

PORT OF SEATTLE
MEMORANDUM

COMMISSION AGENDA

Item No. 6h

Date of Meeting June 2, 2009

DATE: May 11, 2009

TO: Tay Yoshitani, Chief Executive Officer

FROM: Scott Pattison, Manager, Industrial Properties and Business Development
Mike Kuhlmann, Capital Project Manager

SUBJECT: Terminal 115 Berth 1 Improvements

ACTION REQUESTED

Staff requests Port Commission authorization to increase the authorized budget by \$6,431,410 to pre-purchase material, and to advertise, award and construct improvements at Terminal 115 Berth 1 for a total new authorization of \$35,219,410.

SYNOPSIS

Northland Terminal Services, Inc. (Northland) entered into a term lease at Terminal 115 (T-115) in January 2003, initially leasing 24 acres with expansion to 44 acres to begin in January 2004. Northland is a marine terminal operator, involved in the handling of containerized, break-bulk and neo-bulk cargo, principally to markets in Alaska and Hawaii. This terminal plays a significant economic role in the region through the provision of 280 direct jobs at Northland (plus the direct employees of Northland's sub-tenant) and the additional induced and indirect jobs resulting from Northland's movement of hundreds of thousands of tons of cargo.

T-115 is a marine cargo terminal with four berths capable of Roll-On/Roll-Off (Ro-Ro), Pass-Pass, and crane transfers of cargo.

The first amendment to the lease was executed in November 2003 and provided for expansion of Northland's premises at T-115 to 69.5 acres effective January 1, 2004. The first amendment also recognized the need to repair or replace the entire 1,200 lineal foot concrete apron due to concealed structural deterioration that was identified in March 2003.

The second amendment to the lease agreed to structural repairs and replacements to portions of the 1,200 lineal foot pier, rather than its entire replacement. In exchange, the Port agreed to other improvements including those outlined for Berth 1.

COMMISSION AGENDA

Tay Yoshitani, Chief Executive Officer

May 11, 2009

Page 2

Completion of Berth 1 upgrades at T-115 would complete the Port of Seattle's obligations for outstanding pier repairs under the second amendment to the lease agreement with Northland. This will sustain marine terminal operations through the remaining lease term of 2032, and preserve the facility for future marine-industrial users.

Improvements to date have included uplands paving, stormwater systems and utility upgrades, and reconstruction of Berths 2, 3, and 4. These improvements are complete.

This request is for funding to complete the reconstruction of Berth 1.

PROJECT DESCRIPTION AND JUSTIFICATION

Redevelop T-115 Berth 1 to improve cargo terminal operations by:

- Removing the center timber pier (Pier B) and replacing it with a ramp support structure and A-frame to accommodate barge loading / unloading.
- Replacing the timber fender systems on Piers A and C with steel fenders.
- Replacing one (1) creosote treated timber mooring dolphin with a steel mooring dolphin.
- Installing two (2) new mooring dolphins.
- Completing maintenance dredging at Berth 1 including removal of contaminated sediments, installation of a clean cap, and construction of an underwater wall for slope stabilization. This maintenance dredging project is located within the Lower Duwamish Superfund site and will require sediment sampling, monitoring and dredge material handling and disposal due to the superfund designation. Also, as part of this project the Port is conducting pre-and post-dredge sampling and source sampling.

PROJECT SCOPE OF WORK AND SCHEDULE

Project Scope

- Demolish one creosote timber finger Pier B and mooring dolphins;
- Install a 440' sheet pile underwater wall;
- Dredge and upland dispose of approximately 3,000 cubic yards (CY) of sediment from the berth area and install a clean cap;
- Construct a new cargo loading ramp supporting structure and A-frame, steel mooring dolphins, winches, fenders, and associated utilities and upland improvements.

Project Permits

This work requires several in-water permits.

