



**THE NORTHWEST SEAPORT ALLIANCE
MANAGING MEMBER SPECIAL MEETING
TUESDAY, February 26, 2019**

**The Conference Center at Seattle-Tacoma International Airport
17801 International Blvd. Seattle, Washington**

SEATTLE COMMISSIONERS PRESENT:

Stephanie Bowman, Co-Chair
Ryan Calkins
Fred Felleman
Courtney Gregoire
Peter Steinbrueck

TACOMA COMMISSIONERS PRESENT:

Clare Petrich, Co-Chair
Don Johnson
John McCarthy
Dick Marzano
Don Meyer

STAFF PRESENT:

John Wolfe, CEO
Don Esterbrook, Deputy CEO
Kurt Beckett, Deputy CEO
Tong Zhu, Chief Commercial Officer & Chief Strategy Officer
Carolyn Lake, Legal Counsel
Tom Tanaka, Legal Counsel
David Morrison, Director, Financial Planning and Treasury
Stephanie Jones Stebbins, POS Managing Dir. Maritime Leadership Team
Erin Galeno, CFAO
Dan Thomas, POS CFO
Anne Porter, POS Capital Program Leader
Dakota Chamberlain, Chief Facilities Development Officer
Leilani Berinobis, Executive Administrative Assistant
Juliet Campbell, Clerk of the Port

9:00 AM – MANAGING MEMBER SPECIAL MEETING:

1. **CALL TO ORDER:** Commissioner Petrich called the special meeting to order at approximately 9:03 a.m. and lead the Pledge of Allegiance.

Commissioners Bowman and Steinbrueck arrived at 9:07 a.m. and 9:10 a.m. respectively.

2. **PUBLIC COMMENT:**

Public comment was received from the following individual(s):

- John Persak, ILWU Local 19, regarding the Terminal 5 (T5) Modernization Program and preservation and creation of maritime and industrial jobs.
- Jordan Royer, Pacific Merchant Shipping Association, in support of discussion taking place to move the T5 Modernization Program forward.

3. **COMMERCIAL BRIEFINGS:**

A. North Harbor Commercial Strategy Briefing.

Presenter(s): Tong Zhu and David Morrison

- Managing Members were updated on the progress toward executing on the North Harbor commercial strategy. Staff presented changes to the proposed terms sheets for each of the properties that will be affected in the North Harbor.

- Staff reviewed the following draft terms sheets:
 - T5 SSAT (Matson) Lease Matson moving from Terminal 30 (T30) to T5.
 - T5 SSAT JV Long-Term Lease
 - Lease effective date is tentatively April 1, 2019. Rent commencement date is tentatively January 1, 2021 or 60 days following substantial completion of Phase 1 construction. This is to allow SSAT access to the terminal to do their own development to have the terminal ready for use. Contract should be signed by March 19, 2019.
 - Phase 2 work would precede upon finishing Phase 1 which is anticipated to be at the end of 2020. Phase 2 construction would proceed without a guaranteed signed lease or commitment sign. Treated separately, Phase 2 would come at a higher cost and there would be significant risk on permits. The benefits and risks were discussed, and it was noted that at a previous meeting SSA President, Edward DeNike, testified that taking on Phase 2 is key part of their financial success and there are financial incentives for doing so. SSA as the private partner in this program, would be contributing approximately \$140 million into Phase 1. The Managing Members were reminded that under this deal, the NWSA reserves the right to go to market if SSA chooses not to exercise the option for Phase 2.
 - Commissioner Meyer repeated his concern over the viability of a multi-user terminal should SSA not exercise the Phase 2 option. In his opinion the presented game plan is not viable. He wants a lease that commits to the full Terminal 5. Discussion took place related to non-exclusivity of gate access, fueling station access, a shared on-dock intermodal yard and other considerations. Sequencing of crane removal, or whether to remove any or all if a multi-user scenario is a possibility.
 - Terminal 46 (T46) TTI Lease Termination
 - Staff is still working to iron out the exact details of the T46 lease termination. Fundamentally, TTI has guaranteed a full year of payment for 2019. Cranes are to be removed at an agreed upon schedule. Penalties will apply if they delay the removal. This is to ensure no interference with future development of a cruise terminal.
 - This arrangement maintains the income stream at T46 to the end of this year. TTI, the current lessee, will have the ability to move out of the facility, prior to the end of the year and payment can transfer to the new joint venture.

