

DATE:

COMMISSION AGENDA MEMORANDUM

Item No. 8c

Date of Meeting January 7, 2020

ACTION ITEM

December 19, 2019

TO: Stephen P. Metruck, Executive Director

FROM: Eric ffitch, Manager, State Government Relations

SUBJECT: Interlocal Agreement (GCB 3603) with Washington State Department of

Transportation (WSDOT) regarding the Puget Sound Gateway Program

ACTION REQUESTED

Request Commission authorization for the Executive Director to execute an interlocal agreement in substantially the form attached with the Washington State Department of Transportation to formally outline the plan and schedule for payment of the \$30 million Port of Seattle share of local matching funds for the construction of the Puget Sound Gateway Program.

EXECUTIVE SUMMARY

This interlocal agreement with WSDOT formally puts the commission on record as pledging up to a \$30 million contribution to the Puget Sound Gateway Program. The port's finance department has this in the Plan of Finance as seven equal payments, set to begin in 2023. The \$30 million contribution is equal to the amount the Port of Tacoma will pledge to the program through the 2018 Puget Sound Gateway MOU. The interlocal agreement document has been reviewed by the port's finance and legal departments.

The Port of Seattle has participated in the Puget Sound Gateway Program Executive Committee, where Commissioner Creighton was the initial representative, followed by Commissioner Steinbrueck, the current representative. Generally, the completion of SR 509 and the inclusion of the Puget Sound Gateway Program in the 2015 Connecting Washington package have been priorities for the Port of Seattle.

JUSTIFICATION

In July 2015, the Washington State Legislature and Governor Inslee acted to fund the Gateway Program through the Connecting Washington revenue package. The Gateway Program is comprised of two projects: the State Route 167 Completion Project and the State Route 509 Completion Project. These projects provide essential connections to the ports of Tacoma and Seattle and will help ensure people and goods move more reliably through the Puget Sound region.

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The funding package for the Puget Sound Gateway Program totals \$1.875 billion, and includes the following sources: gas taxes, tolls, local contributions, and potential federal and state grants. The local match component requires the local agency partners that are served by, or benefit from, the two roadways to secure funding to leverage state program investments.

In 2017, the Washington State Legislature included language in the transportation budget for the 2017-2019 biennium directing WSDOT to develop an MOU with local jurisdictions that formally outlines the plan and schedule for the local funding contribution toward the Gateway Program. On March 22, 2018, the Port of Seattle Commission voted to authorize the Executive Director to sign the MOU with WSDOT and the other local agencies involved.

The Port of Seattle and the Northwest Seaport Alliance consider the completion of the Gateway to be critical to a vital freight corridor that supports the movement of goods to and from our seaport facilities and our Seattle-Tacoma International Airport. The program provides direct freight links between our facilities and key distribution centers and also improves regional mobility for goods that arrive in the Puget Sound from Eastern Washington and states along the US supply chain's northern tier that are bound for international destinations.

In addition to the economic benefits of improved freight mobility, any upgrades to the transportation network in the congested Puget Sound region have significant community benefits as well. Communities in South King County, around the SR 509 corridor, have seen the challenging impacts of passenger and cargo growth through the airport and in the region as a whole. Upgrading the transportation network that serves their community, is another important reason the Port has supports the Gateway Program.

DETAILS

Schedule

According to the Washington State Legislature, the local match requirement comes due beginning in 2023. The MOU calls for the initial Port contribution of \$15 million "expected in 2023-2025." This ILA indicates a first payment, for Stage 1b of Phase 1, no sooner than the end of 2025. The second payment of \$15 million is anticipated on or after 2028, following the completion of Stage 2 of the SR 509 portion of the Puget Sound Gateway Program.

Included below is the schedule as laid out in the May 2018 Memorandum of Understanding with the Washington State Department of Transportation and local municipalities that are also acting as funding partners for the Puget Sound Gateway program.

Stage 1 Grant Pursuits for Local Nexus Projects

Project	Estimated	Funding	Grant	Target	Anticipate	Local Agency	Partner
	Constructio	Progra	Target	Due	d	Partner	Nexus
	n Cost	m	Amount	Mo/Year	Constructi	Match	
					on		

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Zoth A	422 245 600	EA ACID	d= 000 000		е	4000 000	F: C
70 th Avenue	\$32,245,600	FMSIB	\$5,000,000	Mar 2018	2019-2021	\$800,000	Fife
E/Interurban						\$500,000	Tacoma
Trail						\$3,000,000	Port of
							Tacoma
		TIB	\$5,000,000	Aug 2018	2019-2021		
		State	\$1,400,000	Mar 2018	2019-2021		Fife
		Capital					
		&					
		Transpo					
		rtation					
Veterans	\$33,800,000	PSRC	\$4,500,000	Apr 2018	2021-2025	\$1,000,000	Kent
Drive/SR516		TIB	\$5,000,000	Aug 2020	2021-2025	\$1,000,000	Kent
Interchange							
SeaTac	\$176,883,50	PSRC	\$4,500,000	Apr 2018	2021-2025	\$2,000,000	SeaTac (ROW
Access	0			-			in lieu)
						\$500,000	Des Moines
Port of	\$323,042,00	PSRC	\$4,500,000	Apr 2018	2021-2025	\$1,500,000	Tacoma
Tacoma	0			-		\$3,000,000	Port of
Access/509						\$800,000	Tacoma
Spur							Fife
		FMSIB	\$5,000,000	Mar 2020	2021-2025		
All Gateway		INFRA	\$20,000,000	Nov 2017	2019-2021		
Program			*				
SR 167 Stage		Port of		Jan 2021	2021-2025	\$9,000,000	Port of
1		Tacoma					Tacoma
SR 509 Stage		Port of		Jan 2021	2021-2025	\$15,000,000	Port of
1		Seattle					Seattle
							(expected in
							2023-2025)
Total Stage 1			\$54,900,000			\$38,100,000	\$93,000,000

