

THE NORTHWEST SEAPORT ALLIANCE  
MANAGING MEMBER MEETING  
TUESDAY, DECEMBER 4, 2018

The Conference Center at Seattle-Tacoma International Airport – International A  
17801 International Blvd. Seattle, WA 98158

**SEATTLE COMMISSIONERS PRESENT:**

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

**TACOMA COMMISSIONERS PRESENT:**

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

**NWSA 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  
Ryan McFarland, Federal Government Relations Manager  
Tom Bellerud, Business Development Director  
Scott Pattison, Sr. Business Development Manager  
Nick Demerice, Public Affairs Director  
Sean Eagan, Government Affairs Director  
Jason Jordan, Environmental and Planning Programs Director  
Judi Doremus, Executive Assistant  
Juliet Campbell, Clerk of the Port

**12:22 PM – SPECIAL MEETING:**

1. CALL TO ORDER: Commissioner Gregoire called the meeting to order at 12:22 p.m. and lead the Pledge of Allegiance.
2. CONSENT AGENDA:
  - A. Minutes of October 30 and November 6, 2018.
  - B. Check certification approving the payment of checks 704162 through 704399, and wire transfers in the total amount of \$20,093,303.98 during the period of October 27, 2018 through November 16, 2018.

**It was moved and seconded (Meyer/Petrich) to approve the consent agenda.**

**PORT OF SEATTLE VOTE:**

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

**PORT OF TACOMA VOTE:**

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

**MOTION CARRIED 5-0 / 5-0**

3. PUBLIC COMMENT: None.

4. ACTION AGENDA:

- A. 2810 Marshall Avenue Roof Project.  
*Presented by Andre Elmaleh, Sr. Mgr. Business Development and Stanley Ryter, PE, Engineering Project Mgr.*

- The roof on the 2810 Marshall Avenue building is at the end of its serviceable life. A membrane overlay to the roof (built in 1982) was applied in 2003 its warranty has expired. The roof leaks and has presented safety concerns as well as concerns related to protecting the technical equipment housed in the building. A new roof is required. Staff explained reasons why another membrane on top of the existing membrane cannot work.
- The roofing project would not preclude options for future solar panels on the building. The replacement insulation will be thicker than the current insulation and will increase R-value.
- The building houses tenants for both the NWSA and the Port of Tacoma. Staff is working out a method of how the Port of Tacoma will pay its share. Most likely this will be done through an Interlocal Agreement later in 2019.

**It was moved and seconded (Felleman/Johnson) to authorize project authorization in the amount of \$3,956,750, for a total authorized amount of \$4,200,000, for work associated with the 2810 Marshall Avenue Roof Project, Master Identification No. 201051.01.**

**PORT OF SEATTLE VOTE:**

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

**PORT OF TACOMA VOTE:**

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

**MOTION CARRIED 5-0 / 5-0**

**B. Customs and Border Patrol (CBP) Lease Action Items – South Harbor Facility.**  
*Presented by Scott Francis, Director Real Estate*

- The Port of Tacoma has provided CBP office space in a Port-owned building since 1985. The building has 5-year life expectancy without major capital improvements and does not meet CBP standards.
- In 2017 a Memorandum of Understanding (MOU) was approved related to the NWSA providing free space, including suitable office space, for CBP personnel. This was related to an operational change (implementation of a straddle monitor system at the Port).
- A list of CBP's requirements for office space was presented. A discussion took place related to whether and where in federal law these standards, and CBP's authority to request these standards, exist.
- Commissioners asked whether any federal programs exist to reimburse the Port for providing free space. Staff noted that a port security grant for could not be used as a resource due to technical issues related to federal funds being used to support another federal function. It was noted that screening cargo is a federal security priority. Ports are critical to federal and state economic. This cost should not be borne solely by a local agency.
- Mike Bol, Assistant Port Director from U.S. Customs and Border Protection was present and offered comments related to design standards and free space agreements under 19 CFR. He also stated that although unfortunate, sometimes CBP will withhold services to get the attention of the stakeholder they are trying to talk. Otherwise he stated, the issue would continue to be pushed down the road.
- Commercial and regulatory implications of delaying authorization for this action were discussed.
- Alternatives considered were described. Building a new facility does not meet the time frames needed. A lease allows the NWSA to preserve capital and take the cost as an expense. The lease also allows for the Port to sublet the space.
- Market rate reset and rent escalations rates were discussed.

