

THE NORTHWEST SEAPORT ALLIANCE
MEMORANDUM

MANAGING MEMBERS
ACTION ITEM

Item No. 8A
Date of Meeting August 3, 2021

DATE: July 23, 2021
TO: Managing Members
FROM: John Wolfe, CEO

Sponsor: Tong Zhu, Chief Commercial and Strategy Officer

Project Managers: Steve Balaski, Sr. Manager, Business Development, and Curtis Stahlecker, Capital Project Manager, POS

SUBJECT: Terminal 5 Intermodal Yard Use Agreement Between the Northwest Seaport Alliance and SSA Terminals (Seattle Terminals), LLC; and related T5 Intermodal Yard Improvements

A. ACTION REQUESTED

Request Managing Members of the Northwest Seaport Alliance (NWSA) authorization for the Chief Executive Officer or their delegate to execute a Use Agreement with SSA Terminals (Seattle Terminals), LLC of Seattle for the Intermodal Yard at Terminal 5.

Request Managing Members of the Northwest Seaport Alliance (NWSA) authorization for the Chief Executive Officer or their delegate to execute a Switch Payment Letter with BNSF Railway Company (BNSF) authorizing \$604,000 for equipment repairs and upgrades at Terminal 5 Intermodal Yard.

Request project authorization in the amount \$2,725,000 for a total authorized amount of \$2,950,000, for work associated with the Terminal 5 Intermodal Yard Improvements, Master Identification No. U00668.

B. SYNOPSIS

SSA Terminals (Seattle Terminals), LLC (SSAT) desires to utilize the Intermodal Rail Yard at Terminal 5 for intermodal rail service when the facility opens in 2022 to offer on-dock rail service to its customers.

The T-5 intermodal yard (IY) is not part of the T-5 lease premises. In light of recent cargo surge and anticipated volume growth, there is an urgent need to utilize the T-5 IY so that our gateway can handle a greater share of discretionary cargo.

The IY facility, access rail tracks and adjacent storage rail tracks have not been utilized since the lease with the last tenant was terminated in 2014. Certain repairs and equipment upgrades are required to restore operational functionality of the facility and tracks. This work scope is intended to provide Terminal 5 with Intermodal Yard premises in a state of good repair and a usable escape track that will include 56 double-stack railcar capacity loading tracks and switches and a 54 double-stack railcar capacity intermodal yard storage tracks and switches. It will also ensure future adequate power supply for the CBP-required rail Radiation Portal Monitor (RPM) equipment

Parties performing this work will include SSAT, BNSF and the NWSA. These parties will respectively perform certain repairs and/or upgrades. The parties have agreed upon the most efficient, cost effective and fastest way to complete the required work. The expertise and capability of each party was also considered in determining which party should complete the work.

To bring the facility online and initiate rail service, the NWSA needs to complete the following items:

1. Use Agreement

A commercial arrangement is required for use of the IY facility by SSAT. SSAT and the NWSA have agreed to the terms of a proposed Use Agreement for the IY during Phase I of the lease agreement (“Use Agreement”). The Use Agreement identifies the term, acceptable uses, maintenance responsibilities and the fee schedule for the facility. It also addresses certain needed repairs and equipment upgrades that SSAT will perform on a reimbursable basis. The Use Agreement includes a revenue component which will help offset the costs to prepare the facility to receive and process intermodal trains.

A new, long-term agreement for use of the IY will be negotiated and presented to the Managing Members for consideration when SSAT expands to Phase 2 or exercises their option to take the Phase 1 PLUS option.

The Use Agreement identifies repairs and upgrades that SSAT will perform on a reimbursable basis and subject to prevailing wage requirements. Based on the cost estimates, the Use Agreement contains a Not-To-Exceed amount of \$3 million to cover the repair and equipment upgrade work. Given this timing of the work, these items will not be grant eligible.

2. BNSF Switch Payment Letter and Forthcoming Industry Track Agreement (ITA)

Certain signal and switch upgrades are required by the BNSF to provide rail service to the facility. Any signal or switch work that is linked to BNSF’s network must be completed by BNSF personnel. The Switch Payment Letter will address

these equipment upgrades on NWSA-licensed property that the BNSF will perform at NWSA's cost. This work is required to be completed to start Phase I rail operations. Given this timing of the work, these items will not be grant eligible. The estimated cost of this work is \$604,000.

In conjunction with the Switch Payment Letter, the NWSA needs to execute a new Industry Track Agreement (ITA) with BNSF and SSAT allowing BNSF to operate on and service the NWSA-licensed T-5 IY and adjacent storage tracks. The previous ITA expired when the lease with Eagle Marine Services for T-5 was terminated in 2014. The ITA is a BNSF requirement which addresses maintenance, operations, and liability responsibilities at the facility.

Staff anticipate some additional installation work costs related to startup of operations and maintenance items may be identified as part of the ITA agreement.

The ITA is still being negotiated and staff intends to bring the ITA to the Managing Members for consideration at a future meeting.

3. NWSA Intermodal Yard Improvements

The NWSA, along with BNSF and SSAT have identified necessary repair work and equipment upgrades required to bring the facility online. A project MID No. U00668 to complete certain repair and upgrade work has been created so that the Port of Seattle will perform on behalf of the NWSA.

The table below outlines the repairs and estimated costs for project U00668:

Item	Cost Estimate
Track 7 subsidence repair	\$ 335,000
Eastern IY subsidence repair	\$ 346,000
Southern IY pavement heaving repair	\$ 1,994,000
Rail RPM power upgrade	\$ 75,000
Intermodal Storage Yard (ISY) track repairs	\$ 200,000
Total Estimate Project U00668	\$ 2,950,000

Total estimated cost for all IY repairs and equipment upgrades:

Item	Cost estimate	Party performing the work	Authorization
NWSA Intermodal Yard Improvements	\$ 2,950,000	NWSA	Project U00668
SSAT Intermodal Yard equipment updates and rep	\$ 3,000,000	SSAT	IY Use Agreement
BNSF upgrades to switches, signaling and support	\$ 604,000	BNSF	Switch Payment Letter
	\$ 6,554,000	Total estimated cost	

C. BACKGROUND

The Managing Members authorized the T-5 Modernization Program in April of 2019 which provides improvements necessary to serve newer, larger vessels and help maintain the NWSA's competitive position, preserve and grow jobs and support a healthy economy for the region and state.

Activating the T-5 IY directly supports the objectives of the T-5 Modernization Program as well as meets a strategic NWSA goal to increase Interior Point Intermodal (IPI) volumes. Demand for on-dock intermodal service from both ocean carriers and BCOs continues to increase. It reduces costs for shippers, increases operational efficiencies and can decrease the carbon footprint of import supply chains. The growth of the NWSA is highly dependent on our capability for handling discretionary cargo.

