Governor's Container Ports Initiative:

Recommendations of the Container Ports and Land Use Work Group

Main Report

JANUARY 2009

Work Group report submitted to:

Governor Chris Gregoire
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Executive Summary

In late 2006, Governor Gregoire announced a Container Ports Initiative to improve coordination and investment in rail and container port freight mobility. As part of the Initiative, the Governor established the Container Ports and Land Use Work Group to examine current land use regulations and their impacts on the effective functioning of container ports, and to provide recommendations for improvements on how to better accommodate both urban and industrial growth.

Washington's Marine Container Ports

The Port of Seattle was the fastest-growing port in the United States in 2004 and 2005, and the Port of Tacoma, with its large land base, is working on projects that would quadruple its current annual volume of 2 million container units. Combined, they are the third largest load center for containers in North America, behind Los Angeles/Long Beach and New York/New Jersey. This cargo represents approximately $70 billion of goods flowing through these two ports to and from international markets.

Port of Seattle generates an estimated 148,500 jobs statewide related to its activities, while the Port of Tacoma associated jobs are estimated at 113,000**.** The marine terminal activities at the Ports of Tacoma and Seattle jointly generated slightly more than $900 million in direct payroll. The average payroll for their 19,000 direct jobs was approximately $47,000 – a good family wage job.

A total of $212 million state and local taxes were generated by these Ports' cargo activity. Approximately $163 million was collected at the state level, and $23 million was collected at the county level, and $27 million was collected at the municipal level. An additional $405 million was collected in federal taxes.

Land Use and Funding Challenges

Washington State's two major container ports operate within a complex system of marine terminal operations, truck and train transportation corridors, and industrial/warehousing support services. The operations of these facilities are increasingly affected by the conversion of traditionally-industrial properties into non-industrial commercial or even residential uses, with such conversions driven by population growth, the economic pressures of the real estate market and trends in urban redevelopment.

As they currently exist, our land use planning laws do not specifically address or require the protection of industrial lands or key freight corridors utilized by container ports. As a result, the policies in local comprehensive land use plans are general in nature, and the implementing development and permit regulations do not provide specific guidance for addressing the implications of land use changes to the industrial land base of our container ports.

Maintaining identified local freight corridors between port operations, rail yards and interstate highways is vital to ensuring freight and goods access to adjacent ports. In addition to land use

issues, past efforts to develop a sufficient and reliable long-term source of funding for freight projects of statewide significance have not yet been successful.

Work Group Recommendations

Comprehensive plan updates under the Growth Management Act provide the best time for the city and port to consider the role of container ports in the economic development, land use and transportation elements of the comprehensive plan, and in the capital facilities plan. The respective city and container port should work collaboratively on the task of developing an effective policy framework that responds to the identified land use challenges, and should ensure consistency between the city's comprehensive land use plan and the port's comprehensive scheme.

To implement this recommendation, the Work Group has drafted legislation to require Seattle and Tacoma, in collaboration with their respective container ports, to prepare a marine container chapter in the next update of their GMA comprehensive land use plan, which will be completed during the 2009-2011 biennium. The Work Group recommends the state provide matching funds to assist in meeting this new planning requirement.

To address the movement of freight to and from these ports, the Work Group recommends better identification of key freight corridors in local city and port plans, stronger recognition of these corridors in state transportation plans, and priority consideration for project funding.

To implement these recommendations, the Work Group has prepared draft legislation to require the statewide transportation plan to include designated freight corridors that are key to container port operations. The Work Group has also endorsed the top priority freight mobility projects in Seattle and Tacoma, and recommends priority consideration of early state funding for these two projects.

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1. Origin and Purpose of the Container Ports and Land Use Work Group

In 2007, Governor Chris Gregoire convened the Container Ports and Land Use Work Group and charged it with recommending improvements related to land use that could help ensure the effective function and long-term viability of the state's marine container ports. As charged, this report transmits the findings and recommendations of the Container Ports and Land Use Work Group, and summarizes the related research conducted by the group.

The Governor's Container Ports Initiative

The Work Group was convened under the Governor's Container Ports Initiative, an effort intended to improve coordination and investment in rail and port freight mobility. The purpose of the Initiative is to help ensure that decisions today enable Washington State to effectively accommodate and compete for the projected freight growth in our State and the Nation, and to expand Washington's competitive role as an international gateway for trade.

Our container ports' marine terminal and cargo yard investments support critical maritime jobs that heavily contribute to Washington's status as the most trade-dependent state in the America. The ports of Seattle and Tacoma serve as international gateways for the exchange of container imports and exports, and produce a large number of local and regional jobs. The Port of Seattle estimates that 166,680 jobs statewide are related to its activities, while the Port of Tacoma estimates that 113,000 jobs are connected to its work.

The Port of Seattle was the fastest-growing port in the United States in 2004 and 2005, and the Port of Tacoma, with its large available land base, is working to quadruple its current volume of nearly 2 million container units. Growth of this magnitude would boost the overall economy of a state in which one out of every three jobs is supported in some way by payrolls and revenues stemming from international trade.

Despite the global economic slowdown, the US economy will remain the largest in the world for decades to come. According to a 2003 Transportation Research Board report, as the nation's total output of goods and services increases, international container traffic is expected to more than double by 2020, at the same time as highway travel and domestic freight traffic are increasing. Washington's continued ability to compete in today's global economy depends on the efficient movement of freight through our state. Washington's container seaports represent a major economic asset that the state has a imperative need to protect and foster.

The Container Ports and Land Use Work Group

As the use of port lands has increased, our major cities face pressure to redevelop areas that have historically been industrial. While this urban development is attractive and provides many benefits, it cannot be sustained without parallel industrial economic development. Growth in our cities must be accompanied by growth in quality, family wage jobs.

Today, however, competing visions for the use of our industrial shorelines, conflicts between high-traffic trucking corridors and pedestrian-friendly neighborhood redevelopment, and changes in zoning that push warehouse and distribution centers away from designated harbor areas, have the potential to significantly impair port operations and limit future economic development opportunities. Successfully meeting these challenges in creative and effective ways will require new approaches and collaboration to ensure that container ports and related transportation facilities continue to function effectively alongside vibrant city waterfronts.

In addition to local challenges, these seaports face serious near-term competitive pressures from ports in Canada, and from the pending enlargement of the Panama Canal. When the Panama Canal's ship size capacity triples in five years, Asian imports and exports will have competitive all-water routes to the major consumer markets in the US.

The state has an interest in ensuring that local land use and project decisions are made in consideration of the long-term and widespread economic contribution of our international container ports and related industrial lands and transportation systems. This report recommends land use and transportation strategies that support this interest. Without state action along these lines, we risk a long-term weakening of a critical part of our state's economy.