- Hydraulic Project Approval thru Department of Fish and Wildlife,
- Water Quality Certification thru Ecology,

COMMISSION AGENDA

Tay Yoshitani, Chief Executive Officer

May 11, 2009

Page 3

- Clean Water Act-Section 404 permit/Rivers & Harbors Act-Section 10 permit through the Corps of Engineers,
- Shoreline Permit from the City of Seattle, and
- Dredged Material Management Program approval.

Associated with these permits/approvals is coordination/concurrence with Environmental Protection Agency's Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA-Superfund) program, Ecology's Model Toxics Control Act (MTCA) program, and Muckleshoot Indian Tribe.

Project Schedule

To complete the in-water elements during the next in-water work time period (in-water construction targeted to occur between December 1, 2009 – February 15, 2010) authorization is needed in June 2009 to pre-purchase long-lead sheet and pipe piles and to advertise the major construction in early August 2009. Important milestones include:

- Construction is scheduled to start in November 2009 and be completed by March 15, 2010, when Northland's seasonal cargo operations resume and this berth must be placed back into service.
- Pre-Purchase - To complete the project by March 15, 2010, the Port will need to pre-purchase sheet and pipe piles – advertising in June 2009 and awarding in August, with pre-purchased materials delivered in November 2009. The estimated cost of the pre-purchase is between \$1,100,000 and \$1,200,000.
- Final design of the project is at 90% at this time.
- Application for building permits has been submitted to the City of Seattle for review. Final approval of the building permits is expected in July 2009.
- Approval of in-water work permits is expected in late June 2009.
- Completion of final construction contract bid documents is targeted for July 20, 2009.
- Advertising the project for construction is targeted for August 2009.

BUSINESS PLAN OBJECTIVES

The overall economic impact from Northland's cargo operations at T-115 is significant to the Port and region. The Port collects market rent under the lease and the tenant directly employs more than 280 people in the greater Seattle area, in addition to direct employees of its sub-tenant. Indirect and induced economic impacts related to movement of hundreds of thousands of tons of cargo through the terminal are equally significant, accruing to a broad array of sectors including trucking, vessel charters, cooerage, and consolidation services; vessel and fleet maintenance, repair and purchasing; supplies and equipment purchases of fuel, lashing gear, containers, rigging, electronics/computers;

COMMISSION AGENDA

Tay Yoshitani, Chief Executive Officer

May 11, 2009

Page 4

insurance, legal services and health care; as well as induced purchases of durable and non-durable goods and services.

FINANCIAL ANALYSIS

Budget/Authorization Summary

Previous Authorizations	\$28,788,000
Current request for authorization	\$ 6,431,410
Total Authorizations, including this request	\$35,219,410
Remaining budget to be authorized	\$0

Project Cost Breakdown

	<u>Yard</u>	<u>Pier</u>	<u>Dredging</u>	<u>Other</u>	<u>Total</u>
Construction costs	\$0	\$4,044,110	\$1,278,000		\$5,322,110
Sales tax	\$0	\$384,190	\$121,410		\$505,600
Outside professional services	\$0	\$150,000	\$106,802		\$256,802
Other	\$0	\$994,000	\$0		\$994,000
Total (Berth 1)	\$0	\$5,572,300	\$1,506,212		\$7,078,512
Total Cost to Date	\$7,798,566	\$19,151,418	\$0		\$26,949,984
Rent Abatement				\$201,434	\$201,434
Environmental (GASB 49)				\$989,480	\$989,480
Total Project Costs	\$7,798,566	\$24,723,718	\$1,506,212	\$1,190,914	\$35,219,410

Source of Funds

The 2009 Plan of Finance contains \$5,800,000 for 2009 and \$1,200,000 for 2010, for a total of \$7,000,000 under Committed CIP C102451 Terminal 115 Dock Reconstruction. The \$6,431,410 request for authorization is for CIP 102541.

The current projected cash flow is \$2,100,000 in 2009 and \$5,700,000 in 2010. When combined with spending of \$200,000 in 2008, staff estimates the total project cost for Berth 1 will be \$8,000,000. The source of funds will be the Tax Levy.