- Terminal 18 (T18) SSAT Lease Amendment
 - Proposing that the NWSA waive its portion of the intermodal yard facility charges assessed on each Intermodal Lift at T18. The lessee will continue to pay for intermodal yard land (approximately 10-15 acres) at a blended rate of \$137,000 per year per acre. This fee has been waived for the last two years so as not to discourage the use of the intermodal yard.
 - Subsidence issues at T18 were addressed since this proposed amendment was last presented to the Managing Members. Proposed changes to the lease include the parties agreeing to resolve the issues of certain terminal maintenance and repairs required on the terminal, by agreeing to split certain repair costs for asphalt and subsurface repair. The NWSA will could complete the work and its share of the cost would be capped at \$600,000. (This is a separate budget item than the T5 program.)
 - Projected cash flow calculations were discussed. The breakeven date if Phase 1 Plus and Phase 2 are completed, and if the Phase 2 is leased out at the then applicable rates starting 2023, would be 2037. If only Phase 1 Plus is completed, the breakeven date is projected 2043. Rates of return presented are conservative. Commissioners discussed whether these rates are sustainable.
 - The importance of viewing the T5 Program beyond a standalone business deal and to acknowledge that T5 is a key piece of infrastructure for Washington state with huge impacts for our overall economy was discussed.
 - Gateway efficiency, productivity, container moves an hour, gate turns, and a variety of other operations related items are elements Commissioner Meyer finds missing from the leases. He wants them addressed up front.
 - Commissioner Felleman asked for clarity regarding the expectation of cold ironing.
- B. Future Motion for an Interlocal Agreement related to Terminal 46.
Presenter(s): Stephanie Jones Stebbins
- Discussed the potential use of a portion (approximately 29 acres) of Terminal 46 by the Port of Seattle for other maritime uses. Terminal 46 is licensed to the NWSA.
- C. The NWSA Charter One-Time Membership Interest Affirmation Briefing
Presenter(s): Erin Galeno and Dan Thomas
- In anticipation of finalizing the one-time membership affirmation that was established in the NWSA charter, it was recognized that there were certain revenue streams not guaranteed by contractual agreements. We anticipated they would be resolved by the end of 2017. There was one outstanding item, which certainty related to the revenue stream of T5. A one-year extension was authorized by the Managing Members.
 - To resolve the one-time membership interest affirmation and provide certainty in terms of investments from the two Homeports, staff intends to make certain requests at the March 19, 2019 Managing Member meeting. They will be requesting that:

- The NWSA Managing Members accept, and the Port of Seattle Commission approve, payment of up to \$32 million to support the investment for the redevelopment of T5.
- The NWSA Managing Members affirm Membership Interest of 50/50 for each Homeport.
- The NWSA Managing Members provide authorization to distribute any affirmation payments to the Homeports per the charter.
- Details of the funding approach were provided and included that the first two installments of \$11 million are to be made around March 31, 2020 and 2021. The amount of the final payment of up to \$10 million is dependent on program costs/cost savings.

