



**Legislative Department  
Seattle City Council  
Memorandum**

**Date:** December 8, 2011  
**To:** Transportation Committee  
**From:** Christa Valles, Central Staff  
**Subject:** First Hill Streetcar Update

On December 13, 2011, the Seattle Department of Transportation (SDOT) will brief the Transportation Committee on the status of the First Hill Streetcar Project (or “the streetcar”) in anticipation of Council review and approval of a Maximum Allowable Construction Contract (MACC) in early 2012. This memo includes relevant background, outlines a tentative decision-making timeline, and identifies outstanding information needed for Council review prior to a vote.

**I. Background**

The First Hill Streetcar Project is a 2.4-mile connector intended to serve Seattle’s Capitol Hill, First Hill and International District neighborhoods. To date, Council has taken two legislative actions associated with the streetcar. In the first action, taken in October 2009, Council passed Ordinance 123118, which, among other things, authorized SDOT to enter into a Memorandum of Agreement (MOA) with Sound Transit. The MOA between the City and Sound Transit outlines the terms under which Sound Transit has agreed to finance the construction and operation of the streetcar. The MOA includes the following key terms:

- Sound Transit’s total capital costs are limited to \$132.8 million.
- Sound Transit’s operating and maintenance (O&M) contribution is limited to \$5.2 million annually<sup>1</sup>.
- The City is responsible for all capital and operating costs that exceed Sound Transit’s capital and operating contributions<sup>2</sup>.
- The City Council will approve the route.
- The streetcar must meet certain performance criteria (referred to as a “Minimum Scope of Work”, see Attachment 1, Exhibit A to Attachment A to MOA), including 10-minute headways during peak service hours.

---

<sup>1</sup> In 2007 dollars.

<sup>2</sup> If the City determines the cost to operate the planned service exceeds total resources available to the City from Sound Transit, advertising and sponsorship revenues, and any grant funding, the City shall give fifteen months notice to Sound Transit and submit a proposed plan that includes a thorough analysis of alternatives that include cost-cutting measures that minimize service reduction. Within three months of this notice, Sound Transit may approve the City’s proposed plan, or an alternative plan agreed upon by the parties, or may elect to operate the Project directly beginning 15 months from the City’s notice.

- The City is required to reject project bids or the MACC if costs exceed available Sound Transit funds (unless the City agrees to fund the difference).
- SDOT is required to certify to Sound Transit that bid documents meet *both* the operating and capital requirements outlined in the Minimum Scope of Work.

In addition to authorizing SDOT to sign an MOA with Sound Transit that includes the above terms, Ordinance 123118 requires the following:

1. SDOT must provide written quarterly progress reports on the design and construction of the First Hill streetcar to the City Council beginning in January 2010 until project close-out.
2. SDOT must provide the City Council with a copy of the certification it sends to Sound Transit indicating the project can be built and operated per the Minimum Scope of Work.
3. SDOT must obtain City Council approval prior to executing a construction or operating contract for the streetcar.

In the City Council's second action related to the First Hill Streetcar, the Council passed Resolution 31207 in May 2010, which approved a streetcar route from E. Denny and Broadway to 2<sup>nd</sup> and Jackson in Pioneer Square, including a turn-back loop on Main. At the time Council approved this route, SDOT estimated total streetcar capital costs would be \$125 million. It was anticipated the remaining funds of approximately \$7 million could be used to help pay for an extension to Aloha and Broadway (estimated to cost approximately \$20 million).

Since that time, and in response to Pioneer Square stakeholders, SDOT has recommended a revised route that eliminates the turn-back loop on 2<sup>nd</sup> and Main and extends the streetcar one block west to 1<sup>st</sup> and Occidental. SDOT has also selected the site of the maintenance base, which will be located on SDOT's Charles Street property. Finally, SDOT now estimates it will need Sound Transit's total capital contribution of \$132.8 million to construct the streetcar from E. Denny and Broadway to 1<sup>st</sup> and Occidental; thus it is not anticipated there will be revenue available from the Sound Transit contribution for the Aloha extension (unless revenues for project contingencies are not used, but given that estimated project costs have only increased over time, it should be considered a good outcome if project contingencies prove merely sufficient to cover unanticipated project costs).

## **II. Timeline for Council MACC review and approval**

SDOT has indicated it will seek Council review and approval of the MACC in early 2012 once it certifies to Sound Transit that the project bid documents meet both the operating and capital requirements in the Minimum Scope of Work. Council approval of the MACC should, as was the case with the South Lake Union Streetcar project, state the actual MACC in the authorizing legislation. Council may want to include the following items (the actual contract with the GC/CM will contain more detail):

Preconstruction Allowance (inc. Sales Tax)	
Maximum Allowable Construction Cost (MACC)	
<u>Construction Cost</u>	
Construction Total	
Subcontractor Bonds	
Reimbursable General Conditions	
MACC Contingency @ _____%	
<b>Total Construction Cost</b>	\$
GC/CM Fixed Fee @ _____%	
Specified General Conditions Work	
<b>TOTAL MACC</b>	\$
Washington State Sales Tax on MACC	\$
<b>TOTAL GUARANTEED CONTRACT COST</b>	\$

**Central Staff Recommendation:** While the MOA with Sound Transit does not specifically state that Sound Transit must concur with SDOT’s certification, Central Staff recommends the City Council not approve the MACC until Sound Transit has indicated, as project co-lead and funder, that it concurs with SDOT’s certification. In addition, the MOA makes clear that Sound Transit is not obligated to fund the streetcar project if it does not meet the Minimum Scope of Work; thus, it will be important for the City to address any of Sound Transit’s potential concerns before proceeding with a MACC. While Sound Transit’s concurrence can be informal, it should be explicit (such as an email from Joni Earl to the Transportation Chair).

**III. Outstanding Questions and Concerns**

At the time of this writing, Central Staff has several outstanding information requests from SDOT. This information includes the following:

- Headway analysis
- Finalized O&M plan
- Details of proposed vehicle contract

This information will likely not be available in time for the December 13, 2011 Transportation Committee discussion but should be available prior to a Council vote on the MACC in early 2012.