The Use Agreement format is mutually beneficial to SSAT and the NWSA. It provides flexibility to SSAT to scale its intermodal rail service offering based on actual demand during Phase 1 operations and assures a revenue stream to help offset the costs the NWSA will incur for the maintenance and repair work, as well as equipment upgrades needed to make it operational. Repairs and equipment upgrades that SSAT are performing include replacing switches and certain signaling equipment along the existing six IY tracks, repairing the air compressor system, and performing minor paving repairs.

The NWSA will complete repairs of identified subsidence as well as the power upgrades for the rail Radiation Portal Monitors. When the terminal was redeveloped in 1995 the IY facility was constructed over two different historic urban features and a large diameter sanitary sewer force main. Currently some surface anomalies are beginning to manifest in the IY related to at least two of these features. One feature is an urban landfill, and the other feature is the historic deposit of slag from the adjacent steel mill. The urban landfill was in use for roughly 40 years until the mid-1960s.

During the 1995 T-5 redevelopment, the landfill was covered, and the new railroad tracks and rubber-tired gantry (RTG) runs were built on pile-supported concrete structures over the landfill location. These support structures remain sound; however, the landfill has continued to consolidate resulting in some localized areas

of subsidence. This includes an area adjacent to Track 7, the eastern side of the IY at existing manhole (MH) structure 2030.

The southern portion of the IY was built over deposits of steel mill slag. While the slag is a suitable subbase material in the dry conditions it reacts to water by swelling. As the slag swells the pavement begins to crack allowing more water to infiltrate into the slag. With the continued expansion of the slag the pavement begins to show more visible signs of vertical movement. The pavement is beginning to heave, distorting the driving surface and railroad track misalignment

The subsidence and heaving pavement conditions have occurred previously at similar locations within the IY. Repairs were performed at some point in the past as evidenced by the newer sections of pavement. The Port of Seattle has some records of work performed in the IY after Eagle Marine Services vacated the terminal in 2014. Unfortunately, the Port of Seattle has no record of the repairs done prior to 2014 in the southern IY nor at MH 2030. Eagle Marine Services may have performed the work directly to address potential safety concerns for equipment and personnel.

We expect similar repairs will be required in the future. Based on the time period since the last repairs, maintenance frequency appears to be in the seven to ten year range. As an alternative to periodic maintenance, staff has looked at the economic feasibility of various permanent alternatives including ground improvement methods and the removal of the landfill debris and slag, but the costs and associated risks for these types of solutions quickly exceed anticipated revenues and were not advanced.

Some ballast work on the adjacent storage tracks is also required to make the IY operational by the start of Phase 1 operations. In addition, the electrical power supply to the two RPMs utilized to scan rail cargo needs to be upgraded from 60A to 100A.

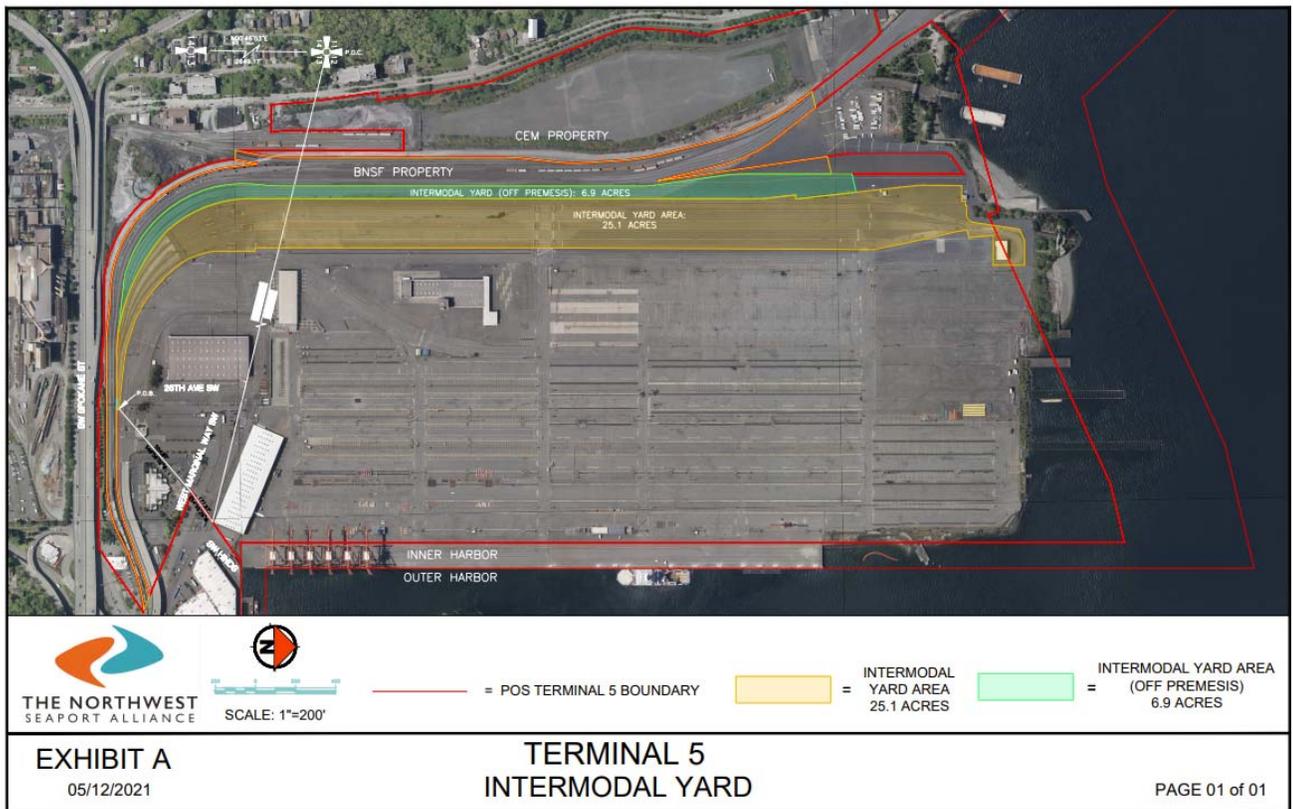
Work performed by BNSF is expected to include upgrading switches and signaling equipment on the IY access tracks licensed to the NWSA. The approval for this work is included in the Switch Payment Letter.

T-5 Intermodal Yard Premises

The Terminal 5 Intermodal Yard details:

- 25.1 acres
- 6 on-dock tracks with the capacity for 54 double-stack rail cars
- 1 escape track
- Maintenance shed

The NWSA is also licensed to manage the four (4) storage tracks immediately to the west of the Intermodal Yard premises. These tracks are used for train arrival and departure operations and referred to as the Intermodal Storage Yard tracks. (6.9 acres).



Proposed Key Terms of the T-5 Intermodal Yard Use Agreement with SSAT

Article	Term
User/Operator	SSA Terminals (Seattle Terminals), LLC
Premises	Intermodal Yard at Terminal 5 in Seattle. Approximately 25 acres.
Term	Effective Date: August 4, 2021, until the Phase 1 Plus Commencement Date or the Phase 2 Premises Commencement Date.

