

COMMISSION AGENDA

Item No: 3C

Meeting: 04/16/2020

DATE: April 3, 2020

TO: Port Commission

FROM: Eric Johnson, Executive Director
Sponsor: Scott Francis, Director of Real Estate
Project Manager: Evette Mason, Manager Government Affairs

SUBJECT: First Amendment to January 21, 2016 Interlocal Agreement - City of Tacoma / Port of Tacoma: Improvements to Taylor Way and the Blair-Hylebos Peninsula Intelligent Transportation System

A. ACTION REQUESTED

Request authorization for the Port of Tacoma's Executive Director or designee to approve the First Amendment to the January 21, 2016 Interlocal Agreement (Agreement) with the City of Tacoma for up to \$500,000 in improvements to Taylor Way and the Intelligent Transportation System on the Blair-Hylebos Peninsula.

B. BACKGROUND

The port entered into a lease with Puget Sound Energy (PSE) for a 33-acre site at the intersection of East 11th Street and Taylor Way (Taylor) in the City of Tacoma on September 1, 2014. The facility is currently under construction and when complete, will produce a cleaner fuel for vessels and provide back-up capacity for Tacoma natural gas customers.

Through the project's Environmental Impact Study process, the city identified several mitigating conditions specifically related to safety measures, including the refurbishment or replacement of Fire Station 15, and improving the road infrastructure and funding for some elements of an Intelligent Transportation System (ITS) for faster ingress and egress of the area.

At that time, city staff estimated the above improvements totaled approximately \$11 to \$12 million and PSE committed to funding approximately 50 percent (\$5.5 million). The city recognized other possible funding sources, such as federal and state grants, local contributions and mitigation from other new developments on or near Taylor Way

It should be noted that at the time of the city council's consideration of PSE's contribution, it was thought the original fire station could be refurbished; however, with additional analysis the original, historical building was found to be structurally deficient for a fire station, and renovation would far exceed the cost of a new station. The city is currently moving forward with a new station adjacent to the original station location. For that purpose, the city purchased property from the Port of Tacoma to increase the parcel size. The cost of the new station is greater than the 2015 estimated allocation for an operational fire house near the PSE facility.

The city committed projected new tax revenues derived from the PSE project for the operating

expenses associated with a fire station. In addition, the city requested that if additional funds are not collected within two years of the commencement of PSE operations, the city may form a Local Improvement District (LID) to fund up to \$5.5 million for the Taylor Way Rebuild, plus a maximum of \$475,000 for ITS improvements. The port agreed to not oppose formation of the LID in the January 21, 2016 ILA, but preserved its ability to comment on or object to the LID assessment/formula and or any parcel specific assessment.

Port staff worked with city staff in the preparation and writing of grant applications for the Taylor project. Through that process it was learned that most agencies offering road infrastructure grants require an increase in the road's capacity. One of the few areas for capacity increases on Taylor is at the intersection of State Route 509 and Taylor Way. This intersection is a choke point for truck and vehicle travel, and the city incorporated capacity improvements into the project's design.

The estimated project cost increased to \$20.6 million. Between grants, the city's Streets Initiative funding, utility improvement contributions and mitigation funds, it appeared the project was fully funded and the project went to bid.

Bids were opened on February 25, 2020 and ranged from \$21.8 to \$31.1 million. The low bid is approximately \$1.2 million higher than the estimate and with an increased project contingency (increased to nine percent), the City estimates the project's funding gap at \$1.8 million. City staff contacted Port staff to discuss solutions.

City staff concurrently conducted internal discussions with other project partners at Tacoma Rail and City of Tacoma's Environmental Services. These partners increased their project contributions by \$800,000, dropping the gap to \$1 million.

Port staff reviewed the costs and value associated with the three rail spurs that cross Taylor Way and serve Port parcels. Port staff considered the following:

- 1) With the construction of the Avenue 55 distribution center, one spur now dead ends due to the new building and is not useable.
- 2) The other two spurs are of minimal potential value as a developer may a) not require rail, b) the access is reversed and not an efficient rail movement, and c) if a developer wants to use rail, it could be built from Alexander Avenue and thus avoid cutting into the 10" of required concrete for a heavy haul corridor on Taylor Way.

City staff estimates the cost savings associated with the elimination of the three crossings at \$456,000 (NOTE: This requires confirmation by the contractor).

C. SCOPE OF WORK

Staff recommends a \$500,000 contribution to the project with the following conditions:

- 1) The City may request the Port's contribution after the project's contingency fund is used, and the City will provide proof of the project's expenses.
- 2) The Port's contribution per Amendment #1 would void and supersede the ILA's fourth recital regarding the LID. The City may choose to form an LID for Taylor Way but the Port could oppose its formation.

