



Terminal 5 Uplands Modernization and Rehabilitation Project Final Phase

DEPARTMENT OF TRANSPORTATION
National Infrastructure Investments
DTOS59-20-RA-BUILD

APPENDIX A1

NWSA APRIL AND MAY 2019 BOARD MEETING MINUTES



**THE NORTHWEST SEAPORT ALLIANCE
NWSA MANAGING MEMBER / PORT OF SEATTLE / PORT OF TACOMA
SPECIAL JOINT MEETING
TUESDAY, April 2, 2019
The Conference Center at Seattle-Tacoma International Airport
17801 International Blvd. Seattle, Washington**

SEATTLE COMMISSIONERS PRESENT:

Stephanie Bowman, Co-Chair
Ryan Calkins
Fred Felleman
Courtney Gregoire
Peter Steinbrueck

TACOMA COMMISSIONERS PRESENT:

Clare Petrich, Co-Chair
Don Johnson
John McCarthy
Dick Marzano
Don Meyer

STAFF PRESENT:

John Wolfe, CEO
Don Esterbrook, Deputy CEO
Kurt Beckett, Deputy CEO
Tong Zhu, Chief Commercial Officer & Chief Strategy Officer
Tom Tanaka, Legal Counsel
Scott Pattison, Business Development Manager
Mike Campagnaro, Director, Real Estate
Curt Stoner, Real Estate Manager
Jennifer Maietta, Sr. Real Estate Manager
Stephanie Jones Stebbins, POS Managing Dir. Maritime Leadership Team
Erin Galeno, CFAO
Dan Thomas, POS CFO
Anne Porter, POS Capital Program Leader
Jean West, Chief HR Officer
Loni Shorten, HR Manager
Elly Bulega, Engineering Project Manager
Leilani Berinobis, Executive Administrative Assistant
Judi Doremus, Acting Clerk of the Port

9:00 AM – SPECIAL JOINT MEETING CALL TO ORDER AND EXECUTIVE SESSION:

1. **CALL TO ORDER:** Commissioner Bowman called The Northwest Seaport Alliance Managing Member / Port of Seattle / Port of Tacoma Special Joint Meeting to order at approximately 9:04 a.m. and recessed into executive session.
2. **EXECUTIVE SESSION:** Commissioners met for one and one-half hours to discuss one annual evaluation of a public employee pursuant to RCW 42.30.110(1)(g), and two litigation or potential litigation items pursuant to RCW 42.30.110(1)(i). No votes or actions were taken during executive session.

11:30 AM – SPECIAL JOINT MEETING PUBLIC SESSION:

1. **RETURN TO ORDER:** Commissioner Bowman returned the special joint meeting to order at approximately 11:39 a.m. and lead the Pledge of Allegiance.

2. CONSENT AGENDA:

- A. Minutes of February 5 and 26, 2019
- B. Check/Wire Certification Report

Motion was made by Commissioner Petrich; seconded by Commissioner Johnson:

"Accept the minutes and check/wire certification report as stated above."

PORT OF SEATTLE VOTE:

Commissioner Bowman	Aye
Commissioner Calkins	Aye
Commissioner Felleman	Aye
Commissioner Gregoire	Aye
Commissioner Steinbrueck	Aye

PORT OF TACOMA VOTE:

Commissioner Petrich	Aye
Commissioner Johnson	Aye
Commissioner McCarthy	Aye
Commissioner Marzano	Aye
Commissioner Meyer	Aye

MOTION CARRIED 5-0 / 5-0

3. PUBLIC COMMENT: None

4. ACTION AGENDA:

A. NORTH HARBOR COMMERCIAL STRATEGY:

Presenters: John Wolfe, Tong Zhu, Scott Pattison, Mike Campagnaro, Curt Stoner, Jennifer Maietta

Discussion Included:

1. Commissioner Meyer: Outlined his concern for a commitment to transparency. He stated that the Port of Tacoma (POT) goes through a 1st and 2nd reading for all leases. He feels that long-term leases for the NWSA should also have a 1st & 2nd reading. He proposes making a motion that actions 4A1, 4A2, 4A3 and 4A4 be voted as a 1st reading today and the final vote be delayed to the May NWSA MM Meeting.

Commissioner Petrich: Stated that there have been no substantive changes in the documents. The documents have been in-hand for one week and the MMs have been talking about it for over a year. Commissioner Johnson concurs with Commissioner Petrich. She stated that we are also going to talk about any changes during the presentation today.

Commissioner Gregoire: Explained how Port of Seattle (POS) came up with two readings for resolutions, which the alliance has adopted. The MMs discussed these materials in public session on February 5 and 26. These discussions document how previous actions led to this vote.

Commissioner Bowman: Stated that the MMs have had a lot of time to discuss this project.

Commissioner Meyer: Stated that he feels these actions are so significant that he wants the public to have the ability to review the final documents. However, these leases and their terms are not available for public view prior to being fully executed.

ALTERNATIVE MOTION:

Commissioner Meyer moved the following alternative motion and Commissioner McCarthy seconded (motion was later withdrawn without objection).

"If there are substantive changes between the draft and final lease documents then we shall convert actions 4A1 through 4A4 to first readings and delay final approval to the May 2019 NWSA MM Meeting."

Commissioner McCarthy: Suggested that staff make the presentation before considering the alternative motion. Staff proceeded with the presentation.