- Harsch Investment Properties, LLC specializes in warehouses and office space and is headquartered in Portland.
- The Port works closely in partnership with CBP on a day-to-day basis beyond what the federal requirements are. An example extended gate issues was given.

**It was moved and seconded (Bowman/Johnson)** to authorize the Chief Executive Officer or his delegate to enter into a 10-year lease with Harsch Investment Properties, LLC for approximately 14,400 square feet of office space and approximately 5,000 square feet of secured parking area located at 4813 Pacific Highway East, Fife, WA, and execute related purchases and service agreements not to exceed \$750,000 necessary to purchase office furniture, data services, and a phone system for use at the leased premises.

**PORT OF SEATTLE VOTE:**

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

**PORT OF TACOMA VOTE:**

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

**MOTION CARRIED 5-0 / 5-0**

**C. 2019 Government Affairs Agenda**

*Presented by Nick Demerice, Public Affairs Director, Ryan McFarland, Federal Government Relations Manager, and Sean McFarland, Government Affairs Director*

**It was moved and seconded (Meyer/Petrich)** to approve the NWSA 2019 federal government affairs agenda as amended.

- Staff presented proposed amendments to the draft federal government affairs agenda previously provided.
- Discussion took place related to the revised Puget Sound Restoration language. The proposed language was amended, in part, to include funding to support habitat restoration and other strategies to support Chinook and other species critical to SRKW recovery.
- Support letters for the Terminal 5 project funding opportunities and strategies to support port infrastructure projects were discussed.

**PORT OF SEATTLE VOTE:**

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

**PORT OF TACOMA VOTE:**

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

**MOTION CARRIED 5-0 / 5-0**

**It was moved and seconded (Johnson/Petrich)** to approve the NWSA 2019 state government affairs agenda as amended.

- Staff presented proposed amendments to the draft state government affairs agenda previously provided.
- Commissioner Calkins wants the issue of a low carbon fuel standard added to the state government affairs agenda. Staff will bring language for consideration to the January meeting.
- It was clarified that reference to “tax financing” under the Terminal 5 Modernization Project language includes seeking opportunities related to tax relief or a state investment package aimed at attracting and retaining jobs in the port industry.
- The proposed 2019 State Government Affairs Agenda as presented was amended to reinstate the Clean Air Investments section and to revise the last sentence in the Puget Sound Gateway section to read, “The alliance also supports toll scenarios that incentivize freight use of these corridors.”

**PORT OF SEATTLE VOTE:**

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

**PORT OF TACOMA VOTE:**

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

**MOTION CARRIED 5-0 / 5-0**

**5. STAFF BRIEFINGS:**

**A. Clean Truck Program**

*Presented by Jason Jordan, Environmental and Planning Programs Director*

- Data from October 2018 shows approximately 3500 trucks are serving the gateway and 67 percent of those are compliant. No service issues have been identified.
- RFID technology is installed and deployed.
- The Clean Truck Fund program was discussed. So far 51 applications have been reviewed, 13 loans approved, 7 in process and 4 denied. A plan is needed for 2019 to address any potential funds remaining after the deadline passes.
- The deadline will be enforced. As of January 1, 2019, non-compliant trucks will be turned away by the Marine Terminal Operators. The leases have all been updated and agreements are in place to ensure enforcement of the deadline is evenly applied throughout the North and South harbors.

**6. GENERAL BUSINESS:**

**A. Q3 Review: NWSA CEO Goals and Expectations:** Staff is in the process of updating the information for yearend 2018. Results will be circulated early next week.