D. TIMEFRAME/PROJECT SCHEDULE (assumes project is fully funded)

Bids Opened	February 2020
Contract Awarded	April 2020
Contractor begins staging/construction	June 2020
Estimated opening date (weather dependent)	September/October 2021

E. FINANCIAL SUMMARY

Cost and Source of Funds - The current Capital Investment Plan (CIP) allocates \$1,000,000 towards Roadway Infrastructure and could be used to fund this.

Financial Impacts – The Port’s contribution will be incurred as a non-operating expense at the time the amended ILA is signed.

F. ECONOMIC INVESTMENT/JOB CREATION

The Port’s statutorily defined mission is to promote economic development. According to the August 6, 2015 Draft EIS for the Puget Sound Energy LNG facility, the project would result in significant beneficial impacts on employment and the economy, both at the local and regional levels and would likely increase tax revenue allocations to the jurisdictions. The facility would generate construction-related economic benefits for Pierce County and the Puget Sound Region by annually supporting 671 jobs, \$46.4 million in labor income and \$120.4 million in economic output over the construction period. The plant would also generate operations-related benefits for Pierce County and the Puget Sound region that would support 131 jobs annually and include \$9.8 million in labor income and \$78.9 million in economic output for each year of operation.

In addition, this facility would save PSE’s ratepayers and LNG transportation fuel consumers approximately \$43.1 million per year, resulting in the generation of an additional estimated \$14.9 million in economic output and supporting an additional \$3.8 million in labor income for 74 more jobs.

Taylor Way also supports a variety of port tenants located on the Blair-Hylebos Peninsula. This includes TOTE, the Taylor Way Auto Processing Facility, breakbulk operations at East Blair-1 and manufacturing and industrial tenants at the Earley Business Center and GP Gypsum.

G. ALTERNATIVES CONSIDERED

1) Do nothing: The port could decline to do anything, leaving a funding gap in the project. This could jeopardize the grant funding and the viability of the overall project. As noted above, completion of the project is a necessary condition for PSE and other development projects.

2) Do nothing and an LID is formed: Per the ILA, the city could form an LID two years after the commencement of PSE operations. The city is concerned with losing the grant funding and/or the low bid for the project. The port could insist on following the ILA and delay the project. It is important to recall that the port is the largest landowner within the potential LID and would be the largest financial contributor under this model. As such, the port’s share (including a portion of the LID administrative costs) could be considerably higher than the current request for \$500,000.

3) Fill the funding gap and maintain the rail crossings: The port could insist the three rail

crossings be retained and pay the entire \$1 million funding gap. As noted above, however, port staff does not believe there is value in maintaining these three rail crossings and this alternative is more expensive.

Recommended alternative: Forego the three rail crossings and authorize the port to fill the remaining \$500,000 funding gap.

H. NEXT STEPS

Commission approval of the amendment, the document will go to the City Council for their concurrence and approval. The construction contract is expected to be awarded in late April to the low bidder, Tapani Inc. of Battle Ground, WA. Construction would begin as early as June 2020 and continue through October 2021, pending weather delays. If the City requires use of port funds, the request would most likely occur in the second or third quarter of 2021.

FIRST AMENDMENT TO INTERLOCAL AGREEMENT BETWEEN PORT OF TACOMA AND CITY OF TACOMA REGARDING IMPROVEMENTS TO TAYLOR WAY

This First Amendment to Interlocal Agreement (“Amendment”) is made and entered into by the City of Tacoma, a municipal corporation of the State of Washington, hereinafter called the “City” and the Port of Tacoma, a port district organized under the laws of the State of Washington, hereinafter called the “Port.” As used in this Agreement, “Project” means the Taylor Way Road Rehabilitation Project (bid by the City PW 19-0262F), to benefit the movement of freight and goods as further described in the January 21, 2016 Interlocal Agreement (“2016 Agreement”) The Port and the City are also referred to in this Agreement collectively as “the Parties,” and individually as a “Party.”

RECITALS

WHEREAS, the 2016 Agreement included a proposed scope of work with regard to the reconstruction of Taylor Way to a Heavy Haul Industrial Corridor standard, and

WHEREAS, the Parties desire to amend and update the 2016 Agreement to reflect the current state of items addressed in the 2016 Agreement, and

WHEREAS, the Port is agreeable to provide additional funding to the Project to maintain elements of the scope of the Taylor Way reconstruction that are beneficial to the operations of the Port, and

NOW, THEREFORE, the Parties agree to amend the 2016 Agreement as follows:

1. Project Funding. Section 4 of the 2016 Agreement is deleted and replaced by the following:

4. Project Funding. The Port will invest not more than \$ 500,000 of additional Project funding to complete the Taylor Way Reconstruction Project, conditioned upon all other funding sources for the Project have first been depleted, including but not limited to any contingency funds. The Port has agreed to the elimination of three crossings contemplated in the original scope (Crossings 1, 2, and 3), as depicted on the attached Exhibit A, and the elimination of these crossings are recognized as in-kind savings to the Project provided by the Port. The additional Port cash contribution will allow retention of the reconstruction of the other crossings within the Project, installation of ITS infrastructure, and construction of improvements to Taylor Way and the SR509 intersection to Heavy Haul Industrial Corridor standards.

