

PORT OF TACOMA COMMISSION
ACTION ITEM MEMO



Item No: 6G
Meeting: 5/23/23

DATE: May 15, 2023

TO: Port Commission

FROM: Eric D. Johnson, Executive Director
Sponsor: Alisa Praskovich, Chief, Strategic Programs & Commissions Relations
Project Manager: Norman Gilbert, Engineering Project Manager II

SUBJECT: Off-dock Container Support Facility Project Authorization and Approval of Grant Agreements

A. ACTIONS REQUESTED

1. Request project authorization in the amount \$38,350,000 for a total authorized amount of \$40,350,000, for work associated with the Off-Dock Container Support Facility, Master Identification No. 101241.01
2. Request authorization to use up to 8.84 mitigation credits from the Lower Wapato Creek Habitat Project for wetland impacts at the Off-dock Container Support Facility properties.
3. Request authorization for the Executive Director or designee to execute a grant agreement with the U.S. Department of Transportation's Maritime Administration (MARAD) for \$15,730,000.
4. Request authorization for the Executive Director or designee to execute a grant agreement with the Washington State Department of Commerce for \$1,950,000.
5. Request authorization for the Executive Director or designee to execute a grant agreement with the Washington State Department of Ecology for \$2,001,830.

B. SYNOPSIS

The project is comprised of Port Parcels 72, 85, and 87 which are located between Port of Tacoma Road and Thorne Road, and north of Lot F and Maxwell Way. Lot F currently supports truck queue for Washington United Terminals (WUT) and truck queue and off-dock gate operations for Husky Terminal (Husky). Lot F, WUT, and Husky are all properties licensed to The Northwest Seaport Alliance (NWSA).

Non-licensed properties known as Parcels 72, 85, and 87 are three of the few remaining undeveloped properties within the General Central Peninsula Stormwater basin. Through the Investment Development and Decision Process (IDDP), Port of Tacoma (Port) staff have identified the need to develop these properties into a nearby off-dock cargo operations and logistics facility in preparation for a future tenant. To date, Port staff and our consultants have advanced the development of the site through Basis of Design, 90% design level and are actively in the process of applying and receiving the necessary federal, state, and local permits needed to construct this project.

Port and NWSA staff have also applied, received notice of award, and negotiated three grants that support this project. The grants are as follows: U.S. Department of Transportation's Maritime Administration (MARAD) in the amount of \$15,730,000, Washington State Department of Commerce in the amount of \$1,950,000 and Washington State Department of Ecology in the amount of \$2,001,830.

The requested authorizations will allow the Port to finalize the grant funding agreements and to proceed with construction of the Off-Dock Container Support Facility. Moving forward with this project will support Port staff and a future Commission action to approve a lease with a tenant to operate off-dock operations in support of our nearby terminals.

C. BACKGROUND

The Port of Tacoma Off-Dock Container Support Facility encompasses approximately 24.5 acres of land which contains approximately 4.4 acres of Category III wetlands. These Port properties are not licensed to the NWSA and any future use by the NWSA, or its tenants, would require an agreement for use between the Port and the NWSA.

The Port has performed a preliminary investigation of the impacts that development of these properties may have to stormwater within the site and to the adjacent City of Tacoma infrastructure. Additionally, the sites have been analyzed for development alternatives. Staff determined that it is necessary to develop these properties into a nearby off-dock cargo operations and logistics facility due to the strategic location of these properties near domestic and international marine cargo terminals. These cargo support uses could include a wide variety of off-dock container activities such as: a container drop yard for off-hours use; a short-term storage yard during seasonal peak volumes; a reefer container pre-trip yard; a common user chassis depot for trucker access; an empty container depot for expedited pick-up; or for other cargo operations and logistics or any combination of the options listed above. The development of basis of design and 90% project documents were performed to include the ability of all the listed activities and support tenant negotiations with the Port.

At both NWSA harbors and West Coast-wide, off-dock container yards have been identified as being in short supply and that these facilities would increase the efficiency of existing terminals and container logistics.

In late February 2021, to support the need for off-dock container yards, Port and NWSA staff began the application process for several grants to provide partial funding of the project. Staff has been successful with three grant agencies which include U.S. Department of Transportation's Maritime Administration (MARAD) in the amount of \$15,730,000; Washington State Department of Ecology's Water Quality Program in the amount of \$2,001,830; and Washington State Department of Commerce in the amount of \$1,950,000; for a total of approximately \$19.7 million.

The project supports the NWSA's efforts to establish three to four strategic terminals capable of handling the largest container vessels in service today. The development of strategic terminals addresses NWSA's previously insufficient capability to handle multiple ultra-large container ships - a must in today's competitive environment. Our top competitors are the Canadian ports of Vancouver and Prince Rupert. NWSA needs to maintain its ability serve

these larger vessels to keep these ship calls and the jobs they support in the US. Moving refrigerated containers, containers, and/or chassis storage off-terminal supports this effort.

The development of the Port of Tacoma Off-Dock Container Support Facility properties that include the wetlands will require mitigation for the loss of wetlands. Port staff intends to mitigate these impacts with mitigation credits from the Lower Wapato Creek Habitat Project that is near completion and located on a portion of Parcel 14 adjacent to Wapato Creek. This mitigation site is authorized, managed, and budgeted separately.

D. PROJECT DETAILS

Scope of Project:

The scope of the full project is to design, permit and construct a facility capable of supporting nearby off-dock cargo operations and logistics.

Scope of Work for This Request:

- Execute grant agreements with three agencies.
- Advertise, bid and award a Public Works construction contract.
- Project, grant, and construction management.

