

## CITY COUNCIL STUDY SESSION ITEM

### **SUBJECT:**

East Link: Downtown Bellevue alignment alternatives and City Council preferences.

### **STAFF CONTACT:**

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#### ***Transportation Department***

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#### ***City Manager's Office***

### **FISCAL IMPACT:**

N/A

### **POLICY ISSUES:**

The City Council has had an ongoing discussion of the East Link light rail project since 2006. In February 2009, in response to the East Link Draft Environmental Impact Statement (DEIS), the City Council recommended the C2T alternative, which would be a tunnel under Main St., 106<sup>th</sup> Avenue Northeast, and Northeast 6<sup>th</sup> Street. This alternative would provide stations at East Main (Main Street/112<sup>th</sup> Avenue), the Bellevue Transit Center (Northeast 6<sup>th</sup> Street/108<sup>th</sup> Avenue Northeast), and the Hospital Station (former Burlington Northern Santa Fe Railroad right of way/Northeast 8<sup>th</sup> Street).

In recent months the City Council has indicated an interest in reconsidering its alignment preference for the downtown Bellevue area ("Segment C"), as has the Sound Transit Board of Directors. As a result, Sound Transit and City of Bellevue staff evaluated four new downtown Bellevue alternatives during December and January. In February Council, the Sound Transit Board of Directors, and the public reviewed this evaluation and began debate regarding preferences.

Major policy considerations related to each of the alternatives focus on their compatibility with the continued growth of downtown Bellevue, including: the location of stations in proximity to employment and residential concentrations; urban design integration; traffic operations; construction impacts; and cost. Sound Transit and City staff briefed the City Council on these issues throughout January and February.

The Bellevue City Council has adopted a body of light rail policy (including light rail best practices policies adopted in August 2008, other Comprehensive Plan policies, and Council interest statements) that articulates community values related to the development of light rail in Bellevue. This body of policy provides guidance and support for light rail transit investments in Bellevue and is complementary to the information provided by Sound Transit's December 2008 East Link DEIS and the joint Sound Transit – City of Bellevue January 2010 Downtown Bellevue Light Rail Alternatives Concept Design Report.

The City Council has articulated its preferences regarding the East Link project through its communications to Sound Transit, amendments to the Comprehensive Plan, and other actions. These City actions provide the basis for addressing project issues cooperatively with Sound Transit.

**DIRECTION NEEDED FROM COUNCIL:**

- Action
- Discussion
- Information

The Bellevue City Council and Sound Transit Board of Directors have agreed to reconsider East Link light rail alignment alternatives and preferences for the downtown Bellevue portion of the project (“Segment C”). Over the course of the past several months new alternatives have been proposed, evaluated, and discussed. The City Council has the opportunity to weigh in on this issue by stating its current preferences and making a recommendation to the Sound Transit Board of Directors. The Sound Transit Board of Directors is expected to reconsider its downtown Bellevue alignment preference in April, with a decision anticipated April 22. Therefore, this is the opportune time for the Bellevue City Council to state its preferences.

Staff will be prepared to assist the City Council at the March 15 Study Session in developing a communication to Sound Transit stating the Council’s preference for the C segment alignment. Staff will present the East Link decision making history for the downtown Bellevue segment; summarize the development of the four new alternatives and evaluation findings; and will discuss possible means of addressing the financial issues associated with the 110<sup>th</sup> Avenue Northeast Tunnel (“C9T”) alternative.

**BACKGROUND/ANALYSIS:**

**Segment C Alternatives Background**

On February 23, 2009 the Council selected a preferred East Link alignment and recommended it to the Sound Transit Board of Directors for its consideration. This decision was made after several months of intense Council deliberation and extensive public input, and after two years of detailed project work and a year of policy deliberation through the Bellevue Light Rail Best Practices effort. On May 14, 2009 the Sound Transit Board of Directors identified a preferred alternative for the East Link project. This preference, and all other alternatives that have been studied to date, will continue to be evaluated in the East Link Final Environmental Impact Statement (FEIS) that is expected to be completed in late 2010. Concurrently, the preferred alternative is being advanced through preliminary engineering, with the exception of Downtown Bellevue, where Sound Transit has suspended preliminary engineering work pending the selection of the preferred alternative.