Stage 2 Future Grant Pursuits for Local Nexus Projects

Project	Estimated Constructio n Cost	Funding Progra m	Grant Target Amount	Target Due Mo/Year	Anticipated Constructio n Expenditure	Local Agency Partner Match	Partner Nexus
Meridian Avenue Interchange		TBD	\$3,000,000	2022	2026-2030	\$2,000,000	Puyallup
Valley Avenue Interchange		TBD	\$3,000,000	2022	2026-2030	\$2,000,000	Pierce County

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Total Stages		\$68,900,000			\$73,100,000	\$142,000,000
Total Stage 2		\$14,000,000			\$35,000,000	\$49,000,000
	Seattle					Seattle
2	Port of		Jan 2026	2026-2030	\$15,000,000	Port of
SR 509 Stage	TBD	\$4,000,000	2024	2026-2030		
	Tacoma					Tacoma
	Port of		Jan 2026	2026-2030	\$15,000,000	Port of
					\$500,000	Sumner
2						(ROW in lieu)
SR 167 Stage	TBD	\$4,000,000	2022	2026-2030	\$500,000	Edgewood
S						
improvement						
Interchange						
188 th Street	TBD	TBD	2023	2026-2030	TBD	

^{* -} If no INFRA, apply for FHWA BUILD grant for Port of Tacoma Access (SR 509 Spur)

TBD – grant funding program pursuit to be determined in future

ALTERNATIVES AND IMPLICATIONS CONSIDERED

Alternative 1 – Set a payment schedule consistent with the Port's original expectations based on 7 equal payments beginning in 2023.

Cot Implications: None

Pros:

(1) This is cost neutral to the Port and consistent with the Port's funding forecast Cons:

(1) This is not preferred by the WSDOT and is inconsistent with its funding needs

This is not the recommended alternative.

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Alternative 2 – Not contribute payment to the Puget Sound Gateway Program.

Cost implications: \$30m in savings to the Port of Seattle.

Pros:

(1) The Port would achieve \$30m in savings.

Cons:

- (1) The Port would violate its agreement with WSDOT and the other local governments who signed the May 2018 Memorandum of Understanding.
- (2) The Port would potentially compromise its relationship with the Washington State Legislature.

(3)

Alternative 3 – Maintain payment schedule from the May 2018 MOU and transmit two equal \$15m payments to WSDOT for completion of Stage 1b and Stage 2 respectively.

<u>Cost Implications:</u> Port payment to WSDOT would total \$30m, currently accounted for in the Port's Plan of Finance.

Pros:

(1) Consistent with the MOU the Port Commission adopted unanimously in May 2018.

Cons:

(1) Does not achieve cost savings to the Port.

This is the recommended alternative.

FINANCIAL IMPLICATIONS

Annual Budget Status and Source of Funds

The \$30 million Port contribution is currently written into the Port's Plan of Finance. It is separated into seven equal installments and scheduled to begin in the year 2023. The funding source for this agreement would be the tax levy or general obligation bonds.

The 2023-2029 timeframe for the Port contribution is based on the timeline put forward by the Washington State Legislature in their 2017-2019 transportation budget. That budget requires the local match for the Gateway Program to be received by the Department of Transportation beginning in the 2023 budget year.

ADDITIONAL BACKGROUND

State and regional grants-focused strategy: Following the passage of the budget language in the 2017 legislative session calling on WSDOT to develop an MOU with local funding partners, WSDOT hired a consultant team to help determine how local municipalities could develop funding to meet the local match requirement.

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This team is leading the effort to secure grant funding through various sources — Puget Sound Regional Council FHWA funds; Freight Mobility Strategic Investment Board; and Transportation Improvement Board — by which local entities could meet the state matching requirement. They have identified "nexus projects," distinct program components of the Gateway program that would be good candidates for grants and have begun helping local jurisdictions apply.

The Port has provided letters of support to grant applicant and appeared as requested alongside WSDOT in a grant application presentation to the PSRC review committee.

Federal grant strategy: WSDOT has applied through the federal INFRA program for federal grand funding, submitted in November 2017. Award announcements are anticipated in June 2018, and WSDOT believes Puget Sound Gateway has a strong and highly competitive application. However, if this is not successful, there are additional rounds of BUILD or TIGER rounds to apply again. Both the Port of Seattle and NWSA provided a letter of support with the INFRA grant application.

ATTACHMENTS TO THIS REQUEST

- (1) Draft Interlocal Agreement (GCB 3603) with Washington State Department of Transportation
- (2) Final signed MOU from March 2018 outlining Port of Seattle contribution and schedule

PREVIOUS COMMISSION ACTIONS OR BRIEFINGS

March 22, 2018— The Port of Seattle Commission authorized the Executive Director to execute the Puget Sound Gateway MOU with other agency partners.

November 22, 2017 – The Commission convened a roundtable on "Increased Travel to and from the Airport over the next 20 years" which included a briefing from WSDOT Puget Sound Gateway Program Administrator Craig Stone on the Gateway Program.