	<p><i>Note: A new agreement for use of the IY will be negotiated and presented to the Managing Members for consideration when SSAT expands to Phase 2 or exercises their option to take the Phase 1+ option.</i></p>
<p>User Fee -Facility Charge Tiers</p>	<ul style="list-style-type: none"> • The use fee will be based on the published NWSA tariff rate (item 669.030) in effect at that time (\$29.27 per container in 2021) for volumes up to 100,000 containers per year. • For all boxes from 100,001 to 150,000 containers per year, those containers will receive a \$5 per container discount from the published tariff rate in effect at that time. • For all containers between 150,001 to 200,000 containers per year, those containers will receive a \$10 per container discount from the published tariff rate in effect at that time. • For all boxes exceeding 200,000 containers per year, a \$15 per container discount from the published tariff rate in effect at that time.
<p>Maintenance and Repair</p>	<p>SSAT shall be responsible for causing the ordinary maintenance and repairs. NWSA shall reimburse SSAT for the actual, reasonable, out-of-pocket costs and expenses incurred by SSAT in connection with the performance of the maintenance and repairs. SSAT shall be responsible for any repairs and replacements and associated costs necessitated by any damage caused by any acts or omissions of SSAT.</p>
<p>Utilities</p>	<p>NWSA shall be responsible for all utility service reasonably required for SSAT's operation, including but not limited to electricity, gas, water, and sewer. Stormwater: NWSA is responsible for the payment of any charges related to stormwater at the Premises.</p>
<p>Upgrade Work</p>	<p>NWSA shall reimburse SSAT for the actual out-of-pocket expenses incurred by SSAT in connection with SSAT's performance of certain work and upgrades required to make the IY operational, up to a maximum aggregate amount of [Three Million and No/100 Dollars] (\$3,000,000.00)</p> <p>The primary categories of work include the following:</p> <ul style="list-style-type: none"> • Replace switch machines and related switching system equipment • Replace safety lighting system including bulbs, control board and related parts and spares • Repair or replace as required rails and ties • Repair/Remove derails

	<ul style="list-style-type: none"> • Air compressor maintenance • Recertify gates • Paving work • Testing
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Proposed Key Terms of the Switch Payment Letter between the NWSA and BNSF Railway

Upgrade Work	<p>NWSA shall pay BNSF for the actual out-of-pocket expenses incurred by BNSF in connection with BNSF’s performance of certain work and equipment upgrades required to make the IY operational, up to a maximum aggregate amount of [Six hundred Four Thousand and No/100 Dollars] (\$604,000)</p> <p>BNSF work will involve upgrades to signalized switches, possibly derails, and any infrastructure within the IY and ISY connected to BNSF signal systems.</p>
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D. INTERMODAL YARD IMPROVEMENTS BY NWSA – MID NO. U00668

Utilizing a combination of internal staff, field crews, and consultants the NWSA will investigate the existing conditions and upgrades that are needed at T5 IY rail facility for safe operations, develop detailed design and construction bid documents to address the subsidence and heaving conditions that have manifested in the IY, and construct some of the repairs. The investigation, design, and bid documents will be used to produce more refined construction costs and project schedule when construction authorization is requested.

One of the subsidence areas is adjacent to Track 7, also referred to as the escape track. This settlement is parallel to the track for roughly 150 feet. Due to the proximity of the settlement to the track, the railroad requested Track 7 not be used until the cause of the settlement has been identified and the track is safe for rail operations. The purpose of Track 7 is to allow locomotive to pull cars into the IY, uncouple and use Track 7 to “escape” from the yard. Without Track 7 the rail cars need to be backed into the rail yard which is not as efficient to operations.

Another area of subsidence has occurred on the eastern side of the IY at and existing storm water structure, MH 2030. Subsidence had been repaired at this structure previously and the recent subsidence is also believed to be due to the consolidation of the landfill materials.

The historic steel mill slag presents a different surface irregularity in the southern portion of the IY. This surface manifestation is localized in areas where the pavement surface and some of the rails have been distorted as the subsurface slag reacts with water by swelling. The swelling has produced visible raised bumps or heaved areas in the pavement. These surface manifestations are potential safety concerns for equipment and personal.

Repairs are required at the four intermodal storage tracks west of the T-5 intermodal yard to address subsidence in that area. This work includes providing new ballast for leveling of the tracks.

The initial rail RPM equipment utilized older technology that required a 60-amp electrical service. The future equipment that will be installed requires a 100-amp electrical service. This project will investigate the existing electrical infrastructure and determine if there is adequate electrical capacity and sufficient conduit space for the new requirements.

Project Objectives

The objective of the work scope to provide Terminal 5 with Intermodal Yard premises in a state of good repair and a usable escape track that will include 56 double-stack railcar capacity loading tracks and switches and a 54 double-stack railcar capacity intermodal yard storage tracks and switches. It will ensure future adequate power supply for the rail RPM equipment

Scope of Work

The NWSA scope of work will include:

- Investigate existing conditions, develop designs, prepare construction documents for the subsidence repair near an existing storm water structure MH 2030
- Construct the repairs of the subsidence at MH2030
- Investigate and develop engineering plans to upgrade the electrical power supply to the two existing rail radiation portal monitors (RPM).
- Investigate and develop design and construction documents to restore the uneven pavement and correct any misalignment in the southern section of the IY eliminating potential worker and equipment safety concerns.
- Investigate existing conditions, develop designs, and prepare construction documents for the repair of the subsidence adjacent to Track 7 and confirm rail operations can safely use Track 7.
- Construct repairs to restore Track 7 for interim operation for Phase 1.
- Construct repairs to the intermodal storage tracks.

Schedule

The investigation and development of construction documents for the restoration of the subsidence at MH 2030 is underway. Construction for this element will commence once the design is completed. The MH 2030 work, the IY storage track work, and some work to restore Track 7 are expected to be finished by December 2021. This allows the IY to be operational for the start of Phase 1 operations in January 2022. Given this timing, some items will not be grant eligible.

The design is scheduled to be completed by March 2022 for the restoration of the southern section of the IY facility, Track 7 full restoration, and the upgrade of the electrical supply to the RPMs. Construction authorization for a major construction project will be requested at that time.

The estimated major construction schedule is as follows:

Advertise for Bid	April 2022
Open Bids	May 2022
Notice of Award	July 2022
Substantial Completion	October 2022
Final Completion	December 2022

E. FINANCIAL IMPLICATIONS

NWSA IY Improvements Project Cost Details – MID No. U00668

	This Request	Total Project Cost	Cost to Date	Remaining Cost
Procurement	\$0	\$0	\$0	\$ -
Pre-Design	\$0	\$50,000	\$12,500	\$ 37,500
Design	\$247,000	\$422,000	\$0	\$ 422,000
Construction	\$2,478,000	\$2,478,000	\$0	\$ 2,478,000
Total	\$ 2,725,000	\$ 2,950,000	\$ 12,500	\$ 2,937,500

This project will track the costs associated with the Terminal 5 Intermodal Yard Use Agreement and the Industry Track Agreement, which include \$3,604,000 for improvements completed by SSAT and BNSF. The total cost for all IY improvements is estimated to be \$6,554,000.