The Sound Transit Board of Directors’ motion of May 2009 identifying their preferred alternative included several components that require City action by early 2010. For the downtown Bellevue segment, the City is expected to:

- Develop a financing plan with Sound Transit for a downtown tunnel alternative;
- Join Sound Transit in a peer review of the downtown at-grade alternative (C4A couplet).

In October and November briefings, Sound Transit introduced additional downtown alternatives developed in response to revised financial forecasts and based on input from the at-grade peer review panel and the value analysis workshop. These new alternatives included a shorter downtown tunnel (C9T) and two shorter at-grade options (C9A and C11A), all exiting downtown and crossing I-405 at NE 6<sup>th</sup> Street. In early December, Council requested that Sound Transit also evaluate an elevated option along 114<sup>th</sup> Avenue Northeast (C14E). In mid-December, the Sound Transit Board directed staff to conduct additional evaluation of these four alternatives and articulated their intent to reconsider the downtown Bellevue preferred alternative by spring 2010.

In December and January, Sound Transit and City staff developed the *Downtown Bellevue Light Rail Alternatives Concept Design Report*. This effort included refining the alternatives, defining evaluation criteria, developing visual simulations and technical data, and compiling the report.

On February 11, the Sound Transit Board and the Bellevue City Council held a joint meeting to review and discuss the analysis contained in the *Downtown Bellevue Light Rail Alternatives Concept Design Report*. At that meeting the Sound Transit Board of Directors and Bellevue City Council directed their staffs to develop a funding strategy to enable the 110<sup>th</sup> Avenue NE (C9T) alternative. They also directed their respective staffs to develop a workplan that would allow both bodies to work towards mutual agreement on a preferred Segment C alternative.

On February 16, the City Council reviewed the February 11 presentation and requested additional detail on traffic and ridership-related issues for the C segment alternatives. Additionally, Council discussed south Bellevue issues and requested clarification of several routing and environmental issues.

On February 22, the City Council again discussed the East Link downtown Bellevue alignment choices. Bellevue staff presented and discussed the results of additional traffic analysis in detail and elaborated on the relation of the alignment choices to projected downtown growth. Staff also presented and discussed the results of a City-initiated consultant review of Sound Transit's cost estimate for the C9T alternative.

The March 1 and March 8 City Council discussions of East Link focused on the Bel-Red (Segment D) and south Bellevue (Segment B) portions of the project.

### **Tunnel Funding Gap Discussions and Options**

As noted above, Sound Transit Board Motion No. M2009-41, included direction to Sound Transit staff to work with the City to identify additional external funding sources for a tunnel option that the Sound Transit Board could consider prior to the completion of the final EIS. It further stated that a tunnel option may offer higher ridership than the at-grade or elevated alternatives, but the tunnel alternative is not financially feasible at this time without additional funding sources. The motion specifically included the following requirements:

- Any additional funding sources should be formally identified by the City within one month after the completion of the 15% design cost-estimates, which Sound Transit estimates to be completed in early 2010;
- The Board requests interim reports from Sound Transit staff and the City identifying a list of potential additional funding sources by the third quarter of 2009; and
- The Board requests a second interim report stating the potential value of such sources by the fourth quarter of 2009.

To respond to the Sound Transit Board request and to further the Council's preferred alternative of a tunnel option for Downtown Bellevue, in August 2009 the Council approved a set of principles to guide the identification and analysis of potential funding options for a tunnel alternative. The principles are provided as **Attachment I**. These principles provided the framework for developing a list of potential funding options and for evaluating the options for potential contribution to a tunnel alternative. They were used as guidelines for discussions of the City Manager's CEO Advisory Group, which was convened for the purpose of advising the City Manager on funding strategies and appropriate levels to support a local investment in a light rail tunnel in downtown Bellevue.

