

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

**MANAGING MEMBERS**  
**STAFF BRIEFING**

<b>Item No.</b>	<u>5A</u>
<b>Date of Meeting</b>	<u>September 5, 2017</u>

**DATE:** August 28, 2017

**TO:** Managing Member, The Northwest Seaport Alliance

**FROM:** John Wolfe, Chief Executive Officer  
Project Manager: Dave Myers, Engineering Project Manager  
Sponsors: Tom Bellerud, Director, Container Terminal Business  
Lou Paulsen, Director, Strategic Operations Projects and Risk Management

**SUBJECT:** TERMINALS 3 & 4 GATE COMPLEX AND BACKLAND RECONFIGURATION

**A. PURPOSE**

This memorandum provides an update relative to the Terminals 3 & 4 Gate Complex and Backland Reconfiguration Project, Master Identification No. 101065.01.

**B. SUMMARY**

On April 7, 2016, the Managing Members authorized the NWSA Chief Executive Officer to sign the Third Amendment to the Lease and Operating Agreement (Third Amendment) between the NWSA and Husky. Under the Third Amendment, the NWSA committed up to \$14,000,000 to design, permit and construct two improvements to the leased premises. The Amendment identified these as a new Gate Complex and the straightening and reconfiguration of a portion of the Container Yard.

Straightening and reconfiguring Husky's Container Yard, will maximize the capability, efficiency and capacity of the acreage surrounding the new berths and new super-post panamax cranes. Similarly, relocating gate functions will facilitate the repurposing of the existing gate area to container storage and handling.

These projects are being accomplished. The existing financial commitment of the NWSA, as previously authorized by the Managing Members, remains unchanged. The NWSA will expend an amount not to exceed \$14,000,000 to straighten and reconfigure a portion of the container yard. Additional improvements both inside and outside the existing premises will also be designed and constructed at Lessee's cost and a new gate will be designed and constructed by the Lessee at its sole cost under the Tenant Improvement program.

Staff last updated the Managing Members concerning this project in February of 2017. At that time, it was reported the Basis of Design for these improvements was expected to be completed in July 2017 and that total engineering design contract amount was increased to \$782,007 to accomplish this milestone.

The Final Draft Basis of Design for the straightening and reconfiguration of the Container Yard was completed in earlier this month. As of July 31, 2017, amounts paid against the NWSA's \$14,000,000 contribution total \$431,852, including staff time and contracted engineering support. This amount does not include pending invoices for services provided during the month of July.

### **C. ALTERNATIVES CONSIDERED**

During the project planning phase, several alternative container yard development plans ranging in costs from approximately \$19.1M to \$52.3M were identified and presented for review and consideration by Husky. On May 25, 2017, Husky notified the NWSA of its selection of its preferred site development plan. The estimated project cost for the Container Yard reconfiguration project is \$41,300,000, the majority of which will be borne by the Lessee under the terms of the aforementioned Third Amendment.

Alternatives for project construction phasing have been evaluated. Husky has tentatively selected a construction phasing plan which best manages operational impacts and delivers substantial yard capacity improvement at the earliest possible date, prior to final project completion. Under this preferred construction phasing, a revised project completion date of September 2020 is now forecast.

### **D. ADDITIONAL BENEFITS**

In the course of refining the project scope, several adjustments were made to maximize the overall capacity of the terminal and provide for future economies of scale. These enhancements include the following:

1. A reconfigured terminal area with expanded storage capacity, electrical upgrades to support increased volumes of refrigerated cargoes and substantially improved traffic flows.
2. A new gate complex to be sited at Lot F, an area between Thorne Road and Port of Tacoma Road previously used by Washington United Terminals for truck queueing. Siting the gate complex at this location provides needed functionality, but with the ability to ultimately serve additional terminal customers and it presents the NWSA and its customer with expansion capability for a near-dock container yard and chassis depot. Under the Tenant Improvement program, the NWSA retains the ability to review design drawings and to direct that modifications be enacted to achieve service level requirements, including the allocation of adequate space for truck queues off the public roadway.
3. In order to recognize the benefits of an enhanced container yard, Husky is planning to initially invest approximately \$11M in the purchase of new cargo handling equipment including rubber-tired gantry cranes, top picks, yard tractors and forklifts, and will likely make additional investments in new equipment before completion of this project. The new equipment is expected to utilize best available technology with resulting air quality benefits.
4. At Husky's request, storm water treatment will be incorporated into the container yard redevelopment which will enhance environmental sustainability, reduce risks and help ensure the tenant maintains compliance with its permit requirements.

**E. NEXT STEPS**

NWSA staff plans to return to the Managing Members in early 2018 to seek approval of further lease amendments to incorporate additional acreage into the existing Husky container yard, to authorize a term lease of the Lot F facility and to provide the Managing Members with a project status update prior to the commencement of construction.