**B. 2019 Draft NWSA CEO Goals and Expectations:** A draft was provided and will continued to be developed in conjunction with the CEO review process.

*Commissioner Meyer left at 2:17 p.m.*

**C. CEO Announcements, Events and Recognitions.**

Scott Pattison, Sr. Business Development Manager provided a briefing on Alaska's state of affairs following the November 30, 2018, magnitude seven earthquake near Anchorage. The significance of the Port of Anchorage's container terminal was discussed.

7. COMMISSIONER COMMENT:

Commissioner Petrich: The Port of Tacoma Commission has selected an executive search firm to assist with the search for a new Port of Tacoma leader.

Commissioner Marzano: Seattle being awarded an NHL franchise is exciting news for the area.

8. ADJOURNMENT:

There being no further business, Commissioner Gregoire adjourned the meeting at approximately 2:30 p.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 Value of The Northwest Seaport Alliance**

The Northwest Seaport Alliance (NWSA) generates significant jobs and revenue to Washington state—a state where 40 percent of jobs are tied to trade. Its value extends far beyond the working waterfronts of Seattle and Tacoma, serving as the gateway for potatoes grown in the Tri-Cities, apples grown in Wenatchee, man-lifts manufactured in Redmond and Moses Lake, and car dealerships located in Vancouver. Ultimately, NWSA's activities can be directly tied to 443,000 jobs throughout the state.

## **Competitive Pressure**

Washington's ports face a unique challenge -while publicly owned - must operate in a competitive business environment. Moreover, more than half of the cargo that flows through the state's marine terminals either originates from or is destined to locations beyond Washington's borders.

In the past three years, the transpacific trade has reduced from twenty ocean carriers to just twelve, and from four shipping alliances to now three. These carriers select from multiple ports eager to attract their business, leading ports to invest in new facilities, infrastructure and technology to increase their capacity.

Operating together as the NWSA allows the ports of Seattle and Tacoma to weather this global consolidation and leverage resources to make critical investments. But with growing uncertainty in the global marketplace and increased pressure from competitor ports, the NWSA has seen flat to negative growth and a loss of market share. As a result, the NWSA needs support from all levels of government to curb the economic threats and potential job losses that could flow from further volatility.

## **Areas for Investment and Partnership**

To be sustainable and grow, the NWSA needs other partners to invest in solutions that allow cargo to move both consistently and expeditiously through the gateway. Opportunities include:

### **Infrastructure investments**

The state made a significant investment in road and rail projects that support the state's gateway in 2015 when it adopted the Connecting Washington Package. The alliance continues to grapple with chokepoints at last-mile connectors while regional road systems remain clogged.

While some critical projects—like the Puget Sound Gateway project—will soon be underway, their delivery is so far into the future to be of near-term relief. Improvements along the Northern Corridor mainline rail system connecting the state to the rest of North America are also required.

The NWSA and state must also consider infrastructure investments that go beyond road and rail. These include wharves, truck gates, and off-dock trans-load facilities. In the past, the state left inside-the-gate improvements up to the ports. The near to mid-term reality is that the NWSA can no longer do this on its own in the face of the current competitive landscape and growing scope of system projects.

### **Environmental initiatives**

Freight mobility enhancements are not enough. State attention and investments that help mitigate the

environmental and community impacts of alliance operations are also needed. This includes funding for transportation electrification and shore power. Technology assistance in other areas to reduce air emissions would also help.

In terms of stormwater, the state has focused its investments to support cities' infrastructure under the municipal stormwater permit. The NWSA needs the state to also invest in the construction of facilities required under industrial stormwater permits. Legal and regulatory relief from increasing water quality standards should also be considered. Washington not only has some of the toughest water quality standards, but also ratchets up the corrective action demands faster than other states. The state should consider slowing the speed by which marine terminal facilities move through increasingly strict stormwater corrective action levels.