2. CEO Wolfe stated that the NWSA is committed to working together as an alliance. It has been four years to get to this point for the North Harbor and he and staff are excited to be here. It has been quite a journey to get here. We've been at this since August of 2015, and this was one of our original initiatives to grow the gateway. With all of the changes in the marketplace, we need to seize the moment. It has taken an enormous amount of staff hours and dedication to get here. He thanked our customer base. SSA and TIL representatives are here today. He also thanked our labor partners, stating that they are a huge part of our future success.
3. Tong Zhu introduced the North Harbor Commercial Strategy to be presented today. She also thanked her team and others who worked together on this initiative, along with our customers. She then reviewed the NWSA's key objectives, which are necessary for our ability to survive and grow.
4. Scott Pattison reviewed the many projects involved in the North Harbor Commercial Strategy. We do not have shore power available at T5 at this time, as the vessels currently calling are not shore power ready. He reviewed vessels able to utilize shore power. Currently 50% are capable.
5. Commissioner Calkins: Asked about the cost difference between plugging in and burning either bunker fuel or low-sulfur fuel. Staff will look into this and get back to the commissioners. Shore power will be encouraged, but is optional, as half of the fleet are not capable. This is higher than the estimation utilized for the air permit.
6. Commissioner Meyer: Asked about the addition of 1,000 reefer plugs and the cost if the customer only takes Phase 1A. Staff confirmed that the \$9 million price tag was factored into the financial analysis. Mr. Pattison spoke to the reefer plugs in all phases and the rationale with the terminal layout aeriels. Staff wants to ensure we have something attractive to sell if the customer doesn't opt for Phase 2.
7. Commissioner Felleman asked about cold ironing and the collateral benefits of plugging in. He is concerned about having to wait a year to find out. Requests quarterly reports. Kurt Beckett stated that this is an annual requirement in the permit. We want to be ahead of the game and he feels that reporting more than annually would be beneficial. Early effective compliance and visibility are the goals.

8. Commissioner Meyer stated that he feels not requiring plugging in is a shortcoming in the lease and unacceptable. Commissioner Felleman stated that we have already gone above and beyond what is legally required. Based on economics, he feels shippers will plug in if they are able. CEO Wolfe stated that it was a decision around economics of the deal. We don't yet know the delta between plugging in or burning fuel. We know that our customers want to meet and exceed the requirements and there is a commitment to achieving this goal. If there is a large delta we will return to MMs. Ms. Zhu stated that she sees this as a competitive issue. If the MMs want this, it would need to be gateway-wide. Commissioner Steinbrueck added that we are only addressing this to newer vessels with the capability. He stated that if Seattle City Light (SCL) were to offer competitive low rates it could incentivize plugging in. Commissioner Felleman stated that SCL has been extremely appreciative of our work in Olympia for the electrification bill. Commissioner Marzano stated that when fuel emissions get into the cab of a crane unloading a ship that work stops for the day. If this continues to happen, customers will plug in.
9. Mr. Pattison then reviewed all alternatives considered and their implications. Commissioner Steinbrueck stated the would like a more specific number of jobs created with each option. He would then like to present this publicly so everyone can understand the importance of T5. Community Attributes estimates the addition of 6,600 direct jobs with redeveloping T5. Commissioner McCarthy noted that the study was very speculative with regard to the number of jobs created.
10. Commissioner Felleman asked where the new Matson ships were built. Mr. Pattison will get back with that information.
11. Commissioner Meyer discussed the security deposit split and the share that represents the split of the majority shareholder (SSAT). Corporate guarantee: Staff replied that we will have two separate corporate guarantees, one from SSA and one from TIL. Commissioner Meyer explained his concern about the rate of return, which is lower than we would normally consider. The reason we want to go forward is because of the other benefits, such as the environmental benefits, etc. Commissioner Bowman disagrees on what is a sustainable rate. She added that we wouldn't do this if we didn't think it was sustainable. We have had many public conversations about this.
12. Curt Stoner presented the terms for the T5 interim lease (Matson) with SSA Terminals. The term will be 4/03/19 to 3/15/21.
13. Commissioners asked if the former T5 standards are different than the T30 standards. Staff does not anticipate any difference.
14. Commissioners asked about noise mitigation: Who is responsible for ensuring noise is reduced by 10%? Staff replied that there will only be one ship per week, which should result in much lower volumes than in the 1990s. Commissioners stated that they are receiving regular noise complaints from the community, and they asked how we monitor the noise levels. CEO Wolfe stated that the T30 lease has stronger requirements than the previous lease at T5. We are also talking with our partners on how to further mitigate noise on this small operation. He anticipates that we will exceed those requirements. Regarding Seattle Council Member Herbold's letter – How do we understand the noise level data? Paul Meyer, Port of Seattle

