

PORT OF SEATTLE
MEMORANDUM

COMMISSION AGENDA

Item No. 6d

Date of Meeting April 14, 2009

DATE: March 17, 2009

TO: Tay Yoshitani, Chief Executive Officer

FROM: Mike Burke, Senior Manager, Container Leasing and Operations
Mike Kuhlmann, Capital Project Manager

SUBJECT: Terminal 10 site and drainage improvements

ACTION REQUESTED

Request Port Commission approval to increase the authorized budget by \$270,000 for a total new authorization of \$800,000 and to complete permitting and design of site improvements at Terminal 10.

SYNOPSIS

On March 25, 2008, Commission approved \$530,000 for staff to complete 100% design and permitting for the redevelopment of Terminal 10 (T10) uplands as a drayage truck temporary parking site with necessary stormwater improvements to support such a use. Staff was unable to complete the design for the approved \$530,000 because the original design and permitting budget was based on preliminary work completed in 2007 and mistakenly did not include all the necessary Engineering and Environmental support. The additional money is required to include a new stormwater outfall in the permitting and design; and to accommodate increased costs associated with the Environmental Protection Agency (EPA) and City coordination on construction issues. Staff is now requesting approval of an additional \$270,000 to amend Category 3 Service Agreement, prepare permit documents, and obtain necessary permits, complete 100% design drawings and complete 100% contract documents for site improvements at T10.

PROJECT DESCRIPTION AND JUSTIFICATION

T10 is an 8.6 acre parcel located on Harbor Island between the West Waterway and 16th Avenue SW, just south of SW Lander Street purchased in 1999 after being cleaned up by Lockheed. The Port intends to use T10 as an interim drayage truck parking facility and needs stormwater and other miscellaneous utility upgrades to make the site operational. These upgrades are intended to meet City of Seattle code requirements for the proposed use. As discussed more below, they will also support environmental obligations that

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exist under consent decrees applicable to the site; and the purchase and sale agreement with Lockheed. With upgrades complete, the site's commercial potential for either temporary or long term use commitments increases substantially.

At this time, the site is primarily vacant. Since its acquisition, the site has been used intermittently for construction stockpiling and/or other miscellaneous storage uses. A portion of the site is dedicated to overflow parking for Todd Shipyards employees, a use required by terms of a previous sale agreement.

Sediment and Soil Cap Issues

The site is within an operable unit of the Harbor Island Superfund site. T10 was bought by POS in 1999 from Lockheed Shipyards. Prior to the sale Lockheed demolished shipyard facilities, performed soil clean up and constructed an asphalt cap to isolate remaining upland contaminated soils. This work was required by the EPA as a final remedy approved by a Record of Decision (ROD). They also removed nearly 3.4 acres of overwater structures, dredged significant volumes of contaminated sediments in the adjoining aquatic area and placed a clean sediment cap over the dredged area (designated by the EPA as the Lockheed Sediment operable unit (LSSOU)).

Lockheed is responsible for long term groundwater monitoring and cap inspection. The Port, under the purchase and sale agreement, is responsible for maintaining the upland asphalt cap. EPA views stormwater controls as necessary to protect the sediment cap as well as to prevent infiltration of the cap and impact to the groundwater. If T10 is to be used, stormwater and source controls will be necessary to avoid recontamination of the new sediment aquatic cap and protection of the upland soil/groundwater cap.

Stormwater Drainage Issues

The site currently has no working storm drainage system, and rain water simply drains to low points across the site forming large pools of standing water or sheet flows off the site into the adjacent waterway. The site drainage problem must be resolved before the terminal can be leased or used in any manner since source control at the site is critical to protect the aquatic sediment cap and City of Seattle drainage requirements have been triggered for the site. Installing treatment will also result in a reduction of pollution loading to the West Water Way.

The drainage improvements and pavement overlay will allow use of T10 to support cargo terminal operations, a use consistent with previously established uses and the IG/1 zoning at the site. As a component of marine cargo activities at T10, the Port anticipates using portions of the site for drayage truck tractor parking to mitigate impacts of such parking in areas south of the Port.