2. Section 3 of the 2016 Amendment is deleted and replaced with the following:

3. Project Plans and Specifications. The Parties acknowledge and agree that the Plans and Specifications for the Project are those established in the Taylor Way Road Rehabilitation Project under City of Tacoma Public Works bid PW 19-0262F. Any references to Plans or specifications in the 2016 Agreement are hereby modified accordingly.

3. City Contact. Section 15 of the 2016 Agreement is hereby amended to change the City contact for notification as follows:

To the CITY: Mark D'Andrea, P.E.
 City of Tacoma
 Tacoma Public Works/Special Projects
 Tacoma Municipal Building
 747 Market Street, Room 544
 Tacoma, WA 98402-3769
 mdandrea@cityoftacoma.org
 253-591-5518

4. **Termination Date.** Section 13 is amended to extend the Termination Date to December 31, 2025, or final completion of the Project, whichever is later.
5. **No Additional Changes.** All other terms and conditions of the 2016 Agreement except as specifically modified herein shall remain in full force and effect.
6. **COVID19 Emergency.** The Parties acknowledge and agree that the current COVID19 emergency as declared by the Governor of Washington, and the Tacoma City Council, may affect the Project in ways that are not foreseeable, and are not within the control of either party. Neither party shall be responsible or liable for issues or impacts to the Project arising in any manner from the COVID19 emergency.

IN WITNESS WHEREOF, the Parties hereto have executed this Agreement which shall be effective upon the date of recording.

PORT OF TACOMA

CITY OF TACOMA

Eric Johnson, Executive Director Date

Elizabeth Pauli, City Manager Date

APPROVED AS TO FORM:

Carolyn Lake, Port Legal Counsel Date

Kurtis D. Kingsolver, P.E. Date
Public Works Director/City Engineer

APPROVED AS TO FORM:

Steve Victor, Deputy City Attorney
Date



Item No.: 3C
Date of Meeting: April 16, 2020

First Amendment to January 21, 2016 ILA with the City of Tacoma: Improvements to Taylor Way and the Blair-Hylebos Peninsula Intelligent Transportation System

Port of Tacoma Commission Meeting
April 16, 2020



Request



Request authorization for the Port of Tacoma's Executive Director or designee to approve the First Amendment to the January 21, 2016 Interlocal Agreement (ILA) with the City of Tacoma to provide up to \$500,000 in improvements to Taylor Way and the Intelligent Transportation System on the Blair-Hylebos Peninsula, upon conditions.

Purpose of First Amendment

- City of Tacoma went to bid in January 2020.
- Bids ranged from \$21.8 to \$31.1 million with the low bid approx. \$1.8 million over the engineer's estimate.
- Partners with increased cost elements contributed additional funds.
- Funding gap remains at \$1 million.
- In reviewing rail needs to port parcels, the gap was reduced to \$500K.
- Port staff recommends a one-time \$500K contribution with conditions.