#### Operations service center integration of big data

Infrastructure can only go so far. The NWSA and state must also be smarter about how it uses its infrastructure. The alliance has worked with customers and stakeholders to establish an Operations Service Center to provide best in class service delivery and customer care. Key initiatives include developing a Pacific Northwest rail strategy, improving access for all modes of transportation, greater visibility of shipment status and managing gateway performance through mutually-agreed upon metrics. The state should partner with the alliance to provide financial and technical assistance for data sharing and work collaboratively to improve system-flow management.

#### Land use

While the NWSA is an asset that serves the entire state, municipal governments make decisions affecting the land use of the ports, surrounding industrial properties and the freight corridors that serve them. To preserve this asset the state must ensure local land use and transportation policies, including long range plans such as subarea planning, maintain or enhance maritime and manufacturing lands, and the critical road and rail infrastructure required for freight mobility. The goal being to preserve industrial lands, freight mobility, allow for the anticipated development of marine cargo facilities and support the growth of related family-wage jobs.

#### **Call to Action**

Washington's economic success is dependent on its marine cargo ports. Increasing competitive pressures, however, has resulted in falling market share for the NWSA.

To address these threats, and improve the gateway's competitiveness, the NWSA calls on stakeholders—business, labor, agriculture, the working waterfront and others, to form a new coalition. It also calls on state lawmakers to form a new caucus focused on these issues.

The goal: to create a new partnership to boost the gateway's competitive position and strengthen its future health.

1 **2019 Federal Government Affairs Agenda**

2 **Harbor Maintenance Tax (HMT) Reform**

3 Continue efforts to reform the HMT to ensure US tax policy does not disadvantage US ports and  
4 to provide greater equity for HMT donor ports through expanded use of Harbor Maintenance  
5 Trust Fund revenues. Support \$50 million appropriation for the “donor port” HMT rebate  
6 program authorized under Section 2106 of the 2014 Water Resources Reform and  
7 Development Act to compensate for the current structure and impacts of the HMT.

8 **Seattle Harbor Deepening Project**

9 Support appropriations for design and construction to deepen the federal channels serving T-  
10 18, T-30 and T-5 in Seattle Harbor.

11 **Tacoma Harbor Deepening Project**

12 Support funding for the feasibility study on deepening channels in Tacoma Harbor to  
13 accommodate ultra-large container ships at key NWSA cargo facilities.

14 **Terminal 5 Modernization Project**

15 Support federal funding for the Terminal 5 Modernization Project to meet changing container  
16 industry requirements, ensure the long-term competitiveness of the gateway and meet our  
17 environmental and community goals.

18 **National freight policy**

19

20



1 Support implementation and increased federal funding for a strengthened national multimodal  
2 freight strategy and related grant programs, including continued authorization and funding for  
3 the TIGER/BUILD discretionary grant program. Support establishing a sustainable funding  
4 source for freight infrastructure and ensure user fee proposals 1) do not hurt the  
5 competitiveness of the Northwest trade corridor relative to others in North America; 2) are  
6 mode neutral; and 3) funds should spent on improvements that benefit users who pay the fees  
7 and not diverted to other uses.

#### 8 **Safe and efficient cargo screening**

9 Support adequate Customs and Border Protection (CBP) staffing levels to ensure efficient  
10 movement of cargo through the Puget Sound gateway. The NWSA seeks increased federal  
11 funding for CBP staffing at maritime ports of entry and reforms to expedite the hiring of new  
12 CBP officers. Pursue efforts to ensure the federal government ~~retains~~ resumes responsibility  
13 for funding CBP services, equipment and facility development.

#### 14 **Trade Policy Advancement**

15 Advocate for new trade agreements and productive engagement that ensure a fair and level  
16 playing field for mutually beneficial trade and that protect workers and the environment. The  
17 NWSA believes tariffs and quotas should be used as a measure of last resort and, when  
18 necessary, be narrowly targeted to minimize unintended impacts on American producers and  
19 consumers.

