

CITY OF BELLEVUE
CITY COUNCIL

Summary Minutes of Study Session

September 19, 2011
6:00 p.m.

Council Conference Room
Bellevue, Washington

PRESENT: Mayor Davidson, Deputy Mayor Lee, and Councilmembers Balducci, Chelminiak, Degginger, Robertson, and Wallace

ABSENT: None.

1. Executive Session

Deputy Mayor Lee called meeting to order at 6:02 p.m., and declared recess to Executive Session for approximately 30 minutes to discuss one matter of property acquisition/disposition.

The meeting reconvened at 6:56 p.m., with Mayor Davidson presiding.

2. Study Session

- (a) East Link: Affordability of Memorandum of Understanding with Sound Transit

City Manager Steve Sarkozy noted the Council's ongoing discussions toward establishing a binding Memorandum of Understanding (MOU) with Sound Transit for the East Link light rail project. Tonight's discussion is focused on determining the affordability of the City's contribution toward the Downtown Tunnel.

Planning Director Dan Stroh recalled the Light Rail Best Practices Report published in June 2008, which concluded that light rail was vital for enforcing Bellevue's role as the principal Eastside city, and for furthering the vision for better mobility choices, continued growth in the Downtown, and redevelopment in the Bel-Red corridor.

The 2010 Term Sheet between the City and Sound Transit was established to address sharing in the cost of a Downtown Tunnel as opposed to an at-grade profile. The most recent cost estimate shows a \$276 million funding gap between the at-grade and tunnel options, and the City's contribution could be as much as \$160 million (2010 dollars).

Mr. Stroh referred the Council to the Draft Principles for the City Contribution to the East Link Project Tunnel Alignment on page SS 2-23 of the meeting packet, and noted that staff is seeking Council endorsement of the principles. The principles demonstrate a priority on identifying ways for the City to reduce project costs as part of its contribution to closing the funding gap. The second and third categories for the City's share are collateral benefits and a contingent contribution.

Responding to Mayor Davidson, Mr. Stroh said the updated cost estimate is based on both inflation and the construction cost escalator. Councilmember Wallace suggested that the MOU clearly define the specific formula that is used.

Councilmember Robertson noted that the August 2011 Term Sheet reflects both \$150 million and \$160 million. There has been discussion about \$158 million, and if that is correct, she prefers to not round that up to \$160 million.

Diane Carlson, Director of Intergovernmental Relations, said staff has been working from the \$160 million figure. When the \$150 million from the 2010 Term Sheet is escalated by inflation, the amount is \$158 million. However, when calculated using only the construction cost escalator, the estimate went to \$164 million. Therefore staff chose \$160 million as a midpoint.

Councilmember Wallace said that the City's contribution should be the last dollars in, up to \$150 million (2007 dollars). Sound Transit is to contribute \$75 million in project cost savings and \$95 million from other sources, for a total contribution of \$170 million. He suggested that every time Bellevue's estimated contribution is increased, Sound Transit's contribution should be inflated as well.

Mr. Stroh described the City's initial anticipated contribution of \$100 million, to be followed later by up to \$60 million. Referring to page SS 2-25 of the meeting packet, he noted that contributions of no or low cost to the City include easements on City-owned properties, utilities relocations, and a sales tax credit. Opportunities for corollary benefits include the Metro site adjacent to City Hall and other specific property acquisitions. Contributions in these two categories total \$100 million, and the remaining \$60 million falls into the category of contingent contribution. The latter category potentially includes the HOV lane on Bellevue Way, Code amendments to provide Sound Transit with greater certainty, expedited permit processing, construction mitigation, cost reductions through value engineering and/or changes in project scope, and grant funding/partnerships.

Mr. Stroh reviewed three Capital Investment Program (CIP) revenue package options through 2030. Overall capital needs include projects in neighborhoods and the Downtown, the Mobility and Infrastructure Initiative, the new shortfall in the 2011-2017 CIP Plan, the City's East Link MOU contribution, and a list of additional needs totaling \$480 million [See meeting packet beginning on page SS 2-27.].