Schedule

Due to required grant agency review and approval prior to bid, these are the assumed dates for this project.

Advertise for Bid	Late August 2023
Open Bids	Late September 2023
Notice of Award	October 2023
Substantial Completion	August 2024
Final Completion	September 2024

E. FINANCIAL SUMMARY

Estimated Cost of Project

The total project cost including all stages is estimated at \$40,350,000.

Estimated Cost for This Request

The total estimated cost of the Construction for this project is \$38,350,000. If the cost of this estimate is anticipated to exceed the authorized amount, additional Commission authorization will be requested.

Estimated Sales Tax

The total estimated sales tax to be paid to local and state governments for this project is \$3,491,000.

Cost Details

Item	This Request	Total Previous Requests	Total Request	Total Project Cost	Cost to Date	Remaining Cost
DESIGN	\$0	\$2,000,000	\$2,000,000	\$2,000,000	\$1,668,317	\$331,683
CONSTRUCTION	\$38,350,000	\$0	\$38,350,000	\$38,350,000	\$0	\$38,350,000
WETLAND MITIGATION	\$0	\$0	\$0	\$13,658,000	\$0	\$13,658,000
PROJECT TOTAL	\$38,350,000	\$2,000,000	\$40,350,000	\$54,008,000	\$1,668,317	\$52,339,683

Previous Cost Details (as of 06/16/22)

Item	This Request	Total Previous Requests	Total Request	Total Project Cost	Cost to Date	Remaining Cost
DESIGN	\$615,000	\$1,385,000	\$2,000,000	\$2,000,000	\$770,136	\$1,229,864
CONSTRUCTION	\$0	\$0	\$0	\$33,810,000	\$0	\$33,810,000
WETLAND MITIGATION	\$0	\$0	\$0	\$14,900,000	\$0	\$14,900,000
PROJECT TOTAL	\$615,000	\$1,385,000	\$2,000,000	\$50,710,000	\$770,136	\$49,939,864

Source of Funds

The current Capital Investment Plan (CIP) allocates \$35,810,000 for this project of which \$1,636,000 has been spent. The budget will be updated during the 2024 budget process.

This project has also been awarded the following outside funding:

- 2021 MARAD PIDP grant in the amount of \$15.73M
- 2023 Water Quality Funding, Department of Ecology, grant in the amount of \$2.00M
- Washington State Supplemental Capital Budget allocation, in the amount of \$1.95M

Financial Impact

Project costs excluding wetland mitigation, will be capitalized and depreciated with estimated useful lives ranging from 10-50 years. For the first 10 years, estimated annual depreciation expense will be \$2,689,000 but it will be reduced to an estimated \$571,000 in Year 11 and \$203,000 in Year 21. Wetland mitigation of \$13,658,000 will be recorded as a non-depreciating land asset.

Grant income will be recorded as non-operating revenue at the time reimbursement is requested.

F. ECONOMIC INVESTMENT/JOB CREATION

It is intended that this site will offer container industry support services and will likely be staffed by ILWU labor.

G. ENVIRONMENTAL IMPACTS/REVIEW

Permitting: SEPA was completed as part of the “Port of Tacoma General Central Peninsula Improvement Program” and a Determination of Non-Significance (DNS) was issued on June 15, 2018. NEPA was completed as part of the requirements of the MARAD Federal grant and a Finding of No Significant Impact (FONSI) was issued on January 23, 2023. The Ecology Clean Water Act Section 401 water quality certification was issued on October 7, 2022, and the City of Tacoma critical areas permit was issued on April 18, 2023. The construction stormwater permit and the U.S. Army Corps of Engineers Clean Water Act Section 404 permit will be obtained prior to construction. The mitigation site was permitted and constructed separately.

Remediation: Remnant contamination is associated with all three parcels. Soil and groundwater may require special handling when encountered during construction. Remediation staff will be engaged during design and construction.

Stormwater: Currently there is no stormwater infrastructure on the site. Stormwater infrastructure will be designed and constructed according to the applicable Ecology Municipal Separate Storm Sewer Systems (MS4) permit.

Air Quality: During construction, emissions would be limited to those associated with the operation of construction equipment. Emissions would be required to meet Puget Sound Clean Air Agency requirements. Dust control BMPs and a Temporary Erosion and Sediment Control (TESC) Plan would be developed and implemented to control fugitive dust and erosion during construction activities.

During operation, emissions are not expected to be significantly different than the current operations as the terminal operations themselves are not changing. This project anticipates moving some on-dock terminal operations (i.e., such as empty container and chassis handling) to off-dock areas to alleviate gate and on-dock terminal congestion.

Congestion and inefficient operations mean wasteful fuel usage and associated air emissions caused by idling engines (ships, trains, trucks, yard equipment, etc.). The Port continually looks for ways to improve operational efficiency and decrease congestion both on and off terminals.

H. PREVIOUS ACTIONS OR BRIEFINGS

<u>Date</u>	<u>Action</u>	<u>Amount</u>
January 5, 2018	Executive Authorization POT-20180105.01	\$150,000
July 18, 2018	Executive Authorization POT-20180718.01	\$110,000
September 26, 2019	Commission Authorization – BOD and 30% Design	\$390,000
July 15, 2021	Commission Authorization – 100% Design and Permitting	\$735,000

June 16, 2022	Commission Authorization – NEPA and Frontage Improvements	\$615,000
TOTAL		\$2,000,000

I. ATTACHMENTS TO THIS REQUEST

- Computer slide presentation
- U.S. DOT MARAD Grant Agreement
- Washington State DOC Grant Agreement
- Washington State DOE Grant Agreement

J. NEXT STEPS

Execute grant agreements and construct the project.