

THE NORTHWEST SEAPORT ALLIANCE
MEMORANDUM

MANAGING MEMBERS
STAFF BRIEFING

Item No.

10A

Date of Meeting

June 6, 2023

DATE: June 6, 2023

TO: Managing Members

FROM: John Wolfe, CEO

Project Managers: Ryan McFarland, Director of Government Affairs and
Deirdre Wilson, AICP, Senior Planning Manager

Sponsor: Jason Jordan, Director of Environmental and Planning Services

SUBJECT: Staff Briefing on External Funding Strategy

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A. BRIEFING REQUESTED

This memo provides a mid-year overview of 2023 grant activity and shares the steps staff are taking to seek federal and other funding opportunities in the second half of 2023. The memo also includes some information on lessons we've learned.

B. EXTERNAL FUNDING STRATEGY

Our grant strategy covers opportunities at all levels, from local to federal. However, much of our focus is on federal grant programs, especially those that target ports, due to the nature and cost of our projects. Application consideration is rooted in a project list matched with potential funding options using information available from the capital investment plan (CIP), Coordinated Course materials, and conversations with partner agencies. We update the project list regularly to reflect new priorities, project readiness, and available funding options. We then vet with all disciplines within the organization. See Attachment A for the full external funding strategy matrix.

The Funding Strategy Matrix lays out project priorities and potential ‘good fit’ grant opportunities. Commissioner feedback and adjustment to project and program priorities will occur formally during the annual budget process, the capital investment plan development (CIP) and again during the annual retreat in August when Coordinated Course materials are presented.

The Grant Steering Committee (GSC) meets to share updates with executive leadership staff on recent and upcoming grant activity. The GSC is an NWSA and Port of Tacoma joint process and meetings include staff from the Port of Seattle finance team to make sure information is shared across the three organizations. Approval by the GSC is a required step before grant applications are submitted. Following those meetings, a recap of the meeting is sent to the Managing Members in the weekly report.

Recently, the Port of Tacoma hired a Grant Administrator. The Grant Specialist, an Alliance role, hands off the grant to the Grant Administrator following the application and pre-award phase. Alliance staff also coordinate with Port of Seattle staff in similar roles and continue to look for opportunities to collaborate.

C. GRANT HIGHLIGHTS

Port Infrastructure Development Program (PIDP)

On April 27th, the NWSA submitted its **FY23 PIDP** application to the Maritime Administration. Titled ‘Husky Terminal Expansion Part One’, the application included:

- Reconfiguration of the container storage yard on Husky Terminal
- Installation of additional power supply and forty reefer racks on the terminal
- Relocation of support facilities off-terminal to improve efficiency on the terminal

The NWSA federal grant “ask” is \$56.6 million with a local match of \$69.3 million. The total project cost is \$125.9 million. Husky Terminal staff collaborated with Alliance staff on the application, and the President of Husky Terminal and Stevedoring, LLC. provided a letter of commitment for the project.

With the help of Government Affairs, Commercial, and others, more than 45 letters of support were secured from businesses, industry associations, labor, government agencies and municipalities, and elected officials. The Maritime Administration is expected to announce FY23 awards this autumn.

The **FY22 PIDP** grant for the T5 Export, Expansion, and Emissions Reduction project is nearing execution, with the National Environmental Policy Act (NEPA) process underway. This project includes construction of the new gate complex and expansion of the container yard.

Working with two of our associations—the Coalition for America’s Gateways and Trade Corridors and the American Association of Port Authorities—Government Affairs has advocated for improvements to USDOT’s grant administration processes. We expect that the progress that has been made in this area will enable us to proceed to construction sooner than what has been possible in previous years.

2023 Mid-Year Grant Update Briefing

June 6, 2023

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2022 - 2023 Grants Overview					
Grant Opportunity	Funding Source	Project	Amount of request	Funds awarded?	Agreement status
Port Infrastructure Development Program (FY22 PIDP)	Federal	T5 Export, Expansion, and Emissions Reduction	\$17M	Yes	In progress
National Highway Freight Program (NHFP)	Federal	T5 Truck Gate Complex	\$1.75M	Yes	In progress
Congestion Mitigation Air Quality (CMAQ)	Regional	ZE Drayage Truck Pilot in Pierce County	\$3M	Yes	In progress
Flood Risk Reduction and Watershed Mgt Economic Stimulus Grant	Local	Tideflats Stormwater Comprehensive Plan (PoT)	\$125k	Yes	In progress
Community Project Funding	Federal (Congress)	Pierce County Terminal Reefer Plugs	\$3M	No	N/A
Community Project Funding	Federal (Congress)	North Harbor ZE Truck Demonstration	\$2.3M	Pending; advanced to House Appropriations Committee	
Culvert AOP (FHWA)	Federal	Wapato Creek Culvert	\$2M	Decision pending; expected summer/autumn 2023	
Consolidated Rail Infra. & Safety Improv. (FRA / Congressionally Directed Spending)	Federal (Congress earmark)	Banana Yard Switch Upgrade	\$2.5M	Yes	Executed
Port Infrastructure Development Program (FY23 PIDP)	Federal	Husky Terminal Expansion Part One	\$56.6M	Decision pending; expected autumn/winter 2023	

Future and Pending Grant Opportunities

The **Inflation Reduction Act** (IRA) of 2022 provides EPA with \$3 billion to fund zero-emission port equipment and technology and to help ports develop climate action plans to reduce air pollutants at U.S. ports. The new EPA program will fund grants and rebates to:

- Purchase or install zero-emission port equipment or technology;
- Conduct any relevant planning or permitting in connection with the purchase or installation of such zero-emission port equipment or technology; and
- To develop qualified climate action plans.