Taylor Way Project

TAYLOR WAY - ITS FOR RAIL CROSSINGS

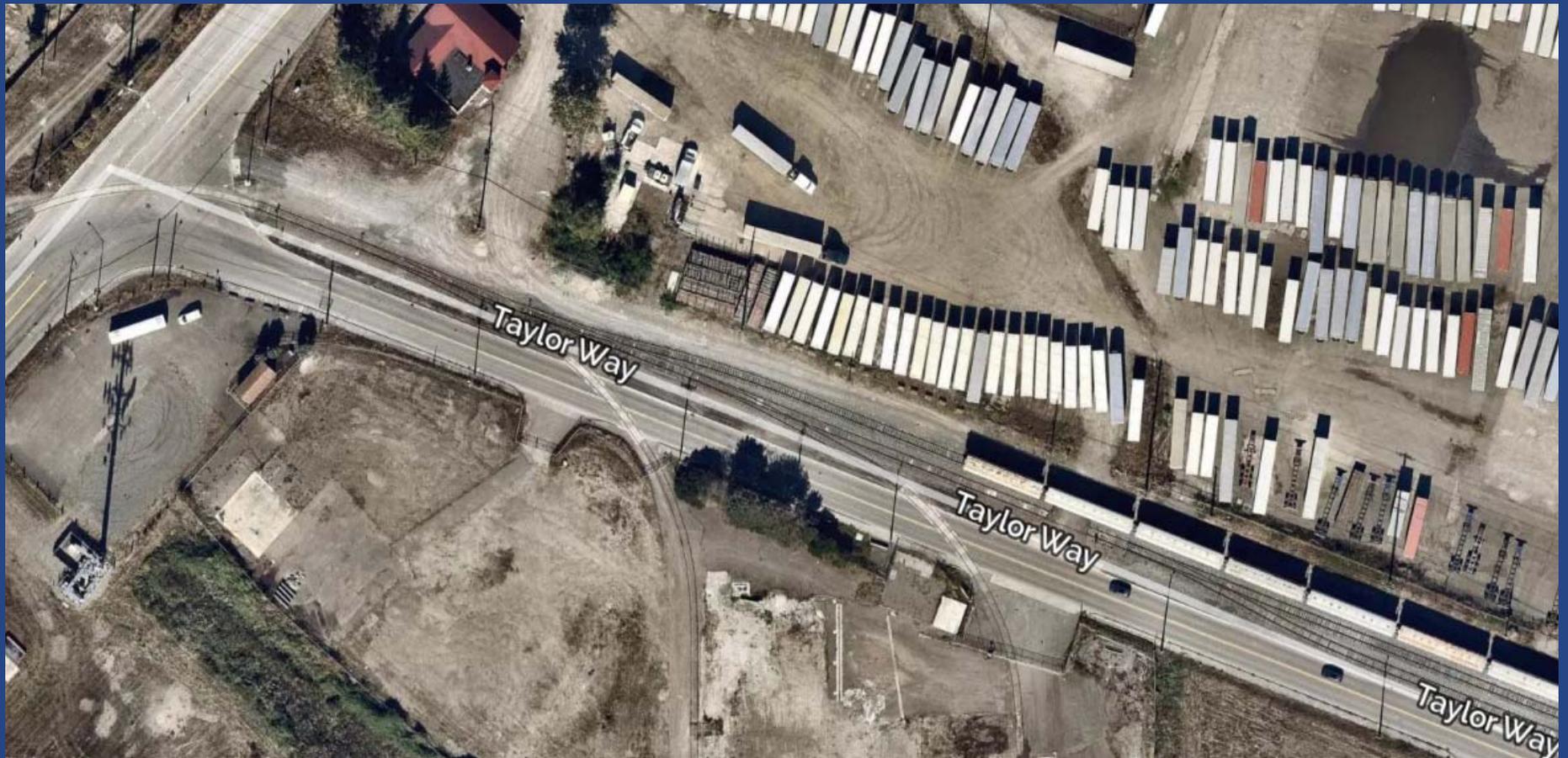
NOVEMBER 7, 2018



Legend

- Rebuild Crossing
- Remove Crossing
- Existing Crossing
- ◆ Signaled Public Xing
- ⊘ Public Passive Xing

Rail Crossings #1 and #2 to Port parcels



Rail crossing #3 to Port parcel



Scope of First Amendment of Taylor ILA



Port staff recommends for Commission consideration a \$500,000 contribution to the Taylor Way project conditioned as follows:

- 1) The city may request the port's contribution after the project's contingency fund is used, and
- 2) the city provides proof of the project's expenses.

Estimates for project phases



SKDVH	AMOUNT
Concept, Design, ROW and Permitting	\$ 2,000,000
Construction	\$21,833,000
Contingency (10%)	\$ 2,183,000
Management, Inspections and Testing	\$ 3,000,000
Total	\$29,016,000



Funding partners for all project phases

FUNDING	AMOUNT
FMSIB Grant Funding	\$ 2,500,000
PSRC Federal Grant Funding	\$ 5,384,300
National Highway Freight Program	\$10,394,996
Public Works Streets Initiative	\$ 1,770,824
Tacoma Rail	\$ 750,000
Tacoma Water	\$ 3,604,023
Environmental Services (Sanitary)	\$ 888,709
Pierce County Sanitary	\$ 541,965
Development Mitigation/fees	\$ 1,403,485
Total	\$27,238,302

Project Schedule with First Amendment



TAYLOR WAY CONSTRUCTION	ESTIMATED TIMING
Bids opened	February 2020
Award contract	April/May 2020
Contractor begins staging/construction	June 2020
Estimated opening (weather dependent)	Fall 2021

Financial Summary



Cost and Source of Funds – The current Capital Investment Plan (CIP) allocates \$1,000,000 towards Roadway Infrastructure and could be used to fund this project.

Financial Impacts – The Port's contribution will be incurred as a non-operating expense at the time the amended ILA is signed.

Next Steps



- Commission approval
- City Council approval
- Award contract in late April
- Construction begin as early as June 2020
- Project completion in October/November 2021

Request



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Thank you