- Environmental, explained the Environmental Impact Statement for T5 in regard to noise.
15. Discussed the Incompatibility of maintaining a thriving industrial base when residential buildings are allowed to move into the industrial area. City code requires you monitor noise continuously and at different times. This is yet to be fully developed. Commissioner McCarthy stated that this is more complex in King County with additional requirements such as the noise ordinance.
 16. Jennifer Maietta, NWSA Real Estate, reviewed the T46 lease termination agreement and the terms of the cranes. Commissioner Meyer asked why we are giving back some funds to SSA. The tenant will pay full rent through 12/31/19, and if we are leasing to another customer we will share up to 50% of those proceeds with SSA to help offset their costs of paying full rent while not using the terminal.
 17. The Puget Soundkeepers litigation was resolved this morning. This was reported to the Managing Members in executive session this morning.
 18. Mike Campagnaro reviewed the differences presented on 2/26/19 and today in the 8th Amendment to the T18 Lease with SSA Terminals and SSA Containers and conditional consent to assignment to SSA Terminals. He also reviewed the alternatives considered and their implications.
 19. Commissioner Meyer expressed concern regarding the role of intermodal at T5. The intermodal yard at T5 is not included in the lease. Staff replied that if the tenant wants to use this intermodal yard we would charge them based on usage. However, they won't initially have enough volume to warrant renting the intermodal yard, but once they reach a certain level they would have to use it.
 20. Commissioner Calkins stated that having the intermodal yard makes us competitive. We can't control all of the factors that drive that use, ie. If President Trump does close the US southern border it could increase the utilization of ships to our gateway. Commissioner McCarthy asked whether lift fees were waived by the Managing Members in a public meeting. The answer was yes. We waived these fees from Jan 2017 to Jan 2018. It saved SSA approximately \$2M, but we also netted higher rental rates. NWSA had more profit from the land versus charging the lift fees. This amendment came to the MMs in Jan. 2018. Commissioner Felleman feels that MMs should state what they hope to achieve with these actions. For instance, Matson will not be held to the international terminal clean truck rules because they are considered a domestic terminal, which does not require them.
 21. David Morrison reviewed the financials for this package. For Phase 2, we will see a 5.6% return on the full build-out. The change in the security deposit is a matter of risk and does not affect the IRR. Worst case would be 2.8%. Mr. Morrison reviewed the risks.
 22. Commissioner McCarthy commented on the lease with no new customer. He stated that we need to look at larger ship capability to stay competitive. He supports Phase 1 of T5 and realignment of the facilities and customers. Commissioner McCarthy stated that we have a great partner in SSA who is going to invest a lot to make this happen. Also, labor is a great partner. Commissioner McCarthy stated that the Port of Seattle invested less in the South Harbor. He feels the risk to Tacoma is greater than Seattle, as the taxes collected in Pierce County are only 25% of what POS collects. Development costs are also higher in King County. He can't support the full build-out, as the risk to going to Phase 2 now is too risky for the Port of Tacoma. Commissioner Calkins stated that POS has chosen to increase levy rates for big projects, making the investments now to allow us long-term gains.

23. Commissioner Gregoire stated that this has been in process for seven years. This project is vital for the NWSA to stay competitive; not the POS, but the NWSA. This is the heart of our working class jobs. We need to invest in our economy. This is one of the core elements that brought us to the table to form the NWSA.
24. Commissioner Johnson stated that if we want to stay in business we have to reinvest in our gateway. Commissioner Marzano stated that not to move forward sends the wrong message; it would say that we are only in the game to a certain level.
25. Commissioner Felleman stated POS pursued this project with the goal of finding a way for this project to go forward in a friendly way with the community. The community has been very supportive. This deal makes economic sense and it is being sensitive to our neighbors.
26. Commissioner Meyer stated that the private investment on this project is commendable, but he feels the terminal is too carved up to be competitive. He also stated that we aren't treating it as a premier terminal by accepting lower rates of return.
27. Commissioner Steinbrueck feels that this is the most exciting project. He asked, "Are we a seaport of the future or of the past?" New investments always contain some risk. To forego this opportunity would erode our family-wage jobs. You can't only look at the financials; you must also look at the 6,600 jobs created and the social and environmental investments. We are aligned and we have to seize the moment and go forward.
28. Commissioner Petrich spoke about why we formed the alliance. If we operate in the way it was intended, we will operate it together for the benefit of our region. She is looking forward to seeing the greenest and most modern terminal.
29. Commissioner Bowman stated that while she was a staffer at the Port of Tacoma they actually looked at the cost of buying the assets of the Port of Seattle. She is so glad we have moved past that and are making vital decisions for our region and our state. She appreciates the comments of both Commissioner Meyer and McCarthy. However, today the MMs are being asked to vote for our region and our state. She also thanked our labor partners, Rich Austin, President of ILWU Local #19 and Ed DeNike of SSA.

Motion was made and seconded:

"Request Managing Members of the NWSA authorize the CEO or his delegate to execute:

- A1. Terminal 5 Term Lease with SSA Terminals (Seattle Terminals), LLC – a Joint Venture entity owned by SSAT and Total Investment Limited Sàrl (TIL);**
- A2. Matson Step-In Rights Agreement for Terminal 5 Term Lease;**
- A3. Terminal 5 Interim Lease (Matson) with SSA Terminals, LLC (SSAT);**
- A4. Terminal 46 Lease Termination with Total Terminals International, LLC (TTI);**
- A5. The Eighth Amendment to the Terminal 18 Lease with SSA Terminals, LLC (SSAT) and SSA Containers, Inc. (SSA) and Conditional Consent to Assignment to SSA Terminals (Seattle Terminals), LLC."**

PORT OF SEATTLE VOTE:

Commissioner Bowman	Aye
Commissioner Calkins	Aye
Commissioner Felleman	Aye
Commissioner Gregoire	Aye
Commissioner Steinbrueck	Aye

PORT OF TACOMA VOTE:

Commissioner Petrich	Aye
Commissioner Johnson	Aye
Commissioner McCarthy	Nay
Commissioner Marzano	Aye
Commissioner Meyer	Nay

MOTION CARRIED 5-0 / 3-2

At this point, Commissioner Bowman called for a 10-minute break. The meeting was reconvened at 2:37 p.m.

B. *DUAL VOTE: NWSA / PORT OF SEATTLE:* ILA: NWSA & PORT OF SEATTLE – TERMS OF THE PORT OF SEATTLE'S USE OF A PORTION OF TERMINAL 46, WHICH IS LICENSED TO THE NWSA:

Presenter: Stephanie Jones-Stebbins

Discussion Included:

1. The terms of this deal were discussed.
2. One-third of the terminal will be used for cruise, while two-thirds will still be utilized for container cargo.
3. How improvements to T46 would be cost-shared were discussed.
4. Commissioner Meyer asked why we didn't turn the whole terminal back to the Port of Seattle, as we have excess capacity at T5. Commissioner Gregoire stated that the property is not going back to POS. The Port of Seattle had an opportunity with cruise at that terminal for NWSA revenue. The NWSA is just collecting revenue from POS. T5 will cost \$150,000/acre. T46 could be a great opportunity for a smaller customer who can't pay that much per acre.

