

# PROJECT ACTION MEMO

Port of Tacoma Commission



Item No: 6B  
Meeting Date: 1/22/25

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**DATE:** January 13, 2025  
**TO:** Port of Tacoma Commission  
**FROM:** Eric Johnson, Executive Director  
Sponsor: Jason Jordan, Sr. Director, Environmental & Planning  
Project Manager: Mark Rettmann, Environmental Project Manager II  
**SUBJECT:** Resolution 2025-02-PT: Mitigation Bank Credits Surplus & Sale to Vector Development Co.

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**A. ACTION REQUESTED**

Request adoption of Resolution 2025-02-PT, declaring 0.2 wetland bank credits surplus, pursuant to RCW 53.08.90, and authorizing the sale of those credits to Vector Development Co. for development of the Freeman Road Logistics Project.

**Strategic Plan Initiative:**

The proposed action supports the Port's 2021-2026 Strategic Plan Economic Vitality goal – Advance living-wage job creation and business development opportunities in Pierce County with a focus on marine trade and transportation. The proposed action indirectly supports the following strategic plan initiatives of the Economic Vitality (EV) goal.

EV-2 Invest in assets that support living-wage job creation throughout Pierce County.

EV-4 Partner with regional organizations to facilitate career development and business growth in Pierce County.

**B. SYNOPSIS**

Approval of this action will surplus and sell up to 0.2 wetland bank credits to the Vector Development Freeman Road Logistics Project which will create approximately 500,000 SF of new warehouse space and associated truck and trailer parking and will support the creation of living-wage jobs and cargo logistics and business development opportunities in Pierce County.

**C. BACKGROUND**

The Port of Tacoma's Upper Clear Creek Mitigation Bank was certified by regulatory agencies on June 24, 2020. The Commission approved the ability to sell bank credits in the Port's master policy directive starting in 2022 (Resolution 2022-06-PT, revised 2024-03-PT).

Master Policy Directive: The Master Policy Direction Section VII details the policies governing the use and sale of mitigation credits (Resolution 2024-03-PT). See Attachment 1.

Bank Credit Availability (8.91 bank credits):

Currently, 8.91 of the potential total 12.56 bank credits have been released and are available for use. The remaining 3.65 bank credits are anticipated to be released by the end of 2027. To date no bank credits have been used or sold. As a reminder, only bank credits can be sold, i.e., advance mitigation credits cannot be sold.

Wetland Credit Portfolio (15.98 Advance Mitigation & Bank Credits):

As detailed in Table 1 below, the existing advance and bank mitigation sites generate 26.10 wetland credits; 10.12 of which have been used/allocated for Port projects resulting in a wetland credit portfolio balance of 15.98 wetland credits. Note, all Lower Wapato Creek Advance Mitigation Credits have been allocated to the Port of Tacoma Off-Dock Container Facility and the Parcel 117 Snail Eradication Projects.

<b>Table 1: Wetland Credit Portfolio Balance History (Advance &amp; Bank Sites)</b>	
	<b>Wetland Credits</b>
<b>Credit Generating Site:</b>	
Place of Circling Waters Advance Mitigation Site	3.52
Upper Clear Creek Mitigation Bank	12.56
Lower Wapato Creek Advance Mitigation Site	10.02
<b>Total Credits Generated</b>	<b>26.10</b>
<b>Impact/Credit Use Project</b>	
Arkema Mound Clean Up	0.09
North Lead Tracks	0.02
Off-Dock Container Support Facility	8.33
Parcel 117 Snail Eradication	1.68
<b>Total Credits Used</b>	<b>10.12</b>
<b>Available Credit Balance</b>	
<b>Total Remaining Credits</b>	<b>15.98</b>

Projected 10-Year Wetland Credit Needs & Portfolio Balance

Staff projected a 10-year credit need based on potential redevelopment scenarios that were guided by NWSA’s Coordinated Course 2035 and the Port’s 2021-2026 Strategic Plan. The 10-year credit need depends on how aggressive the Port is in redeveloping properties; therefore, staff are providing a range for the 10-year credit need based on the below projections which are shown graphically on Figure 1. The 10-year development scenarios project a 6.33 to 9.84 remaining wetland credit portfolio balance indicating a surplus of bank credits available for sale.

