



City of Seattle
Office of the Mayor

MEMORANDUM

To: Council President Richard Conlin
Councilmember Nick Licata
Councilmember Jean Godden
Councilmember Tom Rasmussen
Councilmember Sally Clark
Councilmember Bruce Harrell
Councilmember Tim Burgess
Councilmember Sally Bagshaw
Councilmember Mike O'Brien

Via: Beth Goldberg, Acting Budget Director

From: Ethan Raup, Mayors Office

Date: June 8, 2010

Subject: **Response to Statement of Legislative Intent 67-1-A-2**

Background

The 2010 City Council Statement of Legislative Intent requests that the Mayor propose specific recommendations for implementing either or both of the following new funding sources: an increased Commercial Parking Tax (CPT) and a new Transportation Benefit District. The Council approved CB 116668 (Ordinance 123133) authorizing the Mayor to execute an agreement between the City and the State of Washington related to the Alaskan Way Viaduct and Seawall Replacement Program (AWVSRP Agreement). The AWVSRP Agreement contemplates that the City will be responsible for funding an estimated \$927 million in costs. The 2010 Adopted CIP is based on a "Funding Feasibility Analysis" rather than a detailed finance plan.

Summary

The specific recommendations for the use of Commercial Parking Tax and Transportation Benefit District are made in context of the overall funding plan for the Alaskan Way Viaduct and Seawall Replacement Program. Currently, the unsecured or unidentified portion of the City's funding responsibility is estimated at \$425 million. To meet the funding obligations of Ordinance 123133, the Executive proposes a funding plan that includes Commercial Parking Tax, a Seawall Bond Levy, and a Local Improvement District.

The funding plan does not include the establishment of or support from a Transportation Benefit District for the purposes of the AWVSRP.

This recommendation is made in the context of ongoing dialogue with Council Staff regarding strategic planning for the City's unfunded major capital projects.

Status update on major components of the AWVSRP:

Elliot Bay Seawall

The current cost estimate for the Central Seawall is \$274 million, with an unsecured portion of \$235 million. Because of the risks associated with the Seawall's current state of decline, the design has been accelerated compared to previous schedules. The design consultant has been selected and is currently developing conceptual designs. Pre-construction activities involve ongoing coordination with the Waterfront Planning effort.

Waterfront and Surface Street

The current cost estimate for the City's portion of the project is \$123 million, of which almost all is unsecured. This estimate was developed using a barebone configuration and costs are expected to increase as the design development progresses. A request for qualifications for the design consultant team is due in June 2010 with consultant selection currently planned for October 2010.

Mercer West

The current cost estimate to complete the Mercer Corridor Project West Phase is \$100 million, of which \$57 million is unsecured. A design consultant has been selected and is currently analyzing alternative designs that could lower the project cost. The project is expected to reach the 30% design milestone in the first quarter of 2011.

First Avenue Streetcar

As indicated in previous transmittals, the First Avenue Streetcar has been removed from the Executive's funding plan for the AWVSRP. Analysis of the First Avenue Streetcar will be included in the work done to develop the Transit Master Plan.

Funding Plan

To meet the funding obligations of Ordinance 123133, the Executive's funding plan includes an increase in the commercial parking tax, a bond levy, and formation of a Local Improvement District. The Updated AWVSRP Preliminary Funding Analysis, Attachment A, describes how these revenue sources achieve a fully-funded program.

Seawall Bond Levy

The Executive continues to recommend authorization of a public vote for a \$243 million, 30-year bond measure and excess property tax levy for the purpose of design, construction, renovation, improvement and replacement of the Elliot Bay Seawall. The excess bond levy would assess property owners approximately \$0.12 per \$1,000 AV with an average household impact of \$50 per year.

The Executive recommends moving forward with a Seawall bond ballot measure in November 2010 for the following reasons:

- Identifying the source of funds in 2010 for known costs allows for intelligent planning of resources in the next few years.
- A bond measure is the most appropriate source of funds for this project, compared to other potential transportation revenues.
- A 2011 or 2012 vote would be competing against other potential local ballot measures such as the Family and Education Levy renewal.
- In the event that additional voter-approved funding is not secured, flexibility to program councilmanic revenues will be severely diminished and other transportation funding needs will become more difficult to address.

A proposed Council Bill authorizing the public vote was transmitted to City Council in March, 2010. Only minor updates to the legislation package, to account for schedule changes and project updates, would be needed to allow for a public vote to be included with the November general election. A Resolution or Ordinance authorizing the ballot measure must be received by King County on or before August 10, 2010 for the bond measure to be included in the November 2, 2010 election.