On October 6, 2009, the Bellevue Council provided a progress report to the Sound Transit Board, which is included as **Attachment II**. In this report, Sound Transit was advised that the City had convened the CEO group and the Council provided a menu of potential local funding options that would be evaluated, in addition to a list of possible Federal and State resources that could be pursued for tunnel funding.

A second communication was made to Sound Transit CEO Joni Earl on December 3, 2009, (**Attachment III**) stating that, because the new options for the C segment that would likely change the funding gap associated with a tunnel option, the City would delay the second requested interim report to the Board until after the results of the analysis of the new options was available.

#### **CEO Advisory Group**

The City Manager's CEO Advisory Group met five times from September through January to review information about the tunnel cost estimates, as well as revenue options for the City and revenue tools used by Sound Transit in the past and potentially available in the future to contribute to the tunnel funding gap. In their last meeting, group reached consensus on the following:

- Based on the information they know at this point, the C9T tunnel funding gap could be eliminated through a combination of segment saving, and a number of financial options available to both the City and Sound Transit.

The group requested that a letter be drafted for their review that communicates their consensus findings along with the specific options they identified that could be used by the City and Sound Transit to close the funding gap. This letter is expected before the end of the month.

#### **City Manager and Sound Transit CEO Discussions**

The City Manager and Sound Transit CEO have met several times to follow through on the direction provided by the City Council and the Sound Transit Board on February 11<sup>th</sup> to develop a menu of options to close the funding gap for the C9T alternative.

At this time, the scope of the funding gap for the C segment is in the range of \$285 million (2007 dollars), which is the difference between the C9T cost estimate and the funding available for the C Segment based on the ST2 financing plan assumptions. It is possible that the gap could be reduced over time through additional value analysis and savings within the project and the benefits of cost reductions should accrue to both the City and Sound Transit. Sound Transit has identified additional costs associated with entering the Bel-Red Corridor at NE 6<sup>th</sup> instead of NE 12<sup>th</sup> that would be additive to the \$285 million gap, for a total gap of \$325 million that would need to be addressed.

Through the discussions, the general approach that is emerging is that the funding gap for C9T could be eliminated through an agreement where both Bellevue and Sound Transit provide “contributions” to the funding gap as summarized below:

- The City’s contributions would be in the form of in-kind actions that reduce the cost of the project to Sound Transit and capital expenditures associated with street and/or other capital projects that benefit the City;
- The total amount of the City contributions would range from approximately \$75 - \$150 million;
- Sound Transit contributions would be in the form of cost reductions occurring with scope changes in the B segment, project savings funding accruing to the project due to added duration to construct a tunnel, and use of financial tools to close the gap;
- The total amount of the Sound Transit contributions would be in the range of \$65- \$135 million;
- The combinations of the ranges for the City and Sound Transit noted above leave a potential shortfall ranging from \$40-\$185 million to be addressed; and
- Sound Transit’s goal would be that the combination of City contributions and scope reductions would reduce the gap to \$100 million or less prior to considering additional funding sources.

The discussions remain a work in progress, however, the concepts are being provided at this point for Council to be able to consider this information in the deliberation of the Council’s preferred alternative for the C segment.