#### 20 **Puget Sound Restoration**

1 Support increased federal resources for Puget Sound and Southern Resident Killer Whale  
2 restoration, including funding to support habitat restoration, to manage predation of Chinook  
3 and other species critical to SRKW recovery, to help cleanup legacy sources of contaminants  
4 that affect SRKW, and to manage stormwater runoff. Support appropriations for the Puget  
5 Sound Nearshore Ecosystem Restoration Project, the National Estuary Program, the Puget  
6 Sound Geographic Program and the Pacific Coastal Salmon Recovery Fund.

7

DRAFT

1 **2019 State Government Affairs Agenda**

2 **Port Competitiveness**

3 Build support for strengthening the competitiveness of the NWSA through the establishment  
4 of a Port Competitiveness Coalition of supportive partners and a Port Competitiveness Caucus  
5 within the Legislature.

6 **Terminal 5 Modernization Project**

7 Support a comprehensive package of state investments for the Terminal 5 Modernization  
8 Project to meet changing container industry requirements, ensure the long-term  
9 competitiveness of the gateway and meet our environmental and community goals. This  
10 includes, but is not limited to, transportation multi-modal funding, tax financing, Clean Energy  
11 Fund dollars, and Volkswagen settlement funds. This also includes supporting efforts to  
12 authorize municipal utilities to engage in and promote the build-out of shore-power  
13 infrastructure.

14 **Puget Sound Gateway**

15 Support the on-time and early implementation of the Puget Sound Gateway project (SR 167/SR  
16 509). To ensure early delivery of the project, the alliance supports proposals to authorize tolling  
17 on the corridor, expedited funding for the project, and ensured project cost savings are  
18 reinvested in the corridor. The alliance also supports toll scenarios that support the use of these  
19 corridors by freight vehicles.

20 **Unregistered vehicles as cargo**

1 Support legislation exempting vehicles shipped as marine cargo that operate within a port area  
2 from requirements to register with the state.

3 **Clean air investments**

4 ~~Support funding for alliance air quality projects to improve the long-term sustainability and~~  
5 ~~competitiveness of alliance facilities. Specifically, support:~~

6 ~~• Increased state appropriations for transportation electrification in the Clean Energy~~  
7 ~~Fund;~~

8 ~~• using Clean Energy Fund dollars for investments shore power infrastructure and clean~~  
9 ~~cargo handling equipment;~~

10 ~~• other capital or transportation budget investments; and~~

11 ~~• authorizing municipal utilities to engage in and promote the build-out of shore power~~  
12 ~~infrastructure.~~

13 **Remedial Action Grants (RAGs)**

14 Support mechanisms to ensure long term solvency and sustainability of toxics accounts under  
15 the Model Toxics Control Act to support the pursuit of a healthier Puget Sound.

16 **Stormwater**

17 NWSA takes its environmental responsibilities seriously and recognizes stormwater

18 management is key to the health of the Salish Sea. To better manage the public funds ports

19 provide for environmental initiatives, including enhanced stormwater treatment, we support

20 regulatory updates clarifying that marine cargo wharves without industrial activities as defined

1 by, and consistent with, EPA's multisector general permit are not subject the NPDES permit  
2 program driven by the Federal Clean Water Act (CWA). ~~, are not subject to the Industrial~~

3 ~~Stormwater General Permit.~~ Industrial activities are defined by CWA as vehicle maintenance,  
4 equipment cleaning operations, airport deicing operations.

5 **SEPA and greenhouse gas emissions**

6 Support efforts by the Washington Public Ports Association to obtain clarity on what constitutes  
7 "significant" greenhouse gas emissions from development projects and how developers might  
8 mitigate for those emissions under the State Environmental Policy Act (SEPA).

9 **Self-insurance for Board of Pilotage Commissioners**

10 Support agency-request legislation by the Board of Pilotage Commissioners to allow small state  
11 agencies and commissions the opportunity to access government risk pools to cover liabilities  
12 under \$10 million.