Responding to Councilmember Robertson, Mr. Stroh said the Council can remove items from the CIP Plan to direct funding toward the East Link MOU contribution, or the Council can bring in new resources by issuing long-term debt.

Ms. Robertson noted finance costs ranging from \$20 million to \$50 million, and questioned whether Sound Transit realizes cost savings on their finance costs if the City takes financial responsibility for projects on Sound Transit's list. She questioned whether the City would receive credit for lowering those costs for Sound Transit.

Mr. Stroh said Sound Transit does not calculate those finance costs as part of the overall gap in the project cost at this stage, but they could figure that out in the future as they are reconciling with the City. He explained that the finance costs cannot be added now because they are not part of the current gap calculation or project cost calculation.

Responding to Councilmember Degginger, Ms. Carlson confirmed that, from Sound Transit's perspective, the agency would not be incurring the additional costs at all if it were not providing the Downtown Tunnel for Bellevue. It is a complicated issue in terms of how that could be worked into an agreement with Sound Transit.

Councilmember Balducci observed that the Council has not gone back to review the capital needs that were identified a number of years ago. The recession has slowed down both revenues and development, which likely translates to changes in capital needs as well. Ms. Balducci suggested it would be appropriate to extend the timeframe for CIP planning to 2030.

Mr. Stroh agreed that timing is a critical issue in balancing the CIP budget.

Councilmember Robertson said the cost of ADA compliance for City sidewalks is estimated at nearly \$1 billion, and that item is not in the capital budget.

Deputy Mayor Lee observed that the City has not traditionally looked at long-term economic development activities as part of a strategy to increase revenues.

Councilmember Degginger recalled that, at Mr. Lee's suggestion, the Council spent some time a number of years ago creating a long-term financing plan, which became the basis for the list of CIP projects, including the lengthy list of unmet needs. The Mobility and Infrastructure Initiative was an outcome of that extensive Council effort.

Deputy Mayor Lee concurred with Mr. Degginger's recollection. He commented that times have changed, however, and the City is now struggling with identifying revenue sources. He believes the City should start thinking about the right investments to generate revenue for the City, as part of an overall strategy.

Mayor Davidson suggested that this topic be addressed as part of the upcoming budget discussions.

Continuing, Mr. Stroh described the three revenue package options, which are provided as Attachment G in the meeting packet. He noted that the scenarios do not include filling the \$25 million gap in the existing CIP Plan. At this point, the Council needs to remove \$25 million in projects or add \$25 million in revenues to balance the 2011-2017 CIP Plan.

Responding to Councilmember Balducci, Mr. Stroh confirmed that the three revenue package options are intended to illustrate the opportunity for mixing revenue sources to achieve funding goals.

Councilmember Chelminiak questioned how the Bellevue Way HOV project becomes a credit toward the light rail Downtown Tunnel. His understanding is that Sound Transit defines their mitigation measure as the \$4.5 million project between the South Bellevue Park and Ride and I-90. If Sound Transit does not consider the remaining HOV lane project as mitigation, he wondered whether it is realistic to expect that the City would receive credit for the project.

Mr. Stroh confirmed that Mr. Chelminiak's understanding is consistent with the current perspective of Sound Transit staff. However, all items continue to be in active discussion with regard to the MOU, and it is hoped that the City could receive credit for the HOV project.

Mr. Chelminiak observed that East Link construction will extend for at least three years along Bellevue Way, and the HOV project would take place first. This represents several years of construction adjacent to the Enatai neighborhood.

Councilmember Balducci explained that when the City adopts new projects into the Transportation Facilities Plan or Capital Investment Program Plan, the projects have gone through a development and vetting process that includes an analysis of the costs and benefits. She has not seen this type of work prepared yet for the proposed HOV lane project.

Ms. Balducci noted that the Council received an email earlier in the day from Bill Popp, who takes the position that the main traffic impacts of the East Link project are caused by the South Bellevue Park and Ride traffic. Ms. Balducci recalled that, in the past, the City has discussed ways to improve that intersection, including a grade-separated configuration. If the City is considering spending \$25 million on a project that might not qualify as a credit under the East Link MOU, Councilmember Balducci suggests spending the \$25 million on a project that will bring the highest benefit to traffic flow at that location. She questioned whether the City has conducted this broader analysis. She believes it is not necessary to make this particular decision by the end of October, due to the long implementation timeframe for light rail.