The estimated \$989,480 necessary to complete GASB 49 environmental work will be paid out of Environmental Reserves. The source of funds will be the Tax Levy.

COMMISSION AGENDA

Tay Yoshitani, Chief Executive Officer

May 11, 2009

Page 5

Financial Analysis Summary

CIP Category	Renewal/Replacement												
Project Type	Infrastructure Upgrades												
Risk adjusted Discount rate	7.5%												
Key risk factors	There is a potential risk that the specific ‘finger design’ dock replacement may not accommodate future tenants. This risk is mitigated by the fact that the Northland lease has a term of 30 years.												
Project cost for analysis	\$35,219,410												
Business Unit (BU)	Seaport Industrial Properties												
Effect on business performance	<ul style="list-style-type: none">Based on an estimated 50 year useful life, the \$7.1 million cost for Berth 1 design and construction will increase depreciation by \$142,000 per year.Environmental costs will reduce NOI in the year in which the GASB 49 triggering event occurs.												
IRR/NPV	<p>The following tables summarize the returns to the Port as of 2003 when the lease with Northland was executed. The table below outlines the returns anticipated in the last authorization in May 2005, and the current authorization request dated June 2009.</p> <p>Cash Analysis - \$'s Millions</p> <table border="1"><thead><tr><th>Commission Memo</th><th>Investment</th><th>NPV</th><th>IRR ⁽¹⁾</th></tr></thead><tbody><tr><td>Authorization - May 24, 2005</td><td>\$28.8</td><td>\$18.3</td><td>9.2%</td></tr><tr><td>Current Request - June 2, 2009</td><td>\$35.2</td><td>\$15.6</td><td>9.6%</td></tr></tbody></table> <p>When the opportunity cost of the land and the residual value of land and improvements are included in the current authorization analysis, the NPV is negative (\$19.5) million and the IRR is 5.6%.</p> <p><i>Note (1): IRR is calculated using the Modified Internal Rate of Return method.</i></p>	Commission Memo	Investment	NPV	IRR ⁽¹⁾	Authorization - May 24, 2005	\$28.8	\$18.3	9.2%	Current Request - June 2, 2009	\$35.2	\$15.6	9.6%
Commission Memo	Investment	NPV	IRR ⁽¹⁾										
Authorization - May 24, 2005	\$28.8	\$18.3	9.2%										
Current Request - June 2, 2009	\$35.2	\$15.6	9.6%										

STRATEGIC OBJECTIVES

This project supports the Port’s strategies to:

- “Ensure Airport and Seaport Vitality” by completing the obligations identified in the lease. It will improve operating efficiency for the tenant and will enable maritime trade and commerce to continue at this marine terminal.
- “Exhibit Environmental Stewardship through our Actions”. Environmental benefits include:

COMMISSION AGENDA

Tay Yoshitani, Chief Executive Officer

May 11, 2009

Page 6

- Removing creosote mooring dolphins and replacing with steel piling dolphins;
- Benthic habitat will be improved by removal of 3000 CY of contaminated sediments and installation of a clean sand cover in the dredge area.
- Replacement of a timber loading pier (Pier B) with a removable steel loading ramp will reduce overwater coverage and remove creosote-treated wood from the aquatic environment.
- Replacement of the treated timber fender systems with steel on Piers A and C will remove treated wood from the aquatic environment.
- Installation of a sub-tidal retaining wall will stabilize the intertidal area and prevent future sloughing of material into the berth.
- The overwater walkway to access the loading ramp from Pier C will include a grated deck surface to enhance light penetration into the water.
- Restoring the authorized depth of water at the berth will minimize vessel grounding and associated disturbance to the river bottom

A State Environmental Policy Act (SEPA) review of the barge cargo facility repair and replacement project is complete. A final SEPA Determination of Non-significance was issued by the Port on April 11, 2005 (SEPA File Number: 05-06).