D. Terminal 5 Modernization Program Briefing: This briefing was incorporated into the 4A Action Agenda presentation.

4. ACTION AGENDA:

A. Advertisement of T5 Berth Modernization Project for Construction Bids.

Presenter(s): Anne Porter and Dakota Chamberlain

- This action item is only to advertise for construction bids for the work for the Program and does not include a funding request or design or permitting on the uplands improvement portion of the Program.
- With approval, staff would advertise bids February 27, 2019.
- There is a \$30 million-dollar reserve for stormwater, and shore power is built into the construction documents for the berth modernization.
- Connectivity of wharf drains to upland drains was discussed. This is not part of the design of this program. This program would be built to the Washington State standards. Washington has one of the most rigorous stormwater requirements in the nation. Staff is working with WPPA and Ecology on this statewide issue.
- Commissioner McCarthy expressed concerns over the process, the commercial deal, and the risk to the Port of Tacoma. He does not support voting to advertise for bids in the absence of an actual authorization for the project. In terms of the commercial deal he noted that SSA's unwillingness to commit to the program beyond Phase 1. The Port of Tacoma is approximately \$600 million in debt. He questioned whether the Port can afford the risks of program costs being more than projected and being over capacity.
- Commissioner Gregoire responded to Commissioner McCarthy's concerns and spoke to the transparency of the process. She noted the November 2018 vote of the Managing Members to direct staff to complete the deal and negotiations and to bring a program design back to Managing Members. She expressed confidence in the cost modeling and in SSA's commitment to the project. She acknowledged the open question related to Phase 2, but noted the risk is a shared, and necessary.

It was moved and seconded (Gregoire/Johnson) to authorize to advertise for work associated with the Terminal 5 Modernization Program CIP No. C800132 and C800726. This authorizes staff to advertise for construction bids for work associated with the Terminal 5 Project, inclusive of crane rail strengthening, berth deepening, and electrical upgrades. CIP No. C800132.

PORT OF SEATTLE VOTE:

Commissioner Bowman Aye
Commissioner Calkins Aye
Commissioner Felleman Aye
Commissioner Gregoire Aye
Commissioner Steinbrueck Aye

PORT OF TACOMA VOTE:

Commissioner Petrich Aye
Commissioner Johnson Aye
Commissioner McCarthy Nay
Commissioner Marzano Aye
Commissioner Meyer Nay

MOTION CARRIED 5-0 / 3-2

5. GENERAL BUSINESS
 - A. CEO Announcements, Events, Recognitions: None.
6. COMMISSIONER COMMENT: None.
7. ADJOURNMENT: There being no further business, Commissioner Petrich adjourned the meeting at approximately 10:55 a.m.



Clare Petrich, Co-Chair
The Northwest Seaport Alliance



Stephanie Bowman, Co-Chair
The Northwest Seaport Alliance

ATTEST:



John McCarthy, Co-Secretary
The Northwest Seaport Alliance



Peter Steinbrueck, Co-Secretary
The Northwest Seaport Alliance



Juliet Campbell, Clerk of the Port
The Northwest Seaport Alliance

THE NORTHWEST SEAPORT ALLIANCE

EXAMPLE OF FUNDING APPROACH

The following example assume that the Affirmation Payments are applied to the T-5 program.

Before Affirmation Payment

Total Investment	Port of Seattle	Port of Tacoma
\$340,000,000	\$170,000,000	\$170,000,000

After Affirmation Payment

Total Investment	Port of Seattle	Port of Tacoma
\$340,000,000*	\$186,000,000	\$154,000,000

*The Port of Seattle's affirmation payment will be reduced by the up to \$32,000,000 in program savings. Any reductions in program savings beyond this amount will be shared 50/50 by the homeports.

Total Investment (examples)	Port of Seattle	Port of Tacoma
\$330,000,000	\$176,000,000	\$154,000,000
\$320,000,000	\$166,000,000	\$154,000,000
\$308,000,000	\$154,000,000	\$154,000,000
\$300,000,000	\$150,000,000	\$150,000,000



PUBLIC COMMENT SIGN UP SHEET

MANAGING MEMBER SPECIAL MEETING TUESDAY, FEBRUARY 26, 2019

** Note: All records of the Northwest Seaport Alliance are presumed to be public, including this sign-up sheet. Comments are limited to up to three minutes (subject to time constraints).*

Order	Name (please print clearly)	Organization or City of Residence	Agenda Item/Topic	Email (optional/not required)
1				
2				
3	John Perszk	ILWU 19	TS	
4	JORDAN ROYLER	PMSA		
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