

PORT OF SEATTLE
REVISED MEMORANDUM

COMMISSION AGENDA
ACTION ITEM

Item No. 6d
Date of Meeting September 22, 2015

DATE: September 21, 2015
TO: Ted Fick, Chief Executive Officer
FROM: Mike Merritt, Commission Chief of Staff

SUBJECT: Heavy Haul Corridor Memorandum of Understanding

Est. Total Project Cost: \$10 million to \$20 million through 2035

Source of Funds: Property Tax Levy

ACTION REQUESTED

Request Commission authorization for the Chief Executive Officer to sign a Memorandum of Understanding with the City of Seattle to contribute between \$10 million and \$20 million through 2035 for future roadway repair and construction projects located within Seattle's Heavy Haul network to benefit the movement of cargo within the Seattle harbor.

SYNOPSIS

Under the MOU, the City will commit to creation of a Heavy Haul network that would allow an increase in truck and chassis weights to 98,000 pounds gross vehicle weight, compared to 80,000 pounds today. The Port will contribute funds over the next 20 years toward the improvement of City of Seattle roadways that connect the port's shipping terminals, rail yards, warehouse and trans-load centers as part of the City Heavy Haul network. .

Such a Heavy Haul network will benefit truck owner-operators by legalizing the transport of heavier loads within the harbor and improve the competitive position of the Puget Sound gateway in retaining and attracting cargo, thus increasing jobs and economic opportunities in the maritime industry.

To ensure Port benefits, the Port and the City jointly will agree on the street segments to be improved, the design of the improvements and the amount of the port's contribution to each improvement project. The Port's contribution would be limited to no more than \$2 million in any year, except by mutual agreement.

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BACKGROUND

Heavy Haul Network

The City of Seattle is competitively disadvantaged compared to other West Coast ports because its truck weight standards are not aligned with Washington State standards, and are lower than standards elsewhere on the West Coast.

The proposed City of Seattle ordinance will address this competitive disadvantage by identifying heavy haul truck routes within the existing street network in the harbor area. These truck routes will allow freight trucks under city permit to safely and more efficiently transport heavier cargo loads between transload facilities, rail yards, and ocean terminals. This legislation restructures the existing fee structure for overweight truck permits.

The City of Seattle has capped the Gross Vehicle Weight (GVW) limit at 80,000 lbs., creating a problem for the legal movement of freight between marine terminals and nearby rail terminals and transload facilities.

A heavy-haul corridor will create a better working environment for truck owners and shippers by enabling them to compete more effectively for cargo by reducing costs and speeding the movement of goods, without compromising safety or accelerating damage to streets.

The Seattle City Council is considering legislation that would designate certain streets that serve as critical connectors within the harbor as the Heavy Haul network. The Port of Seattle and the City, in cooperation with stakeholders within the industry, have jointly developed this legislation and the street segments that will be included within the network.

Under the proposed legislation, the City will issue permits to truck owners to allow the transport of loaded truck and chassis combinations up to 98,000 pounds Gross Vehicle Weight (GVW). Other vehicles will continue to be allowed to utilize the streets subject to existing vehicle and axle weight limits.

The permit fee at this time is proposed to be \$200 per year for each truck to transport sealed ocean-going containers. To receive a permit, truck owners would be required to undergo twice-annual Commercial Vehicle Safety Alliance (CVSA) inspections. These trucks today are required to undergo one annual CVSA inspection.

The City of Seattle intends to create an additional position for a Commercial Vehicle Enforcement Officer to ensure the movement of heavy loads is regulated effectively.

Port-City Memorandum of Understanding

The operation of cargo trucks within the heavy haul network will result in some additional wear and tear on the City streets. The Port and the City propose a Memorandum of Understanding to identify Port financial contributions to provide for the repair and construction of roadways within the network to accommodate heavier port cargo loads for the long term. The proposed MOU

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also would provide temporary assistance in funding for an enforcement-officer position with the Seattle Department of Transportation.

The MOU outlines the following commitments:

1. For the start-up of the permit and enforcement-officer position, a \$180,000 contribution in 2016 and \$70,000 in 2017;
2. A minimum Port of Seattle contribution of \$10 million to a maximum of \$20 million over the next 20 years for repair and construction of street segments within the Heavy Haul network related solely to trucks permitted to carry heavier loads;
3. The Port and City will jointly commission a study within six months to identify actual roadway impacts of trucks operating under permit on the street segments and the proposed Port share of costs for the repair and construction of streets in the network;
4. The Port's contributions will not exceed \$2 million in any one calendar year except by Commission approval;
5. If total costs are estimated at less than \$10 million or more than \$20 million over 20 years, the agreement will be renegotiated;
6. The Port and City will agree on designs for the roadway projects, which must support freight mobility and truck movement, and any design changes affecting freight mobility would require Port approval;
7. Any funds received by the Port from other sources will be credited against the Port's obligations.
8. A dispute resolution process is created to resolve differences between the City and Port.