Source of Funds

The current Capital Investment Plan (CIP) allocates \$6,554,000 for the IY improvements project including the costs associated with the SSAT Use Agreement and the BNSF Letter of Agreement.

Financial Impact

The proposed fee for SSAT's use of the intermodal yard for Phase 1 is based on the established Intermodal Facility Fee in the existing NWSA Tariff. The intermodal facility fee charged at T-5 will be the same as the fee charged in the Tacoma Harbor for all international intermodal yards. The fee is used in Tacoma to fund the development and maintenance of the intermodal yards and supporting rail tracks. Similarly, the facility fee in this Use Agreement will help fund repairs and upgrades to bring the facility online as well as ongoing maintenance costs.

Revenue generated by this agreement will be volume-based. For example, an annual volume of 100,000 IY containers, will result in approximately \$2.9 million in revenue. At 150,000 annualized IY containers, this agreement will generate approximately \$4.1 million in revenue. The agreement does not include a minimum volume guarantee. SSAT will not have exclusive use of the facility and forecasted rail volume will be driven by various factors including the ocean carriers that initially utilize T-5 during Phase 1. This agreement is relatively short-term in nature and the NWSA intends to negotiate a longer-term arrangement with SSAT as part of the next phase of the terminal operation when there will be more volume certainty, enabling a potentially different revenue structure.

The project costs will be capitalized and depreciated over an estimated useful life of 15 years. Estimated annual depreciation expense will be \$437,000.

A Port Infrastructure Development Grant (PIDP) has been secured from the US Department of Transportation Maritime Administration (MARAD) and is expected to cover a portion of the T5 IY Improvement project costs. Grant income will be recorded as reimbursement is requested and received from the grant agency. This grant income is currently shown as a part of the Terminal 5 Modernization program financials.

F. ENVIRONMENTAL IMPACTS / REVIEW

Permitting: All MUP conditions apply.

Remediation: No comments or additional conditions.

Stormwater: SSAT has an active ISGP elsewhere on the terminal. They will implement BMPs in the IY to manage pollutant loading to their permit area. It is proposed that if activities change in the IY such that ISGP coverage is triggered, SSAT shall be responsible for expanding permit coverage and complying with the permit. Other than routine MS4 permit BMPs there are no additional water quality related concerns.

Air Quality: The Air Quality Management plan applies.

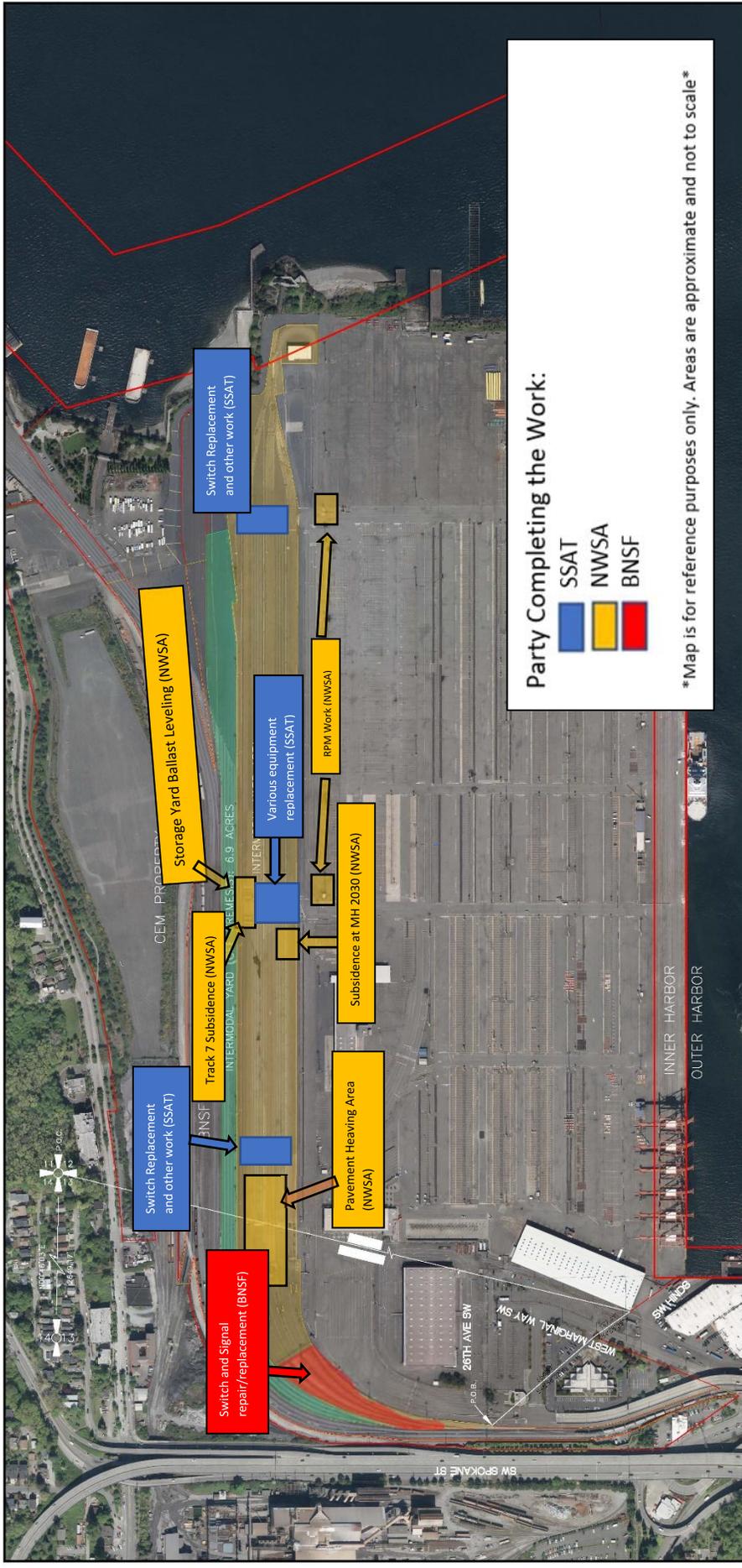
G. PREVIOUS ACTIONS OR BRIEFINGS

<u>Date</u>	<u>Action</u>	<u>Amount</u>
June 9, 2021	Additional Executive Authorization for Design	\$150,000
February 11, 2021	Executive Authorization for Design	75,000
TOTAL		\$ 225,000

H. ATTACHMENTS TO THIS REQUEST

Draft Intermodal Yard Use Agreement
Draft Switch Payment Letter
Exhibit of proposed repairs and equipment upgrades