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PROJECT SCOPE OF WORK AND SCHEDULE

- This project includes 100% design and permitting for the drainage improvements and a pavement overlay necessary to prepare the site for use as temporary drayage vehicle storage for trucks directly related to movement of cargo to and from the Port terminals and potentially for use of T10 as cargo support area, uses consistent with previously established uses and the IG/1 zoning at the site.
- The design criteria and permits will meet state, local, and federal construction permit requirements, construction requirements for a site adjacent to an active Superfund listed site as well as environmental obligations under existing consent decrees and the purchase and sale agreement.
- Treatment of the surface runoff from the site will be designed to meet Basic Treatment and High-Use Water Quality Standards established in 2005 by Department of Ecology (DOE) Storm water Management Manual for Western Washington and the City of Seattle Stormwater Drainage Code.
- In March 2008, when Commission approved \$530,000 for design and permitting, staff estimated construction would be completed in 12-15 months—June 2009. Two issues have impacted the schedule and budget:
 1. At the time, the plan was to either use in-house Engineering to complete the design or use an Open-Order Service Agreement. In-house Engineering staff was assigned T25, a higher priority project, and staff determined use of the existing open-orders was not appropriate. A Category 3 selection process began in early April 2008, and the Service agreement was executed on November 10, 2008.
 2. The original design assumed use of an existing 8-inch outfall until a new 24-inch outfall could be permitted. It was assumed that permitting review for the outfall would negatively impact the schedule and a phased approach to permitting the outfall later was chosen. However, when the 30% design plan was shared with interested Agencies, issues concerning construction on the superfund site, maintaining the environmental cap, and installing a new outfall were positively addressed leading to the conclusion to pursue the outfall design and permitting concurrently with the upland improvements. The current plan recommends including design and permitting of outfall, adding approximately 6 months to the 100% design and permitting schedule. In addition, the existing service agreement with the designer did not include engineering and permit support for the 24-inch outfall and an amendment is proposed to increase the Service Agreement from \$412,413 to approximately \$505,000.
- The original design and permitting budget was based on preliminary work completed in 2007 and mistakenly did not include all the necessary Engineering and Environmental support. The design estimate only included budget to complete the design and permitting phase of the project using Port of Seattle Resources. The

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existing Category 3 Service Agreement includes budget for design, permitting and construction support.

- Project permits, construction documents and estimates are scheduled for completion in November 2009.
- Estimated construction schedule NTP June 2010 and completion September 2010.
- Staff will return to Commission in the fourth quarter of 2009 with a request for authorization of construction and approval to advertise.

STRATEGIC OBJECTIVES

This project supports the Port's strategies to "Ensure Airport and Seaport Vitality" and "Exhibit Environmental Stewardship through our Actions".

- Improves air quality and achieves greenhouse gas emission reductions in the Duwamish Industrial area by potentially reducing idle time and vehicle miles traveled in the Duwamish Industrial area, particularly the Georgetown community.
- Improve community relations by providing operators of drayage vehicle/equipment a near terminal staging and use area, as an alternative to parking in right-of-way areas throughout the Duwamish Industrial area and nearby neighborhoods.
- Fullfills Port and City stormwater water quality requirements for intended uses.
- Provides stormwater upland source controls for stormwater runoff protecting the offshore sediment cap from contamination. This reduces the Port's risk that the EPA will arbitrarily require controls and actions under their enforcement capabilities during their scheduled 2010 review process.

BUSINESS PLAN OBJECTIVES

- Provides a clean, regulatory compliant site for use as temporary drayage vehicle storage for trucks directly related to movement of cargo to and from the terminals.
- Improve T10 marketability and utilization by installing utilities necessary for commercial use as a cargo support area. .

FINANCIAL ANALYSIS

Budget/Authorization Summary

Previous Authorizations	\$530,000
Current request for authorization	\$270,000
Total Authorizations, including this request	\$800,000
Remaining budget to be authorized (estimated)	\$4,350,000

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Project Cost Breakdown

Design, Permitting, and other Preconstruction Soft Costs	\$800,000
Construction Related Costs with Contingencies	\$ 0
Sales Tax	\$ 0
Total	\$800,000

Source of Funds

The \$270,000 in funds being requested to complete the design, permitting, and contract documentation for T10 drainage and site improvements would be drawn from CIP#C800264 Terminal 10 Interim Development. This CIP was included in the 2009 Draft Plan of Finance as a committed project in the amount of \$4,500,000.