<b>Table 2: Projected 10-Year Wetland Credit Needs &amp; Portfolio Balance</b>	
<b>Less Intense Development – Credit Need</b>	
<b>Credits</b>	<b>Project / Property</b>
0.67	Parcel 6, 114 (TPU) ditches
1.80	Parcel 1B (EBC) ramp/shoreline redevelopment
0.21	Mouth of Hylebos NRDA Liability
0.50	Blair Berth Deepening at WUT, Husky, PCT
0.06	PCT, TOTE, Middle Blair Maintenance Dredge
0.50	In-Water Infrastructure Repair & Maintenance (NMFS)
0.60	Parcel 99 (Arkema) Shoreline Cap Repairs
1.80	Dewatering Facility (Parcel 99 or 115)
<i>6.14 credits - Subtotal (8 projects)</i>	
<b>More Intense Development – Credit Need</b>	
<b>Credits</b>	<b>Project / Property</b>
0.98	Parcel 99 (Arkema) Pier Redevelopment
1.03	Parcel 34 (Progress Rail) Redevelopment
1.00	Parcel 35 (Fabulich Center) Expansion or Redevelopment
0.50	In-Water Infrastructure Repair & Maintenance (NMFS)
<i>3.51 credits - Subtotal (4 additional projects)</i>	
<i>9.65 credits – Total (12 projects) 10-Year Credit Need Projection</i>	
<b>Wetland Credit Portfolio Balance – 10 Year Projection</b>	
15.98	2024 Available Wetland Credits (12.56 Bank, 3.42 Advance Mitigation)
9.84	Less Intense Development Scenario Remaining Credits (6.14 credit need)
6.33	More Intense Development Scenario Remaining Credits (9.65 credit need)

Future Potential Mitigation Opportunities

- Upper Clear Creek Bank Expansion (Administrative Buffer Relocation & Parcel 129)
- East Commencement Habitat Opportunity (ECHO)/Marine View Drive – Port property
- Gog-Le-Hi-Tee III
- Pioneer Way (Parcel 75)
- Clear Creek Floodplains Collaboration with Pierce Co.

**D. PROJECT DETAILS**

***Scope of Action:***

- Approval of the action will sell up to 0.2 bank wetland credits to Vector Development Co. for development of its Freeman Road Logistics Project.
- Wetland Credit Sale Benefits:
  - Supports the Port’s 2021-2026 Strategic Plan Economic Vitality goal and related initiatives (EV-2 and EV-4) described in Section A above.
  - Provides revenue/reimbursement to the Port for the bank wetland credit sale.

- More cost- and time-effective way for Vector Development Co. to fulfill their mitigation requirements. Provides a scale-efficiency and eliminates the need for the developer to buy land, design, permit, construct, monitor, and maintain a small mitigation site in perpetuity.
- More ecologically beneficial to mitigate at a large-landscaped based, multi-resource habitat site, than to mitigate at smaller isolated sites.

***Master Policy Directive (MPD), Resolution 2024-03-PT: VII. Policies Governing the Use and Sale of Mitigation Credits:***

The Master Policy Directive (MPD) Section VII defines the policies governing the use and sale of mitigation credits. This section summarizes the compliance with these policies for this proposed sale.

- The 10-year development scenarios provided in Table 2 and Figure 1 project a 6.33 to 9.84 remaining wetland credit portfolio balance indicating a surplus of bank credits available for sale (MPD VII.B.2).
- Port staff is requesting Commission approval of resolution to surplus and sell up to 0.2 wetland bank credits to Vector Development Co. for the Freeman Logistics Center Project (MPD VII.C.1.a).
- The sale to the Vector Development Co. for the Freeman Logistics Center Project is a cargo logistics project and supports the Port's 2021-2026 Strategic Plan Economic Vitality goal and related initiatives (EV-2 and EV-4) described in Section A above (MPD VII.C.1.b.i).
  - The Freeman Logistics Center Project includes two warehouses (~500,000 SF), associated utilities, vehicle, and truck trailer parking, widening of access roads, stormwater management, landscaping, habitat mitigation (on-site & off-site), and improvements along Freeman Road and is located near the Port of Tacoma and the SR 167 Completion Project in Pierce County. See the attached vicinity map (Figure 2), site plan (Figure 3), and conceptual on-site mitigation plan (Figure 4).
- The credits will be sold for \$1,933,333 per wetland bank credit (the greater of fair market value and replacement cost) (MPD VII.C.1.b.ii). The pro-rated price is \$386,667 for 0.2 credits.
  - A fair market analysis was conducted in 2022 by Grette & Associates and updated in December 2024 by Leon Environmental which concluded a fair market value of \$1,933,333 per wetland bank credit. The replacement cost was determined by the Escalating Cost Model for Past and Future Mitigation Projects created by the Port's Finance Department which resulted in a 2025 replacement cost of \$1,862,722 per universal wetland bank credit.
- The sale will have a minimum value of \$350,000 regardless of the number of credits sold (MPD VII.C.1.b.iii).
- The Executive Director has reviewed the proposed sale and has recommended approval to the commission. (MPD VII.C.1.b.iv).