Motion was made by Commissioner Steinbrueck; seconded by Commissioner Petrich:

"Approve an Interlocal Agreement, by Dual Action vote, which establishes the terms under which the Port of Seattle will use a portion of Terminal 46, which is licensed to the NWSA."

PORT OF SEATTLE VOTE:

Commissioner Bowman	Aye
Commissioner Calkins	Aye
Commissioner Felleman	Aye
Commissioner Gregoire	Aye
Commissioner Steinbrueck	Aye

PORT OF TACOMA VOTE:

Commissioner Petrich	Aye
Commissioner Johnson	Aye
Commissioner McCarthy	Nay
Commissioner Marzano	Aye
Commissioner Meyer	Nay

MOTION CARRIED 5-0 / 3-2

C. ONE-TIME MEMBERSHIP INTEREST AFFIRMATION:

Presenters: Erin Galeno, Dan Thomas

Discussion Included:

1. This affirmation was taken directly out of the NWSA Charter.
2. This item will be taken in two votes:
 - (1) 4C1-Dual Vote of the NWSA and the Port of Seattle
 - (2) 4C2/4C3-NWSA only vote

C1: DUAL VOTE: NWSA / PORT OF SEATTLE: NWSA accepts and the Port of Seattle approves payment of up to \$32,000,000 pursuant to Charter Section 3.1(c)(i):

Motion was made by Commissioner Steinbrueck; seconded by Commissioner Marzano:

“Managing Members of the Northwest Seaport Alliance (NWSA) accept and the Port of Seattle Commission approve payment of up to \$32,000,000 pursuant to Charter Section 3.1 (c) (i) to the NWSA. This contribution supports the overall \$340,000,000 investment for the redevelopment of Terminal 5 and final resolution of the unsecured revenue for Terminal 5 that was included in the NWSA valuation on behalf of the Port of Seattle.”

PORT OF SEATTLE VOTE:

Commissioner Bowman	Aye
Commissioner Calkins	Aye
Commissioner Felleman	Aye
Commissioner Gregoire	Aye
Commissioner Steinbrueck	Aye

PORT OF TACOMA VOTE:

Commissioner Petrich	Aye
Commissioner Johnson	Aye
Commissioner McCarthy	Aye
Commissioner Marzano	Aye
Commissioner Meyer	Aye

MOTION CARRIED 5-0 / 5-0

C2/C3: NWSA affirms Membership Interest of 50/50 for each homeport in satisfaction of Charter Section 3.1 (c)(i):

Motion was made by Commissioner Steinbrueck; seconded by Commissioner Marzano:

“1. Managing Members affirm Membership Interest of 50/50 for each homeport in satisfaction of Charter Section 3.1 (c) (i);

2. Managing Members authorize distributing any affirmation payments to the homeports per the NWSA Charter Section 4.1.”

PORT OF SEATTLE VOTE:

Commissioner Bowman	Aye
Commissioner Calkins	Aye
Commissioner Felleman	Aye
Commissioner Gregoire	Aye
Commissioner Steinbrueck	Aye

PORT OF TACOMA VOTE:

Commissioner Petrich	Aye
Commissioner Johnson	Aye
Commissioner McCarthy	Aye
Commissioner Marzano	Aye
Commissioner Meyer	Aye

MOTION CARRIED 5-0 / 5-0

D. TERMINAL 5 MODERNIZATION PROGRAM: Presenter: Anne Porter

Discussion Included:

1. This item will be taken in three votes:
 - (1) D1 - Dual Vote for the NWSA, Port of Seattle and the Port of Tacoma
 - (2) D2a/D2b/D2c - NWSA Only vote
 - (3) D2d – Homeports of Port of Seattle and Port of Tacoma only vote

D1. DUAL VOTE: NWSA / PORT OF SEATTLE / PORT OF TACOMA: PROGRAM FUNDING AUTHORIZATION:

Motion was made by Commissioner Petrich; seconded by Commissioner Steinbrueck:

“Approve funding for program authorization in the amount of \$314,150,000, for a total authorized amount of \$340,000,000 to complete work associated with the Terminal 5 Modernization Program, Capital Improvement Project No. C800132 and C800726.”

PORT OF SEATTLE VOTE:

Commissioner Bowman	Aye
Commissioner Calkins	Aye
Commissioner Felleman	Aye
Commissioner Gregoire	Aye
Commissioner Steinbrueck	Aye

PORT OF TACOMA VOTE:

Commissioner Petrich	Aye
Commissioner Johnson	Aye
Commissioner McCarthy	Nay
Commissioner Marzano	Aye
Commissioner Meyer	Nay

MOTION CARRIED 5-0 / 3-2

D2a-c. NWSA ONLY: TERMINAL 5 PROGRAM AUTHORIZATION: THREE VOTES TAKEN AS ONE ACTION AS FOLLOWS:

"Approve program authorization to complete work associated with the T-5 Modernization Program, CIP Nos. C800132 and C800726:

D2a: Terminal 5 Modernization Program Authorization;

D2b: Berth Modernization Project Construction Authorization;

D2c: Uplands Improvement, Project Design and Permitting Authorization."

D2d. HOMEPART VOTE: POS/POT: FUTURE PROGRAM FUNDING:

Motion was made by Commissioner Petrich; seconded by Commissioner Felleman:

"Authorize funding the program spending beyond 2019."

