

PORT OF SEATTLE
MEMORANDUM

COMMISSION AGENDA

Item No. 9a
Date of Meeting March 24, 2009

DATE: March 6, 2009

TO: Tay Yoshitani, Chief Executive Officer

FROM: Charles Sheldon, Managing Director, Seaport
Gary Wallinder, Capital Project Manager, CDD

SUBJECT: East Marginal Way Grade Separation Project authorization for funding, construction, and approval to advertise for construction bids.

ACTION REQUESTED

Request for the Port Commission 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. Authorization of construction and approval to advertise for bids.

SYNOPSIS

The East Marginal Way (EMW) Grade Separation project proposal was initiated by the Port of Seattle (Port) in the mid 1990s as a solution to anticipated delays to general traffic in the vicinity of EMW and Duwamish Avenue south of Spokane Street. At this location, rail activities associated with increases in containerized shipping, due to the Port's Terminal 5 (T5) and 18 expansions, are expected to result in unacceptable delays for general and port truck traffic. The project alleviates these delays by constructing a new overpass over the existing Burlington Northern Santa Fe Railroad (BNSF) and Union Pacific (UP) Railroad tracks at Duwamish Avenue (See attached graphic). The project is an integral component of the Freight Action Strategy (FAST) Corridor, a partnership of public and private organizations, including the Port of Seattle.

Staff has completed the permitting, right-of-way, and design processes, and begun advance construction work, including demolition of existing buildings and utility relocations. The project is about to meet its next major milestone, advertisement of the major construction contract(s) related to the bridge structure.

COMMISSION AGENDA

Tay Yoshitani, Chief Executive Officer

March 6, 2009

Page 2

Upon completion, the structure will be turned over to the City of Seattle which will be responsible for all maintenance and operation.

PROJECT DESCRIPTION AND JUSTIFICATION

This project consists of a north, east, and south-bound grade separation on Duwamish Avenue South near the intersection of EMW and South Spokane Street, which will remove at grade conflicts with existing rail tracks. The project will improve access among Port terminals, UP and BNSF rail yards, local manufactures, and distribution warehouses. Area-wide benefits include reduced congestion, more efficient intermodal transfers, and a positive impact on air quality.

PROJECT SCOPE OF WORK AND SCHEDULE

Completed activities

Developed design and permitting.

Purchased properties and conducted associated tenant relocations for new right of way.

Demolish existing improvements in preparation for overpass structure.

Removed and disposed of discovered contaminated soils.

Future Activities

Construct reinforced concrete bridge structure over existing rail tracks.

Construct associated roadways and utility relocations as required.

Schedule

March 31, 2009	Advertise for construction bids
May 14, 2009	Open bids and review documentation
June 26, 2009	Notify Commission and award Contract per Resolution 3605
March 31, 2011	Substantial completion of the Project

MAJOR CHANGES IN THE PROJECT SINCE THE LAST AUTHORIZATION

Escalation of project cost estimates due to utility relocation delay, construction cost inflation, and property value inflation have left an estimated funding shortfall of \$17,200,000.

COMMISSION AGENDA

Tay Yoshitani, Chief Executive Officer

March 6, 2009

Page 3

FINANCIAL ANALYSIS

Budget/Authorization Summary

Previous Authorizations	\$ 34,500,000
Decrease in Project scope	(\$ 1,000,000)
Current Authorization request	\$ 17,200,000
Total Authorization including this request	\$ 50,700,000

Project Cost Breakdown

Design, Permit, Salaries and Overhead Costs	\$ 7,500,000
Right of Way	\$12,000,000
Construction including utility relocation and sales tax	\$31,200,000
Total	\$50,700,000

Source of Funds

Previous Authorization

The previous authorization was funded from commitments by federal, state, and local sources. The federal funds are allocated to this project from direct congressional appropriation; state funds have been awarded from the Transportation Improvement Board (TIB) and the Freight Mobility Strategic Investment Board (FMSIB); local fund sources are the BNSF and UP Railroads, the City of Seattle and the Port of Seattle. The previous Port cash commitment to the project was \$1,600,000.

Review of Project funding package including grants:

Project Estimate (revised scope)	<u>\$33,500,000</u>	
Funds Committed:	\$28,880,000	
Federal grants		\$14,660,000
Transportation Improvement Board		\$7,300,000
Freight Mobility Strategic Investment Board ¹		\$6,920,000
Local FAST contributions:	\$ 4,620,000	
Port of Seattle		\$1,600,000
City of Seattle ²		\$1,600,000
Railroads		\$1,420,000
Total Funds Committed	\$33,500,000	

¹\$6.92 million approved by Legislature in 2005.

²Deducted from Port's contribution to the Spokane Street Viaduct Project.

COMMISSION AGENDA

Tay Yoshitani, Chief Executive Officer

March 6, 2009

Page 4

Current Request for Authorization

The request for additional authorization of \$17,200,000 would be 100% funded by the Port. The 2009 Draft Plan of Finance included approximately \$9,000,000 of funds under Public Expense Projects Fast Corridor I (\$5,000,000) and E. Marginal/Spokane Transportation Hub (\$4,000,000) to cover these increased costs. The additional \$8,200,000 required to fund the balance is available due to anticipated timing delays in other 2009 Draft Plan of Finance committed projects, such as purchase of container support yard land.

The source of funds will be the tax levy.

Financial Analysis Summary

CIP Category	Regional Transportation
Project Type	Freight Mobility
Risk adjusted Discount rate	NA
Key risk factors	As the Lead Agency for this project, Port of Seattle will continue to be responsible for cost overruns.
Project cost for analysis	NA
Business Unit (BU)	Strategic and Facility Planning
Effect on business performance	Spending on this project is expensed as incurred, as a non-operating expense.
IRR/NPV	N/A

ALTERNATIVES CONSIDERED/RECOMMENDED ACTION

Two alternatives were considered:

1. Cancel the project and reimburse grant agencies for funds that were used for right-of-way purchase and relocation expenditures estimated at \$11,400,000. In addition, the Port would lose approximately \$15 million in State grant funding currently committed to the project. This action is not recommended.
2. Complete the project and construct the facility, to be owned and maintained by City of Seattle and achieve the freight mobility and environmental enhancements associated with the Project.

TRIPLE BOTTOM LINE SUMMARY:

This project will facilitate the use of on-dock rail at T5 and T18 to preserve revenue for the Port, with correspondent economic impacts and community benefits due to retention of skilled jobs.

COMMISSION AGENDA

Tay Yoshitani, Chief Executive Officer

March 6, 2009

Page 5

The project will improve the vehicular and rail mobility for Port of Seattle related commerce as well as other freight activities and the general public.

Air quality and fuel efficiencies will be improved due to enhanced traffic flow resulting in less congestion and related idling.

PREVIOUS COMMISSION ACTIONS OR BRIEFINGS

- On April 9, 2002, Commission authorized \$1,500,000 for conceptual design development.
- On December 9, 2003, Commission authorized \$1,950,000 for design refinement, environmental permitting, acquisition planning, and State engineering approvals.
- On April 11, 2006, Project-wide Commission authorization for all remaining project components, including design, permitting, purchase of right-of-way, and construction, with a total authorized amount of \$34,500,000.
- On January 13, 2009, Commission briefing on current Project status and cost estimates.