

**PORT OF SEATTLE**  
**MEMORANDUM**

**COMMISSION AGENDA**  
**STAFF BRIEFING**

**Item No.** 7a  
**Date of Meeting** December 8, 2015

**DATE:** November 25, 2015  
**TO:** Ted Fick, Chief Executive Officer  
**FROM:** Beth Osborne, Manager, Federal Government Relations  
Clare Gallagher, Manager, State Government Relations  
Lindsay Wolpa, Manager, Regional Government Relations  
Geri Poor, Manager, Regional Transportation

**SUBJECT:** Annual Government Relations Briefing

**SYNOPSIS**

The Port of Seattle is a public agency that creates jobs by advancing trade and commerce, promoting industrial growth, and stimulating economic development. Public policy advocated by Port representatives reflects this mission and the goals of the Century Agenda to:

- Position the Puget Sound region as a premier international logistics hub
- Advance the region as a leading tourism destination and business gateway
- Promote small business growth and workforce development
- Be the greenest and most energy efficient port in North America

The Government Relations Team has an opportunity to annually update the Port Commission on potentially significant public policy legislation in the coming year. Below are federal, state, regional and transportation policy issues for the Commission's consideration.

This information will complement the information shared at the December 1, 2015 Northwest Seaport Alliance legislative meeting, when this team presented on policy issues pertinent to the Puget Sound Gateway's competitiveness for marine cargo.

**BACKGROUND**

**FEDERAL RELATIONS**

**2015 FEDERAL OVERVIEW**

At the time of this writing, negotiations are underway on several issues of importance to the port; therefore, more information is yet to come on several issues. Issues that may be

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resolved before the end of 2015 include the passage of a long-term surface transportation bill (the first in over a decade) with robust freight provisions, a year-long omnibus spending bill that may include funding for port infrastructure and existing fishing vessel financing programs, and the reauthorization of the Ex-Im bank (which may be attached to the transportation bill). The following represents progress on priorities as of November 25, 2015:

- I. Surface transportation reauthorization conference report includes robust freight funding provisions
- II. Created a group of aviation stakeholders pushing for airport infrastructure tools
- III. Engaged leaders in Sustainable Airport Master Plan and growth at Sea-Tac International Airport as related to passenger facility charge policies
- IV. Export-Import bank reauthorization is included in must-pass transportation legislation
- V. Joined a coalition in DC to advocate for fishing fleet modernization policies
- VI. Made progress on Northwest Seaport Alliance priorities with funding for rebates and deepening study
- VII. Negotiated and signed TIGER grant agreement with the Maritime Administration

### **LOOK AHEAD FOR 2016**

Presidential election politics will influence Congressional actions throughout the year. Locally, along with each Washington U.S. House member, Senator Murray is up for reelection in 2016, and there is a possibility that the Senate will change hands later in the year, which would bring elevated roles for both Senator Patty Murray and Senator Maria Cantwell who now serve in the minority.

### **ONGOING FEDERAL PORT PRIORITIES FOR 2016**

- I. **Federal Aviation Administration (FAA) Reauthorization –**
  - a. After a short-term extension, authorization for the “Federal Aviation Administration (FAA) Modernization and Reform Act of 2012” (H.R. 658) expires in March 2016. While committees in both Chambers have begun writing legislation, significant issues between the House and Senate approach on whether to privatize Air Traffic Control seems to be the major hold up to progress.
  - b. Whether Congress modernizes the \$4.50 federal cap on Passenger Facility Charges (PFCs) in the FAA Reauthorization bill will have a direct impact

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on the Port of Seattle's ability to cost-effectively execute the airport's capital plan. PFCs are passenger user fees set by airports locally and used for targeted infrastructure investments that benefit passengers such as airport capacity, safety, security, and improving the environment.