- \$750M of total funding to be spent in nonattainment areas
- Funding available until September 30, 2027

Currently staff plan to apply for funding from this program for the installation of shore power at Terminal 18.

The **Reduction of Truck Emissions at Port Facilities** (RTEPF) program will provide funding to reduce truck idling and emissions at ports, including through the advancement of port electrification. The [NOFO](#) was posted on April 27, 2023, and applications are due by June 26, 2023. The opportunity combines 2022 and 2023 annual program funding for a total of \$160 million. Eligible uses will include projects that test, evaluate, and deploy projects that reduce port-related emissions from idling trucks, including through port operations efficiency improvements. The program also includes a study to address how ports and intermodal port transfer facilities would benefit from increased opportunities to reduce emissions at ports, and how emerging technologies and strategies can contribute to reduced emissions from idling trucks. NWSA staff are preparing an application to this program for \$20 million in additional funding for the zero-emission truck demonstration project.

Staff are also preparing an application for \$15 million to the Charging and Fueling Infrastructure (CFI) program overseen by USDOT Federal Highway Administration. This program was also created under the IIJA and in 2023 will grant \$700 million for charging and alternative fueling infrastructure in publicly accessible community settings as well as along designated corridors such as I-5 and I-90 in Washington. The NWSA application will support a trucking-as-a-service model, wherein a private operator owns the trucks and charging infrastructure and lease them out to drayage service providers. The NWSA would be the grantee and partner with a private sector partner through a competitive Request for Proposals. This model is being used successfully in California by several companies who have expressed interest in expanding to the Northwest.

National Diesel Emissions Reductions Act (DERA): EPA anticipates this NOFO will open soon. DERA National Grants are moving to a 2-year competition cycle to reduce the administrative workload associated with grant competitions. Eligible diesel vehicles, engines and equipment include: School buses, Class 5 – Class 8 heavy-duty highway vehicles, Locomotive engines, Marine engines, Nonroad engines, equipment or vehicles used in construction, handling of cargo (including at ports or airports), agriculture, mining or energy production (including stationary generators and pumps). Once a NOFO is released staff will evaluate potential projects.

D. EARMARKS

FY 2024

The NWSA submitted two different “earmarks” this year, referred to as “Congressionally Directed Spending” (CDS) in the Senate and “Community Project Funding” (CPF) in the House. Earmarks are typically in the \$1 to \$5 million range and may only be made under specific programs, which may vary from year to year.

The Tacoma harbor project, a request for \$3 million submitted to Representative Derek Kilmer to install 300 additional reefer plugs at Pierce County Terminal, was unsuccessful.

In the Seattle harbor, Representative Pramila Jayapal has chosen the NWSA's zero-emission drayage truck pilot project to submit to the House Appropriations Committee.

At this stage, earmarks are subject to the House Appropriations Committee process as well as the congressional budget negotiations that will take place over the next several months. Staff will continue to track this potential grant and update commissioners as we learn more.

FY 2022

The NWSA and Port of Tacoma received an earmark for \$2.5 million (59% of total project cost) to upgrade the rail switches at the Banana Yard. This was the first earmark we received since they were revived in Congress in 2021 and has been a valuable learning experience in what happens after an earmark makes it into the books.

The Federal Railroad Administration (FRA) is now administering the earmark as a grant under the **Consolidated Rail Infrastructure and Safety Improvement (CRISI)** program, much like any other discretionary grant. The grant agreement was fully executed on May 9th and work will likely begin later this year. Completion of this project is expected in November 2024.

E. STATE FUNDING

The 2023 legislative session in Olympia was highly productive for our organization. Lawmakers allocated \$436 million to projects and programs benefitting the NWSA, with \$20.3 million directly invested in the NWSA. These investments include:

- \$14 million to install shore power at Terminal 18. This project is currently in the design phase and the state funds represent approximately half the installation cost.
- The budget also included \$26.6 million for competitive electrification grants, which the NWSA and home ports could utilize for additional shore power projects or other initiatives, depending on the grant criteria. This program will be administered by WSDOT and will take some time to stand up.
- \$6.3 million from the state transportation budget is also invested in the NWSA's zero emission truck demonstration project. This represents twice the amount of funding originally proposed by the NWSA to the governor last fall.
- The budget also directs the Joint Transportation Committee (JTC) to design an infrastructure and incentive strategy to drive the transition to zero emission medium and heavy-duty vehicles across sectors. The results of this work would, in turn, release \$100 million for zero-emission vehicle and school bus infrastructure and incentive programs, including \$2.5 million specifically for cargo-handling equipment, in which the NWSA and our partners could participate. Staff will engage with the JTC throughout their study to help shape these programs.

