

**THE NORTHWEST SEAPORT ALLIANCE**  
**MEMORANDUM**

**MANAGING MEMBERS**  
**ACTION ITEM**

**Item No.** 8B  
**Date of Meeting** September 7, 2022

**DATE:** August 24, 2022

**TO:** Managing Members

**FROM:** John Wolfe, CEO

**Sponsor:** Tong Zhu, Chief Commercial and Strategy Officer

**Project Manager:** Jennifer Maietta, Director, NWSA Seaport Alliance

**SUBJECT:** First Amended and Restated Interlocal Agreement between NWSA and Port of Seattle for Use of Cranes at Terminal 46 and T46 Crane Maintenance Project

**A. ACTIONS REQUESTED – *Two separate actions***

**First Amended and Restated Interlocal Agreement between Port of Seattle and NWSA for Use of Cranes at T46 - NWSA Managing Members and Port of Seattle Commission dual vote:**

Request Managing Members of The Northwest Seaport Alliance (NWSA) authorization for the Chief Executive Officer or their delegate to approve the First Amended and Restated Interlocal Agreement between the Port of Seattle and The Northwest Seaport Alliance regarding The Northwest Seaport Alliance’s Use of Port Owned Crane (Crane ILA) first entered into July 13, 2021, to incorporate the access, repair, certification and all on-going maintenance of cranes 81 and 82 into the Crane ILA.

Request Commissioners of the Port of Seattle (POS) authorization for the Executive Director or their delegate to approve the First Amended and Restated Interlocal Agreement between the Port of Seattle and The Northwest Seaport Alliance regarding The Northwest Seaport Alliance’s Use of Port Owned Crane” (Crane ILA) first entered into July 13, 2021, to incorporate the access, repair, certification and all on-going maintenance of cranes 81 and 82 into the Crane ILA.

**T46 Crane Maintenance Project:**

**As referenced in 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 project authorization in the amount \$2,150,000 for a total authorized amount of \$2,200,000 for work associated with the T46 Crane Maintenance project, Master Identification No. N10106.

**B. SYNOPSIS**

The three cranes located on Terminal 46 are owned by the POS. The Crane ILA was entered into by and between the POS and NWSA for the purposes of granting access and transferring the repair, certification, and all on-going maintenance of crane 80 to the NWSA. The Crane ILA also allows the NWSA to transfer these responsibilities to a third-party under a separate agreement as necessary, subject to agreement by the POS. The incorporation of cranes 81 and 82 (together with crane 80, "Cranes") into the Crane ILA through the proposed First Amended and Restated Crane ILA will allow the NWSA to make the Cranes operationally ready to commence terminal operations in 2023. Maintenance work is required to be performed on cranes 81 and 82 to make them operational. Miscellaneous additional work may also be required for crane 80.

Additionally, POS and NWSA have previously entered into an Interlocal Agreement effective April 2, 2019 (the "Cruise ILA"). The Cruise ILA provides for POS's use of 29 acres of property licensed to the NWSA at Terminal 46 for POS's cruise development project. The acreage at issue in the Cruise ILA included a portion of the crane rail on which Cranes are located. Because the Cranes are located on crane rail that extends into the premises of Cruise ILA, the amendments to the Crane ILA will allow NWSA access into the premises of the Cruise ILA as needed to access and perform needed work on the Cranes.

**C. BACKGROUND**

In 2019, the Port of Seattle purchased three ZPMC Cranes from Total Terminals International, LLC for the purposes of preserving them for future marine cargo purposes. The initial Crane ILA was entered into by and between the POS and NWSA dated effective July 13, 2021, for the purposes of granting access and transferring the repair, certification, and all on-going maintenance of crane 80 to the NWSA. The Crane ILA allows the NWSA to transfer these responsibilities to a third-party under a separate agreement subject to agreement by the POS. The repair and certification of crane 80 has been completed and all on-going maintenance and

repair is being performed in accordance with the lease agreement between the NWSA and Pacific Maritime Association (PMA) .

For the purposes of having the two remaining cranes (cranes 81 and 82) repaired and certified for marine cargo operations, it is proposed that POS and NWSA to enter into the First Amended and Restated Crane ILA also transferring the repair, certification, and on-going maintenance for cranes 81 and 82 to the NWSA.

The NWSA team is soliciting market interest for the one-berth, 65-acre facility at Terminal 46. Thus far, five parties including four carriers and one operator have expressed interest (non-binding). Staff intends to advance selection and negotiations with these potential T46 tenants and be in a position to review a draft term sheet with the Managing Members in in October 2022.

A crane condition survey of all three cranes was completed in March 2021. The crane condition survey identified maintenance items necessary to make the cranes operational. The required work was completed on crane 80 to support PMA’s use of the crane for their training activities. The items identified in the survey for cranes 81 and 82 will be completed as a part of this requested T46 Crane Maintenance project. The NWSA seeks to repair the Cranes at its expense as soon as practicable.

