

THE NORTHWEST SEAPORT ALLIANCE
MEMORANDUM

MANAGING MEMBERS
ACTION ITEM

Item No. 9C
Date of Meeting December 7, 2021

DATE: November 22, 2021

TO: Managing Members

FROM: John Wolfe, CEO

Sponsor: Tong Zhu, Chief Commercial & Strategy Officer

Project Manager: Tony Warfield, Environmental Senior Project Manager

SUBJECT: Tacoma Harbor Deepening Increase Authorization

A. ACTION REQUESTED

As referenced in The Northwest Seaport Alliance (NWSA) Resolution No. 2020-02, Exhibit A, Delegation of Authority Master Policy, Paragraph 8.c.iii., states project costs exceeding \$300,000 require approval from Managing Members.

Request increase in project authorization in the amount \$188,000, for a total authorized amount of \$1,817,000, for work associated with the Tacoma Harbor Deepening, Master Identification Nos 201060.01 and 201060.02.

B. SYNOPSIS

NWSA in cooperation with the US Army Corps of Engineers (Corps) is evaluating the feasibility of deepening the Blair Waterway to accommodate ultra large super post-Panamax container ships in the South Harbor. The Corps has requested an additional \$162,500 from the Port of Tacoma/NWSA to cover additional costs stemming from the delayed Biological Opinion from the National Marine Fisheries Service (NMFS) to compete the Study. Staff is also requesting an additional \$22,500 for Port staff time to work with the Corps through this process.

C. BACKGROUND

The Corps maintains the federal navigation channels in the United States. Corps projects to improve federal waterways follow a set process that begins with a study to determine the federal interest to make the improvements. The process takes place under the Corps' 3x3x3 Smart Planning process and is expected to take no longer than 3 years and cost no more than \$3 million. The NWSA as the non-federal sponsor, authorized the payment of 50% of the cost of the study, or \$1.5M. The homeports asked the Corps to study the feasibility of deepening the East, West, and Blair Waterways to accommodate big ships. In April of 2020 the Managing

Members increased the Tacoma Harbor Authorization by \$129,000 to support the completion of the feasibility study and address Tribal comments.

The study process includes the following milestones:

- Alternatives Milestone – public scoping meetings, forecast future with/without project scenarios and arrive at alternatives to be studied. **Complete**
- Tentatively Selected Plan Milestone – the team more fully develops the best alternatives, identifies costs to implement each alternative, performs a cost/benefit analysis, sometimes performs a ship simulation, and arrives at a plan that is in the national interest according to its National Economic Development objectives and modeling. **Complete**
- Agency Decision Milestone – feasibility level analysis including environmental review, agency technical review, additional public review and initial policy review, assessment of public comments. **Complete**
- Civil Works Review Milestone – more thorough review of the analysis, some design work completed, certification of cost estimates and other work, complete policy review. **Complete**
- Final Report Milestone – Final report released to Chief Engineer. **Substantially complete**
- Chief's Report Milestone – Chief Engineer signs and sends to Congress for authorization. **On-hold**

After the Feasibility Study is authorized and funding is appropriated, the next project stages are Preconstruction Engineering and Design (PED) and Construction. The non-federal sponsor also has a cost share obligation for these next stages, with a more varied percentage rate. At that point, funding will shift from the NWSA to the Port of Tacoma unless otherwise agreed to by the homeports. Estimates of cost were developed in Feasibility and will be refined in PED. Because berth infrastructure must also be at a depth to support the deepening, the NWSA will be developing a berth/facility investment plan for the Blair Waterway. That work will need to occur in conjunction with the Corps process.

D. CURRENT STATUS

The Corps determined the Tacoma Harbor Deepening project had a benefit/cost ratio over 10. It also includes approximately 65 acres of improved nearshore habitat as a beneficial use element (meaning clean dredged material will be reused). The project has strong civilian and uniformed support throughout the Corps. Unfortunately, NMFS failed to assign a biologist to the project when requested by the Corps in March of 2020. Thus, Consultation under the Endangered Species Act (ESA) is not complete. A draft biological opinion is not anticipated until the end of 2021.

The Corps explored completing ESA Consultation during the design phase of the project to stay within the current budget and schedule. That idea was ultimately rejected. Therefore, the Corps must request an exemption to the three year and three Million Dollar constraints in the 3x3x3 process. Given the need to wait on NMFS, there is a real chance of missing the 2022 funding cycle for the project, thus delaying design and construction by two years.