- c. While the decision to levy a PFC – and at what level – is local and, for Sea-Tac, would require Commission approval, Congress has not adjusted the PFC cap since 2000, meaning the \$4.50 cap imposed in 2000 has lost half of its spending power. In 2001, under the PFC framework, the Port Commission voted to collect the maximum amount of the PFC, which has helped build Concourse A, undertake noise mitigation projects, reconstruct the satellite transit system and pay the debt service on the third runway project.
- d. The port's current capital projects include the International Arrivals Facility, NorthStar, Baggage Optimization and other projects commit existing PFCs through 2045. Modernizing the PFC would provide the Port with significantly greater cash flow for capital projects required to meet the needs of our region's growth and travelling public that the port is studying in the Sustainable Airport Master Plan, thus reducing the amount of debt issuance, and rates and charges increases for all airlines.
- e. Other major issues that may surface are conversations surrounding Next Gen, air traffic control privatization and drones.

### **II. Fishing Fleet Modernization**

- a. The Port has joined with industry and the State of Washington to advocate for several policies that will help rebuild the fishing fleet and realize the economic opportunity in this region.
- b. One policy priority to remove an existing prohibition on loans for construction and reconstruction of fishing vessels hit a significant obstacle when U.S. Trade Representative (USTR) objected to a National Marine Fisheries Service proposed rule to allow the loan program to be used for construction and reconstruction. USTR has raised WTO concerns that this program could represent a subsidy, which many disagree with; regardless, USTR is a significant barrier to progress. Until that issue is resolved, it will not be possible to reauthorize a federal loan guarantee program for construction and reconstruction of fishing vessels.
- c. The Coast Guard bill is held up, but is a vehicle to remove the language that prohibits federal loans and loan guarantees for construction and reconstruction of fishing vessels over 165 feet.

### **III. Federal Funding for Ballard Locks**

- a. The Army Corps of Engineers operates and maintains the Hiram M. Chittenden Locks on the Lake Washington Ship Canal, activities which are 100% federally funded. In the past, maritime stakeholders have been able to depend on sufficient annual funding to ensure continued operation

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of the locks. Yet the locks are nearly 100 years old and the list of maintenance issues is growing. Continuing to rely on the status quo might not be sufficient. The locks are only one of many facilities around the country requiring increased investment. It is far from certain federal spending will grow to meet all these needs.

- b. Because the economic importance of the locks is not always well understood by some of the policymakers involved in federal spending decisions, the port is leading the formation of a stakeholder coalition that will work together to build the case for continued federal investments in this critical facility.

## **STATE GOVERNMENT RELATIONS**

### **2015 STATE OVERVIEW**

This year saw the successful passage of legislation enabling the creation of the Northwest Seaport Alliance and a transportation funding package for billions of dollars of investment in state transportation infrastructure, including completion of SR 509.

The implementation of the port development authority caps several years of increased attention by legislators to the importance of freight mobility and trade to our state's economy. The formation of the Seaport Alliance improves the focus and consistency of the message, and the importance of Washington State's competitiveness in attracting and keeping international trade volumes moving through the state.

The Port was a sponsor for the annual National Conference of State Legislatures meeting here in Seattle and worked with our partners at BNSF Railway and SSA Marine to host harbor tours and support panel presentations on freight and trade.

We have engaged key legislative and policy audiences on the Sustainable Airport Master Plan, including committee presentations and briefings; the modernization of the fishing fleet here in Washington state; and regulatory engagement on overwater structures within port management plans and agency permitting of port tenants and other marine operators.

### **Transportation Package and Regional Transportation Funding**

With the passage of the transportation package, the Puget Sound Gateway (construction and completion of SR167 and SR509) is now an active project within Washington State Department of Transportation (WSDOT) and initial planning is underway. The agency has re-established the SR509 Executive Committee, with Commissioner Creighton representing the port, and the Steering Committee. Since SR 509 has both seaport and airport benefits to the Port of Seattle, staff representation on the steering committee will include both airport staff and NWSA staff. The first engagement is later this week, and then a meeting and workshop December 16.

