

**Elliott Bay Trustee Council
Lower Duwamish River
Resolution 2016-01**

In this resolution by the Elliott Bay Trustee Council, the Trustees: 1) Approve the attached update of the Cost/DSAY for cash-out settlements in the Lower Duwamish River; 2) Determine that the Cost/DSAY value for new cash-out settlements will now be \$140,000/DSAY.

Adopted: July 20, 2016

Attachments: 2016 Cost/DSAY Update for Lower Duwamish River NRDA Settlements

The Elliott Bay Trustee Council (hereafter “Trustee Council”) consists of the National Oceanic and Atmospheric Administration (NOAA) of the U.S. Department of Commerce (acting as Lead Administrative Trustee); the U.S. Department of the Interior, represented by the U.S. Fish and Wildlife Service; the Muckleshoot Indian Tribe; the Suquamish Tribe; and the Washington Department of Ecology (as lead state Trustee), Department of Natural Resources and Department of Fish and Wildlife (as state co-Trustees). The Trustee Council is operating under the *Memorandum of Agreement for Elliott Bay, the Duwamish River and Eagle Harbor (effective date 1/19/06)*. That MOA provides the framework for implementing joint damage assessment and restoration actions by the Trustee Council in Elliott Bay and the Lower Duwamish River.

The Cost/DSAY that used for cash-out settlements in the LDR up until this time was \$125,000/DSAY. The Trustee Council evaluated that figure in 2012 to account for increases in the cost of property and general inflation, and that analysis resulted in a Cost/DSAY value of \$134,374/DSAY. The Trustee Council decided to leave the Cost/DSAY value used for cash-out settlements at \$125,000/DSAY at that time. An updated analysis (attached) resulted in a new estimate of the Cost/DSAY of \$141,542, and the Trustee Council has determined to use a value of \$140,000/DSAY for new cash-out settlements. This value will remain until the Trustee Council decides to update the Cost/DSAY analysis, sometime in the future.

Now, therefore, it is resolved that:

1. The Trustee Council approves the 2016 Cost/DSAY analysis.
2. The Trustee Council agrees that Cost/DSAY value used for new cash-out settlements will be \$140,000/DSAY until updated in the future.

By their signatures below, representatives of the Elliott Bay Trustee Council hereby certify that this Resolution, 2016-01, was adopted in compliance with decision-making procedures of the Trustee Council.

NOAA:

By: 
Rebecca Hoff

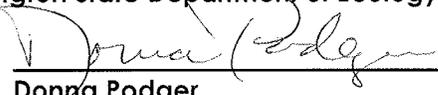
7/20/16
Date

U.S. Department of the Interior/U.S. Fish and Wildlife Service:

By: 
Jeff Krausmann

20 JUL 16
Date

Washington State Department of Ecology (Lead State Trustee):

By: 
Donna Podger

7/20/16
Date

The Muckleshoot Indian Tribe:

By: 
Glen St. Amant

7/20/16
Date

The Suquamish Tribe:

By: _____
Richard Brooks

Date

MEMORANDUM FOR DUWAMISH NRDA ADMINISTRATIVE RECORD

FROM Elliott Bay Trustee Council

SUBJECT: Determination of Cost/DSAY for Cash-Out Settlements in the Lower Duwamish River:
2016 Update

The cost/DSAY value used to determine damages for cash-out settlements in the Lower Duwamish River (LDR) requires periodical updates to adjust for increases in costs of habitat restoration. The 2012 analysis resulted in an estimate of \$134,374/DSAY. At that time, the Elliott Bay Trustee Council (Trustees) decided to leave the then-current cost/DSAY value at \$125,000/DSAY. Since that time the Notice of Intent letters were sent to Potentially Responsible Parties (PRPs) in the LDR, the early settlement period ended, and inflation generally and in the price of land specifically has risen. Therefore, the Trustees decided to undertake an update of the cost/DSAY for cash-out settlements with any new PRPs wishing to resolve their liability.

The 2012 analysis remained in draft form since the Trustees decided not to change the cost/DSAY value at that time. Therefore, the details of that analysis are presented immediately below.