Timing and Next Steps:

- Council action needed in July 2010 in order to put Seawall bond levy on ballot in November 2010.
- Election filing deadlines: August 10th for November 2010.
- First tax year for property owners will be 2012.

Commercial Parking Tax

The Executive proposes a 2.5% increase in Commercial Parking Tax for a duration of up to 20 years to support approximately \$70 million in planned cash and bond fund expenditures for the City's support to the Mercer Corridor West Phase, the Parking Program and the Project Services components. This increment is in addition to the existing 10% tax dedicated to Bridging The Gap programs. The increase would be enacted by Ordinance in 2010 and a single rate increase would begin as early as January 2011.

Other than for purposes of interim financing, the Executive does not recommend increasing Commercial Parking Tax for the Central Seawall or Waterfront components. Commercial Parking Tax is one of the few revenue sources dedicated to transportation improvements in an environment where existing transportation revenues are declining or stretched thin. For example, the 2010-2015 Adopted CIP includes \$107 million of unidentified "to be determined" funding in projects such as Linden Avenue N Complete Streets and the Belltown/Queen Anne Waterfront Connections (West Thomas Overpass). Other programs like the Pedestrian Master Plan Implementation, the Bicycle Master Plan Implementation, and Non-Arterial Paving programs are also underfunded by a sizeable magnitude compared to their existing backlogs.

There are also several projects that are completely unfunded such as Aurora Transit, Pedestrian & Safety Improvements and the Magnolia Bridge. Similarly, no funding has been identified to support replacement of the South Park Bridge. Dedicating specific transportation revenues, such as CPT and Vehicle License Fees, to the Seawall and Waterfront for extended durations could limit the City's ability to prioritize and address many other critical transportation needs for the future.

Timing and Next Steps:

- Legislation will be submitted with Executive's 2011-2012 Proposed Budget.
- Council Action November, 2010.
- Rate increase effective as early as January, 2011.

Local Improvement District

The Executive continues to recommend implementation of a Local Improvement District to fund the City's portion of the Waterfront costs. Further details regarding a Local Improvement District are described in the response to Statement of Legislative Intent 67-2-A-1. The draft preliminary feasibility analysis showed potential special benefits from the project in the range of \$450 to \$600 million. Therefore, it is feasible that a Local Improvement District could generate \$200 to \$225 million in revenues to fund the project improvements. Formation would not occur until 2015 or 2016, a timeframe that allows for design development and preliminary special benefits assessment.

Timing and Next Steps:

- Special Benefits Study for LID formation and preparation of preliminary assessment roll: 2013-2014.
- Local Improvement District formed in 2015-2016 timeframe.
- Interim financing for pre-construction costs will be necessary.

Attachments

- A. Updated AWVSRP Preliminary Funding Analysis
- B. Schedule of Program Costs
- C. Schedule of Program Revenue
- D. Central Waterfront Design / Construction Timeline

ATTACHMENT A: AWVSRP Preliminary Funding Analysis

**TABLE 1. TOTAL COMPONENT COSTS
(\$ in millions)**

Component	2009	2010	2011	2012	2013	2014	2015	2016+	Total
Central Seawall	0.8	7.8	12.6	19.9	90.6	92.0	50.2	0.0	273.9
Waterfront and Surface Street	0.1	1.1	3.2	4.0	10.8	14.0	34.2	345.7	413.0
Mercer Corridor West Phase	0.0	6.0	12.3	15.1	37.0	29.6	0.0	0.0	100.0
Utility Relocation Costs	4.8	8.4	14.0	22.4	27.7	40.9	48.7	81.4	248.3
Parking program / Project Svcs	4.6	7.9	6.1	5.6	4.7	3.2	3.4	5.7	41.2

**TABLE 2. CURRENT FUNDING GAP
(\$ in millions)**

Waterfront and Seawall

Component	Total Cost	City Responsibility	Expected/ Identified Revenue	Funding Gap
Central Seawall	273.9	273.9	38.8	235.1
Waterfront and Surface Street ⁵	413.0	123.0	1.2	121.8
Total	686.9	396.9²	40.0	356.9

Other Associated Components

Component ¹	Total Cost	City Responsibility	Expected/ Identified Revenue	Funding Gap ³
Mercer Corridor West Phase	100.0	100.0	42.8	57.2
Utility Relocation Costs ⁴	248.3	248.3	248.3	0
Parking program / Project Services	41.2	16.0	5.6	10.4
Total	389.5	364.3	296.7	67.6

Notes:

1. Spokane Street Viaduct and Mercer East partial funding of \$80 million is not included in this table.
2. Total City responsibility includes updated costs for the Seawall.
3. This table is intended to highlight the funding gap.
4. Utility Relocation Costs have not yet been updated in this document.
5. The Waterfront estimate was developed using a barebone configuration and costs will increase as the design development progresses.