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### **2016 LOOK AHEAD**

#### **Overview of the Coming Legislative Session**

With the win of the Republican candidate in the 30<sup>th</sup> District, the House is split 50-48, Democrat to Republican, the closest margin since 2002. This close margin for the 2016 session minimizes the chance of seeing controversial legislation advancing during the short session and supplemental budget year.

The upcoming session will have significant tax issues in front of it; most notably additional funding for K-12 education as directed by the Supreme Court in the McCleary case, but legislative leadership will find it difficult to craft a solution within a short session, election year and narrow vote margins.

In addition, Initiative 1366, which passed statewide despite failing in King County, has now been challenged in court. The initiative requires lawmakers to send voters a constitutional amendment mandating a 2/3 supermajority for tax increases or cut the state sales tax rate from 6.5 percent to 5.5 percent. The state's Office of Financial Management estimates that should the initiative take effect, by 2021, it would remove approximately \$8 billion from the state's budget. For comparison, the upcoming biennium budget for 2017-19 is around \$42 billion; the budget approved in June was \$38 billion.

In a supplemental budget year, it's likely to see minimal budget activity. The latest revenue forecast shows a downturn for the next budget cycle, which will lend increased caution to legislative initiative. The next forecast will come in February.

On the regulatory side, Governor Inslee has instituted rule-making for cap and trade carbon emissions, and is also pursuing new rule-making for water quality standards.

#### **ONGOING STATE PORT PRIORITIES FOR 2016**

- Identifying and supporting restored funding for remedial action grants, which was passed in the 2015 budget, but then deferred due to Department of Ecology budget constraints. Grant monies had been identified for reimbursement of ongoing clean-up work at Lora Lake Apartments in Burien; Terminal 115N and Terminal 91, both in Seattle.
- Supporting efforts to provide tax incentives or other supporting legislation related to the modernization of the state's fishing fleet.
- Supporting clarifications to workforce development as part of port districts' economic development authority.
- Supporting industry-funded statewide tourism legislation, in support of our ongoing financial support and engagement of the Washington Tourism Alliance

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- Supporting budget requests, if introduced, for the state Department of Licensing for increased issuance of enhanced drivers licenses as federally-compliant documents for air travel from Washington state
- Monitoring rule-making in water quality, carbon emissions, habitat conservation plans and other areas as identified.
- Working with the NWSA on legislative and regulatory issues related to marine cargo and freight mobility (as noted in the December 1 NWSA presentation)

## **REGIONAL GOVERNMENT RELATIONS**

### **2015 REGIONAL OVERVIEW**

- The Seattle City Council unanimously adopted legislation to create a Heavy Haul Network of a limited number of city streets to allow for the efficient drayage of sealed, ocean-going containers between harbor terminals and nearby intermodal facilities. The new maximum allowable tandem drive axle weight of 43 thousand pounds and maximum of gross vehicle weight of 98 thousand pounds will be administered and enforced under a new permitting system.
- As part of the legislation, the Port and City of Seattle entered into a Memorandum of Understanding (MOU), detailing the Port's commitment to the program. As part of that commitment, the Port will pay up to \$250,000 to support the implementation and operation of the Heavy Haul program through at least the end of 2017. The amount is the estimated gap between anticipated permit revenues and the anticipated cost to start up, operate, and enforce the program through 2017. The expectation is that in the spring of 2017, with two cycles of permit and program information in hand, the City and Port can determine whether refinements to the fee or permit program elements would be appropriate.
- As a second component of the MOU, the Port has agreed to contribute up to \$20 million over the next 20 years to pavement rehabilitation and restoration projects on heavy haul network roadways. Project-specific Port funding would be directly tied to the estimated cost of accelerated deterioration of pavement due to heavy vehicles on the roadway, in addition to the estimated additional layer of paving needed to support more frequent use by heavy vehicles. In 2016, the Port and City will together commission a study to more accurately determine the estimated costs of those efforts.
- Additional details on 2015 regional transportation successes can be found in the next section.
- In reviewing the basis on which the Port relationship had been operating with respect to the Suquamish and Muckleshoot Indian Tribes, it became clear that

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there was a need to refresh the relationship on a government-to-government basis. Both tribes agreed and discussions began this year to chart the path forward.