Governor Gregoire established the Container Ports and Land Use Work Group to examine current land use regulations and their impacts on the effective functioning of container ports, and to provide recommendations for improvements on how to better accommodate both urban and industrial growth. The Governor asked the Cities and Ports of Seattle and Tacoma, and the statewide cities and ports associations, to appoint members to the Work Group.

The Work Group was charged to:

- Summarize the effects of container ports on local, regional and state economies, including a look at how containers ports contribute to, and are influenced by, tax policies,
- Review the current law and regulations that guide land use planning and regulation within and near the container ports,
- Evaluate existing city and port plans, and where there are ongoing efforts to reconcile these plans, and,
- Consider alternative approaches to achieving both land use and industrial development goals.

A summary of the Work Group's research is provided below, followed by the group's findings and recommendations.

2. Summary of Relevant Background Information

The Work Group considered the economic effects of container ports, reviewed the current laws and rules related to land use decisions, and evaluated existing city and port plans, as summarized below. Additional details on each subject are provided in the report appendices.

Consistent with its charge, the Work Group focused most of its time on the topics of land use and freight mobility related to the container ports. Figures 1 and 2 generally illustrate the land uses in and around the Seattle and Tacoma ports. Figures 3 and 4 highlight the existing freight corridors for these ports.

Economic Impact of Washington's Container Ports

The Ports of Seattle and Tacoma represent a significant gateway for local, regional and national shippers. Combined, they are the third largest load center for containers in North America, behind Los Angeles/Long Beach and New York/New Jersey. (Appendix A provides an overview of these two container ports; Appendix B describes the economic impact of these ports.)

In 2006 (the most recent data available), the Ports of Seattle and Tacoma handled slightly more than 54.0 million short tons of cargo. This included:

- 13.2 million tons of **domestic cargo** (e.g., containers, breakbulk, liquid bulks);
- 17.4 million tons of **imports** (e.g., containers, automobiles, steel); and
- 23.3 million tons of **exports** (e.g., containers, grain, wood chips).

This cargo represents approximately $70 billion of goods flowing through these two ports to and from international markets:

- Exports were valued at $13.5 billion in 2006; and
- Imports were valued at $54.8 billion in 2006.

Exports through the Ports of Seattle and Tacoma are largely comprised of products grown and/or manufactured in Washington State, and account for 70% to 80% of total exports by weight and between 35% and 50% by value. Major exports through the Ports include agricultural products, food products, machinery, petroleum products, waste/scrap, paper, chemicals, transportation equipment, other forestry products, and fish and seafood products. These products come from every corner of Washington State. By value, exports from Washington State through the Ports of Seattle and Tacoma increased annually by 30% in 2003, 11% in 2004, 14% in 2005, 12% in 2006 and 20% in 2007.

Washington importers also rely heavily on the Ports of Seattle and Tacoma. With respect to containerized imports, approximately 70% to 75% of the imports move through by rail to destinations in the Midwest and beyond. However, the remaining 25% to 30% stay in the region (typically Washington, Oregon, Idaho and Montana).