PROJECT JUSTIFICATION AND DETAILS

The Port of Seattle is a key gateway for international commerce. Cargo routing decisions made by shippers is driven by the cost, reliability and the ease of doing business. To compete for cargo, other ports have made great efforts to attract cargo by minimizing the costs and logistical barriers for shippers.

The highest volume commodities have low price margins and are heavy in weight, driving shippers to load as much cargo as possible into the containers. The containers can hold cargo weighing more than is typically allowed on a standard truck chassis under local weight restrictions, and truck operators who are transporting the containers are often unaware that the containers are overweight. In Seattle, this situation has resulted in numerous costly citations against truck operators for overweight loads.

A number of ports around the country, including the Port of Tacoma and other West Coast ports, have established Heavy Haul networks to facilitate movement of heavier containers on standard chassis. Other West Coast jurisdictions include: State of California on certain state routes; Long Beach, Los Angeles, Oakland (under development) and San Francisco.

Without a specially designated network, more costly "super chassis" with additional axles would often be required to transport the heavier loads. In practical terms, shippers will choose other

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ports with Heavy Haul networks to move their goods due to higher costs and the lack of availability of super chassis.

By establishing a Heavy Haul network in Seattle, the Port, as part of The Northwest Seaport Alliance, will be able compete more effectively for a wider range of cargo. Truck owners, terminal operators and others within the supply chain will enjoy the benefits of additional cargo volume, thus increasing jobs and economic opportunities within the maritime industry. The City will benefit with increased tax revenue related to increased business activity.

Port Contribution

The Port of Seattle has long contributed to improvements of the regional transportation system to speed the movement of cargo, increase safety and reduce congestion. Many streets within the harbor and industrial areas are in need of repair and reconstruction. The Port is engaged in a partnership with the City on freight-mobility planning, including the Freight Access Project for industrial areas and the Freight Master Plan.

Over the past 15 years the Port has invested or committed about \$332 million in projects including:

- The city's Spokane Street upgrade
- The South Park Bridge reconstruction
- SR 519 connection to the waterfront
- East Marginal Way overpass
- Viaduct replacement

A Port contribution to support roadway repair and construction of City streets will benefit the Port, maritime and industrial interests by leveraging City capital improvement investments within the harbor and Duwamish Manufacturing and Industrial Center (MIC).

FINANCIAL IMPLICATIONS

The Port will commit to contributing between \$10 million and \$20 million over 20 years to the City street improvement projects within the Heavy Haul network. The actual contribution and flow of cash over that time period will be determined by agreement between the Port and City. That agreement will be based on a joint study between the Port and City that will determine the impacts on street segments resulting from trucks under permit for the Heavy Haul network.

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The maximum contribution will not exceed \$2 million in any one calendar year, except by mutual agreement between the Port and City.

The source of funds would be the tax levy as a contribution to regional transportation mobility.

STRATEGIES AND OBJECTIVES

The Port of Seattle has identified expanding the role of the Puget Sound gateway in international trade as a key strategic goal. With a Heavy Haul network in place, our gateway stands to compete more effectively for a wider range of cargo.

The Century Agenda contains specific initiatives and objectives related to strengthening trade and container volumes, including strengthening access to global markets and supply chains for Northwest businesses and increasing annual container volume to more than 3.5 million twenty-foot equivalent units (TEU) over 20 years.

Seattle and Tacoma ports joined forces in August 2015 to unify management of the ports' marine cargo operations to strengthen the gateway and attract more marine cargo and jobs for the region. Creation of a Heavy Haul corridor will bring Seattle into alignment with Tacoma and assist the Alliance in its effort to position the region as more attractive, effective gateway for trade.

ALTERNATIVES CONSIDERED

- Do not adopt a Heavy Haul MOU with the City of Seattle to support funding of street improvements within the network. Without a commitment from the Port to contribute to repair and rebuilding of streets within the network, the City Council will not support adoption of legislation creating the network. The Port, maritime industry and truck owners would not receive the benefits of the corridor. This is not a recommended option.
- Negotiate a lower amount of contribution to the City. The City is not likely to adopt the legislation creating the network with smaller contribution, which was based on the range of Port contributions to other regional transportation projects. This is not the recommended option.
- Adopt the MOU in substantially the form presented. This is the recommended option.

ATTACHMENTS TO THIS REQUEST

- Proposed City of Seattle Heavy Haul legislation
- Map of proposed Heavy Haul network
- Memorandum of Understanding