Many other programs benefitting the NWSA were funded this year, including the Puget Sound Gateway, I-5/Port of Tacoma Road interchange, Quiet Sound, Tacoma Rail, and East Marginal Way in Seattle.

F. HARBOR MAINTENANCE TRUST FUND

As presented at the May 2nd Managing Member meeting, the home ports will receive the following amounts from the Section 2106 program for FY23:

- \$2.714 million for Port of Seattle, and
- \$3.364 million for Port of Tacoma.

As Managing Members are aware, the US Army Corps of Engineers (USACE) did not distribute the additional Harbor Maintenance Tax funds to donor and energy transfer ports in the FY23 work plan as expected. Staff are collaborating with our congressional delegation, AAPA, and other donor and energy transfer ports to ensure these funds are distributed as intended next year.

G. LESSONS LEARNED

As with other forms of work and practice, we have learned from our experience, and have grown our grant program knowledge. Below are some examples of lessons learned.

Projects Must Be Completed as Described in Application

We should only apply for grants for projects that we can guarantee we will complete if funds are awarded. This becomes a lot more complicated if projects require investment or other participation from terminal operators or other partners. In such cases we need a solid agreement from the terminal operator/partner before beginning the application or be willing to pursue the project without them if they back out. Once a grant is awarded, awardees have only limited flexibility to change the grant projects. Minor changes in scope, schedule and budget often can be accommodated. Yet larger changes could result in forfeiture of some or all of the grant award and reputational damage that would threaten our ability to secure funds in the future.

Future Site Use Restrictions

For construction applications, use of the project site will be restricted to the described project. If the application states the use of the site will be for cargo containers, autos, etc., the project site must include that described use for the duration of the grant and post-project reporting period. If property acquisition is involved in a project, federal funding imposes longer-term restrictions on the use and sale of the property. For a program application, the program must remain as described to be eligible for funding. This means we need to be diligent in how we plan for our future and describe those plans in applications.

Performance Outcome Metrics

Federal grant applications result in data and performance metric reporting obligations that extend years beyond project completion. Examples of reported metrics include an increase in container volumes and reduction in air emissions. This may result in additional reporting, new data and tracking requirements that result in the need for additional staff and, potentially, coordination with tenants and other external stakeholders. These requirements are formally documented during the grant agreement process.

Federal Administration Agenda

Overall project performance is tied to federal administration policy goals. These tangential qualifiers complicate the grant process by requiring additional research and data gathering to develop a complete and compelling application. Here are some examples:

- Equity, clean energy, resilience, job quality, wealth creation, Justice40.
- Buy and Build America(n) provisions: "...applicants should include a discussion of steps that they have taken or will take if their project is selected for funding, to ensure that the project complies with the Build America Buy America requirements."
- Automation, "If fully automated equipment is proposed to be acquired or terminal infrastructure for such equipment is proposed to be created, the applicant must provide information describing the job changes that will result from the project, including supporting evidence demonstrating that the project will not directly result in a net loss of good jobs or degradation of job quality."

Project and Applicant Strength

The eligible applicant must prove authority and ability to carry out the project and must also demonstrate that sufficient funding is available to meet the local match requirements, at time of grant application. Detailed budget and funding documentation for the specific program or project is required, as well as explanation of how funds will be sequenced if multiple grants will be used. For federal grants, the application must meet specific statutory determinations and grant reviewers also score the application against specific merit criteria that are included in the NOFO and must be addressed in the application.

Earmarks are Grants

Congressional earmarks are now being channeled through grant programs via set asides contemplated in those grant programs. While the 'application' process may seem more streamlined at first, this new process results in similar demands for project details, project readiness, and staff time to complete required documents as a traditional grant.

Time and Resources

For a federal grant project application, countless hours are spent compiling information and making sure the application is compelling and addresses required components. This year, staff worked (upwards of 160 hours) with a consultant team and the Husky Terminal staff to prepare the Husky Terminal Expansion Part One PIDP grant application, see Attachment B. Consultant fees for this application totaled \$60k. Staff are now standing by for potential questions and clarifications from USDOT staff about our application. If awarded, next steps will include National Environment Policy Act (NEPA) review and finalizing a grant agreement with a very detailed project schedule and outcome performance measures.

H. NEXT STEPS

August 2023 – Updated Coordinated Course materials will be shared at the Annual Retreat

January 2024 – Briefing on Grants at regularly scheduled meeting

I. ATTACHMENTS

Attachment A: Funding Strategy Matrix

Attachment B: FY23 PIDP Narrative – Husky Terminal Expansion Part One