**Next Steps**

Staff will provide an overview of the information and analysis for each of the C segment alternatives at the March 15, 2010 study session to support Council discussion and possible recommendation of a preferred alternative and funding concepts for the C9T alternative. The upcoming schedule is provided again below for Council information:

March	Description/Activity
3/15	Council presentation/discussion of C segment alternative, and discussion of Council recommendation for C segment
3/25	Sound Transit Board East Link Update
April	
4/5	Continued Council discussion if needed of C segment and Council recommendation
4/8	Sound Transit Capital Projects Committee
4/22	Tentative date for Sound Transit Board decision on preferred option for C segment

**ATTACHMENTS**

- 1) Principles for Tunnel Option Funding Contribution
- 2) October 6, 2009 letter to Sound Transit Board from Bellevue City Council re Progress Report on Tunnel Funnel Options
- 3) December 3, 2009 letter to Joni Earl from Bellevue Council re Delay in Second Interim Report

**PRINCIPLES FOR TUNNEL OPTION FUNDING CONTRIBUTION**

The City of Bellevue has concluded that a tunnel through Downtown Bellevue best meets system efficiency objectives and avoids what otherwise would be severe traffic and economic consequences to downtown Bellevue. Sound Transit has required the City of Bellevue to identify potential new funding sources for the tunnel. The following principles are proposed to guide the City's consideration of funding options for an East Link tunnel alternative in downtown Bellevue:

- a. The funding strategy for a tunnel should include the following components:
  - Savings identified in the Bellevue sections of the alignment
  - Value engineering savings identified in tunnel design
  - New funding and revenue opportunities from federal and other sources
  - Local funding from existing and new sources
- b. Sound Transit and the Region will benefit from construction of a tunnel for Light Rail Transit because a tunnel will improve regional system efficiency and overall ridership performance. These benefits to the Sound Transit system justify a Sound Transit investment in the tunnel.
- c. The tunnel will avoid traffic conflicts and improve the long-term economic viability of Bellevue's metropolitan center; therefore, it is appropriate for Bellevue to participate in funding of a tunnel.
- d. Any local funding responsibility for the tunnel should be allocated based on the benefits conveyed to properties/businesses located in the Downtown, and to City-wide sources for any general benefit attributable to a tunnel.
- e. The extraordinary costs of the tunnel require that local funding from new or expanded revenue sources not currently used by the City for capital investment be considered.
- f. Dedication of existing (2009-2015) and future year (after 2016) CIP revenue may also be appropriate; however, the City must consider the impact any reallocation would have on important future and ongoing City investment requirements prior to reprioritizing funds to the tunnel project.
- g. New local funding to support the costs of a tunnel should be 'scalable' to enable the City Council to consider alternate levels of investment. "Scalable" in this context means the amount raised by various funding sources, as well as the geographic area from which the funding could come from.



City of  
Bellevue

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October 6, 2009

The Honorable Greg Nickels  
Chairman, Sound Transit Board of Directors  
401 South Jackson Street  
Seattle, WA 98104

**Re: Progress Report on Downtown Bellevue Tunnel Funding Options**

Dear Chairman Nickels:

On behalf of the Bellevue City Council, I am writing to provide you and the Board a summary of the extensive work we have undertaken in response to the Sound Transit Board's May 14, 2009 Motion #2009-41. This Motion recognized Bellevue's interest in a downtown tunnel solution and directed the City to identify possible partnership funding sources by early 2010 to fund a tunnel. This report complies with the Board's direction that Bellevue provide a list of potential funding sources by the third quarter of 2009. We have taken this charge very seriously. We have formed a committee composed of some of the region's leading executives to assist us in this effort. Those serving on the committee are:

- Brad Smith, Microsoft;
- Steve Reynolds, PSE;
- Mike Koppel, Nordstrom;
- Bob Wallace, Wallace Properties;
- Bill Ayer, Alaska Airlines;
- Kemper Freeman, Kemper Development;
- Karen Lytle, Lytle Enterprises; and
- Bob Drewel, PSRC serving as a facilitator.

The council and the committee continue to analyze a list of possible local funding options as shown in Attachment 1. In short, the sources under present consideration by the Council include:

- Transportation Benefit District Annual Vehicle Fee (two options)
- Sales Tax Local Construction Tax
- Business and Occupation Local Construction Tax
- Business and Occupation Tax Rate Increase to 0.2%
- Employee Hours Head Tax
- Local Improvement District (LID)
- Parking Tax
- Base [local] Capital Investment Program (CIP) Revenue
- Property Tax Increase

City of Bellevue offices are located at 450 - 110<sup>th</sup> Avenue N.E.

