora Lake Fill/Remediation project

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- (2) Non-compliance of Ecology ordered cleanup of contaminated sediment at the Lora Lake parcel and with Consent Decree.

This is not the recommended alternative.

### **Alternative 3 – Authorization of the proposed advertisement, bid and execution of construction contract of these projects.**

Cost Implications: \$24,300,000

Pros:

- (1) Fulfilment of the Port's environmental obligations for both sites
- (2) Provides regulatory certainty for the remediation process
- (3) Remediation will be complete in 2017 and the apartment site prepared for redevelopment and productive use

Cons:

- (1) Staff could not identify any possible negative aspects to this alternative.

### **This is the recommended alternative.**

## **ATTACHMENTS TO THIS REQUEST**

- PowerPoint showing Vicinity Map and Remediation Details

## **PREVIOUS COMMISSION ACTIONS OR BRIEFINGS**

- December 8, 2015 – The Port Commission authorized spending of environmental remediation liability funds for 2016 in the amount of \$13,900,000 and approved a five-year spending plan of \$71,700,000 for the Environmental Remediation Liability Program for the Seaport, Real Estate, and Aviation Divisions for 2016-2020, including the Lora Lake Apartment site.
- July 14, 2015 – The Port Commission authorized execution of a revised Consent Decree for the design and implementation of the environmental remediation for the Lora Lake Apartments Site, design of environmental remediation at the site, and amendment of the Floyd|Snider Service Agreement to complete additional design work for an estimated amount of \$985,000.
- December 9, 2014 – The Port Commission authorized a five-year spending plan of \$64,088,000 for the Environmental Remediation Liability (ERL) Program for the Seaport, Real Estate, and Aviation Divisions for 2015-2019; and environmental remediation liabilities funds for 2015 in the amount of \$36,804,000. \$16,804,000 is forecasted to be spent in 2015 and an amount estimated not to exceed \$20,000,000 of the remaining funds approved in the five-year plan will be obligated to be spent 2016. The Lora Lake Apartments Property was included in that authorization request.
- September 24, 2013 – The Port Commission authorized execution of a Consent Decree for design and implementation of the environmental remediation design and preparation of construction documents for Lora Lake Apartment Site and Lora Lake Parcel.

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- December 4, 2012 – The Port Commission authorized an amendment to the 2009 Agreed Order, design and preparation of construction documents and amendment of the professional services agreement for environmental remediation at Lora Lake Apartments to \$4.4 million.
- December 4, 2012 – The Port Commission authorized 2013 expenditure of \$44,179,000 from Port Environmental Reserve funds, for environmental remediation including the Lora Lake Apartments Property.
- December 6, 2011 – The Port Commission authorized 2012 expenditure of \$56,500,000 from Port Environmental Reserve funds, for environmental remediation including the Lora Lake Apartments Property.
- June 9, 2009 – The Port Commission authorized execution of an agreed order with Ecology, issued under MTCA, for environmental investigation and remediation of the Lora Lake Apartments Site.
- May 5, 2009 – The Port Commission authorized procurement of environmental consulting services to support the Port's implementation of the Lora Lake Apartments Property remediation.