

PORT OF SEATTLE
MEMORANDUM

COMMISSION AGENDA

Item No. 6b

Date of Meeting December 7, 2010

DATE: December 1, 2010

TO: Tay Yoshitani, Chief Executive Officer

FROM: Joe McWilliams, Managing Director, Real Estate Division
Geri Poor, Manager, Regional Transportation
Dan Burke, Regional Transportation Program Planner

SUBJECT: Interlocal Agreement with King County for Port participation in South Park Bridge Replacement Project

Estimated Value of this Interlocal Agreement: NTE \$5,000,000

Estimated Financial Participation: \$4,286,000

Source of Funds: Tax Levy

ACTION REQUESTED:

Request Commission authorization for the Chief Executive Officer to execute an Interlocal Agreement (ILA) with King County, in substantially the form attached, in connection with the South Park Bridge Replacement Project, including financial participation and property easements in favor of King County over certain Port of Seattle property with a total combined estimated value of \$5,000,000. This action will commit the payment of funds from the Port for the South Park Bridge in 2012 and 2013.

SYNOPSIS:

King County has requested Port participation in a funding partnership for the reconstruction of a replacement South Park Bridge as outlined in the ILA. The partnership to fund the construction portion of the bridge includes federal, state, regional and local partners, totaling \$133,466,000, as shown in Exhibit E. The Port's share is \$5 million, combined in a financial contribution of \$4,286,000 and property value granted through easements. The Port's financial participation is structured in two payments at 50% and 100% of construction completion, estimated in 2012 and 2013. The agreement includes a provision to reduce the Port's share if construction costs are ultimately lower than estimated, subject to other agencies' agreements.

COMMISSION AGENDA

Tay Yoshitani, Chief Executive Officer

December 1, 2010

Page 2 of 4

BACKGROUND:

The South Park Bridge was closed permanently on June 30, 2010 due to its deteriorating condition. For 78 years, the span had served an important role in our region's multimodal freight transportation system, providing freight access in the Duwamish industrial area and a key transportation link for the South Park community.

Although the bridge's structural problems were well-known, the county lacked the financial resources to fund the replacement of the span. In earlier discussions, the port had offered contributions of property and aquatic easements near the bridge.

In June 2010, County Executive Dow Constantine requested a \$5 million contribution from the Port of Seattle, as part of a broad coalition of regional funding partners.

At the June 22, 2010 Commission meeting, a majority of Port Commissioners expressed their intent to commit \$5 million toward the bridge's replacement, subject to the Port's budget process this year. In support of the request, commissioners cited the significance of the bridge to the regional freight system and to the South Park community. Following the bridge closure, traffic was diverted to regional and interstate facilities serving the Port of Seattle (such as I-5, SR-509/599, and East Marginal Way), as well as the Duwamish industrial area, and the South Park and Georgetown communities.

On July 13, 2010, the Port Commission authorized granting several Port property easements to the county which are needed for the bridge construction and permanent footings. These include a permanent aquatic easement; a temporary restoration easement; and a temporary construction easement. The value of these easements is \$714,000 and is included as a part of the \$5 million contribution.

Throughout the summer, the county continued to seek funding for a replacement bridge. On October 15, the bridge replacement was assured with the federal government's announcement of the award of \$34 million in TIGER II stimulus funds for the project. The total funding package includes participation from the Port of Seattle; Washington State Department of Transportation; the Transportation Improvement Board; the Freight Mobility Strategic Investment Board; the Puget Sound Regional Council; the City of Seattle; the City of Tukwila; and the Boeing Company; as well as King County and the federal government.

One of the Port's primary goals is to create jobs and economic growth in an environmentally responsible way. Maintaining a transportation system that supports freight mobility, expands international trade, and keeps our region, state and country competitive in the global marketplace is a key priority. The South Park Bridge was a heavily used link in the regional transportation system, and the loss of the bridge threatens industrial jobs, causes increased traffic congestion and vehicle emissions, and limits mobility in a disadvantaged community.

COMMISSION AGENDA

Tay Yoshitani, Chief Executive Officer

December 1, 2010

Page 3 of 4

The county is proceeding with necessary activities to begin construction as early as possible in 2011.

This proposed ILA defines the roles of the Port and County, and timing and conditions of financial participation.

FINANCIAL ANALYSIS:

Source of Funds

Funding is included in the 2011 Plan of Finance in the Transportation and Infrastructure Fund, with cash flow expenditures in 2012 and 2013. The expenditure will be accounted for as a non-operating expense and the source of funds is the tax levy.

Financial Analysis Summary

CIP Category	Regional Transportation
Project Type	Freight Mobility
Risk adjusted discount rate	NA
Risk factors	A potential risk factor is that the delivered bridge replacement would not provide the expected direct benefit to the Port. This risk is mitigated by the fact that all decisions regarding the functionality of the projects have already been made. The Agreement requires that the county collaborate with the Port on any design changes that affect the Port's anticipated benefit. If the Port's anticipated benefit is reduced by these changes, and the parties cannot agree on a resolution, the Port has the option to terminate the Agreement 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
Business Unit (BU)	Real Estate
Effect on business performance	Spending on this project will be expensed as incurred, as a non-operating expense over the two years of construction and/or implementation.
IRR/NPV	N/A

ALTERNATIVES CONSIDERED AND THEIR IMPLICATIONS:

Alternative 1: Do not approve ILA and request from King County. This action is inconsistent with Commission discussion of June 22 and the easement authorization of July 13. Further, it could upset the multiagency funding partnership and could delay or prevent the replacement bridge construction. Given the need, the public benefit and earlier favorable support for the project, this is not the recommended alternative.

COMMISSION AGENDA

Tay Yoshitani, Chief Executive Officer

December 1, 2010

Page 4 of 4

Alternative 2: Authorize the CEO to execute an ILA with King County on the South Park Bridge Replacement Project, in substantially the form attached, which includes the Port's financial participation and property easements with a total value of \$5,000,000.

This is the recommended alternative.

OTHER DOCUMENTS ASSOCIATED WITH THIS REQUEST:

- Draft Interlocal Agreement with Exhibits A, B, C, D and E
- Power Point presentation

PREVIOUS COMMISSION ACTION:

June 22, 2010, Commission discussed general intent to commit \$5 million to the South Park Bridge, subject to the Port's budget process later this year.

July 13, 2010, Commission authorized granting property easements to the County, of Port real property needed for construction and permanent footings: a permanent aquatic easement, temporary restoration easement, and temporary construction easement. The value of these easements is \$714,000 and is included as a part of the \$5 million contribution.