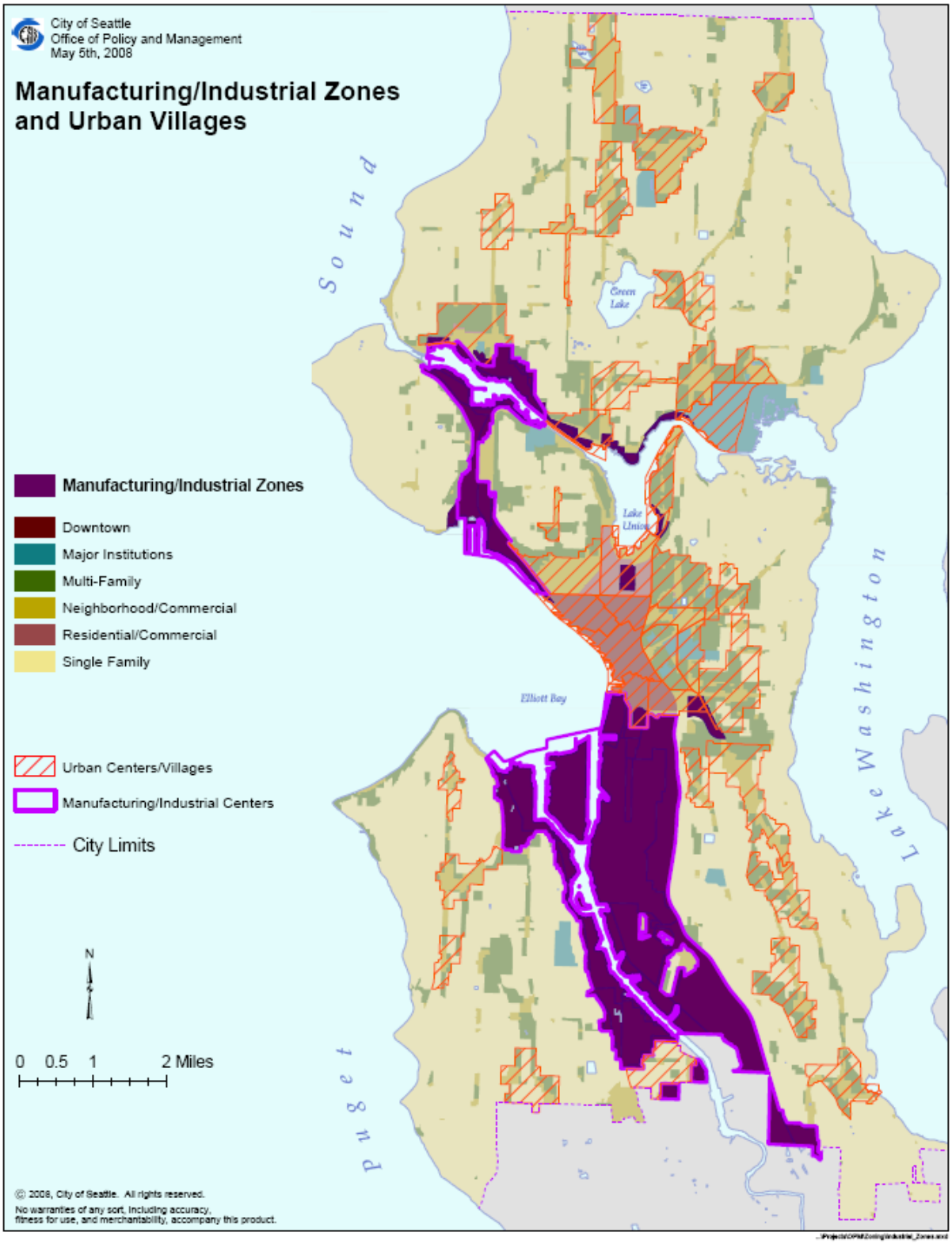

Figure 1: Land uses in Seattle

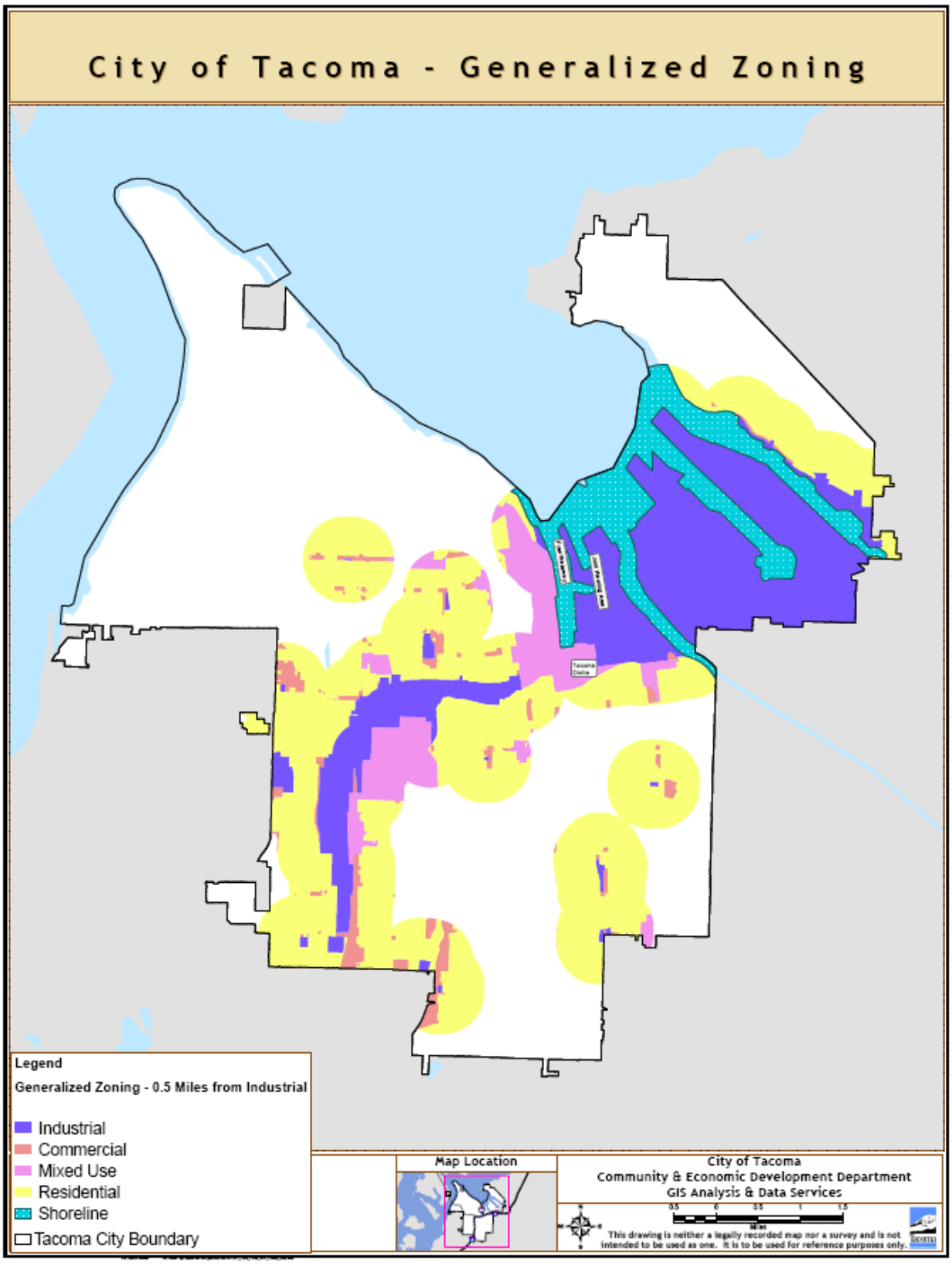

Figure 2: Land uses in Tacoma

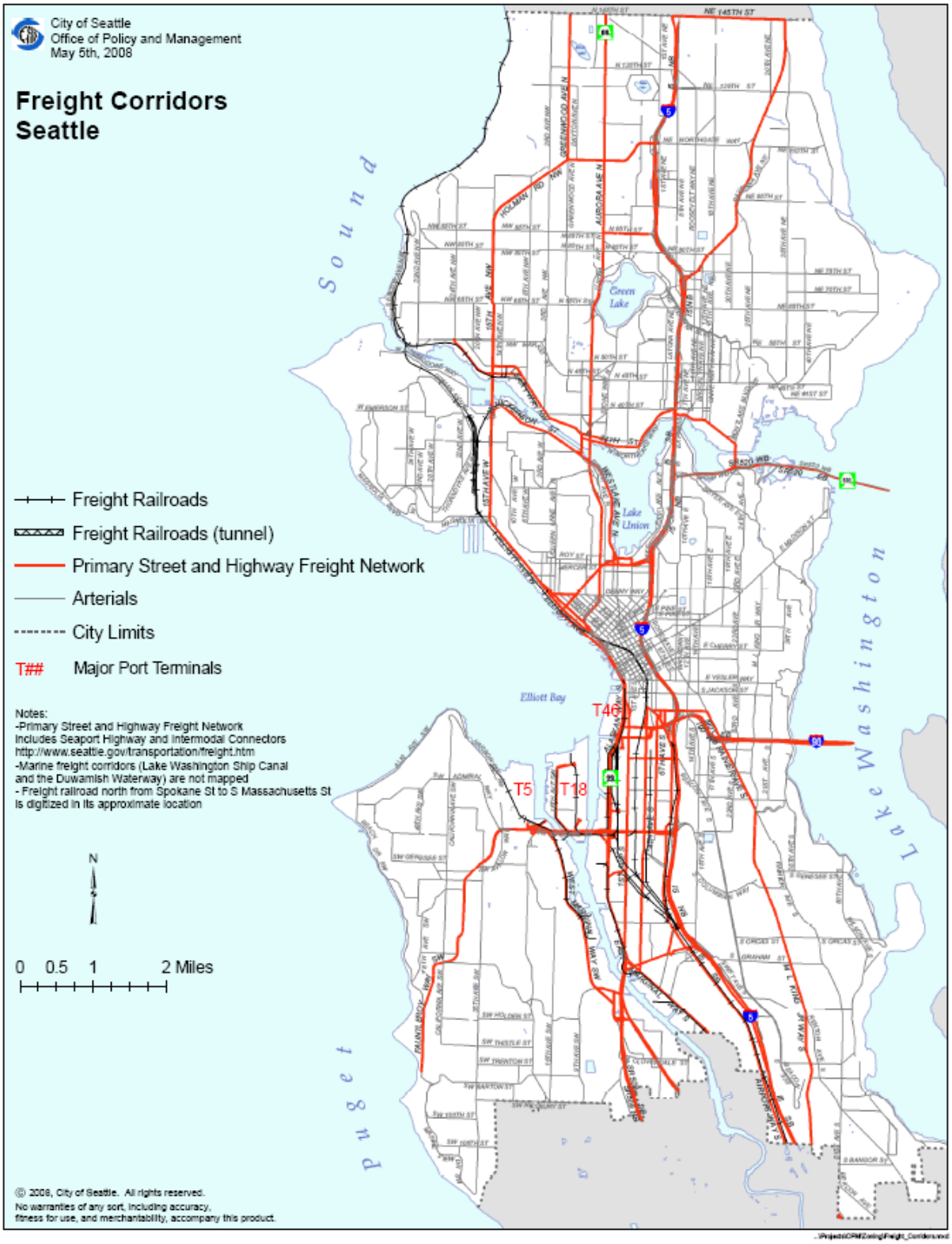

Figure 3: Freight corridors in Seattle

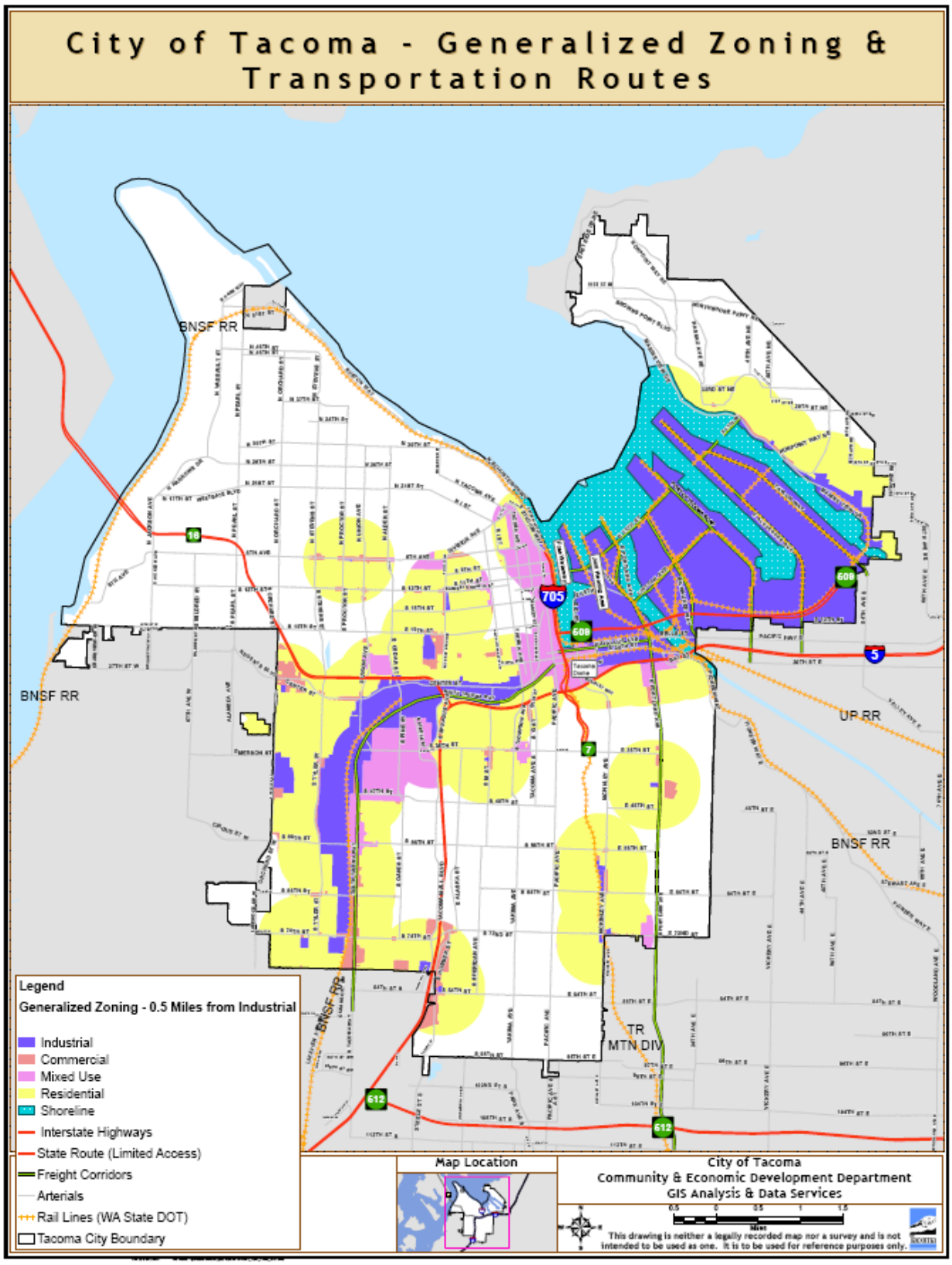

Figure 4: Freight corridors in Tacoma

In combination, the Ports of Seattle and Tacoma generated nearly $3.0 billion in annual gross business revenues from public terminals. Their marine terminal activities generated around 19,000 full-time **direct jobs**, with more than $900 million in direct payroll. The average payroll for direct jobs was approximately $47,000, which is considered a good family wage job.

As the result of purchases in the local and regional economy with the income received by those holding the 19,051 direct jobs, an additional 10,308 **induced jobs** were generated in the Puget Sound region. Local purchases by firms directly providing services at the Port of Seattle marine cargo facilities support an additional 4,950 **indirect jobs** in the regional economy.

In addition, there are an estimated 250,000 **related jobs** in Washington State provided by shippers, consignees, manufacturers and others who rely on or use the marine terminals at the Ports of Seattle and Tacoma.

A total of $212 million state and local taxes were generated by these Ports' cargo activity. Approximately $163 million was collected at the state level, and $23 million was collected at the county level, and $27 million was collected at the municipal level. An additional $405 million was collected in federal taxes.

Need for action

When combined, the Ports of Seattle and Tacoma are the third largest cargo import and export center in the nation, and they are the second largest on the west coast of North America. This port activity creates thousands of jobs directly and indirectly, and is a critical component of our region's successful manufacturing and agricultural economy. These seaport operations exist in the center of our state's two largest cities, and they strive to expand and invest in an environment of many competing land uses and priorities.