**Scope of Work for This Request:**

- If approved, Port staff and Port Legal Counsel will draft and execute bank credit sale transaction documents. A draft bank credit purchase agreement is attached (See Attachment 2).

**E. FINANCIAL SUMMARY****Previous Cost of Bank Credit**

The estimated cost to date is \$684,000 (non-escalated) per bank wetland credit. The cost escalated by the consumer price index (CPI) is \$978,000 (escalated by CPI) per bank wetland credit for 2024. Therefore, the cost of 0.2 bank wetland credit is \$136,800 (non-escalated) or \$195,600 (escalated). All costs associated with establishing the mitigation bank and associated credits to date have been accounted for in previous budgets and authorizations.

**Estimated Cost for This Request**

There will be staff time associated with drafting and executing the bank credit sale.

**Estimated Sales Tax**

The total estimated sales tax to be paid to local and state governments for this project is \$0.

**Financial Impact**

Proceeds received for selling credits will be recorded as non-operating income in the month that the sale takes place and is a direct increase to the Port's bottom line in that period.

**F. ECONOMIC INVESTMENT/JOB CREATION**

The Freeman Logistics Center Project includes two warehouses (~500,000 SF), associated utilities, vehicle, and truck trailer parking, widening of access roads, stormwater management, landscaping, and improvements along Freeman Road and is located near the Port of Tacoma and the SR 167 Completion Project in Pierce County. The Freeman Logistics Center Project is investing over \$8 million in frontage improvements, utility extensions, road reconstruction and stormwater quality and detention in the public Rights of Way with an additional ~\$2.1 million for City permit and traffic impact fees.

The Freeman Road Logistics Project will support the goals of the Port of Tacoma's Strategic Plan and the central Port mission of promoting economic prosperity and regional economic growth by providing warehouse, transportation, and logistical infrastructure and creating well-paid jobs.

The Freeman Logistics Center Project the following number of jobs during construction and operations of the facility:

- Construction jobs: ~200
- Direct number of jobs associated with facility operations: ~250
- Indirect Number of jobs associated with facility operations: ~75

**G. ALTERNATIVES CONSIDERED AND THEIR IMPLICATIONS**

Alternative 1) Do nothing. The Port will retain 0.2 wetland bank credits in the Port Mitigation Credit Portfolio and Vector Development Co. will have to find an alternative way to fulfill their mitigation needs for their Freeman Road Logistics Project.

Alternative 2) This request. Surplus and sell up to 0.2 wetland bank credits which will support the Port's 2021-2026 Strategic Plan Economic Vitality goal and related initiatives (EV-2 and EV-4) described in Section A above and authenticates the first Port bank credit use/sale.

**Alternative 2 is the recommended course.**

**H. ENVIRONMENTAL IMPACTS/REVIEW**

N/A for sale of bank wetland credit. Environmental impacts associated with Vector Development Co.'s Freeman Road Logistics Project will be reviewed through the applicable permitting agencies for the project.

**I. PREVIOUS ACTIONS OR BRIEFINGS**

No previous briefings on this action.

**J. ATTACHMENTS TO THIS REQUEST**

- Figure 1: 10-Year Mitigation Credit Balance Projection
- Figure 2: Vicinity Map – Freeman Road Logistics Project
- Figure 3: Site Plan – Freeman Road Logistics Project
- Figure 4: Conceptual On-Site Mitigation Plan – Freeman Road Logistics Project
- Attachment 1: Master Policy Resolution 2024-03-PT – Master Policy Directive Section VII Excerpt
- Attachment 2: Draft Bank Credit Sale Agreement

**K. NEXT STEPS**

If approved, Port staff and Port Legal Counsel will draft and execute bank credit sale transaction documents. No other Commission actions are necessary.