Planned T5 Intermodal Yard Improvements



THE NORTHWEST SEAPORT ALLIANCE

EXHIBIT A
05/12/2021

TERMINAL 5 INTERMODAL YARD

SCALE: 1"=200'

POS TERMINAL 5 BOUNDARY

INTERMODAL YARD AREA = 25.1 ACRES

INTERMODAL YARD AREA (OFF PREMESIS) = 6.9 ACRES

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Item No:8A
Meeting Date: Aug. 3, 2021

Terminal 5 Intermodal Yard (IY) Use Agreement and Improvements

Tong Zhu, Chief Commercial & Strategy Officer
Steve Balaski, Sr. Manager, Business Development
Curtis Stahlecker, Capital Project Manager, POS

Terminal 5 Intermodal Yard (IY) Use Agreement and Improvements

- Terminal 5 IY Use Agreement (Tong Zhu/Steve Balaski)
- BNSF Switch Payment Letter (Tong Zhu/Steve Balaski)
- Terminal 5 IY Improvements Project Authorization (Curtis Stahlecker)



Actions Requested

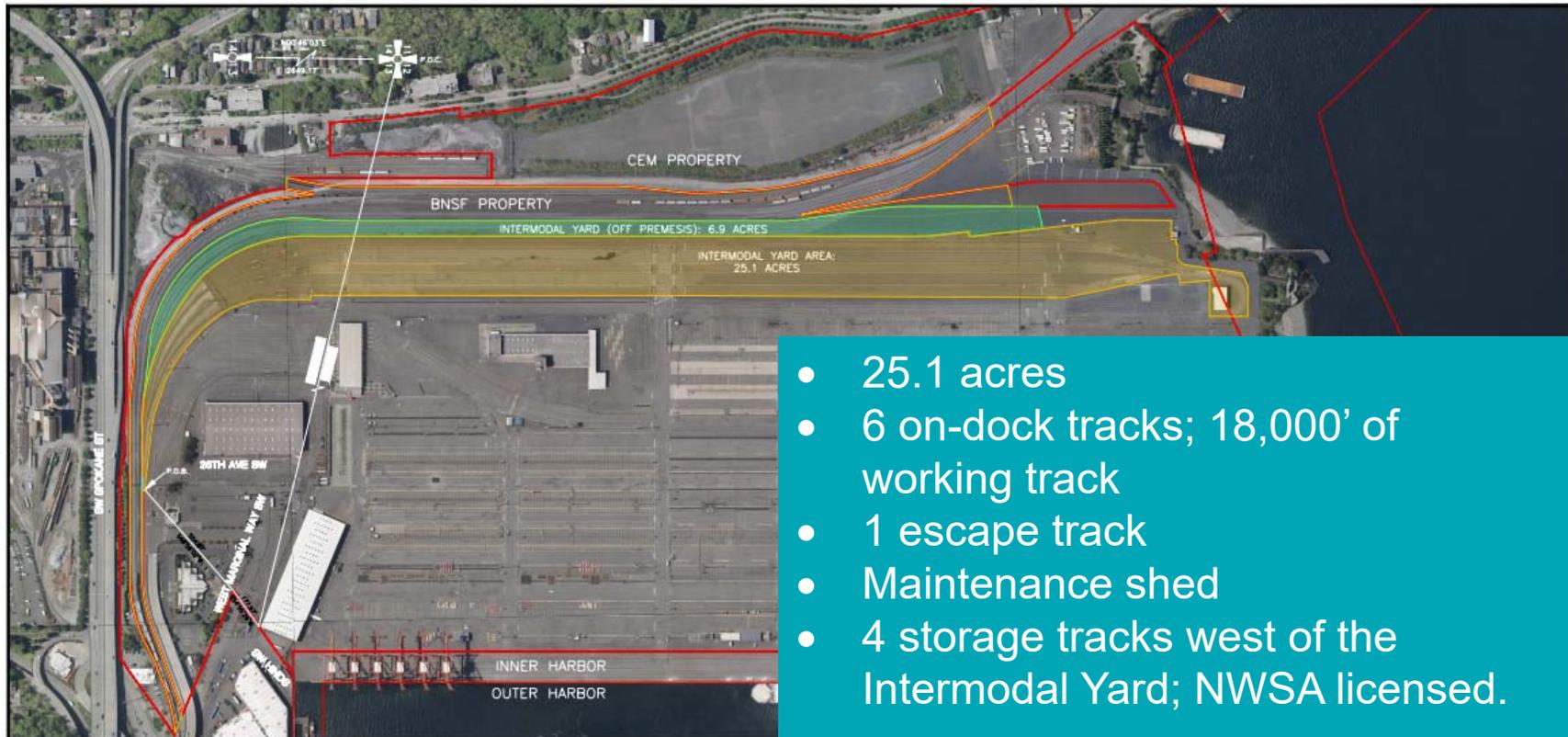
Request Managing Members of The Northwest Seaport Alliance (NWSA) authorization for the Chief Executive Officer or their delegate to execute the Use Agreement with SSA Terminals (Seattle Terminals), LLC (SSAT) for the Intermodal Yard at Terminal 5 for Phase I of the T-5 lease agreement.

Request Managing Members of the Northwest Seaport Alliance (NWSA) authorization for the Chief Executive Officer or their delegate to execute a Switch Payment letter for Improvements at Terminal 5 Intermodal Yard with BNSF Railway Company (BNSF).

Request project authorization in the amount \$2,725,000 for a total authorized amount of \$2,950,000 for work associated with Terminal 5 Intermodal Yard Improvements, Master Identification No. U00668.



Terminal 5 Intermodal Yard Premises



- 25.1 acres
- 6 on-dock tracks; 18,000' of working track
- 1 escape track
- Maintenance shed
- 4 storage tracks west of the Intermodal Yard; NWSA licensed.




 SCALE: 1"=200'

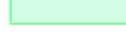
 = POS TERMINAL 5 BOUNDARY
  = INTERMODAL YARD AREA 25.1 ACRES
  = INTERMODAL YARD AREA (OFF PREMESIS) 6.9 ACRES