Other environmental/community benefits include:

- Anti-snagging measures on the top of the sub-tidal retaining wall will prevent damage to tribal fishing nets.
- Air—modest positive benefit resulting from increased efficiency of barge cargo operations and associated reductions in air emissions generated by cargo handling equipment.
- Energy and natural resources—modest reduction in fuel consumption associated with cargo handling equipment anticipated as a result of increased efficiency in cargo operations.
- Human factors—no change in site visual or view corridors will result, re-use of existing facility maintains and improves long-term marine industrial use capacity and associated marine industrial employment benefits.

SUSTAINABILITY AND LIFE CYCLE COSTS:

- Specifications will encourage recycling of asphalt, concrete, timber and metal debris removed from the project area as either construction material or as a source of energy.
- Off-site disposal of excavated soils has been minimized. However, in order to upgrade the site infrastructure, excavation is required to install utilities. The project represents a net disposal of in-ground materials.

COMMISSION AGENDA

Tay Yoshitani, Chief Executive Officer

May 11, 2009

Page 7

ALTERNATIVES CONSIDERED AND THEIR IMPLICATIONS:

Alternative 1—Close out CIP with the completion of improvements at Berths 2, 3, and 4 only, without completion of Berth 1 work. This would require a re-negotiation of the lease, resulting in lower revenue to the Port, and limit the operating ability of the tenant. Therefore, this alternative is not recommended.

Alternative 2 – Complete the upgrades identified in the second lease amendment:

- Reconfigure and upgrade portions of the 1,200' concrete pier (completed May 2007).
- Install new transfer spans to create 3 modern Ro-Ro berths (completed May 2007).
- Improve a minimum of 15 acres of container yard space to support landside marine terminal operations (completed January 2009).
- Replace one timber pier with A-frame and ramp, dredge and install related moorage infrastructure at the fourth berth (Berth 1)—(schedule for completion April 2010)

This is the recommended alternative.

ADDITIONAL INFORMATION

As noted earlier, the second amendment to the lease proposed structural repairs and replacements to portions of the pier structures, and other improvements to piers, dolphin and transfer spans, rather than replacement of the entire 1,200' concrete pier structure. This reduction in scope was estimated to provide savings of between 20% and 40% to the Port versus total replacement of the 1,200' pier, and improved operational efficiency.

This second amendment also addressed an expressed need of Northland to upgrade and strengthen a minimum of 15 acres of the CY for heavy equipment operations at a cost of \$8,000,000, with Northland agreeing to:

- 1) A reduced scope of repairs to the piers, while continuing to rent the entire pier area, including those areas that will be restricted from use and access;
- 2) Extension of the base term of the lease from 15 years to a base term of 30 years;
- 3) Payment of additional rent in the amount of \$11,700 per month for the balance of the 30-year lease term; and,
- 4) Waiver of the Port's obligation to maintain depth of water through future dredging of the submerged premises adjacent to the 1,200 foot concrete pier for vessel berthing and navigation for the balance of the 30-year lease term.

This second amendment provided for a variety of structural and configuration improvements to T-115 that will sustain marine terminal operations through the remaining lease term and preserve the facility for future marine-industrial users.

COMMISSION AGENDA

Tay Yoshitani, Chief Executive Officer

May 11, 2009

Page 8

Pier Upgrades (Exhibit 1) – Actual construction cost of \$16,685,479.

- Demolish and replace six sections of the 1,200' concrete pier, adding one new notch and loading ramp for Ro-Ro.
- Block off unimproved sections of the 1,200' concrete apron and restrict to pedestrian use/vessel moorage.
- Other improvements related to the above upgrades.
- Schedule – This work was performed in two phases during the in-water work months of 2005-2006 and 2006-2007. Work was completed in May 2007.

Yard Upgrades (Exhibit 2) –Actual costs \$8,000,000.

- Demolish and replace a minimum of 15 acres of container yard area at a total cost not to exceed \$8,000,000.
- Scheduled yard work was completed in January 2009.