- The Port successfully argued to reverse the City of Seattle's Interpretation on the Terminal 5 interim lease to prevent a problematic precedent in too narrowly defining what activities constitute cargo terminal uses.
- The Port participated in an advance delegation in Anchorage to plan for a spring Alaska and Puget Sound leadership summit. The participants examined the dynamic economic connection between Puget Sound and Alaska and identify key issues shaping the future of the unique and important relationship.

### **2016 LOOK AHEAD**

Next year brings the first full year of operations for the Northwest Seaport Alliance (NWSA). As many issues at the regional level will directly impact operations of the new joint venture, close coordination with the Port of Tacoma Managing Members will be important. More specifically, we will seek opportunities for bringing a larger regional ports' perspective to bear on local economic development, transportation issues and land-use policies.

#### **City of Seattle**

The implementation of the Seattle City Council district positions will undoubtedly impact Council operations and dynamics. Two councilmembers will continue to be elected on an at-large basis (for two year terms) and the other seven will be elected by district to four-year terms. Following the 2015 elections for all nine positions, five incumbent councilmembers will return and four of the seats will be filled with new elected officials.

Several issues of significant interest to the Port are expected within the first couple of months of the year, including consideration of Mayor Ed Murray's recommendation to vacate Occidental Avenue to accommodate the development of Investor Chris Hansen's proposed arena, the Seattle 2035 Comprehensive Plan and amendments to the Environmentally Critical Areas Code. We expect to be heavily engaged on these items both on behalf of the Port of Seattle and NWSA.

Much of regional work in 2016 will be focused on refreshing the Port's relationship with the City of Seattle and integrating NWSA strategic priorities into our ongoing work. The tangible elements of this work are already underway at the staff level.

The City is expected to review key permits relating to redevelopment projects at Pier 66 and Terminal 5. As their permitting department will undergo a significant reorganization on January 1, it will be important to be vigilant about the progress of these permits to ensure that they are not negatively impacted by the bureaucratic shuffle.

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### **Suburban Mayor Outreach**

In support of the Port's priority of economic development opportunities and the expanded view of how the region is defined, we will complete initial meetings with the 39 suburban mayors and develop those learnings into comprehensive and strategic goals moving forward.

The meetings completed in 2015 proved the differing needs among various King County municipalities – it will be important to translate those contrasts appropriately into our regional work. This will be particularly critical in city outreach related to the Sustainable Airport Master Plan. Understandably, the priorities of immediate surrounding airport cities will differ from those elsewhere in the county.

### **ONGOING REGIONAL GOVERNMENT PRIORITIES FOR 2016**

- **Heavy Haul Network:** With the passage of the Heavy Haul Network legislation in 2015, the successful implementation of the network will be an important priority. Establishing the permitting process and coordinating the set-up of the study will be key first steps. For other ongoing transportation priorities, please see the next section.
- **SoDo Arena Proposal:** As the City of Seattle continues to move through the process towards developing an arena in SoDo, we will continue our efforts in coordination with other stakeholders to educate elected officials and others as to the negative impacts on the maritime and industrial sectors. Should the SoDo Arena proposal gain additional approvals, we will focus on the best means to minimize any impacts to Port operations. Following Mayor Murray's late November recommendation to vacate Occidental Avenue, we will focus our efforts around that matter specifically for the remaining weeks of the year and early into next.
- **Tribal Relations:** We hope to reach agreement with both tribes on establishing an updated framework in conducting our government-to-government relationship. In addition, we intend on implementing regular meetings among tribal and port leadership.
- **Alaska-Puget Sound Relations:** After a successful advance delegation trip to Anchorage this fall, we will work with our partners to plan a productive Alaska-Puget Sound leadership summit next spring. Issues will span all levels of government, thus we will coordinate accordingly.