Conversion of industrial land to non-industrial uses remains a threat in our urban environment. In 2007 alone, the City of Seattle received permits applications totaling over 795,000 square feet of retail and office projects in Seattle's two most intense industrial zones. This was a significant increase from 2006, when permits totaled 238,000 square feet for office and retail projects in these zones. Because of this land conversion, in late 2007 Seattle moved to restrict the size of retail and office projects that can be developed in these zones.

A notable example of conversion of industrial lands and encroachment near port operations was a proposed residential development on the east side of the Thea Foss Waterway in downtown Tacoma. In the 1970's, the City adopted a plan to transform the blighted and contaminated Foss shoreline into an urban waterfront with a mix of public and private uses including marinas, restaurants, public spaces, housing, hotel/motels and water-oriented commercial uses emphasizing public access and enjoyment. New industrial uses were not to be permitted. The Plan's vision was echoed in the implementing shoreline regulations of the time, which applied to the west side of the waterway and wrapped around the east side terminating at East 15th Street. The northern edge of the east side of the waterway allowed and encouraged continued industrial use.

In 1995, the entire waterway area was rezoned to achieve a unified mixed-use vision; however, properties north of 15th Street could continue industrial operations or introduce new industrial activities within limitations. At the same time, a mixed-use project proposed to include condominiums on the eastern shoreline. These actions sharpened concerns among the port and other industrial neighbors that an influx of waterfront living eventually would lead to limits on industrial noise, hours of business operations and truck traffic and, ultimately, threaten port operations. In response, the Tacoma City Council amended the Foss Plan and zoning to prohibit residential and hotel/motels on the eastern shoreline north of East 11th Street.

Our industrial lands support an incredible array of good paying jobs from maritime construction to high tech manufacturing. The Work Group noted the importance of not taking these jobs for granted and the need to help ensure that these businesses are not undermined by skyrocketing rent increases and land values driven by the real estate market.

Tax Impacts and Land Uses

The Office of Financial Management and Department of Revenue conducted an analysis (See Appendix C) of the tax impacts of land use zoning on and near port lands to determine the extent to which state tax policy may be influencing the conversion of industrial land to commercial or residential purposes.

This analysis concludes that commercial businesses generally yield more tax dollars per acre than do industrial businesses, primarily due to retail sales tax. To the extent that industrial zoning hinders commercial development and use, there is a tax incentive to re-zone in order to facilitate commercial use. This analysis did not evaluate how the number of jobs or the relative wage levels compared between industrial and commercially zoned lands. Other studies suggest that industrial zoned lands have a higher number of jobs and higher average wages compared to commercially zoned lands.

Industrial zoning does not seem to preclude commercial businesses. In fact, the industrially-zoned private property adjacent to the ports has more parcels put to commercial uses than to industrial uses. The same is true for port-owned property in Tacoma, while industrially zoned property owned by the Port of Seattle has more parcels dedicated to industrial use than to commercial use. The study did not, however, look at the cumulative acreage of commercial use parcels vs. industrial uses parcels. Industrial use parcels typically have higher acreage than commercial parcels.

State government and local government reap unequal tax benefits from port activities. The state collects 80 to 90 percent of the excise taxes (sales and use tax, state B&O tax, and public utility taxes) accruing from port activities. Local jurisdictions collect 75 to 80 percent of the property tax levies. Port-related activities generate far more excise taxes than property taxes, providing an additional tax incentive to convert industrial lands to commercial use.

Overview of Current Laws and Rules

Washington's land use laws provide primary responsibility to the state government for management of designated harbor areas, while they establish shared responsibilities between the state and local governments for the 200 foot strip of land adjacent to these harbors. Beyond 200 feet, our laws place the primary responsibility for land use and transportation decisions on local governments. (See Appendix D.)

Article 15 of Washington's Constitution protects the harbors in front of cities in order to preserve these areas for "landings, wharves, streets and other conveniences of navigation and commerce." For the state, most decisions regarding harbor areas and aquatic lands are made by the Department of Natural Resources.

The Shoreline Management Act establishes three broad policies applicable to all marine waters and lands within 200 feet of the water, to larger streams and lakes, and to associated wetlands and floodplains:

- Encourage water-dependent uses
- Protect shoreline natural resources
- Promote public access

Under the SMA, local governments must adopt a shoreline master program that gives preference to uses that are dependent on a shoreline location, with priority given to single family residences, ports, recreational uses, and water dependent commercial and industrial uses.

The Growth Management Act requires many local governments to develop comprehensive plans for managing growth and natural resources, and then adopt development regulations to implement those plans. The GMA establishes 14 general goals, including goals that encourage growth in urban areas, efficient transportation and sustainable economic development.

Economic development is one of the planning elements that local comprehensive planning efforts are intended to address under the GMA, but this planning element is not mandatory unless state funding is provided to local governments to accomplish it. The GMA also mandates that the siting of Essential Public Facilities (EPFs), which includes many marine terminal areas, not be precluded by local government land use plans and ordinances.

The GMA includes comprehensive requirements for transportation planning, including provisions for existing transportation facilities and capacities, as well as provisions to address expansions needed to meet future demand. The transportation elements of local comprehensive plans and the transportation related county-wide planning policies must be certified by the respective Regional Transportation Planning Organization (RTPO) to ensure regional consistency.

State law designates certain transportation facilities and services to be of statewide significance, including "marine port facilities and services that are related solely to marine activities affecting international and interstate trade." State law declares improvements to facilities and services of

statewide significance identified in the statewide multimodal plan to be essential state public facilities under GMA.

RCW 47.01.071 requires the state Transportation Commission to prepare and periodically update a comprehensive and balanced statewide transportation plan consistent with the state's growth management goals and based on the transportation policy goals identified in state and federal laws.

Under state law, all development of lands owned or managed by a port must be described in a port's "comprehensive scheme" that addresses future port growth and/or redevelopment. To facilitate future development, including permitting, a port may also prepare a "facility master plan" prior to having a completely designed project.

Current Land Use Plans and Projects

The container ports have a long history of collaboration and coordination with their respective cities regarding land use and transportation topics, with a number of successful plans and projects resulting from these efforts. There are also ongoing efforts to address emerging and as-yet unresolved issues. (See Appendix E.)

Tacoma

The City of Tacoma and Port of Tacoma have worked together on several land use and transportation planning efforts, including:

- The Foss Waterway Design and Development Plan, first adopted in 1990, outlines a redevelopment vision for the Foss Waterway that includes a mix of land uses, improved shoreline access and pedestrian vibrancy. The Plan will be updated as part of the City's ongoing update to their shoreline master program.

