

THE NORTHWEST SEAPORT ALLIANCE
MEMORANDUM

MANAGING MEMBERS

Item No. 5B

ACTION ITEM

Date of Meeting August 1, 2017

DATE: July 24, 2017
TO: Managing Members
FROM: **Sponsor:** Tong Zhu, Managing Director
Project Manager: David Amble, Alliance Real Estate Manager
SUBJECT: Approval and Execution of Five Agreements in support of Terminal 18 North Harbor Street Vacations

A. ACTION REQUESTED

Request Port of Seattle Commission authorization for the Chief Executive Officer of the Port of Seattle to approve and execute real property agreements between the Port of Seattle and several public and private agents: City of Seattle (acting through Seattle Public Utilities), CenturyLink, and Kinder Morgan Terminals, and British Petroleum West Coast Products LLC, for:

- A Master Easement Agreement between the Port and the City of Seattle (SPU), for water, storm, and sewer utility lines located within the to-be vacated portions of public right of way.
- An Asset Transfer Agreement with the City of Seattle (SPU), for transfer ownership of sewer, water, and storm drain facilities located on Harbor Island.
- A Substitute Easement with CenturyLink (CTL), adjusting the boundary of CTL's easement to eliminate its encroachment upon a Port/SPU easement.
- An amended easement between the Port and Kinder Morgan, adjusting the legal description of Kinder Morgan's pipeline on Terminal 18.
- An Easement Agreement between the City and British Petroleum West Coast Products LLC (BP) for property on to be vacated portions of 11th Avenue SW.

B. SYNOPSIS

The Port of Seattle, acting through the Northwest Seaport Alliance (the "Port") is requesting the Commissions' approval to execute property agreements that will close out the last conditions necessary for the Port to be granted approval for vacating public right of way on Harbor Island, within the 11th Avenue SW, 13th Avenue SW, SW Florida Street, and SW Hanford Street corridors. Each property agreement is a standalone document that will be recorded with King County, after signature by the Port and the other parties to the agreements.

The following is the path to completion of the street vacation process on Harbor Island:

- The Port approves and executes four easements and a transfer agreement.
- SPU requests City Council approval of their Port-SPU agreements.
- Seattle Department of Transportation takes a street vacation ordinance to City Council for approval.
- The Port and Olympic Pipeline Company (OPL) complete a pipeline easement.
- The City records the ordinance vacating the street right of way on Harbor Island.

Port will need to execute an easement with the Olympic Pipeline Company to cover the OPL pipeline that operates under the jurisdiction of the City's franchise agreement with OPL. Without a pipeline easement, OPL will not have legal coverage for the portion of their pipeline within Terminal 18.

C. BACKGROUND

Vacating street right of way in the City of Seattle is a process where a property owner adjacent to a public right of way can petition the City Council to acquire, or vacate, the property. It requires City Council approval, and must meet specific public benefit requirements.

In the last 25 years, the Port of Seattle increased the area of land dedicated to handling containerized cargo at the North Harbor by more than 200 acres, covering two key projects: the Southwest Harbor Redevelopment Project (Terminal 5 – 1995-1999) and the Harbor Island Expansion Project (Terminal 18 – 1998-2002). To accomplish these expansions, the Port needed to acquire and consolidate additional land, including some public rights-of-way.

The Terminal 18 Street Vacations resulted from the expansion of the terminal from 110 acres to 200 acres. The project involved the acquisition of over 40 individual real properties, reconfiguration of Terminal 18 gate complexes, and rerouting of the primary roadway access point for the island from the 11th Avenue corridor to the 16th Avenue corridor. In 1997, the Port petitioned the City to vacate the portions of 11th Avenue SW, 13th Avenue SW, SW Hanford Street, and SW Florida Street that would become part of the Terminal. In 1998, the City approved the street vacation, pending completion of 16 conditions. Since then, the Port has continuously made progress in completing all the conditions. Fifteen of the 16 conditions were substantially completed in 2001-2002. The last condition has been the most complex to complete – finalizing agreements on utility facility ownership and property easements.

D. PROJECT DESCRIPTION AND DETAILS

This is an administrative action to close out the Terminal 18 Redevelopment Project. The project work associated with completing street vacations for Terminal 18 redevelopment has involved a considerable amount of staff time over the last several years, initiating and finalizing real property transactions, property easements, asset transfers, and capital construction work, in order to satisfy various utility providers operating facilities on Harbor Island affected by Terminal 18. The following bullet points provide an overview of each agreement document requiring Port of Seattle signature:

- **Port of Seattle/Seattle Public Utilities Master Utility Easement Agreement**

Seattle Public Utilities owns and operates sewer, water, and stormwater pipelines throughout Harbor Island, and particularly within the public street right of way on Harbor Island. The Master Easement documents the locations of these utilities, establishing the

right of SPU to operate, maintain, and replace the utilities. The easement also includes environmental protocols that provide additional steps SPU will take when completing in-ground maintenance and repair work in areas located within the Harbor Island Superfund site, such as how to handle excavated soil, treatment of groundwater, and repair and replacement of the environmental cap placed over the Superfund site.