**TABLE 3. FUNDING GAP SCHEDULE
(\$ in millions)**

Component¹	2011	2012	2013	2014	2015	2016+	Total
Seawall	12.4	19.9	75.6	77.0	50.2	0.0	235.1
Waterfront and Surface Street	3.2	1.4	3.2	4.1	9.5	100.5	121.8
Mercer Corridor West Phase	8.1	11.6	7.9	29.6	0.0	0.0	57.2
Parking program / Project Svcs	2.5	2.2	1.3	1.0	1.0	2.4	10.4
Total	26.2	35.1	88.0	111.7	60.6	102.9	424.5

Notes:

1. This is a preliminary schedule. Cash flow requirements may change and will be updated during the budget process.
2. The \$235M seawall funding gap does not include issuance costs and election costs.

**TABLE 4. PRELIMINARY FUNDING PLAN
(\$ in millions)**

Component³	Source	Timing	Total
Seawall	Bond Levy	2010 Council action and ballot measure	235.1
Waterfront and Surface Street	Local Improvement District ²	Future LID formation	121.8 ⁴
Mercer Corridor West Phase	Commercial Parking Tax	2010 Council action	57.2
Parking program / Project Services	Commercial Parking Tax	2010 Council action	10.4
Total			424.5¹

Notes:

1. Totals do not include finance costs.
2. LID Revenue is not projected until 2015 and beyond.
3. Costs may be updated during the budget process.
4. The Waterfront estimate was developed using a barebone configuration and costs are expected to increase as the design development progresses.

ATTACHMENT B: Schedule of Program Costs
(\$ in millions)

Program Components	2009	2010	2011	2012	2013	2014	2015	2016+	Total
Central Seawall									
Design	0.8	7.8	12.6	19.9					41.1
Construction					90.6	92.0	50.2		232.8
Central Waterfront and Surface Street									
Design	0.1	1.1	3.2	1.4	3.2	4.1	9.5		22.6
Construction								100.5	100.5
State funded work implemented by City				2.6	7.6	9.9	24.7	245.2	290.0
Mercer Corridor West Phase									
Design		6.0	12.3	5.0					23.3
Construction				10.1	37.0	29.6	0.0		76.7
Parking Program/Project Services									
Planning and Implementation	4.6	7.9	6.1	5.6	4.7	3.2	3.4	5.7	41.2
Utility Relocation Costs									
Design and Construction	4.8	8.4	14.0	22.4	27.7	40.9	48.7	81.4	248.3

Note: Project cost estimates may be updated during the budget process. Utility Relocation Costs are still being compiled.

ATTACHMENT C: Schedule of Program Revenue
(\$ in millions)

Program Components	2009	2010	2011	2012	2013	2014	2015	2016+	Total¹
Central Seawall									
Voted Bond Proceeds			12.4	19.9	75.6	77.0	50.2		235.1
King County Grant	0.6	1.4			15.0	15.0			32.0
LTGO Bonds	0.2	6.4	0.2						6.8
Central Waterfront and Surface Street									
Local Improvement District ²			3.2	1.4	3.2	4.1	9.5	100.5	121.8
GSF / State Gas Taxes	0.1	0.3							0.4
LTGO Bonds		0.8							0.8
State funding for work impl. by City				2.6	7.6	9.9	24.7	245.2	290.0
Mercer Corridor West Phase									
New Commercial Parking Tax			8.1	11.6	7.9	29.6			57.2
BTG (CPT) Bonds		5.7	3.3						9.0
Federal Grants		0.3	0.9						1.2
State Grants (PSRC)				3.5	3.5				7.0
Private Funding / Donations					25.6				25.6
Parking Program / Project Services									
New Commercial Parking Tax			2.5	2.2	1.3	1.0	1.0	2.4	10.4
LTGO Bonds	2.4	3.0	0.2						5.6
State Grants	2.2	4.9	3.4	3.4	3.4	2.1	2.5	3.3	25.2
Utility Relocation Costs									
SPU Utility Rates	1.0	3.3	5.8	6.2	5.4	4.7	4.6	14.4	45.4
City Light Utility Rates	3.8	5.1	8.2	16.2	22.3	36.2	44.1	67.0	202.9

Notes:

1. These revenue estimates do not include finance costs, issuance costs, or other non-project costs such as election and interim financing costs.
2. 2011-2015 costs will require interim financing.

ATTACHMENT D: Central Waterfront Design / Construction Timeline