**First Amendment to the Crane ILA Terms:** The Parties wish to memorialize the transfer of use and management of Cranes 81 and 82 from POS to the NWSA together with Crane 80 under the terms and conditions as restated in this First Amended and Restatement of the Crane ILA. The base terms of the Crane ILA are restated with the following terms with substantiative changes:

<p><b>Permitted Use of Cranes &amp; Crane Premises</b></p>	<ul style="list-style-type: none"> <li>• NWSA may access and use the three Cranes as currently located on the Terminal crane rail system together with the associated Terminal 46 dock and wharf area.</li> <li>• NWSA has the right to reasonable access and the right to lease, sublease, license, and/or permit occupancy and/or otherwise assign NWSA’s rights under this ILA.</li> <li>• NWSA’s right to use the Cranes for any other purpose beside the Permitted Use is subject to agreement by POS, which agreement shall not unreasonably be withheld or delayed.</li> </ul>
<p><b>Rent</b></p>	<ul style="list-style-type: none"> <li>• NWSA will be responsible for the repair, certification and all on-going maintenance of the Cranes.</li> <li>• NWSA shall pay to the POS monthly rent in the amount of \$27,500 (\$330,000 annually) for the first 48 months of this ILA not to exceed the total sum of \$1,320,000.</li> </ul>

<b>Effective Date &amp; Termination</b>	<ul style="list-style-type: none"><li>• The following condition to termination has been added: In the event the NWSA enters into a lease with a cargo tenant and negotiates transfer of ownership of the Cranes and repair and maintenance responsibility to the tenant.<ul style="list-style-type: none"><li>○ The ILA shall terminate to coincide with the transfer of the ownership of the cranes to the tenant; and</li><li>○ Any remaining compensation of this ILA is paid to POS</li></ul></li></ul>
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The sum of the rent is to reimburse POS for the initial purchase of the cranes (\$989,000) plus maintenance expenses incurred.

### **T-46 Crane Maintenance Project**

#### ***Scope of Work***

Complete maintenance and repair work to make Cranes 81 and 82 operationally ready and complete all certifications and inspections required to commission them back into operational service.

The scope of work includes:

- Correct, remedy, and/or eliminate all known defects identified within the March 2021 assessment.
- Maintenance of main hoist gearboxes, trolley rails and wheels
- Medium voltage disconnects, wire ropes and load cells
- Clean DC motors and service fire extinguishers
- Light repairs and routine maintenance
- Any additional maintenance not identified in the previous report that would be required to recertify the cranes to operational status
- Reinstallation of parts previously removed during repairs of Crane 80 and any additional required maintenance to continue operating
- Certifications including WISHA, elevator, and air compressor
- Misc. inspections required for operation
- Other items outlined in crane survey report

#### ***Schedule***

Procurement of Vendor Start	September 9, 2022
Issue Purchase Order	October 11, 2022
Crane 81 Maintenance Complete	February 1, 2023
Crane 82 Maintenance Complete	May 3, 2023

## **D. FINANCIAL IMPLICATIONS**

### ***Source of Funds***

The amendments to the Crane ILA provide that the NWSA shall pay to the POS monthly rent in the amount of \$27,500 (\$330,000 annually) for the first 48 months of this ILA not to exceed the total sum of \$1,320,000.

The 2022 – 2026 Capital Improvement Plan (CIP) did not include any funding for the maintenance of the cranes. The CIP will be updated to include \$2,200,000 for the crane maintenance project.

The total financial implications of this request: \$3,520,000

The repair of the cranes is required for any potential marine cargo operation and the timely repair in order to commence operations in Q1 of 2023. The NWSA commercial staff is in current discussions with multiple entities for a marine cargo operation. Any future lease would be presented to the Managing Members at a later date.

Additionally, assuming the use of Crane 80 for cargo purposes; the NWSA is obligated under the lease between the NWSA and PMA to reimburse PMA for the unamortized cost of the repairs incurred to repair and certify crane 80 (+/- \$660K). This reimbursement would be requested only if a new lease is implemented for the available acres.

## **E. ATTACHMENTS TO THIS REQUEST**

- PowerPoint presentation
- Copy of draft First Amended and Restated Interlocal Agreement between the POS and NWSA for Use of Port Owned Cranes
- Copy of executed “Interlocal Agreement between the Port of Seattle and The Northwest Seaport Alliance Regarding The Northwest Seaport Alliance’s Use of Port Owned Crane” with the effective date of July 13, 2021

## **F. PREVIOUS ACTIONS OR BRIEFINGS**

- July 6, 2021, Managing Member approval of the “Interlocal Agreement between the Port of Seattle and the Northwest Seaport Alliance Regarding the Northwest Seaport Alliance’s Use of Port Owned Crane”
- August 16, 2022, Executive Authorization for \$50,000 for T46 Crane Maintenance Project