- **Port of Seattle/Seattle Public Utilities Asset Transfer Agreement**

This agreement establishes the ownership and maintenance responsibilities of specific in-ground water, storm, and sewer assets between Seattle Public Utilities and the Port, due to the asset location within or adjacent to the Terminal 18 security perimeter. For example, some lines cross street right of way between Port properties; the agreement handles the ownership and management of such assets.

- **Port of Seattle/CenturyLink Substitute Easement**

The Port granted an easement to US West (a predecessor of CenturyLink) in 1992 to operate and maintain telephone communications facilities. The existing easement encroaches on an SPU easement, previously granted by the Port to SPU in 1986. Several years of negotiations and the Port, SPU, and CenturyLink developed plans to spend over \$2.5 million to move the SPU line. The Port negotiated a new easement boundary resulting in no costs to the Port.

- **Port of Seattle/Kinder Morgan Easement Amendment**

This agreement simply corrects the legal description of the location of Kinder Morgan's easement at the north end of Terminal 18.

- **City of Seattle/BP West Coast Products LLP Easement**

This easement establishes the legal framework for Seattle Public Utilities to manage its utility assets within 11th Avenue and a BP West Coast Products LLC parcel. BP owns real property abutting a portion of 11th Avenue SW (King County Assessor's Tax Parcel 7666701680), which was realigned during the Terminal 18 Project. Seattle Public Utilities owns and operates municipal water and storm water drainage utility facilities, which were relocated along the boundary between the realigned right of way of 11th Ave SW and BP's parcel. The Port's involvement with the agreement is due to the location of the Port's street vacation adjacent to the property the easement sits on. The City and BP have both approved and signed the easement agreement.

- **Port-Olympic Pipeline Company Easement (information only, not for action today)**

Olympic Pipeline Company (OPL) owns and operates a 12" pipeline that runs from the Kinder Morgan Property near 11th Avenue SW and former SW Lander Street, down 11th Avenue. The pipeline currently operates under a franchise agreement with the City of Seattle. The easement will establish the legal framework for OPL to have access to operate, maintain, and replace the portion of their pipeline located within Terminal 18

Project Objectives

Complete the Terminal 18 Harbor Island Expansion Project.

Scope of Work

The overall T-18 street vacation and easement effort involves negotiation of real estate transactions, easements, and settlements with City of Seattle and private landowners at T-18 in

order to finalize street vacations. It has included staff time to provide survey, real estate, legal, design, project management, environmental, and other technical services, small works projects, overhead, tax, fees, and other administrative costs for approval of the vacations and easements. This request does not include future project specific costs.

Schedule

There is no specific project or project schedule associated with this action. Upon action by the Port of Seattle Commission passes the action, and the agreements are signed and notarized, the Port will communicate with the City, BP, and CenturyLink that the agreements can be executed.

E. FINANCIAL IMPLICATIONS

Project Cost Details

	This Request	Total Project Cost	Cost To Date	Remaining Cost
Procurement	0	0	0	0
Pre-Design	0	0	0	0
Design	0	0	0	0
Construction	0	0	0	0
Total	0	0	0	0

Source of Funds

The 2015-2019 Capital Improvement Plan Budget allocates \$0 for this project.

Financial Impact

There is no financial impact associated with this request.

Capitalization and depreciation

None

Net book value

None

NPV

None

IRR

None

F. ALTERNATIVES CONSIDERED AND THEIR IMPLICATIONS

The Port did not consider any alternatives, since these easements are part of the permit conditions to vacate the street right of way and closure of T18 project.

G. ENVIRONMENTAL IMPACTS / REVIEW

The Port-SPU Master Easement includes additional environmental protocols covering in-ground work within the Environmental Cap area of the Harbor Island Superfund Site. Otherwise, generally there are no environmental impacts.

H. ATTACHMENTS TO THIS REQUEST

- PowerPoint presentation.
- Port-SPU Terminal 18 Master Easement
- Port-SPU Terminal 18 Asset Transfer Agreement
- Port-Kinder Morgan Easement Amendment
- City of Seattle-British Petroleum LLC-Port Pipeline Easement
- Port-CenturyLink Substitute Easement
- SDOT T18 Street Vacation Conditions
- SDOT T5 Street Vacation Conditions

I. PREVIOUS ACTIONS OR BRIEFINGS

There have been no prior NWSA Managing Member Actions or Briefings. The Port of Seattle Commission was last briefed on street vacations for Terminal 18 on June 1, 2010.