2012 Cost/DSAY Analysis

Category (cost/acre)	2012 estimate (\$)
Design, sampling, compliance, construction, maintenance, monitoring	610,981 ¹
Trustee Oversight	109,977 ¹
Contingency	152,745 ¹
Stewardship – years 1 through 9	25,420 ²
Stewardship – years 10 through 29	22,307 ³
Long-term stewardship – years 30 and beyond	31,397 ⁴
Property cost	1,350,360 ⁵
Total	2,303,187

- 1 Costs updated from 11/29/2002 report “Dollars per Discounted Service Acre Year – A Cash Out Alternative for Potentially Responsible Parties to Settle Natural Resource Liability for the Hylebos Waterway” using actual inflation between 2002 and 2012 (27.5%).

- 2 Stewardship – years 1 through 9. A 2008 People for Puget Sound (PPS) proposal (2009 cost estimate) for Kenco Marine and North Winds Weir (relatively new projects) was used in this calculation. The PPS stewardship proposal narrative projects a more intense effort during the first few years after project creation, with a reduction in effort as the project establishes. Using Kenco and North Winds Weir estimates, the initial costs averaged \$3207/acre (\$11,035 for Kenco – 3.4 acres, and \$3,961 for North Winds Weir – 1.25 acres). Updating the cost to reflect actual inflation between 2009 and 2012 (6.7%) results in a per acre cost of \$3,429. With less effort anticipated after the initial establishment period (through year 5), I assume that the costs will drop by 50% during years 6 through 9. Assuming that inflation will average 2.75%/year (2002-2012 average) costs would be:

<u>Year</u>	<u>Cost/acre (\$)</u>
1	3,427
2	3,523
3	3,620
4	3,720
5	3,822
6	1,964
7	2,018
8	2,073
9	2,130
Total	26,298

Using these estimates, total stewardship costs for years 1 through 9 is \$26,298. Assuming yearly withdrawal as noted above, and a 1% net yield on the balance after inflation, \$25,420 is required in 2012 to provide the cost of stewardship per acre for years 1 through 9.

- 3 Stewardship – years 10 through 29. Using 2008 People for Puget Sound estimates for Hamm Creek and Herrings House stewardship (projects are approximately 10 yrs old), yearly cost for both projects is \$9,721. Project size = approximately 10 acres. Cost per acre = \$972. Updating the cost to reflect actual inflation between 2009 and 2012 (6.7%) results in a per acre cost of \$1,039/acre. Using an average inflation rate of 2.75%/year, the total cost for years 10 through 29 is \$27,219. Assuming a yearly withdrawal of funds beginning in year 10, and a net yield of 1% on the balance after inflation, \$24,641 is needed at year 10 to provide sufficient funding for years 10 through 29. With a net yield of 1% after inflation, \$22,307 is needed in 2012 to generate \$24,641 at year 10.
- 4 Calculated from Boeing stewardship cost estimate (long-term stewardship beginning in year 30) – (\$345,365/10.9 acres = \$31,397)
- 5 Value determined from King County 2011 Annual Report summary for SODO/Duwamish Industrial District Area 35. 2011 value (most recent report) was \$31/ft² for basic, most common, industrially zoned land. The sq. ft. value did not change between 2010 and 2011 so I did not adjust it for inflation between 2011 and 2012. The report is available at: www.kingcounty.gov/Assessor/Reports/AreaReports/2011.aspx
 \$31/ft² *43,560 ft²/ acre = \$1,350,360/acre

Restoration projects included in analysis: (DSAYs/acre)

Herring's House	(17.03)
North Winds Weir (Cecil B Moses)	(17.52)
Hamm Creek	(17.53)
Kenco/TB#3	(12.88)
Site 1/NWW	(23.98) (calculation based on project plan)
Federal Center South	(13.91)

Average DSAYs/acre:

17.14 – based on total project size, including existing habitat that increases in value by being changed from baseline adjusted to fully functional status (e.g. Herring's House is 7.1 acres but includes 1.5 acres of existing shallow subtidal habitat).

2012 estimate of cost per acre of restoration project = \$2,303,187, Therefore, the 2012 Cost/ DSAY is calculated as \$134,374.