EXHIBIT A
 05/12/2021

**TERMINAL 5
 INTERMODAL YARD**

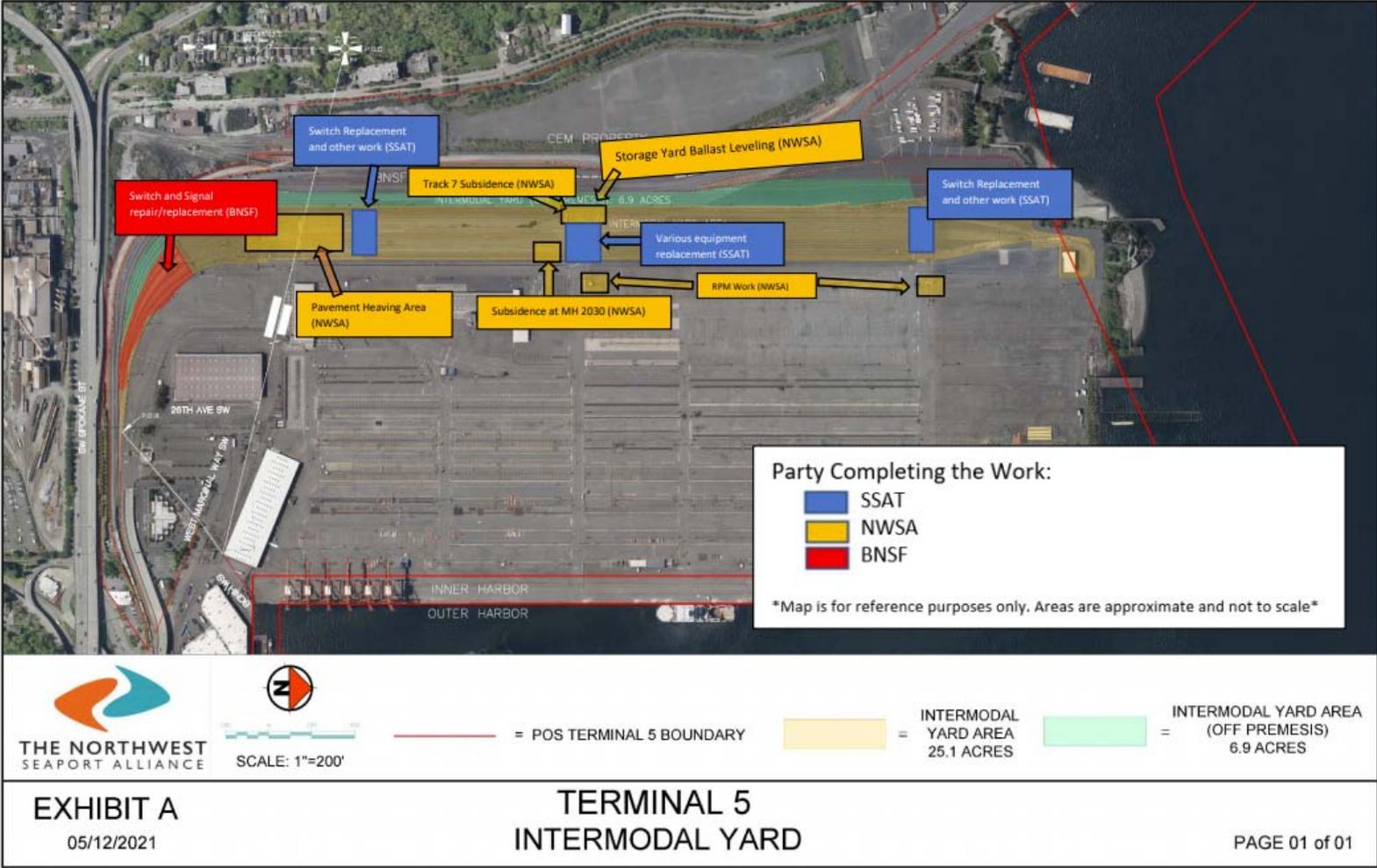
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Background

- SSAT desires to utilize the Intermodal Rail Yard at T-5 for intermodal rail service when the facility opens in 2022.
- Demand for on-dock intermodal service from both ocean carriers and BCOs continues to increase.
- The growth of NWSA is highly dependent on our capability for handling discretionary cargo.
- The T-5 intermodal yard (IY) is not part of the T-5 lease premises.
- To begin utilizing the IY when the T-5 opens, some repairs need to be completed this year.



Planned T-5 Intermodal Yard Improvements



Key Terms of Use Agreement

Article	Term
User/Operator	SSA Terminals (Seattle Terminals), LLC
Premises	Intermodal Yard at Terminal 5 in Seattle. Approximately 25 acres.
Term	Effective Date: August 4, 2021, until the Phase 1 Plus Commencement Date or the Phase 2 Premises Commencement Date
User Fee - Facility Charge Tiers	<ul style="list-style-type: none"> • The use fee will be based on the published NWSA tariff rate (item 669.030) in effect at that time (\$29.27 per container in 2021) for volumes up to 100,000 containers per year. • For all boxes from 100,001 to 150,000 containers per year, those containers will receive a \$5 per- container discount from the published tariff rate in effect at that time. • For all containers between 150,001 to 200,000 containers per year, those containers will receive a \$10 per-container discount from the published tariff rate in effect at that time. • For all boxes exceeding 200,000 containers per year, a \$15 per-container discount from the published tariff rate in effect at that time.



Key Terms of Use Agreement (cont'd)

Article	Term
Maintenance and Repair	<p>SSAT shall be responsible for causing the ordinary maintenance and repairs. NWSA shall reimburse SSAT for the actual, reasonable, out-of-pocket costs and expenses incurred by SSAT in connection with the performance of the maintenance and repairs.</p> <p>SSAT shall be responsible for any repairs and replacements and associated costs necessitated by any damage caused by any acts or omissions of SSAT.</p>
Utilities	<p>NWSA shall furnish all utility service reasonably required for SSAT's operation, including but not limited to electricity, gas, water, and sewer.</p> <p>Stormwater: NWSA is responsible for the payment of any charges related to stormwater at the Premises.</p>



Key Terms of Use Agreement (cont'd)

Article	Term
Upgrade Work	NWSA shall reimburse SSAT for the actual out-of-pocket expenses incurred by SSAT in connection with SSAT's performance of certain work and upgrades required to make the IY operational, up to a maximum aggregate amount of [Three Million and No/100 Dollars] (\$3,000,000.00)
Upgrade Work	<p>The primary categories of work include the following:</p> <ul style="list-style-type: none">• Replace switch machines and related switching system equipment• Replace safety lighting system including bulbs, control board and related parts and spares• Repair or replace as required rails and ties• Repair/Remove derails• Air compressor maintenance• Recertify gates• Paving work



Financial Implications

- The proposed fee for SSA's use of the intermodal yard for Phase 1 is based on the established Intermodal Facility Fee in the existing NWSA Tariff. The intermodal facility fee charged at T-5 will be the same as the fee charged in the Tacoma Harbor for all international intermodal yards.
- The facility fee in this Use Agreement will help fund repairs and upgrades to bring the facility online as well as ongoing maintenance costs.
- Revenue generated by this agreement will be volume-based. For example, an annual volume of 100,000 IY containers, will result in approximately \$2.9 million in revenue. At 150,000 annualized IY containers, this agreement will generate approximately \$4.1 million in revenue.

Environmental Impacts / Review

- **Permitting:** All T-5 Lease MUP conditions apply
- **Stormwater:** SSAT has an active ISGP on the terminal. They will implement BMPs in the IY to manage pollutant loading to their permit area. It is proposed that if activities change in the IY such that ISGP coverage is triggered, SSAT shall be responsible for expanding permit coverage and complying with the permit. Other than routine MS4 permit BMPs there are no additional water quality related concerns.
- **Air Quality:** The T-5 Lease Air Quality Management plan applies.