- In 2003, the City adopted a new Port Maritime and Industrial District zoning that emphasized maritime industrial as a preferred use, restricted land use categories deemed incompatible with Port and heavy industrial operations, and provided a clear demarcation of boundaries for Port expansion to prevent incompatible uses.

- In 2004, the City and Port, in collaboration with the state, designated various streets as a heavy haul industrial corridor, allowing the City to issue special permits for movement and operation of vehicles in excess of the legal weight limits within the corridor. Revenues generated by the Heavy Haul Corridor are intended to be used for transportation infrastructure improvements within the designated corridors.

The City and Port are jointly engaged on a number of ongoing and emerging issues, including continued work on a Tacoma Dome Area Plan that establishes a vision that includes a multi-modal transportation center containing mixed use development, entertainment uses and light to medium industrial development. The 2001 plan recommending limits to the size of commercial

uses in the area to prevent the displacement of industrial uses has not been implemented. The Plan does not contain policies relative to industrial/residential compatibility.

Seattle

The City of Seattle and Port of have worked together on several land use and transportation planning efforts, including:

- Seattle established two major industrial zones to enhance preservation of industrial businesses:

  Ballard – Interbay Manufacturing Industrial Center includes Fishermen's Terminal along the ship canal and port Terminals 90 and 91 at the north end of Elliott Bay, and

  Greater Duwamish Manufacturing Industrial Center includes the port's container terminals on Elliott Bay, the port cargo facilities located on the Duwamish River, and warehousing that supports both City retail establishments and trans-loading of international cargo.

- Access Duwamish 2000 was a collaborative planning effort to develop a freight mobility and economic strategy for the Duwamish area, and recommended specific improvements to highway access, arterial and rail operations.

- In 2007, the City adopted legislation to reduce the size of stand-alone retail and office uses allowed in industrial zones, as part of their Industrial Jobs Initiative. In a continuation of the Initiative, the City is currently updating past studies regarding basic industries clusters and maritime industries, and is evaluating industrial zones outside of the two designated manufacturing industrial centers.

The City and Port are jointly engaged on a number of ongoing and emerging issues. These include the City's current effort to update their Shoreline Master Program, scheduled for final approval in 2010. As a means of communicating Port needs within the shoreline of the City, the Port Commission enacted a Seaport Shoreline Plan in February 2008.

3. Recommendation: Improve land use planning for marine container ports

Findings and Conclusions

Washington State's two major container ports operate within a complex system of marine terminal operations, truck and train transportation corridors, and industrial/warehousing support services. The operations of these facilities are increasingly affected by the conversion of traditionally-industrial properties into non-industrial commercial or even residential uses, driven by population growth, the economic pressures of the real estate market and trends in urban redevelopment, resulting in conditions that can:

- Hinder the operations of existing marine terminal operations
- Limit key truck and train transportation corridors that move freight and cargo
- Convert nearby industrial support services (such as warehousing and cargo-logistics centers) on privately owned land into uses that are incompatible with industrial operations

In addition to existing operations, these same trends also create challenges for expanding or improving the current suite of terminal, transportation and support services. Expanding these uses is already difficult, due to the small size of most industrial properties and the need to aggregate property in order to assemble the larger parcels that today's port and industrial needs demand.

Properties adjacent to industrial areas and transportation corridors have been converting to non-industrial uses as well, and these conversions threaten the long-term prosperity of the state's key port/industrial areas.

Our state's fundamental land use planning goals include important concepts such as promoting growth where support infrastructure already exists, promoting density in order to prevent expensive sprawl, and keeping industrial water-dependent uses in proximity to harbor areas. Decades of planning, as well as public and private investment, have supported these policies.

Despite these goals and plans, economic pressures persist that push warehousing and freight-support services to areas distant from the container ports. Traditional industrial areas face pressure to gentrify into retail and residential uses. Our state's tax code contributes to this pressure:

- Retail sales tax is a lucrative benefit for land zoned to accommodate it, and
- The tax code requires industrial property be valued at its "highest and best use" – as higher values are placed on these lands, the resulting taxes can push landowners to seek a higher return on their land.

In addition, the same redevelopment pressures can result to the conversion of the "buffer" areas around key industrial areas and key freight transportation corridors into retail, commercial or residential uses. Maintaining buffers around these industrial areas and freight corridors is important for the long-term expansion of our water-dependent trade sectors. Conversion essentially prohibits industrial expansion, because once land is converted out of industrial or maritime use, experience shows us that those uses are gone forever.

The collective effect of these trends is gradual, persistent and difficult to withstand, and has the potential to erode both the current and future benefits of our industrial areas. Without additional attention and concerted effort, our land-use planning efforts will not provide effective and long-term protection of these critical areas.

As they currently exist, our land use planning laws do not specifically address or require the protection of industrial lands or key freight corridors utilized by container ports. As a result, the policies in local comprehensive land use plans are general in nature, and the implementing development and permit regulations do not provide specific guidance for addressing the implications of land use changes to the industrial land base of our container ports.

Without a clear policy framework in place, considering these implications at the individual permit stage, once a specific project proposal is in play, is very difficult. For this reason, protecting industrial lands is best addressed "upstream," at the policy level, during the development of the comprehensive plan.

Recommendations

The respective city and container port should work collaboratively on the task of developing an effective policy framework, and should ensure consistency between the city's comprehensive land use plan and the port's comprehensive scheme. Comprehensive plan updates under the Growth Management Act provide the best time for the city and port to consider the role of container ports in the economic development, land use and transportation elements of the comprehensive plan, and in the capital facilities plan.

This venue also allows the city and container port to consider a number of approaches or tools for ensuring effective policies. These include creation of a port overlay district that protects container port uses, establishing industrial land banks, defining buffers and transition zones between incompatible uses, joint transportation funding agreements, and development of land use policies that encourage the retention of valuable warehouse and storage facilities.

To ensure proper consideration of key freight mobility projects related to the marine container ports, the statewide transportation plan required by RCW 47.01.071 should include key projects and priorities identified by the cities and their container ports.

The state currently provides grant funds to assist local governments with their land use planning. Given the state interest in container ports, the state should offer matching grant funds to assist the cities and container ports with the cost of new planning requirements.

4. Recommendation: Designate, improve and protect key freight corridors

Findings

A summary of the planning, designation and funding programs conducted by local, regional and state governments is provided below. (See Appendix F for details.)

Although not expressly required by GMA, many cities designate freight corridors (heavy haul or significant freight industrial truck routes and rail lines) as part of the development of the transportation element in their comprehensive plan. Heavy haul or significant freight industrial truck routes are designated in order to reroute freight traffic away from residential areas, establish a higher design standard for the corridor, and establish an access management standard to enable through movement of freight traffic. These corridors can be re-designated if the underlying land use is rezoned for other purposes. Railroads also experience similar challenges associated with zoning changes along their rights of way. These changes can inhibit their ability to support maritime operations or expand service, and can strain relationships with adjoining landowners and communities.

