

COMMISSION AGENDA

Item No: 5C

Meeting: 05/17/2018

DATE: April 30, 2018
TO: Port Commission
FROM: John Wolfe, Chief Executive Officer
Sponsor: Commissioner Dick Marzano
Project Manager: Sean Eagan
SUBJECT: Puget Sound Gateway Local Match Memorandum of Understanding

A. ACTION REQUESTED

Request authorization for the Chief Executive Officer or his designee to sign a Memorandum of Understanding pertaining to local participation in the Puget Sound Gateway with the Washington State Department of Transportation and other local project stakeholders.

B. BACKGROUND

In July 2015, the Washington State Legislature and Governor Inslee acted to fund the Puget Sound Gateway Program through the Connecting Washington revenue package. The Puget Sound Gateway Program is comprised of two projects: the State Route 167 Completion Project and the State Route 509 Completion Project. These projects provide essential connections to the ports of Tacoma and Seattle and will help ensure people and goods move more reliably through the Puget Sound region.

The Washington State Department of Transportation (WSDOT) is the lead project sponsor and is responsible for the planning, design and construction of the Puget Sound Gateway Program, as well as for its overall financial management. The program has been guided from its beginning by a Joint SR-167/SR-509 Executive Committee, made up primarily of elected representatives of local jurisdictions served by the Puget Sound Gateway Program (Algona, Auburn, Burien, Des Moines, Edgewood, Federal Way, Fife, Kent, Milton, Pacific, Puyallup, SeaTac, Sumner and Tacoma) as well the Port of Tacoma, the Port of Seattle, Federal Highway Administration, Washington State Transportation Commission, Washington State Department of Transportation, the Puget Sound Regional Council, Sound Transit, King County Metro, Pierce Transit, and the Freight Mobility Strategic Investment Board. Commissioner Dick Marzano is the port's representative on this committee.

Funding for the total Puget Sound Gateway Program will come from the state gas tax, tolls, local contributions, and potential federal and state grants. Total funding for the project, from the 2015 Connecting Washington transportation funding package, is \$1.875 billion, which includes local contributions of \$130 million. The program has been funded over a 16-year timeline. Based on the legislative funding plan, major construction for a first stage of SR 167 would likely occur between 2019 through 2025, and a second stage in 2026-2030.

The concept of the \$130 million local match was developed by House Transportation Committee chair Judi Clibborn in consultation with the SR 167 Completion Coalition. Commissioner Marzano was the port's representative on the Coalition.

In the 2017 Legislative session new language was enacted (Engrossed Senate Bill 5096 § 306(20)(b)) requiring a Memorandum of Understanding (MOU) be developed between the local agency partners and WSDOT. The legislature directed that:

The secretary of transportation must develop a memorandum of understanding with local project stakeholders that identifies a schedule for stakeholders to provide local matching funds for the Puget Sound Gateway project. Criteria for eligibility of local match includes matching funds and equivalent in-kind contributions including, but not limited to, land donations. The memorandum of understanding must be finalized by July 1, 2018. The department must submit a copy of the memorandum of understanding to the transportation committees of the legislature and report regularly on the status.

To this end, the Joint Executive Committee of the Puget Sound Gateway Program convened a Funding and Phasing Subcommittee to develop an MOU that summarizes the timing of their planned, future commitments to contribute to the SR 167 and SR 509 projects. Commissioner Marzano serves on this subcommittee.

The goals of the subcommittee are to:

- Support efforts to build the Gateway projects on or ahead of schedule;
- Create successful local partnerships;
- Identify sufficient local funding to build the Puget Sound Gateway projects; and
- Time grant-funding projects to support the project delivery schedule.

C. SCOPE OF WORK

The MOU lays out a local funding strategy, with a focus on projects in the Gateway portfolio that provide measurable benefits to local jurisdictions. In the Gateway program, these are called "Local Nexus Projects," designed to:

- Create a positive business case for local partners by focusing on the parts of the program that are most relevant and important to local jurisdictions;
- Leverage the potential to access significant grant funding to support local funding assumptions;
- Participate, co-fund match, and submit grant applications with support from Subcommittee staff;
- Combine local contributions and project funds to ensure fully-funded applications; and
- Support the grant effort and avoid competition with the local projects in the year of application.

If grant funds are received for these Local Nexus Projects, these dollars will contribute substantially toward the Legislative requirement for local match.

Following approval of the MOU, interlocal agreements (ILAs) will be drafted for subsequent approval. Anticipated contributions only become binding commitments when embedded in ILAs, and the conditions therein are approved by the proposed funding entity. ILAs must be in place prior to issuance of the request for qualifications for any proposed construction contract.

Signatories to this MOU consider that the local contribution requirement set forth in ESB 5096 will be fulfilled once the \$130 million requirement is achieved, via an interlocal from each signing party that contains the commitment for project funding.

D. TIMEFRAME/PROJECT SCHEDULE¹

Project Development	
NEPA re-evaluation	2017-2018
Interchange Justification Report	2017-2018
Traffic and revenue analysis for tolling	2017-2018
Legislative authorization for tolling	2019
Stage 1A (70th Avenue bridge replacement)	
Design	2017-2019
Right-of-way	2017-2019
Construction	2019-2021
Stage 1B (I-5 to SR-509)	
Design	2017-2021
Right-of-way	2017-2021
Construction	2021-2025
Stage 2 (I-5 to SR-167)	
Design	2020-2024
Right-of-way	2020-2024
Construction	2025-2030

E. FINANCIAL SUMMARY

Cost: The MOU has been written such that anticipated contributions by the various signatories only become binding commitments when embedded in ILAs, and the conditions therein are approved by the proposed funding entity. As such, the MOU itself has no cost associated with it.