This project will be funded from the general fund or the tax levy.

Financial Analysis Summary

CIP Category	Renewal/Enhancement
Project Type	Renewal/Enhancement
Risk adjusted Discount rate	8.5%
Key risk factors	<ul style="list-style-type: none">• Environmental remediation costs will be determined by the final design of the storm water outfall system.• Future operating income from this project is uncertain. While this proposed project would enable the site to be used for either interim drayage truck parking or container support terminal operations, there are currently no lease negotiations underway for use of this site.
Project cost for analysis	\$5,150,000 (current cost estimate)
Business Unit (BU)	Container Support Properties
Effect on business performance	<ul style="list-style-type: none">• Effect on business performance pending final project cost estimate from completion of design effort, and determination of market demand for future use.• Incremental depreciation for this project is estimated at \$218,000/yr.
IRR/NPV	To be determined by future leasing efforts.

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SUSTAINABILITY AND LIFE CYCLE COSTS:

- Specifications will encourage recycling asphalt, concrete, creosote piling and 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.
- The site contained contaminated soil from the previous owner's operations. Any contaminated soil not replaced into required excavated trenches will need offsite disposal at an approved facility.

ALTERNATIVES CONSIDERED AND THEIR IMPLICATIONS:

- Alternative 1 - No Action. This alternative curtails any and all interim and long term uses of T10. EPA may still require the port to place proper stormwater controls to protect the upland groundwater and offshore sediment caps. If the groundwater offshore cap is contaminated, the Port may need to pay some or all costs associated with the remediation of such contamination. Alternative 1 is not recommended.
- Alternative 2 – Installation of drainage system and use of the exiting 8-inch outfall. This will address the site water drainage issue. This system does not comply with Stormwater Management Manual for Western Washington or City of Seattle Stormwater Drainage Code. This alternative only provides paving for areas disturbed during installation of the drainage system. Engineering analysis indicated that the existing 2-6 inch thick cap will not support continuous truck traffic. Cost of this alternative is estimated at \$3,700,000. Alternative 2 is not recommended.
- Alternative 3 – Fully develop the site for a cargo support area with the improvements to container yard standards. Cost for complete development to container yard standards, which includes complete lighting system, fire protection and additional asphalt paving is estimated at \$7,000,000 - \$8,000,000. Revenue from this site would not justify this level of investment at this time and the site can always be retrofitted to such standards cost effectively at a later date. Alternative 3 is not recommended.
- Alternative 4 – Installation of utilities and paving improvements necessary for the interim use of the Terminal for overnight truck parking. These improvements will also allow for safe and clean operation of T10 as a cargo support area, a use consistent with previously established uses and the IG/1 zoning at the site. As a component of marine cargo activities, portions of the site may be used for short term staging of trucks and vehicles directly engaged in transshipment of cargo between Port marine terminals and other transportation facilities. This alternative includes a new 24-inch outfall and asphalt overlay of the site. This system would comply with

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Storm water Management Manual for Western Washington and/or City of Seattle Stormwater Drainage Code, and provide necessary stormwater controls to protect the offshore sediment cap as required by the EPA. Cost of development is estimated at \$5,150,000. **This is the recommended alternative.**

PREVIOUS COMMISSION ACTIONS OR BRIEFINGS:

- On March 25, 2008, Commission approved \$530,000 to complete 100% design and permitting for the redevelopment of T10 uplands into truck parking.
- On September 2, 2008, Commission was advised by staff that:
 - Costs for 100% design and permitting may exceed the authorized amount of \$530,000 by up to several hundred thousand dollars.
 - Staff will proceed only with 30% design to better quantify risks specifically involving use of the site with only the existing asphalt cap and permitting a new 24 inch outfall.
 - Staff will plan to return to Commission in public session to describe the findings and request additional funding for design and permitting if necessary.