Action Requested

Request Managing Members of the Northwest Seaport Alliance (NWSA) authorization for the Chief Executive Officer or their delegate to enter into a Use Agreement with SSA Terminals (Seattle Terminals), LLC (SSAT) for the Intermodal Yard at Terminal 5 for Phase I of the T-5 lease agreement.

Key Terms of BNSF Switch Payment Letter

Article	Term
Upgrade Work	<p>NWSA shall pay BNSF for the actual out-of-pocket expenses incurred by BNSF in connection with BNSF’s performance of certain work and equipment upgrades required to make the IY operational, up to a maximum aggregate amount of [Six hundred Four Thousand and No/100 Dollars] (\$604,000)</p> <p>BNSF work will involve upgrades to signalized switches, possibly derails, and any infrastructure within the IY and ISY connected to BNSF signal systems.</p>

BNSF Industry Track Agreement

- In conjunction with the Use Agreement, the NWSA needs to execute a new Industry Track Agreement (ITA) with the BNSF Railway Company (BNSF) and SSAT. The ITA is a BNSF requirement which addresses maintenance, operations and liability responsibilities at the facility.
- The previous ITA expired when the lease with Eagle Marine Services for T-5 was terminated in 2014.
- **The NWSA intends to bring this agreement before Managing Members for consideration at a future meeting.**

Action Requested

Request Managing Members of the Northwest Seaport Alliance (NWSA) authorization for the Chief Executive Officer or their delegate to execute a Switch Payment Letter for Improvements at Terminal 5 Intermodal Yard with BNSF Railway Company (BNSF).



T5 Intermodal Yard Improvements Background

The NWSA along with the BNSF and SSAT have identified necessary repair work and equipment upgrades required to bring the Terminal 5 Intermodal Yard facility online.



T5 Intermodal Yard Improvements Project Description

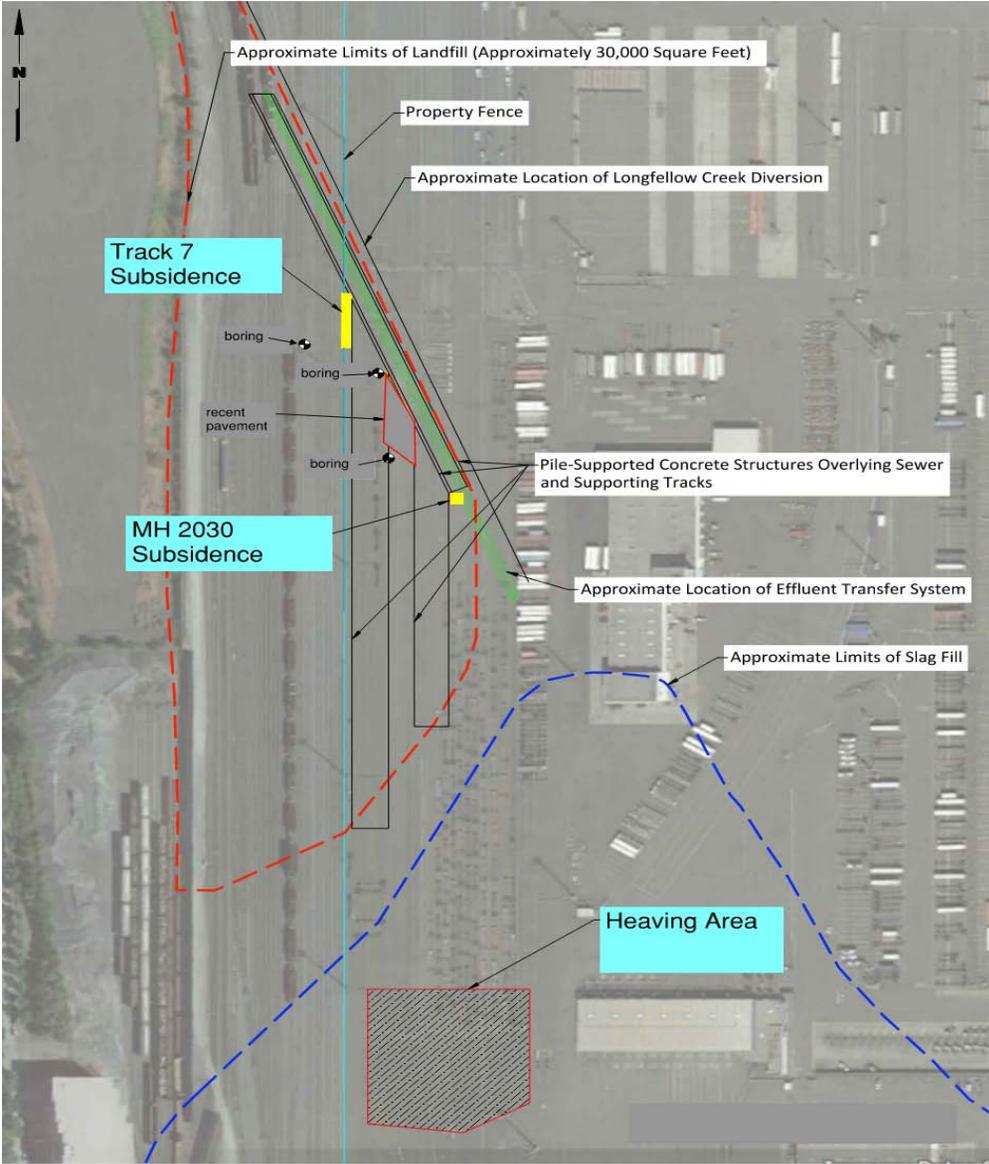
- Repair subsidence that occurred adjacent to MH structure 2030
- Restore the operational use of Track 7 and repair adjacent subsidence
- Repair uneven surface and misalignment of rail in the southern end of the IY eliminating potential worker and equipment safety concerns
- Upgrade the electrical service to 100-amps for the rail RPMs
- Provide ballast at intermodal storage tracks

Subsurface Features

T5 Intermodal Yard Improvements

- **Portion of the IY is built on an old urban landfill**
 - An urban landfill operated for about 40 years closed in the mid-60s
 - The landfill is roughly in the middle section of the IY
 - Settlement was expected and accounted for in the original design
 - Rail Infrastructure is supported on pile foundations
 - Pavement is unsupported and settles
- **Southern end of IY underlain with steel mill slag**
 - Steel mill slag was on the site before the 1995 redevelopment
 - Residual slag under the pavement swells when water is introduced
 - The slag swelling has caused the pavement to heave