PREVIOUS COMMISSION ACTIONS OR BRIEFINGS:

- January 14, 2003 – Execution of a Term Lease with Northland Terminal Services, Inc.
- September 23, 2003 – Project-wide authorization for the funding of preliminary design services associated with replacement of approximately 1,200 lineal feet of concrete apron at Terminal 115 in the amount of \$2,000,000.
- November 11, 2003 – Execution of the First Amendment to Lease with Northland Terminal Services, Inc., and Commission authorization for C100447 and transfer from C0001702 totaling \$2,288,000 for uplands and dock improvements.
- May 24, 2005 – Execution of the Second Amendment to the Lease with Northland Terminal Services, Inc., and project wide authorization for funding to perform work and enter into professional service and construction contracts related to demolition and construction of piers, transfer spans, dolphins, utilities, seawalls, and paving/grading in the amount of \$16,500,000 and container yard, underground utilities, grading, drainage and paving of a minimum of 15 acres of container yard in the amount of \$8,000,000, for a total requested amount of \$28,788,000.
- August 8, 2006 - When bids for Berths 2, 3 and 4 were received in August 2006, Commission was provided an update that included the following information:
 - There was sufficient funding to construct Berths 2, 3, and 4 and with Commission agreement construction would proceed.
 - With modifications needed to accommodate fishing and tenant needs, the cost of Berth 1 would require an additional \$7,500,000 to \$9,000,000.

COMMISSION AGENDA

Tay Yoshitani, Chief Executive Officer

May 11, 2009

Page 9

- Staff was to return to Commission for additional funding once the Berth 1 scope was defined.

Berth 1 reconstruction was originally included in the construction package with Berths 2, 3 and 4. However, during permit discussions it was apparent that the proposed design for Berth 1 would impact tribal fishing areas, so it was removed from the construction package. The construction package for Berths 2, 3, and 4 was bid in June 2006.

After discussions with the tribes and several months of discussion with Northland, a new scope of work for Berth 1 was finalized in December 2007. Berth 1 re-design and permitting is nearly complete. 90% design was completed on April 20, 2009. The new design requires maintenance dredging of Berth 1 and installation of a sheet pile wall for slope stabilization.

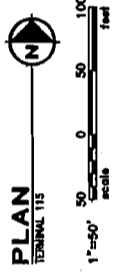
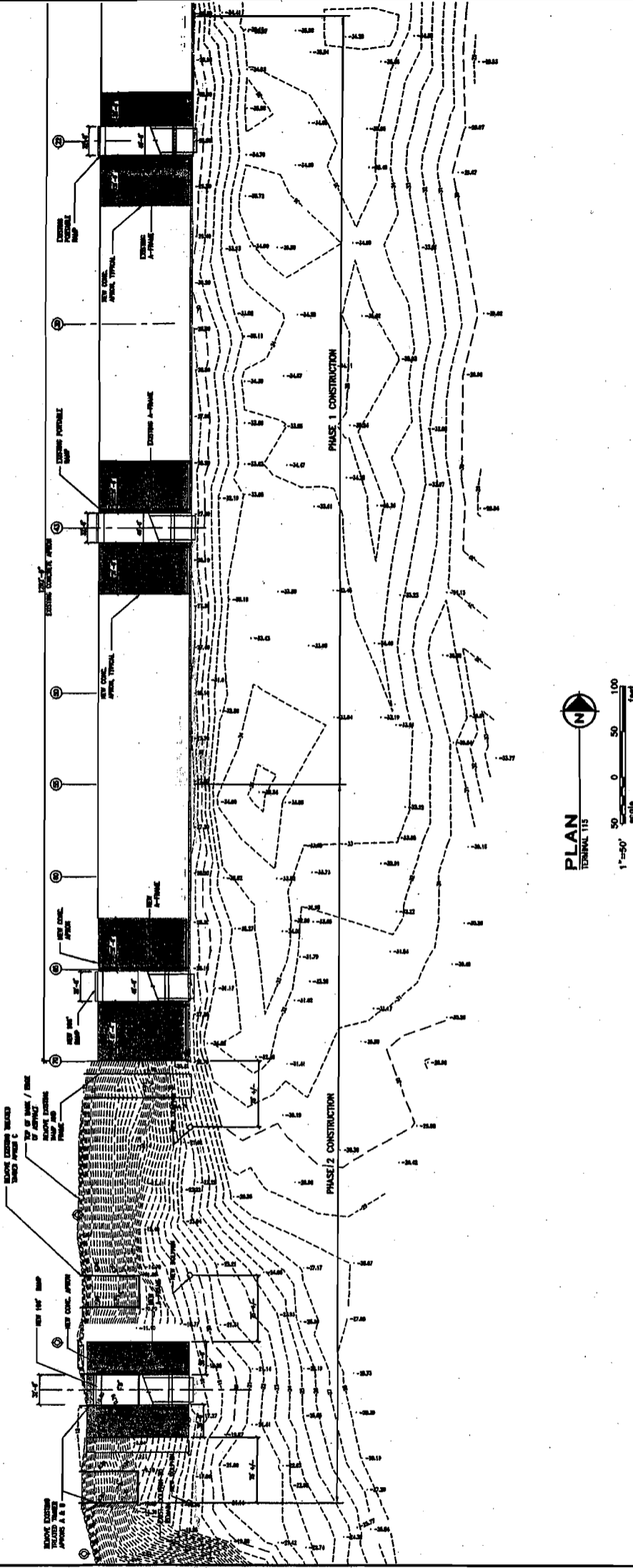