PORT OF SEATTLE VOTE:

Commissioner Bowman	Aye
Commissioner Calkins	Aye
Commissioner Felleman	Aye
Commissioner Gregoire	Aye
Commissioner Steinbrueck	Aye

PORT OF TACOMA VOTE:

Commissioner Petrich	Aye
Commissioner Johnson	Aye
Commissioner McCarthy	Nay
Commissioner Marzano	Aye
Commissioner Meyer	Nay

MOTION CARRIED 5-0 / 3-2

E. SECOND READING: MASTER BENEFIT & SALARY RESOLUTION, #2019-01:

Presenters: Jean West, Loni Shorten

Tabled to May 7, 2019 meeting

F. WEST SITCUM BUILDINGS ROOF REPLACEMENT AND UPGRADES:

Presenter: Elly Bulega

Discussion Included:

This project is for asset maintenance and is not optional if we want to preserve this asset.

Motion was made by Commissioner Johnson; seconded by Commissioner Calkins:

"Approve project authorization in the amount \$2,313,200, for a total authorized amount of \$2,650,467, for the West Sitcum Buildings 100 and 950 Roof Replacement, Master Identification No. 201062.02; and West Sitcum Building 600 Roof Upgrade, Master Identification No. 201062.03.

PORT OF SEATTLE VOTE:

Commissioner Calkins	Aye
Commissioner Felleman	Aye
Commissioner Gregoire	Aye
Commissioner Steinbrueck	Aye

PORT OF TACOMA VOTE:

Commissioner Petrich	Aye
Commissioner Johnson	Aye
Commissioner McCarthy	Aye
Commissioner Marzano	Aye
Commissioner Meyer	Aye

MOTION CARRIED 4-0 / 5-0 (Commissioner Bowman was temporarily out of the room)

G. LEGAL SERVICES AND ESTABLISHMENT OF REVIEW COMMITTEE:

Presenter: Kurt Beckett

Discussion Included:

1. This is part of the five-year transition plan. Commissioners Gregoire and McCarthy co-chaired this committee.
2. Commission expressed concern over spending \$75,000 to hire an attorney to tell attorneys how to proceed. Commission asked what we are expecting from our legal consultant and if it is intended to be in-house. Deputy CEO Beckett replied that we are looking for an independent view for one model for the three entities – NWSA, POS and POT. The consultant would also act as a search firm. NWSA wants independence from the POT.
3. Commissioners Johnson and Calkins will join the committee, with Commissioners McCarthy and Gregoire acting as co-chairs.

Motion was made by Commissioner McCarthy; seconded by Commissioner Gregoire:

“Authorize the NWSA Managing Members to:

- 1. Establish a review committee for NWSA legal services comprised of up to four commissioners and CEO John Wolfe, co-chaired by Commissioners Courtney Gregoire and John McCarthy, to determine how NWSA general legal services shall be structured and retained going forward;***
- 2. Direct the NWSA CEO or his delegate to engage the services of an outside firm that specializes in providing public sector professional counsel and support for the review committee, with a not to exceed amount of \$75,000.00.”***

PORT OF SEATTLE VOTE:

Commissioner Bowman	Aye
Commissioner Calkins	Aye
Commissioner Felleman	Aye
Commissioner Gregoire	Aye
Commissioner Steinbrueck	Aye

PORT OF TACOMA VOTE:

Commissioner Petrich	Aye
Commissioner Johnson	Aye
Commissioner McCarthy	Aye
Commissioner Marzano	Aye
Commissioner Meyer	Aye

MOTION CARRIED 5-0 / 5-0

5. GENERAL BUSINESS:

A. 2018 Q4 REVIEW: NWSA GOALS AND EXPECTATIONS:

Tabled to May 7, 2019 meeting

B. CEO Announcements, Events, Recognitions:

Tabled to May 7, 2019 meeting

6. COMMISSIONER COMMENT:

Commissioner Marzano: Expressed that staff whose presentations are tabled need to be notified at the earliest convenience so as not to have them sitting through long meetings needlessly.

Commissioner Calkins: Wished his wife a happy birthday.

7. ADJOURNMENT: There being no further business, Commissioner Bowman adjourned the meeting at approximately 3:10 p.m.

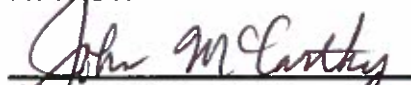


Clare Petrich, Co-Chair
The Northwest Seaport Alliance

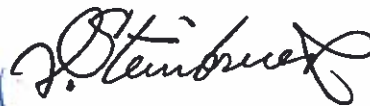


Stephanie Bowman, Co-Chair
The Northwest Seaport Alliance

ATTEST:



John McCarthy, Co-Secretary
The Northwest Seaport Alliance



Peter Steinbrueck, Co-Secretary
The Northwest Seaport Alliance



Judi Doremus, Acting Clerk of the Port
The Northwest Seaport Alliance



**THE NORTHWEST SEAPORT ALLIANCE
MANAGING MEMBER SPECIAL MEETING
MONDAY MAY 20, 2019
The Fabulich Center, 3600 Port of Tacoma Road
Tacoma, Washington 98424**

SEATTLE COMMISSIONERS PRESENT:

Stephanie Bowman (telephonically)
Ryan Calkins
Fred Felleman (telephonically)
Courtney Gregoire (telephonically)
Peter Steinbrueck (telephonically)

TACOMA COMMISSIONERS PRESENT:

Don Johnson
John McCarthy (telephonically)
Dick Marzano (telephonically)
Don Meyer (telephonically)
Clare Petrich

STAFF PRESENT:

John Wolfe, CEO
Kurt Beckett, Deputy CEO (telephonically)
Tong Zhu, Chief Commercial Officer & Chief Strategy Officer
Carolyn Lake, Legal Counsel
Anne Porter, POS Capital Program Manager (telephonically)
Judi Doremus, Executive Assistant
Juliet Campbell, Clerk of the Port

9:15 AM – SPECIAL MEETING PUBLIC SESSION:

Commissioner Petrich called the Special Meeting to order at 9:18 a.m. and called for public comment. There being no public comment, the meeting advanced to the Action Agenda.