Mr. Stroh said staff is working to bring more information on the project forward for the Council. Staff anticipates providing a preliminary layout for the HOV facility in the near term, with a traffic analysis to follow in early October.

Councilmember Balducci would like an analysis of the concepts presented by Mr. Popp related to access to the Park and Ride facility, and a comparison of that project with the proposed HOV lane project.

Councilmember Wallace said it is difficult to make a decision on many of the possible items to be included in the MOU because there is no mitigation plan from Sound Transit. How can the City address how it might be able to help reduce the cost of traffic mitigation when Sound Transit has not produced a traffic mitigation plan? Mr. Wallace said the two primary issues related to Bellevue Way are Sound Transit's mitigation and the fact that, by 2030, traffic on that road will be backed up to Main Street. Mr. Wallace said the City cannot identify contingent contributions without knowing Sound Transit's mitigation plans.

Mr. Wallace observed that the Bellevue Way HOV lane project should go through the normal process of Transportation Facilities Plan (TFP) review by the Transportation Commission.

Mr. Stroh agreed about the challenge of identifying contributions in the third category/type. Tonight's discussion is intended to focus on the first two categories and the initial \$100 million investment, and the remaining contribution will be addressed as the project moves forward.

Concluding the presentation, Mr. Stroh said that in order to fund the East Link investments in the 2014-2015 timeframe, current CIP projects will have to be removed or the City would need to consider issuing long-term debt. Mr. Stroh said staff is seeking Council feedback on the draft principles discussed earlier, and provided on page SS 2-33 of the meeting packet.

Councilmember Chelminiak expressed general support for the draft principles. However, he believes there should be a principle indicating that the East Link project will be completed, at least to Overlake, before certain City contributions are activated. He noted that the East Link project should ultimately be completed to East Redmond.

Councilmember Robertson said she firmly agrees that full completion of the project to Redmond will enhance the overall system. However, she cautioned against adding a draft principle that could result in finishing a larger portion of the alignment, but not building it right.

Councilmember Wallace referred to the second principle, which states that the City's contribution should be proportionately reduced if the tunnel funding gap is reduced or closed. He stated that the City's contribution should be absolutely reduced, not proportionately reduced, if the budget decreases.

Mr. Wallace believes that the third principle is the most important one, that the City's contributions to the project are contingent on Sound Transit selecting a cooperative alignment with the City that successfully mitigates impacts. He said the crossing of 112th Avenue SE, without signal bells, has not been resolved. He would like to hire a consultant to advise the Council on the best way for the train to cross the road with the least costs and with all impacts appropriately mitigated. Mr. Wallace would like to consider a City Resolution that there cannot be any bells on any road in Bellevue.

Mayor Davidson announced for the public that an open house on these issues is scheduled for September 20, and a public hearing is scheduled for the September 26 Council meeting. He hopes that more information on mitigation will come forward by the public hearing.

Following up on his previous comments, Councilmember Wallace suggested a need to go back and test the assumptions on the revenue side (e.g., sales, B&O, and property tax projections; impact fees; incentive zoning; Bel-Red taxes). He stated his interpretation of the meeting materials that there will be \$2.5 billion of construction in the Bel-Red corridor during the 2018-2030 time period. Mr. Wallace said there is a need to take a harder look at the assumptions related to revenues. On the expense side, he sees projects missing including NE 4th Street, which has a funding gap.

Councilmember Degginger referred to the third draft principle about reaching a cooperative alignment with Sound Transit. He observed that it is not yet possible to identify every mitigation measure, and he does not want this principle to be used as a general basis for not moving forward. He suggested that the principle be more accurately defined.

At 8:00 p.m., Mayor Davidson declared a five-minute recess before convening the Regular Session.

Myrna L. Basich, MMC
City Clerk

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