Exhibit 1



CALL 48 HOURS BEFORE YOU DIG 1-800-424-6666		REVISIONS NO. DATE BY DESCRIPTION APPROVED BY _____ _____ _____ _____ _____		PROJECT NO. 102817 DRAWING NO. T15-001 SCALE: 1"=50' SHEET NO. 1 OF 1	TITLE: TERMINAL T15 APRON REPLACEMENT PROJECT: POT OF SANDS MARINE FACILITIES SHEET NO.: TERMINAL SITE INFORMATION
PROJECT NO. 102817 DRAWING NO. T15-001 SCALE: 1"=50' SHEET NO. 1 OF 1		PROJECT: POT OF SANDS MARINE FACILITIES TITLE: TERMINAL T15 APRON REPLACEMENT SHEET NO.: TERMINAL SITE INFORMATION			
PROJECT NO. 102817 DRAWING NO. T15-001 SCALE: 1"=50' SHEET NO. 1 OF 1		PROJECT: POT OF SANDS MARINE FACILITIES TITLE: TERMINAL T15 APRON REPLACEMENT SHEET NO.: TERMINAL SITE INFORMATION			

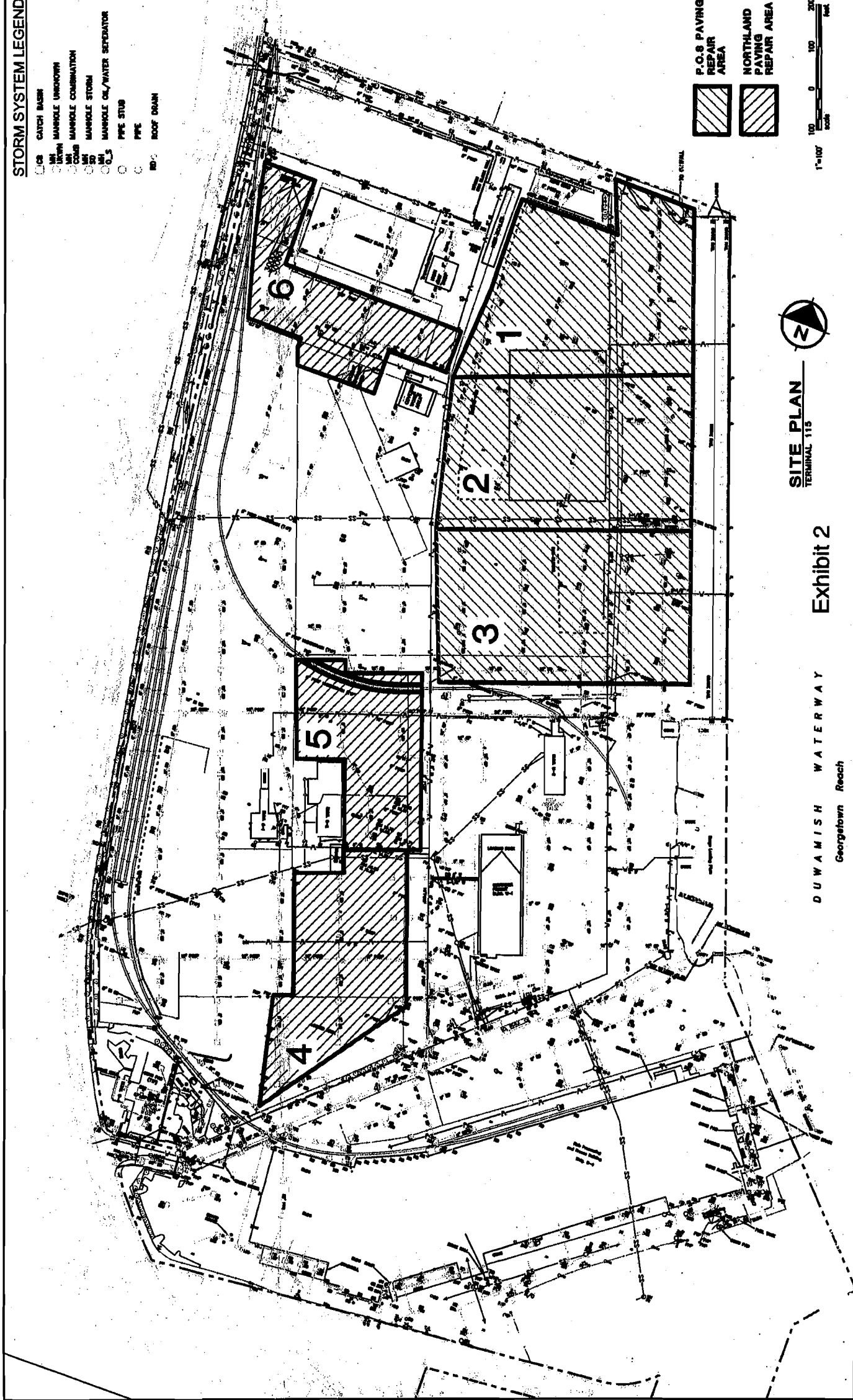
10/11/08 09:23:52 AM