1. ACTION AGENDA:

A. TERMINAL 5 MODERNIZATION PROGRAM:

Presenter(s): Carolyn Lake and Anne Porter

- The full presentation was made at the April 2, 2019 NWSA / Port of Seattle / Port of Tacoma Special Joint Meeting. Several votes were taken that day approving the funding. The vote today is for the project authorization.

It was moved and seconded to authorize program authorization to complete work associated with the Terminal 5 Modernization Program, CIP No. C800132 and C800726, as follows:

1. Terminal 5 Modernization Program Authorization
2. Berth Modernization Project Construction Authorization
3. Uplands Improvement Project & Design Permitting Authorizations

The motion carried 8-2.

Port of Seattle Vote

Commissioner Bowman: Aye
Commissioner Calkins: Aye
Commissioner Felleman: Aye
Commissioner Gregoire: Aye
Commissioner Steinbrueck: Aye

Port of Tacoma Vote

Commissioner Johnson: Aye
Commissioner McCarthy: Nay
Commissioner Marzano: Aye
Commissioner Meyer: Nay
Commissioner Petrich: Aye

2. **ADJOURNMENT:** There being no further business, it was moved and seconded to adjourn the meeting. The motion carried and the meeting ended at 9:24 a.m.



Clare Petrich, Co-Chair
The Northwest Seaport Alliance



Stephanie Bowman, Co-Chair
The Northwest Seaport Alliance

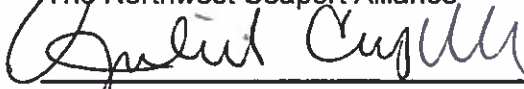
ATTEST:



John McCarthy, Co-Secretary
The Northwest Seaport Alliance



Peter Steinbrueck, Co-Secretary
The Northwest Seaport Alliance



Juliet Campbell, Clerk of the Port
The Northwest Seaport Alliance

THE NORTHWEST SEAPORT ALLIANCE
MEMORANDUM

MANAGING MEMBERS
ACTION MEMO

Item No.	4C
Date of Meeting	April 2, 2019

DATE: March 17, 2019

TO: Managing Members

FROM: John Wolfe, Northwest Seaport Alliance (NWSA), CEO
Steve Metruck, Port of Seattle (POS), Executive Director
Project Managers: Dan Thomas (POS) CFO, Erin Galeno (NWSA) CFAO

cc: Executive team, Carolyn Lake, Tom Tanaka, Dan Thomas, Elizabeth Morrison, David Morrison

SUBJECT: NWSA CHARTER - ONE TIME MEMBERSHIP INTEREST AFFIRMATION

A. ACTION REQUESTED

Request the Managing Members of the Northwest Seaport Alliance (NWSA) to accept and the Port of Seattle Commission to approve payment of up to \$32,000,000 pursuant to Charter Section 3.1 (c) (i) to the NWSA. This contribution supports the overall \$340,000,000 investment for the redevelopment of Terminal 5 and final resolution of the unsecured revenue for Terminal 5 that was included in the NWSA valuation on behalf of the Port of Seattle. The structure of the payments is outlined in section E of this memo.

Request Managing Members to affirm Membership Interest of 50/50 for each homeport in satisfaction of Charter Section 3.1 (c) (i).

Request Managing Member authorization to distribute any affirmation payments to the homeports per the NWSA charter section 4.1.

B. SYNOPSIS

The Northwest Seaport Alliance (NWSA) Charter included a one-time Membership Interest Affirmation in recognition that certain forecasted revenue streams were not secured by long-term contractual agreements. Each Homeport's contributed value included these forecasted revenue streams. The expectation was that by the end of 2017, the NWSA would have certainty associated with these licensed properties and would be able to determine if there was a significant valuation difference. In March of 2018, it was determined that two of the three unsecured revenue streams had been resolved without an impact to the valuation. A one-year deferral was authorized to allow time to determine the long-term impact of the redevelopment of Terminal 5 in the North Harbor. If Terminal 5 were to remain in its current interim use state, it is likely that the future revenues estimated during the formation of the NWSA would not be achieved. Therefore, the Port of Seattle has proposed to contribute up to \$32 million in support of the development of a long-term marine cargo solution in the North Harbor based on the anticipated program investment necessary to complete the redevelopment of Terminal 5.

C. BACKGROUND

During the formation of the NWSA various valuation methodologies were evaluated. A ten-year discounted cash was determined to best represent the assignment (licensing) of the marine cargo business activities/licensed properties.

The valuation reflected a steady state scenario for revenues, direct expenses, major capital reinvestments to support this steady state and selling, general and administrative support costs.

In recognition that certain revenues were not secured by contractual agreements during this ten-year period, a section in the charter was developed to allow for a one-time affirmation of the anticipated revenues and expenses associated with these speculative income streams. The end of 2017 was selected due to the expectation that the long-term impact of these situations would be resolved during the first two years of the NWSA.

In March 2018, the Managing Members approved a one-year deferral to allow time to resolve the potential future redevelopment of Terminal 5.

D. ALTERNATIVES CONSIDERED

Staff considered two primary alternatives to funding the Terminal 5 Modernization Program.