Total Cost: While the MOU has no cost associated with it, the agreement would create the path by which ILAs would eventually be considered by the commission. It is these commission-approved ILAs that would result in the legal and financial liability associate with the port's contribution. Based on informal commitments made by Port of Tacoma leadership in 2015, the port is expected to contribute \$30 million (in cash or in-kind contributions to the project) through what staff anticipates will be a series of ILAs.

¹ Timeframe and project schedule for SR 167 segment only. A comparable project schedules exists for SR-509; staff can provide it to commissioners should they be interested.

Source of Funds: Funds from the tax levy in excess of the General Obligation bond debt payments or funds from operations can be used to fund any future commitments associated with this initiative.

Item	Budget Estimate	Expenditure to Date	Additional Future Expenditures	Anticipated Total Expenditures
70 th Avenue bridge replacement contribution	\$3 million	\$0	\$3 million	\$3 million
Port of Tacoma Spur right-of-way contribution	\$5 million	\$0	\$5 million	\$5 million
Other	\$22 million	\$0	\$22 million	\$22 million
TOTAL	\$30 million	\$0	\$30 million	\$30 million

Financial Impacts:

Staff will negotiate ILAs with the goal of ensuring that projects are appropriately funded before committing Port funds and timing the liabilities associated with the agreements to be recorded on the Port of Tacoma’s books at the most opportune time possible.

Port staff and WSDOT hope to seek commission approval of a \$3 million cash contribution by the Port of Tacoma to the 70th Avenue bridge relocation, as well as an in-kind contribution in the form of right-of-way this year. The financial treatment associated with these potential contributions will be addressed as part of the formation of the ILAs and the future Commission authorization. All future requests will include the accounting treatment and funding source as part of the Commission authorization request.

F. ECONOMIC INVESTMENT / JOB CREATION

The Gateway Program is key to enhancing the state’s economic competitiveness, both nationally and globally, by connecting the state’s largest ports to key distribution centers in King and Pierce counties and to eastern Washington. Completion of the program will provide a direct link to Green and Puyallup river valleys, home to the second largest distribution center complex on the West Coast; 44 percent of regional truck trips by the ports of Seattle and Tacoma are destined for this area. Travel time between Puyallup and Tacoma would improve by 15 percent, saving 13,915 person-hours. The economic benefit of saved travel time over 30 years along SR-167 is \$940 million.

A completed SR-167 could fuel job growth to the tune of \$10.1 billion, according to WSDOT. That’s the size of the new payroll expected to be generated by an expansion of the Port of

Tacoma's international cargo and other operations — an expansion that is contingent on good transportation connections to move the freight to and from the docks.

The Gateway Program is estimated to support 2,437 construction jobs throughout the life of the project.

G. ENVIRONMENTAL IMPACTS / REVIEW

According to an earlier WSDOT Record of Decision, the project will improve air quality by reducing congestion, improve truck mobility, and smooth traffic flow levels. CO emissions, for example, are projected to be reduced by an estimated 26 percent along the SR-167 corridor under the build alternative compared to the no-build alternative. Additionally, the proposed SR-167 project mitigation links multiple fragmented habitats together, providing over 1,000 acres of contiguous habitat and resulting in a cumulative 70 percent increase in ecological services in the area. Finally, the project's proposed mitigation enhancements will reduce predicted flooding along Hylebos Creek from 246 acres to 187 acres—a 50 percent reduction.

H. ALTERNATIVES CONSIDERED AND THEIR IMPLICATIONS

Do nothing alternative (i.e. do not sign the MOU): The Port of Tacoma is considered the most prominent proponent for a completed SR-167 and the largest single beneficiary of the project. If the port were to decline to sign the MOU, it would signal a lack of support for the project. Other project supporters would be disinclined to financially contribute to the local match. Moreover, the local match has been identified as a funding component in various grant applications submitted by WSDOT (e.g. U.S. Department of Transportation's INFRA grant, Freight Mobility Strategic Investment Board, Puget Sound Regional Council's Surface Transportation Program grant); grant award institutions would be discouraged from investing in the project. This, in turn, would result in project scope reduction. The port would likely have less influence on these scoping decisions than it would if it were a financial contributor. Finally, the credibility and reputation of the port would be harmed with fellow project funders, stakeholders, WSDOT, state and federal lawmakers.

I. NEXT STEPS

Once WSDOT and the project supporters enter into the MOU, port staff will begin negotiations with WSDOT on two ILAs. The first would be for a \$3 million cash contribution for the 70th Avenue bridge relocation project, a necessary pre-condition for SR-167 construction. The port contribution likely would be contingent on a FMSIB grant award and contributions from Fife, the City of Tacoma and WSDOT. The goal would be to complete ILA negotiations for Commission consideration before the end of the year.

The second ILA would be for a right-of-way contribution for the Port of Tacoma Spur segment associated with Parcel 14. Estimated to be worth between \$3 million and \$5 million, the port contribution likely would be contingent on a \$4.5 million Puget Sound Regional Council grant award, a \$1.5 million contribution from the City of Tacoma as well as the larger state contribution to the overall SR-167 corridor. The goal would be to complete ILA negotiations for Commission consideration before the end of the year, with the intent that the financial liability would be deferred until 2021.

These two investments would be applied towards the overall \$30 million Port of Tacoma contribution. Subsequent commission-approved ILAs in future years would be required for the balance. Port staff continue to explore other in-kind contributions the port could make to the project, the value of which, again, would be credited against the \$30 million.