Intermodal Yard Restoration Areas



Repair Options

T5 Intermodal Yard Improvements

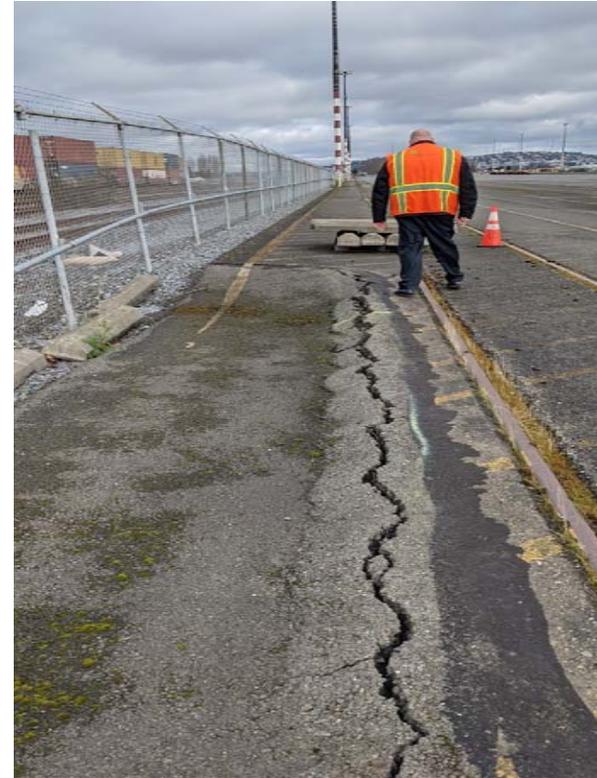
- **Methods to repair subsidence**
 - Ground improvement techniques
 - Soil mixing
 - Deep dynamic compaction
 - Removal of the landfill debris and backfill with suitable material
 - Remove pavement
 - Fill void
 - repave
- **Repair methods for slag area**
 - Removal of the slag and replace with suitable material
 - Remove heaved sections
 - Level slag
 - Repave
 - Seal joints

Project Details

T5 Intermodal Yard Improvements

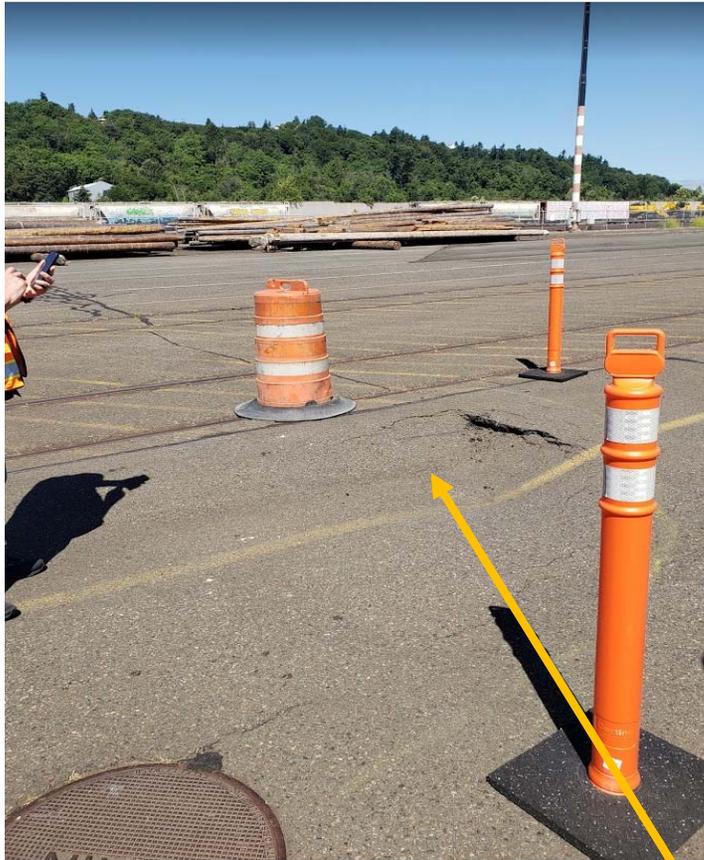
- **Repair subsidence that occurred adjacent to MH structure 2030**
 - Investigate and prepare construction documents
 - Execute repairs with internal crews
- **Restore the Track 7 to operation use**
 - Confirm track 7 can be put back into rail operations by:
 - Spot checking ballast
 - Load test with rail car
 - Repair area that has subsided adjacent to the track

Terminal 5 IY – Existing Conditions



Track 7 Subsidence

Terminal 5 IY – Existing Conditions



Subsidence at Manhole 2030

Project Details

T5 Intermodal Yard Improvements

- **Repair uneven surface and misalignment of rail in in the southern end of the IY**
 - Investigate and determine extend of repairs
 - Design and prepare construction bid documents
 - Issue a contract to execute the restoration work
- **Upgrade the electrical service to 100-amps for the rail RPM**
 - Investigate and prepare construction documents
 - Execute repairs with internal crews
- **Provide ballast at the intermodal storage tracks**

Terminal 5 IY – Existing Conditions



Surface heaving



Surface and rail irregularities caused by slag

Project Schedule

T5 Intermodal Yard Improvements

Anticipated Schedule Major Works Construction Contract

Activity	Timeframe
Advertise for Bid	April 2022
Open Bids	May 2022
Notice of Award	July 2022
Substantial Completion	October 2022
Final Completion	December 2022



Source of Funds

Terminal 5 Intermodal Yard Improvements

- **The estimated cost of the for this project is \$2,950,000.**
- **The estimated budget for the additional improvements and upgrades by others is \$3,604,000 .**
- **The total estimated budget for the T5 IY improvements and equipment upgrades is \$6,554,000.**
- **The current Capital Investment Plan (CIP) allocates \$6,554,000 for the total IY project.**

Financial Summary – Total Estimated Costs

Item	Cost estimate	Party performing the work	Authorization
NWSA Intermodal Yard Improvements	\$ 2,950,000	NWSA	Project U00668
SSAT Intermodal Yard equipment updates and repairs	\$ 3,000,000	SSAT	IY Use Agreement
BNSF upgrades to switches, signaling and support equipment	\$ 604,000	BNSF	Switch Payment Letter
	\$ 6,554,000	Total estimated cost	

Financial Summary

T5 Intermodal Yard Improvements

	This Request	Total Project Cost	Cost to Date	Remaining Cost
Procurement	\$0	\$0	\$0	\$ -
Pre-Design	\$0	\$50,000	\$12,500	\$ 37,500
Design	\$247,000	\$422,000	\$0	\$ 422,000
Construction	\$2,478,000	\$2,478,000	\$0	\$ 2,478,000
Total	\$ 2,725,000	\$ 2,950,000	\$ 12,500	\$ 2,937,500

Prior Authorization: \$225,000

Conclusion

Terminal 5 Intermodal Yard Improvements

Request project authorization in the amount \$2,725,000 for a total authorized amount of \$2,950,000 for work associated with the Terminal 5 Intermodal Yard Improvements, Master Identification No. U00668.