- 1) Port of Seattle contributes up to \$32 million after completion of the work associated with the \$340 million investment.
 - PRO - This approach would allow for a single payment in 2024
 - CHALLENGE – The \$32 million valuation represents a Net Present Value of future cash flows, which presents challenges if all contributions are held for five years.
- 2) Port of Seattle contributes up to \$32 million in annual increments with a final reconciliation at the completion of the work associated with the \$340 million investment.
 - PRO - This approach would allow the Port of Seattle to align their cash contributions with the construction period.
 - CHALLENGE – There could be a situation where the Port of Seattle has a reimbursement if the project spending is reduced by more than the interim payments.

E. STRUCTURE OF FUNDING APPROACH

If this affirmation is approved by the Managing Members, the Port of Seattle will structure the affirmation payments in alignment with the program spending for the Terminal 5 modernization program as follows:

The first two installments of \$11,000,000 each will be made on or around March 31, 2020 and March 31, 2021, respectively.

The final payment of up to \$10,000,000 will be calculated as follows:

1. If the total program costs equal or exceed \$340,000,000, the Port of Seattle will pay the NWSA \$10,000,000,
2. If the total program costs are between \$330,000,000 and \$340,000,000, the Port of Seattle will pay the NWSA \$10,000,000 less the savings up to \$10,000,000, or
3. If the total program costs are less than \$330,000,000 the Port of Seattle will be due up to \$22,000,000 from NWSA for previous payments.

The following example assumes that the homeports apply the Affirmation Payments are to their contributions to the Terminal 5 modernization program.

Without Affirmation Payment

Total Investment	Port of Seattle	Port of Tacoma
\$340,000,000	\$170,000,000	\$170,000,000

With Affirmation Payment

Total Investment	Port of Seattle	Port of Tacoma
\$340,000,000*	\$186,000,000	\$154,000,000

*The Port of Seattle's affirmation payment will be reduced by the up to \$32,000,000 in program savings. Any reductions in program savings beyond this amount will be shared 50/50 by the homeports.

THE NORTHWEST SEAPORT ALLIANCE
MEMORANDUM

MANAGING MEMBERS
ACTION ITEM

Item No. 4D
Date of Meeting April 2, 2019

DATE: March 1, 2019

TO: Managing Members

FROM: John Wolfe, CEO

Sponsor: Tong Zhu, Chief Commercial & Strategy Officer, NWSA
Project Manager: Anne Porter, POS Capital Program Leader

SUBJECT: TERMINAL 5 MODERNIZATION PROGRAM

A. ACTION REQUESTED

As referenced in NWSA Resolution No. 2018-01, Exhibit A, Delegation of Authority Master Policy, Paragraph 8.c.iii., states project costs exceeding \$300,000 require approval from Managing Members.

DUAL VOTE: NWSA/POS/POT: Request funding for program authorization in the amount \$314,150,000 for a total authorized amount of \$340,000,000 to complete work associated with the Terminal 5 (T-5) Modernization Program, Capital Improvement Project (CIP) No. C800132 and C800726.

NWSA ONLY VOTE: Request program authorization to complete work associated with T-5 Modernization Program CIP No. C800132 and C800726. This request has four distinct authorizations as follows:

- 1) Terminal 5 Modernization Program Authorization
- 2) Berth Modernization Project Construction Authorization
- 3) Uplands Improvement Project Design & Permitting Authorization
- 4) HOMEPORT VOTE: POS/POT: Authorize funding the program spending beyond 2019

SYNOPSIS

The T-5 Modernization Program provides improvements necessary to serve newer, larger vessels that will help maintain the NWSA's competitive position, preserve and grow jobs and support a healthy economy of the region and state. The Modernization Program includes two main projects. The Berth Modernization Project includes crane rail strengthening, berth deepening, and electrical upgrades. The Uplands Improvement Project includes the stormwater treatment system, marine buildings, and other improvements obligated by final lease terms and permit conditions.

Per authorization by the Managing Members on February 26, 2019, the project team has advertised the Berth Modernization Project for construction bids. In addition, the team is ready to begin planning and design of the Uplands Improvement Project as soon as lease obligations are confirmed.

B. BACKGROUND

Terminal 5 became operational as a container terminal in 1964. Since that time, the Port of Seattle invested in significant environmental cleanup and facility improvements to consolidate properties and create a 185-acre international container terminal, which was completed in 1997. Until July 2014, the site was leased and operated by Eagle Marine Services, a subsidiary of American President Lines.

Vessels calling at the Northwest Seaport Alliance and the Port of Seattle have grown in size from 4,800 TEUs in 1997 to 14,000 TEUs today with 21,000+ TEUs currently operating globally, and 23,000 TEUs on order. To maintain the Alliance's competitive position, support our region's economy and export capability and preserve jobs, dock and infrastructure upgrades are needed to modernize the terminal for handling current classes of container vessels.

The Berth Modernization Project provides improvements necessary to serve newer, larger vessels. The improvements include crane rail strengthening, berth deepening, and electrical upgrades. The Uplands Improvement Project will include stormwater treatment system, marine buildings, and other improvements obligated by final lease terms and permit conditions. Constructing these improvements will meet lease conditions for phased terminal operations over the next 32 years.

C. PROGRAM DESCRIPTION AND DETAILS

Program Objectives

Program objectives include a terminal that is capable of handling two ultra large class vessels, by early-2023. The improved wharf will support up to 12 cranes and provide ship-to-shore power for vessels berthed at the facility. The proposed capital improvements will maintain the economic and job benefits from the cargo business at Terminal 5.

Scope of Work

The Berth Modernization Project includes reconstruction of the waterside and landside crane rails, slope stabilization, berth deepening, and electrical supply/distribution upgrades, new fender system, and structural rehabilitation of the dock.