Cities do not have a dedicated revenue stream to fund freight projects; instead, they rely on their city transportation budget. In practice, cities tend to fund maintenance and improvement of freight corridors similarly to all other major arterials. Freight projects typically have extensive infrastructure needs and associated high costs that exceed the local capacity to fund the improvements. Cities must seek state, regional, federal and partner funding to improve significant freight routes, including routes serving port container functions.

Adequately addressing high volume freight traffic requires a higher standard of pavement or concrete than a typical arterial or residential street. For example, for heavier classes of freight vehicles, every truck trip has a virtual impact on pavements of roughly 2000-2500 car trips.

Another challenge is maintaining the planned level of service for a freight corridor, whether it is a truck route or rail corridor. As cities continue to accommodate more growth, traditional freight corridors are experiencing increasing residential, commercial and other traffic congestion associated with urban growth. This results in delayed freight movement and increased (safety) conflicts between rail, trucks and automobiles.

Regional Transportation Planning Organizations (RTPOS), such as the Puget Sound Regional Planning Council, designate freight corridors based on tonnage, access to industrial and commercial centers, and submittals from its membership. Puget Sound Regional Council is also the lead entity for the Freight Action Strategy-the Everett-Seattle-Tacoma Corridor or FAST Corridor. FAST is a partnership of 26 local cities, counties, ports, federal, state and regional transportation agencies, railroads and trucking interests, intent on solving freight mobility problems with coordinated solutions. FAST federal funds have diminished to the point that federal implementation funds are no longer being granted to the FAST partners.

Regional freight corridor projects also have funding complexity challenges due to matching requirements between public agencies or between public and private sector funds. For example, a port that contributes to a freight corridor that is external to its physical boundaries has to ensure its investment has a tangible benefit. Absent a tangible benefit, the use of port funds would be considered a gift of public funds.

Since 1993, the state has instituted more than a dozen past and ongoing efforts aimed at addressing freight movement in Washington State. (For a complete list, see Appendix F.) Direct state funding for freight projects is provided by the Freight Mobility Strategic Investment Board (FMSIB). FMSIB currently has 71 active projects statewide that have a total cost of $3.3 billion, with a state share estimated at $362 million, significantly exceeding the $12 M per biennium available to FMSIB. Because of this FMSIB can only fund individual projects and cannot wholly fund strategic corridors.

Conclusions

- Maintaining identified local freight corridors is vital to ensuring freight and goods access to adjacent ports. It is in the state's interest to support city and port efforts to maintain these corridors.
- There is no dedicated source of funding for transportation projects that support access to container ports or improve freight and goods movement at a local, regional or state level. Identified freight corridors and bottlenecks within cities must compete with all other city transportation projects for transportation funding.
- Projects that support the regional or statewide movement of freight and the significant cost of freight projects are a shared partnership responsibility between cities, Ports, the state, and regional transportation planning organizations.
- Repeated and continued efforts to develop a long-term planning and prioritization strategy for projects of statewide significance, including freight projects needed to support marine container ports, have not yet resulted in sufficient and reliable long-term funding for these projects.

Recommendations

To help ensure that city freight corridors remain viable in providing freight and goods access to adjacent marine container ports, the Work Group recommends:

1. Amend state law (RCW 47.06.140) to refine the definition of facilities of statewide significance to clearly include key local freight corridors that provide direct access to major marine container ports. This follows the state precedent that distinguishes between state highways, and state highways of statewide significance.
2. Key freight corridors should be identified in the city comprehensive land use plan and the container port comprehensive scheme. They should also be identified in regional and state transportation plans.
3. Key designated freight corridors for container ports should be accompanied with a long term investment strategy, which could include identified improvements in a six year transportation

program (RCW 35.77.010), and within a port comprehensive scheme (RCW 53.20 and RCW 53.25 as appropriate).

4. Key freight corridors for container ports that are designated as a priority in a port element of a local comprehensive plan, a port comprehensive scheme, and regional or state transportation plans, should be given priority consideration for local, regional, and state project funding. State and regional freight programs should prioritize funding for these corridors in order to leverage future federal funding.
5. If available, early state funding for a top priority freight mobility project in Seattle and in Tacoma would help galvanize city and port collaborative work to identify and protect these corridors.

Identified Priority Freight Projects

The Work Group recommends priority consideration of the following freight mobility projects in future state, regional and local project funding decisions. These projects were identified collaboratively by the respective city and port representatives on the Work Group.

Tacoma

Lincoln Avenue is a major arterial serving a high number of trucks as a primary connector between Intestate 5 and the Port of Tacoma. Trains arriving and departing the Port of Tacoma average 8,000 feet in length. Rail switching operations and mainline rail trains cause vehicular delays of up to 30 minutes every two hours.

The Lincoln Avenue Grade Separation will raise Lincoln Avenue over key railroad tracks used for intermodal rail operations within the Port area. The primary purpose of the overpass is to remove the at-grade conflict between primary rail activities and heavy vehicular traffic. Rail and road efficiency will be significantly improved, and air quality will be enhanced once the Lincoln Avenue Overpass is completed.

The efficient movement of freight through the Port area is critical to the entire state economy, particularly for agricultural exports that arrive at Port terminals by both truck and rail. This is one reason why the Lincoln Avenue Grade Separation was designated by the Freight Mobility Strategic Investment Board (FMSIB) as a high-ranking project, as well as by the Governor as part of her Container Ports Initiative in January 2007. It is also a FAST II high-priority project.

To date, $31.6 M have been committed to this $58.8 M project, leaving a projected shortfall of $27 M.

Seattle

The South Spokane Street Corridor is a critical connection linking the Port of Seattle and West Seattle residents and businesses to I-5, I-90 and SR 99. It also serves travelers going to Washington's largest industrial center, the Duwamish Manufacturing and Industrial Center (DMIC). The DMIC is a major employment hub providing 68,000 jobs. The corridor carries 45% of the Port's truck traffic and:

- Improves access among the Port of Seattle's container terminals, the freeway system, intermodal rail yards (from which goods entering the country through the Port of Seattle are carried to the Midwest and the East Coast);
- Provides for grade separation for trucks and cars from busy freight and passenger rail mainlines and tracks leading to intermodal rail yards;
- Reduces truck and general-purpose delay caused by current substandard roadway conditions;
- Increases reliability and safety for the movement of freight by completing seismic reinforcement of a 60 year-old structure; and,
- Reduces conflicts between trucks and cars on a route with one of the highest accident-per-mile ratios in the City of Seattle.