NWSA and homeport staff are working hard to keep the project on track. Staff and Leadership are engaging our congressional delegation, Corps headquarters, the office of the Assistant Secretary of the Army (ASA) for Civil Works and NMFS headquarters. Meetings with each of these offices took place in September and October. The goal of the meetings was to ensure the delays at NMFS do not cause us to miss our chance for PED and construction authorization in the 2022 WRDA bill. We are seeking solutions that include expediting the consultation or convincing the Corps (specifically, the ASA's office) to reconsider and to approve a waiver of the requirement to complete the environmental consultation as part of the Feasibility Study and instead move the consultation to the design phase.

Regardless of whether our efforts to overcome our obstacle with NMFS are successful, the Corps will need additional funding to continue their work on the project past the original August 2021 study deadline. The Corps requested an additional \$325,000 to complete the project. The NWSA needs to cover \$162,500 of that increase. Staff also request an additional \$22,500 to cover staff time to work with the Corps and NMFS on these issues. Those amounts will exceed the current \$1,629,000 Authorization for the project.

The Corps has not yet completed its Tribal Consultation on the Feasibility Study with the Puyallup Tribe of Indians. Corps staff to staff discussions and formal Government to Government consultations should be scheduled soon.

Schedule

| Activity/Milestone | Timeframe | Notes |
|---|---------------------------|------------------------------|
| Kick-off (Agreement Signing) | Aug 21, 2018 | Complete |
| Alternatives Milestone | Nov 19, 2018 | Complete |
| Public scoping | Jan-Feb 2019 | Complete |
| Tentatively Selected Plan | Oct 21, 2019 | Complete |
| Publish Draft Study and EA Start 60-day review | Dec 6, 2019 | Complete |
| Public Comment on Draft Reports | Dec 2019 through Jan 2020 | Complete |
| Agency Decision Milestone | Apr 16, 2020 | Complete |
| Final Report and EA | Dec 2020 | Substantially Complete |
| Chief's Report | Jun-Aug 2021 | On hold |
| Congressional Authorization/Begin PED | TBD | Earliest 2022, possibly 2024 |
| Phase 1 Construction | TBD | Earliest 2025, possibly 2027 |

EA = Environmental Assessment

PED = Preconstruction Engineering & Design

E. FINANCIAL IMPLICATIONS

Project Cost Details

| | Previous Authorizations | This Request | Total Project Cost | Cost to Date | Remaining Cost |
|-------------------------------------|-------------------------|-------------------|---------------------|---------------------|-------------------|
| Original Authorization | \$ 1,500,000 | | | | |
| Complete Feasibility Study | \$ 129,000 | | \$ 1,629,000 | \$ 1,619,187 | \$ 9,813 |
| Corps second request and staff time | | \$ 188,000 | \$ 188,000 | | \$ 188,000 |
| Total | \$ 1,629,000 | \$ 188,000 | \$ 1,817,000 | \$ 1,619,187 | \$ 197,813 |

Source of Funds

The current Capital Improvement Plan (CIP) Budget allocates \$1,817,000 for this project. This expense is included in the 2021 forecast as an expense.

Financial Impact

Project costs will be expensed as incurred and are included in the 2021 forecasted NWSA Income statement.

F. ALTERNATIVES CONSIDERED AND THEIR IMPLICATIONS

Alternative 1) No action. Corps will discontinue Feasibility Study Process and not conduct deepening.

Alternative 2) This request. Corps, with support of the Port of Tacoma and NWSA, will work with NMFS to complete ESA Consultation and move the Tacoma Harbor Deepening towards a Chief's Report and Congressional Authorization.

Alternative 2 is the recommended course.

G. ENVIRONMENTAL IMPACTS/REVIEW

Permitting: To be completed by Corps during Preconstruction Engineering and Design (PED). Berth areas to be designed, permitted and constructed by NWSA/Homeport.

Remediation: Evaluated in Draft Environmental Assessment (EA). Corps' current working assumption is 16% of material is unsuitable for open water disposal. None of that material is anticipated to meet criteria for hazardous waste.

Stormwater: Evaluated in Draft EA. No impacts are anticipated.

Air Quality: Evaluated in Draft EA. Finds both per container and overall reductions in air emissions as larger more efficient ships replace smaller less efficient ships.

H. ATTACHMENTS TO THIS REQUEST

- Computer slide presentation.

I. PREVIOUS ACTIONS OR BRIEFINGS

| <u>Date</u> | <u>Action</u> | <u>Amount</u> |
|--------------------|--------------------------------|----------------------|
| August 14, 2018 | Managing Members Authorization | \$1,500,000 |
| December 3, 2019 | Managing Members Briefing | \$0 |
| April 7, 2020 | Managing Members Authorization | \$129,000 |
| TOTAL | | \$1,629,000 |