2016 Cost/DSAY Update

The 2016 Cost/DSAY estimate was developed by:

- Adjusting the cost of property (\$1,350,360) used in the previous analysis by the rate of increase from 2011¹ to 2015 (6.31%)². The rate of increase in land prices along the Duwamish was estimated using 20 properties of various sizes and uses along the Duwamish (see table below). This equates to a 2015 estimated property cost of \$1,435,567.72
- Adjusting all other costs (\$952,827) by the rate of inflation between 2012 and 2015 (3.95%)³. The current estimated total for all other costs is \$990,463.67

The total 2015 estimated restoration cost per acre is \$2,426,031 (rounded to nearest dollar). This was divided by the previously calculated average DSAYs/acre (17.14) to give an estimated Cost/ DSAY of \$141,542 (rounded to nearest dollar).

Properties used in cost increase analysis; data obtained from King County

(<http://gismaps.kingcounty.gov/parcelviewer2/>); Properties selected were ones that had 2015 valuations; ones without 2015 valuations were not included.

¹ Previous estimate used 2011 land prices since they hadn't increased in 2012; 2011 is used in current analysis to be consistent.

² Sum of property values increased from \$130,915,796 to \$139,171,000, which equates to a 6.31% increase.

³ Rate of inflation from 2012 to 2015 is 3.95% (calculated using <http://www.usinflationcalculator.com/>)

Tax Parcel	Address	Owner or Co. name	Current Use	2015 valuation	2011 valuation
2924049090	No site address listed	Alaska Marine Lines	Vacant(Industrial)	1,800,000	1,887,000
687120-0210	7318 4TH AVE S 98108	BOYER TOWING	Terminal(Marine/Com m Fish)	3,669,000	3,696,700
000180-0128	6701 FOX AVE S 98108	GLACIER MARINE SERVICES	Industrial(Heavy)	7,603,900	6,738,300
536720-4565	6365 1ST AVE S 98134	HALE'S CONSTRUCTION	Vacant(Industrial)	3,052,000	2,747,800
687120-0350	7200 2ND AVE S 98108	BOYER TOWING INC	Marina	430,700	290,700
213620-0670	7401 8TH AVE S	CLEANSCAPE S	Service Building	2,444,500	2,258,000
766670-3630	No site address listed	GENERAL RECYCLING OF WASHIN	Terminal(Marine/Com m Fish)	11,394,300	10,333,800
766670-3290	3800 WEST MARGINAL WAY SW 98106	RIVERSIDE MILL LLC	Warehouse	5,517,000	5,029,800
766670-2940	No site address listed	BP WEST COAST PRODUCTS LLC	Industrial(Light)	1,357,700	1,357,700
766670-3985	3546 WEST MARGINAL WAY SW 98106	CENTERPOINT 3546 MARGINAL W	Warehouse	4,351,200	3,944,200
213620-0681	7303 8TH AVE S 98108	CLEANSCAPE S INC	Service Building	3,883,200	3,331,200
732790-1215	1024 S ELMGROVE ST 98108	UNITY ELECTRIC	Service Building	1,346,800	1,133,796
218500-0825	1225 S SOUTHERN ST 98108	SLEMKO DANIEL ALAN	Private Residence	272,000	242,000
000160-0001	8604 DALLAS AVE S	SOUTH PARK MARINA LTD PARTN	Marina	1,916,600	1,758,000

	98108				
000740-0033	8811 EAST MARGINAL WAY S 98108	BOEING COMPANY THE	Industrial(Light)	29,227,700	28,950,500
562420-1032	9725 EAST MARGINAL WAY S 98108	BOEING COMPANY THE	Industrial(Heavy)	52,159,300	49,807,100
732790-3645	7760 8TH AVE S 98108	SILVER BAY LOGGING INC	Vacant(Industrial)	642,500	643,500
732790-6685	7410 5TH AVE S 98108	BOYER TOWING, INC	Industrial(Gen Purpose)	569,200	416,300
357320-1061	5055 EAST MARGINAL WAY S 98134	5055 PROPERTIES LLC	Warehouse	1,781,100	1,781,100
766670-3540	4200 WEST MARGINAL WAY SW 98106	GENERAL RECYCLING OF WASHIN	Industrial(Heavy)	5,752,300	4,568,300

Sum of property values increased from \$130,915,796 to \$139,171,000, which equates to a 6.31% increase.

Rate of inflation from 2012 to 2015 is 3.95% (calculated using <http://www.usinflationcalculator.com/>)

Decision

The Cost/DSAY for LDR cash-out settlements will now be \$140,000/DSAY for PRPs that have not currently reached agreement in principle with the Trustees on a cash-out settlement.