On average, the Spokane Corridor carries 82,000 trips every day (67,000 upper viaduct and 15,000 lower surface) and is a major east/west truck route critical for containerized freight through our international gateway port. The project focuses on minimizing conflicts between freight, rail, commuters and ferry traffic and on improving access.

The project will add an eastbound off-ramp at Fourth Avenue S, and relocate the westbound on- and off- ramps from their current location on Fourth Avenue to First Avenue S. In addition, the upper viaduct roadway will be widened by 41 feet between Sixth Avenue S and East Marginal Way, making space for a new westbound acceleration-deceleration lane, a permanent median, and wider lanes and shoulders. The lower roadway will be rebuilt in concrete in both directions.

This project already has secured $143.74 M from city, state, federal, port and private railroad sources. This includes a Transportation Improvement Board (TIB) grant for $5.2 M recently awarded and an additional $20 million of City funding approved by the City Council as part of the 2009 Adopted Budget. Additional state funding made available will be used to help fill the existing funding gap of $24.8 M. This project is expected to go to construction in late 2008.

Construction of this project is already underway with utility relocation. Bids for construction of the 4th Avenue South off-ramp have been opened.

5. Proposed Legislation

To implement the above conclusions and recommendations, the Work Group recommends enactment of the following state legislation:

AN ACT Relating to marine container ports; creating a new section in Chapter 36.70A RCW; and amending RCW 47.06.140.

NEW SECTION. **Sec. 1.** (1) The legislatures finds that Washington's marine container ports operate within a complex system of marine terminal operations, truck and train transportation corridors, and industrial services that together support a critical amount of our state and national economy, including key parts of our state's manufacturing and agricultural sectors, and directly create thousands of high-wage jobs throughout our region.

(2) The legislature further finds that the container port services are increasingly challenged by the conversion of industrial properties to non-industrial uses, leading to competing and incompatible uses that can hinder port operations, restrict efficient movement of freight, and limit the opportunity for improvements to existing port-related facilities.

(3) It is the intent of the legislature to ensure that local land use decisions are made in consideration of the long-term and widespread economic contribution of our international container ports and related industrial lands and transportation systems, and to ensure that container ports continue to function effectively alongside vibrant city waterfronts.

NEW SECTION. **Sec. 2.** A new section is added to Chapter 36.70A RCW to read as follows:

(1) For cities that include a marine container port with annual operating revenues in excess of sixty million dollars, the city comprehensive plan required by RCW 36.70A.070 shall include a container port element.

(a) The container port element shall establish policies and programs that define and protect the core areas of port and port-related industrial uses within the city, provide reasonably efficient access to the core area through freight corridors within the city limits, identify and resolve key land use conflicts along the edge of the core area, and minimize and mitigate incompatible uses along the edge of the core to the extent practicable.

(b) The city and the port shall collaborate in the development of the container port element.

(c) The container port element shall be completed and approved by the city according to the schedule specified in RCW 36.70A.130.

(d) The container port element shall be consistent with the economic development, transportation and land use elements of the city's comprehensive plan, and with the city's capital facilities plan.

(e) The city and the port shall work together to ensure consistency between the container port element and the port comprehensive scheme required by Chapters 53.20 and 53.25 RCW, while retaining sufficient planning flexibility to secure emerging economic opportunities.

(2) In developing the container port element plan required by subsection (1) of this section, the city may include one or more of the following approaches:

(a) creation of a port overlay district that protects container port uses,

(b) industrial land banks,

(c) buffers and transition zones between incompatible uses,

(d) joint transportation funding agreements,

(e) policies to encourage the retention of valuable warehouse and storage facilities,

(f) limitations on the location and/or size of non-industrial uses in the core and surrounding areas, and

(g) other approaches by agreement between the city and the port.

(3) The department of community, trade and economic development shall provide matching grant funds to the city to support development of the container port element.

(4) Any planned improvements to the marine container ports identified in the container port element shall be transmitted by the city to the transportation commission for inclusion in the statewide transportation plan required by RCW 47.01.071.

Sec. 3. RCW 47.06.140, 2007 c 516 § 11 and 2007 c 512 § 2 are each amended to read as follows:

(1) The legislature declares the following transportation facilities and services to be of statewide significance: Highways of statewide significance as designated by the legislature under chapter 47.05 RCW, the interstate highway system, interregional state principal arterials including ferry connections that serve statewide travel, intercity passenger rail services, intercity high-speed ground transportation, major passenger intermodal terminals excluding all airport facilities and services, the freight railroad system, the Columbia/Snake navigable river system, marine port facilities and services that are related solely to marine activities affecting international and interstate trade, <u>key freight transportation corridors serving these marine ports,</u> and high capacity transportation systems serving regions as defined in RCW 81.104.015. The department, in cooperation with regional transportation planning organizations, counties, cities, transit agencies, public ports, private railroad operators, and private transportation providers, as appropriate, shall plan for improvements to transportation facilities and services of statewide significance in the statewide multimodal transportation plan. Improvements to facilities and services of statewide significance identified in the statewide multimodal transportation plan, or to highways of statewide significance designated by the legislature under chapter 47.05 RCW, are essential state public facilities under RCW 36.70A.200.

(2) The department of transportation, in consultation with local governments, shall set level of service standards for state highways and state ferry routes of statewide significance. Although the department shall consult with local governments when setting level of service standards, the department retains authority to make final decisions regarding level of service standards for state highways and state ferry routes of statewide significance. In establishing level of service standards for state highways and state ferry routes of statewide significance, the department shall consider the necessary balance between providing for the free interjurisdictional movement of people and goods and the needs of local communities using these facilities. When setting the level of service standards under this section for state ferry routes, the department may allow for a standard that is adjustable for seasonality.

NEW SECTION. **Sec. 4.** If specific funding for the purposes of this act, referencing this act by bill or chapter number, is not provided by June 30, 2009, in the omnibus appropriations act, this act is null and void.

BUDGET LANGUAGE

OPERATING BUDGET

For the Department of Community, Trade and Economic Development:

Proviso Language: "$100,000 of the general fund – state appropriation for fiscal year 2010 and $100,000 of the general fund – state appropriation for fiscal year 2011 are provided solely for the purpose of implementing subsection 3 of section 2 of (*bill reference)*. If the bill is not enacted by June 30, 2009, the amounts provided in this subsection shall lapse."

Related Budget Note: "**Container Port Element in Land Use Plans**. Funding is provided solely for matching grants to cities with qualifying marine container ports to support development of a container port element in the city comprehensive land use plan, as required by (*bill reference*). Funding will be divided equally among the qualifying cities."