 10/11/08 09:23:52 AM
 10/11/08 09:23:52 AM
 10/11/08 09:23:52 AM
 10/11/08 09:23:52 AM

2a

STORM SYSTEM LEGEND

- CB CATCH BASIN
- UM MANHOLE UNKNOWN
- CM MANHOLE COMBINATION
- SM MANHOLE STORM
- OM MANHOLE OIL/WATER SEPARATOR
- OS MANHOLE OIL/WATER SEPARATOR
- PS PIPE STUB
- PP PIPE
- RD ROOF DRAIN

-  P.O.S PAVING REPAIR AREA
-  NORTHLAND PAVING REPAIR AREA



SITE PLAN
TERMINAL 115

Exhibit 2

DUWAMISH WATERWAY
Georgetown Reach

FIGURE 1
PART OF SHEET NO.

PORT OF GEORGETOWN MARINE FACILITIES
NORTHLAND MARINE SERVICES, INC.
TERMINAL NO. MODIFICATIONS
PAVEMENT REPAIRS, AREAS 1-6

NO.	DATE	REVISION

NO.	DATE	REVISION

NO.	DATE	REVISION

HARBOR CONSULTING ENGINEERS
ENGINEERS - PLANNERS - SURVEYORS
3000 15TH AVENUE, SUITE 100
SEATTLE, WA 98148
PHONE: (206) 794-4887