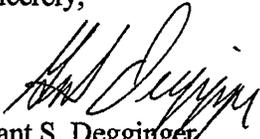
The Council began the exploration of funding sources through adoption of *Principles for Tunnel Funding Contribution* (Attachment 2) in order to guide our evaluation as part of the broader need to fully fund East Link. We believe that any tunnel funding strategy should contain the following components: (1) savings identified in the Bellevue sections of the alignment; (2) value engineering savings identified in tunnel design; (3) new funding and revenue opportunities from federal and other sources; and (4) local funding from existing and new sources. Another key principle recognizes that Sound Transit and the region will benefit from system performance of a tunnel which justifies a Sound Transit investment in any tunnel configuration.

Next, City staff conducted a thorough review of all existing and new sources that should be further evaluated as found consistent with Council *Principles*. In addition to the local resources for consideration as shown in Attachment 1, the City and Sound Transit continue to assemble and assess a list of existing federal sources (Attachment 3). Moreover, Sound Transit and Bellevue East Link technical teams continue to work collaboratively towards design solutions that offer both system performance enhancements and potential cost reductions.

Over the next few months, substantial technical work will be conducted for each of the potential local funding sources, including City-supported consultant services to more closely analyze a Local Improvement District (LID) option and better understand the implications of a would-be parking tax in downtown Bellevue.

We are hopeful that over time we will embark upon innovative design and funding solutions that will ultimately bring down costs associated with any tunnel option. Our Council and our community continue to believe that a surface option in the downtown is not in the best interest of the city and the region. We look forward to continuing to work with Sound Transit in developing a successful tunnel solution.

Sincerely,



Grant S. Degginger  
Mayor, City of Bellevue

cc: Sound Transit Board of Directors  
Bellevue City Council  
Joni Earl, CEO, Sound Transit  
Steve Sarkozy, Bellevue City Manager

Attachments: Menu of Local Funding Options  
City of Bellevue Tunnel Funding Principles  
Existing Federal Resources

City of  
Bellevue



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December 3, 2009

Joni Earl  
CEO, Sound Transit  
Union Station  
401 S Jackson Street  
Seattle, WA 98104

Dear Ms. Earl,

We are aware that Sound Transit has developed additional alignment options that have been communicated to the City and are the subject of additional outreach to the public in the coming weeks. These are C9-T, C9-A, C11-A and a modification of C7-E that would exit downtown Bellevue at NE 6<sup>th</sup>.

As you and I discussed earlier this week, it would be prudent for Sound Transit to also evaluate a 114<sup>th</sup> elevated alignment that was presented by Councilmember Wallace to look at cost, ridership, constructability, etc., in order to provide a comparison of this option with the alternatives previously identified by Sound Transit. Our Council would appreciate this additional analysis and ask you to do so.

Since the time that Sound Transit identified its locally preferred alternative earlier this year, the alignment options for Downtown have significantly changed. Given the changing nature of the options under evaluation by Sound Transit, it is appropriate for the City to extend the evaluation of potential funding options for a tunnel alternative to coincide with the timing of the evaluation process for the new options.

The City has not changed its position on the preferred alignment, but we agree that it is important for us to work with you to evaluate these new alternatives for the Downtown Bellevue segment so that the City, Sound Transit and the community can assess the new options. Your continued courtesy and cooperation is greatly appreciated.

Sincerely,

A handwritten signature in black ink, appearing to read "Grant S. Degginger". The signature is fluid and cursive.

Grant S. Degginger  
Mayor

cc: Bellevue Council

City of Bellevue offices are located at 450 - 110<sup>th</sup> Avenue N.E.