The program authorization request covers construction of the Berth Modernization Project, tenant reimbursable stormwater treatment construction, and design and permitting of the remaining Uplands Improvement Project elements.

Schedule

The Berth Modernization Project construction documents were advertised in February and bid opening is scheduled for April, allowing work to begin as early as June 2019. Completion of the project would be phased to allow operations to begin in the north berth (Phase 1) while construction of the south berth is underway (Phase 2).

Advertise Bids	February 27, 2019
Bids Due	April 10, 2019
Begin Construction	June 18, 2019
Phase 1 Completion	December 31, 2020
Phase 2 and Final Completion	December 31, 2022

As Uplands Improvement Project elements are defined, the project planning, design and permitting would occur according to the following schedule.

Planning/Design/Permit	2019
Advertise for Bids	varies
Phase 1 Completion	December 31, 2020
Phase 2 and Final Completion	December 31, 2022

D. FINANCIAL IMPLICATIONS

Program Cost Details

Program Element Description	This Request	Total Project Cost	Cost to Date	Remaining Cost
Construction	\$251,000,000	\$251,000,000	\$0	\$251,000,000
Design and Project Management	\$4,800,000	\$25,000,000	\$14,100,000	\$10,900,000
Permit Conditions	\$8,350,000	\$14,000,000	\$70,000	\$13,930,000
Stormwater Reserve	\$30,000,000	\$30,000,000	\$0	\$30,000,000
Management Reserve	\$20,000,000	\$20,000,000	\$0	\$20,000,000
Total	\$314,150,000	\$340,000,000	\$14,170,000	\$325,830,000
Previously Authorized	\$25,850,000			
Revised Total Authorization	\$340,000,000			

Costs to date of \$14.2 million have covered design, permitting, environmental review, and a test pile program. Additional authorizations of \$11.6 million remain unspent but were required to execute agreements with Seattle City Light, Seattle Department of Transportation, and Tribes.

Management Reserve funds were developed through risk analysis and cost estimate modeling by an outside expert. The stochastic model results recommended a management

reserve be established to cover program risks and ensure the program estimate is not exceeded; this plays a key role within the overall financial analysis of the commercial agreement. The proposed management reserve would be used to cover potential costs beyond the direct construction activities including major scope changes and significant changes in site conditions or schedule pertaining to either project (Berth Modernization and Uplands Improvement.)

Source of Funds

The 2019-2023 Capital Investment Plan allocates \$319,000,000 (\$14.2 million of previously authorized spending occurred prior to 2019) for construction of this program, of which \$0 has been spent. Both homeports' staff identified funding mechanisms for the additional investment. Each Port has capacity to secure funding for its share of the T-5 Modernization Program costs.

Investments in upland improvements such as shore power and stormwater treatment are still being considered for potential grant funding opportunities.

Financial Impact

This project supports the larger North Harbor strategy for the future marine cargo activities. The overall financial impact of these lease negotiations and capital reinvestment meet mutually agreed upon rates of return for each of the homeports.

The approximate payback period for this program is 18 - 24 years depending on the execution of the phase II lease for Terminal 5.

Project costs associated with the design and construction will be capitalized and depreciated over an estimated 30-year life, resulting in annual depreciation of \$10,700,000. Project costs of approximately \$18,000,000 associated with public expense will be expensed as incurred. The Port of Seattle previously addressed any asset impairments associated with Terminal 5 assets prior to the formation of the NWSA.

E. ALTERNATIVES CONSIDERED AND THEIR IMPLICATIONS

Alternative 1) Do Nothing. Reduce the investment in Terminal 5 to maintenance levels and lease the terminal as-is to an operator. Operations would be restricted to domestic containers, non-containerized cargo, or other industrial, water-dependent activity. This would not likely increase the utilization of the terminal nor would it increase volume of containerized cargo, making it more difficult to reach NWSA strategic goals of 70% terminal utilization and 6M TEU's.

Alternative 2) Defer. Delay project until tenant is ready to commit to full occupancy of Terminal 5. This would delay partial revenues from Phase 1 lease and increase construction costs due to escalation and expiration of permits.

Alternative 3) This request. Invest funds in full build out of two berths with intention of expanding lease area for primary tenant upon completion of second berth, while preserving option to lease out second berth to secondary tenant.

F. ENVIRONMENTAL IMPACTS / REVIEW

A Final Environmental Impact Statement (FEIS) for the T-5 Berth Modernization project was completed in October 2016. Environmental permits for the project are approved by the appropriate regulatory agencies. The final construction permit was issued by Seattle Department of Construction and Inspections in January 2019.

G. PREVIOUS ACTIONS OR BRIEFINGS

Date	Action	Amount
February 26, 2019	Authorization to advertise for construction	\$0
February 5, 2019	Pre-authorization program briefing	\$0
November 13, 2018	Motion to prepare construction documents for authorization to advertise	\$0
August 1, 2017	Railroad quiet zone funding, tribal payments, and Agreements	\$5,650,000
October 4, 2016	Additional Funding, Seattle City Light Agreement, and Project Labor Agreement	\$8,200,000
June 7, 2016	DEIS Briefing	\$0
November 4, 2015	Additional SEPA and Design Funding	\$2,000,000
October 13, 2015	Test Pile Bids Exceeded Engineer's Estimate	\$0
July 14, 2015	Additional Design Authorization	\$5,000,000
June 3, 2014	Initial Design Authorization	\$4,700,000
May 13, 2014	T5 Berth Modernization Briefing	\$0
March 12, 2014	Additional Pre-Design Authorization	\$150,000
November 27, 2013	Initial Pre-Design Authorization	\$150,000

H. ATTACHMENTS TO THIS REQUEST

- Computer slide presentation.