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### **REGIONAL TRANSPORTATION**

#### **2015 TRANSPORTATION OVERVIEW**

Government Relations staff worked closely with our partners to implement our 2015 transportation agenda. Successes within the City of Seattle included City Council adoption of the Heavy Haul Network, restart of the Lander Street Overpass project, development of the Freight Access Project and embarking on the City's first Freight Master Plan. Meanwhile, the Port also commented in a number of city forums and processes against the proposed SoDo Arena and the inherent vacation of Occidental Avenue. Related to the Arena MOU among the city, county and arena proponents, staff participated on advisory committees for industrial land regulations and stadium area vitality. We partnered where appropriate with the Seattle Chamber, the Manufacturing Industrial Council and others.

The Port also made a first payment to the Alaskan Way Viaduct Replacement Program (AWVRP) of \$120 million. The State's contractor started the year with the tunnel boring process, and when progress stalled and the machine repair was necessary, the Port continued working with the State and City of Seattle on related parts of the program, including Mercer Corridor, and the north and south portals. Related to AWVRP, the City continued work with Port engagement and advocacy for freight interests regarding Seawall construction and the design and environmental review of the Waterfront Seattle project.

At a regional level, the Puget Sound Regional Council (PSRC) completed an Industrial Lands study for central Puget Sound. Sound Transit and Metro Transit both continued their long range plans, for which the Port advocated for access to our facilities and regional transportation, especially in support of freight mobility. The Transportation Futures Task Force met during the year to develop a recommendation for regional funding for transportation investments.

The Commission authorized a phase 2 contribution to continue the Great Northern Corridor Coalition to identify improvements and projects on the rail route to the U. S. Midwest. The Port also completed construction of the North Argo Access roadway. The Sustainable Airport Master Plan includes an interagency Transportation Review Committee addressing long-term airport access strategies and improvements.

Further descriptions of federal and state legislative funding successes are detailed in the sections above, especially including work toward the Highway Trust Fund reauthorization and the new Connecting Washington new state transportation package.

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### **ONGOING REGIONAL TRANSPORTATION PRIORITIES FOR 2016**

Many of the past year's projects will continue into 2016. Our highest priorities will include the following.

- Ensure the City completes the Freight Master Plan and Seattle 2035 comprehensive plan updates to enhance Port operations.
- Support implementation of the Levy to Move Seattle which seeded several pots of funding for a number of freight improvements. However additional funding must be generated as well to complete the funding packages:
  - Freight spot improvement program – (funds to address individual trouble spots, provides match for FMSIB grant also)
  - East Marginal Way corridor
  - S. Lander St Overpass
  - Other Duwamish projects, such as 1st and 4th Avenue South bridges over Argo Yard
- Support the completion of boring of the SR99 tunnel under Seattle, and move into tunnel road construction in 2017.
- Advocate Port interests in completing the Central Seawall and designing Waterfront Seattle surface road and other improvements.
- Support fair implementation of new regional funding concepts.
- Engage with Sound Transit to develop a beneficial “Sound Transit 3” package for port facility access and enhanced regional and freight mobility.
- Update the SR509 project environmental and design efforts under State leadership.
- Advance partnerships for the Great Northern Corridor Coalition and the FAST Corridor (specifically the South 228<sup>th</sup> Street overpass in Kent).

### **ATTACHMENTS TO THIS BRIEFING**

- None

### **PREVIOUS COMMISSION ACTIONS OR BRIEFINGS**

- December 9, 2014 – Item 7a
- January 7, 2014 – Item 7a