

COMMISSION AGENDA

Item No: 4C

Meeting: 12/19/19

DATE: December 4, 2019

TO: Port Commission

FROM: Eric Johnson, Executive Director

Project Manager: Sean Eagan, Government Affairs Director

SUBJECT: RESOLUTION COMMITTING TO A \$27 MILLION LOCAL MATCH FOR STATE ROUTE 167

A. ACTION REQUESTED

Approval of Resolution 2019-15-PT committing the Port of Tacoma to providing a contribution to the State Route 167 project of up to \$27 million in the form of cash and/or other in-kind contribution.

B. BACKGROUND

1. Puget Sound Gateway

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, WSDOT, 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 13-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 2021-2028.

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.

2. Memorandum of Understanding

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.

On May 17, 2018, the Port of Tacoma Commission authorized the CEO to sign a Memorandum of Understanding (MOU) with WSDOT and other local government project stakeholders. The MOU summarizes the timing of their planned, future commitments to contribute to the SR 167 and SR 509 projects.

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) between WSDOT and local jurisdictions were to be drafted for subsequent approval. Anticipated contributions contained in the MOU 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 ILA from each signing party that contains the commitment for project funding.

3. Port of Tacoma/WSDOT ILA for SR 167 Phase 1A

The 70th Avenue East Bridge Relocation project was identified as an example of a Local Nexus Project referenced in the MOU. The current bridge, which spans Interstate 5 in Fife, is in the footprint of the proposed State Route 167/Interstate 5 interchange. Relocation of the 70th Avenue East bridge is a necessary pre-condition for the interchange and has been designated as Phase 1A of the SR 167 project. The bridge will also be widened, improving access to Fife's industrial and warehouse sector which supports the port's marine terminal operations.

On December 20, 2018, the port commission approved an ILA with WSDOT, in which it committed \$3 million for this project. WSDOT has issued a contract for Phase 1A, which is anticipated to begin construction in spring 2020.

C. SCOPE OF WORK

Resolution 2019-15-PT would formally recognize an additional \$27 million (for a total of \$30 million) contribution by the Port of Tacoma to the SR 167 project. Specific details on the manner of contribution (i.e. cash or in-kind), timing and conditions associated with this commitment will be outlined in one or more ILAs to be considered by the commission at a later date.

D. TIMEFRAME/PROJECT SCHEDULE

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	2021-2023
Right-of-way	2017-2023
Construction	2023-2028

E. FINANCIAL SUMMARY

Cost: The port will contribute an additional \$27 million (for a total of \$30) million to the SR 167 completion project.

Source of Funds: A combination of in-kind contribution (primarily real property) and the Port's tax levy in excess of what is needed to pay General Obligation bond debt service will be used to pay the additional \$27 million contribution. The 2020-24 plan of finance included \$22 million in cash contribution in 2024; actual cash contributions are expected to occur beyond that time period. The port anticipates being credited for \$5 million of value in in-kind contributions (primarily real property).

Item	Port Total Contribution	Expenditure to Date	Additional Future Cash Expenditures	Additional Future In-Kind Contribution	Total Future Expenditures
SR 167 Completion Project	\$30 million	\$3 million	\$22 million	\$5 million	\$30 million
TOTAL	\$30 million	\$3 million	\$22 million	\$5 million	\$30 million

Financial Impacts: The MOU approved by the commission in May 2018 anticipates a \$30 million total contribution by the Port of Tacoma. The port made a \$3 million investment to Phase 1A, credited towards this \$30 million total anticipated contribution. Recognition of the expected expense of \$22 million was included in the 2019 forecast presented during the 2020 budget process. This authorization will result in a special item expense of \$22 million and a deferred liability on the balance sheet.

F. ECONOMIC INVESTMENT / JOB CREATION

The Puget Sound 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 overall Puget Sound Gateway 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

- 1. Do nothing alternative (i.e. do not contribute to the project):** The Port of Tacoma is considered the most prominent proponent for a completed SR-167 and the largest single beneficiary of the overall project. If the port were to decline to provide a financial contribution to the project, it would signal a lack of support for the SR 167 project. Other project supporters would be disinclined to financially contribute to the Puget Sound Gateway 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, port support is assumed in the MOU approved by the commission in 2018. Failure to financial contribute to the project would harm the credibility and reputation of the port with fellow project funders, stakeholders, WSDOT, state and federal lawmakers.
- 2. Manage contributions solely through ILAs without a resolution:** Under this alternative, commissioners would not approve a resolution. Rather, they would approve one or more ILAs detailing the specific details on the manner of contribution (i.e. cash or in-kind), timing and conditions associated with the commitment. Under this scenario, the port would recognize the expense of the commitment at the time the ILA(s) are approved by the commission. Because of budget uncertainty, staff could not guarantee that the recognition of the expense in any given year would avoid a financial loss for that year.
- 3. Preferred alternative:** By adopting Resolution 2019-15-PT now, the port would record the entire expense in 2019, at a time when its margins are relatively healthy, without taking a financial loss for the year. Commissioners would still vote on one or more ILAs governing the specific details of the remaining contributions, but without concern for how it would affect net income. Because the resolution is a unilateral action taken by the port, the commission could always revisit this decision in the future should an extraordinary situation warrant it.

I. NEXT STEPS

Port staff will negotiate draft ILAs with WSDOT detailing the specific details on the manner of contribution (i.e. cash or in-kind), timing and conditions associated with the commitment contained in the Resolution 2019-15-PT. Staff will regularly consult with commissioners, who will have ultimate approval over the ILAs. Currently, staff is negotiating a draft ILA with WSDOT regarding donating the northern portion of Parcel 14 as right-of-way for Phase 1B of SR 167. Staff anticipates bringing that ILA before the commission for consideration in the autumn of 2020. Additional ILAs will be brought before the commission as needed.