

THE NORTHWEST SEAPORT ALLIANCE
MEMORANDUM

MANAGING MEMBERS

Item No.

4A

ACTION ITEM

Date of Meeting

July 17, 2018

DATE: July 6, 2018

TO: Managing Members

FROM: John Wolfe, CEO

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

Project Manager: David Amble, Alliance Real Estate Manager

SUBJECT: Approval and Execution of One Agreement in support of Terminal 18 North Harbor Street Vacations

A. ACTION REQUESTED

Request Port of Seattle Commission authorization for the Executive Director of the Port of Seattle to approve and execute a non-exclusive permanent agreement between the Port of Seattle and Olympic Pipeline Company (OPL).

B. SYNOPSIS

This is a follow-up to a Port of Seattle Commission action from August 1, 2017. The Port of Seattle, acting on behalf of the Northwest Seaport Alliance (the "Port") is requesting the Commissions' approval to execute an oil pipeline easement agreement. This action is associated with the Seattle Department of Transportation's pending ordinance to vacate public street rights of way on Harbor Island, part of the Terminal 18 Redevelopment Project.

When the City executes the street vacation ordinance, a 2500-foot segment of a larger petroleum distribution line owned and operated by OPL will no longer be part of the City-OPL pipeline franchise agreement. An executed easement between the Port and OPL will cover the legal and financial aspects of the pipeline lying within Port property for the then former 11th Avenue SW right of way, located within Terminal 18. Without a pipeline easement, neither the Port nor OPL will have legal coverage for that portion of the pipeline located within Terminal 18.

The easement includes an annual fee paid by OPL for the administration and maintenance of the easement, risk and indemnification language to cover both parties, and expiration language if OPL abandons pipeline operations. The easement also prohibits OPL from expanding the size or capacity of the pipeline.

C. BACKGROUND

In the 1960s, OPL's acquired the rights to and installed an oil distribution pipeline within the City of Seattle, including within the street right-of-way on Harbor Island. OPL owns and manages the pipeline, through a franchise agreement with the City.

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). As part of the Terminal 18 project, the Port petitioned the City to vacate portions of 11th Avenue SW, 13th Avenue SW, SW Hanford Street, and SW Florida Street. In 1998, the City approved the street vacation, pending completion of 16 conditions.

On August 1, 2017, Port and NWSA staff briefed the Northwest Seaport Alliance Managing Members, and received authority to execute several easements. This action marked the final steps necessary for the City to move forward with passage of the ordinance vacating the street rights-of-way existing within the Terminal 18 boundary. Following the August 1 meeting, the Port reported to SDOT, and SDOT concurred, that the Port had completed work necessary for the City to move forward with an ordinance to vacate the streets.

SDOT's ordinance is currently in legislative review, ready for City Council action. Once the Council approves the ordinance, and the ordinance is executed and recorded, the streets will be vacated, becoming the property of the Port. Once the Port acquires the 11th Avenue street right of way, the Port will need to have an easement agreement for OPL's pipeline crossing through Port property.

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, to satisfy various utility providers operating facilities on Harbor Island affected by Terminal 18.

Olympic Pipeline Company (OPL) owns and operates a 12" pipeline that runs from the north end of Harbor Island, down 13th Avenue, into the Port-owned property leased to Kinder Morgan then enters the Terminal 18 property at 11th Avenue SW and former SW Lander Street, and runs south through Terminal 18, and exiting the terminal near the 11th Avenue/Spokane Street intersection. The pipeline currently operates under a franchise agreement with the City of Seattle. The easement will establish the framework for the management of the pipeline segment in the then former 11th Avenue street, including OPL's access rights and procedures, and the management of the asset itself (operations, maintenance and repair, replacement, and inspection), along with the insurance and indemnification coverage by the Port and OPL for the pipeline.

Project Objectives

Closes out the last administrative details of the Terminal 18 Harbor Island Expansion Project.

Scope of Work

The Terminal 18 street vacation work effort involved negotiation of real estate transactions, easements, and settlements with City of Seattle and private landowners on Harbor Island. It

has included Port and Seaport Alliance 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 positive action by the Port of Seattle Commission and the agreement is signed and notarized by the Port and OPL, the Port will record the easement with King County.

E. FINANCIAL IMPLICATIONS

There are no further project costs requested or remaining in this project. The easement includes insurance clauses with the following terms:

- Commercial General Liability - \$100,000,000 per occurrence
- Automobile Liability - \$1,000,000
- Employers Liability Insurance - \$1,000,000
- Pollution Liability - \$15,000,000 per occurrence or claim

OPL will provide, on an annual basis, documentation confirming the solvency of its insurance program.

Source of Funds

The current Capital Investment Plan Budget allocates \$0 for this project.

Financial Impact

For the use of the easement area, the Northwest Seaport Alliance will charge an initial annual rate of \$2.50 per lineal feet of pipeline (\$6,250.00 annual fee), with an annual escalation rate of three percent (3%) for the life of the easement, along with a schedule for reviewing the fee structure with OPL to align with any future City franchise rate, if applicable.

The rate structure is based on escalating the City of Seattle's current City-OPL franchise rate, set in 1996 and unchanged since then, by a three percent per annum rate between 1996 and 2018 and adding a small administrative fee.

F. ALTERNATIVES CONSIDERED AND THEIR IMPLICATIONS

The Port did not consider any alternatives. This easement is necessary to cover the portion of the pipeline that will be within Port-owned property after the street right of way is vacated.

G. ENVIRONMENTAL IMPACTS / REVIEW

Permitting: No Impacts

Water Quality and Remediation: Section 2.7 of the easement notifies OPL that the easement area is subject to a consent decree covering soil and ground water management. The US EPA has access to the easement area at any time to perform activities related to the consent decree. Each King County Parcel that the easement lies in has its own environmental covenants

document, documenting the procedures to follow for in ground work involving management and disposal of soil and groundwater materials.

Planning: Section 2.5 of the easement notifies OPL of the operational restrictions placed on the terminal pavement surface over which the pipeline is located. The tenant is restricted from stacking containers or parking equipment over the pipeline that weighs over 216,000 pounds. As a signatory to the easement, SSA acknowledges this restriction.

Air Quality / Sustainable Practices: No Impacts.

H. ATTACHMENTS TO THIS REQUEST

- Port-OPL Pipeline Easement

I. PREVIOUS ACTIONS OR BRIEFINGS

<u>Date</u>	<u>Action</u>
August 1, 2017	Action Item to approve Execution of related property agreements on Terminal 18 for street vacations