



**MEETING NOTES
CENTRAL WATERFRONT
EXECUTIVE COMMITTEE**

**MEETING #11 August 16, 2011
3:30 PM — 5:00 PM Room #3832, Seattle Municipal Tower**

Meeting Attendees

Committee Members & Advisors

- John Nesholm, Co-Chair
- Gerry Johnson, Co-Chair
- Catherine Stanford
- Carol Binder
- Kate Joncas
- Thatcher Bailey
- Ben Franz-Knight
- Greg Johnson
- Maiko Winkler-Chin
- Greg Johnson
- David Moseley

Other Central Waterfront Committee Members

- Maggie Walker

City Staff & Consultants

- Hannah McIntosh
- Nathan Torgelson
- Steve Pearce
- Marshall Foster
- Bob Chandler
- Jennifer Wieland
- Norm Schwab
- Ken Johnsen
- Erin Pressentin-Taylor

Committee Business

- **Finance & Partnerships Subcommittee Co-Chairs:**
 - Upon quick review, it appears that the July 12th meeting minutes may be missing some of J. Finke's comments about revenue, retail, restaurants and the ability to create shelf space.

ACTION: T. Paulk to route minutes again with J. Finke's comments highlighted within.

Budget Review for Elliott Bay Seawall & Waterfront Seattle

*Committee reviewed and referenced documents including: *Central Waterfront Finance & Partnerships Subcommittee PowerPoint*.

- **City Staff:**
 - Today's presentation reviews Elliott Bay Seawall Costs & Funding; Waterfront Seattle Costs & Funding; Local Improvement District (LID) 2010 Preliminary Feasibility Study & Next Steps; and Current Revenue Sources & Potential Future Funding Sources.

Waterfront Seattle/Elliott Bay Seawall Timeline

- **City Staff:**
 - The schedule for the Elliott Bay Seawall, Waterfront Seattle and Bored Tunnel Alternative projects spans from 2010 to 2018—this timing has not changed significantly.
 - The seawall must be completed before the viaduct is demolished in 2016; the space to the west of the viaduct provides early implementation opportunities for Waterfront Seattle.

Elliott Bay Seawall

- **City Staff:**
 - Design and construction costs for the Elliott Bay Seawall are estimated at \$330 million; the bracketed range is \$310-\$390 million for the two alternatives, due to the variation in how far the seawall is pulled back.
 - The number will be revised later this year when the final seawall alignment is determined following coordination with Waterfront Seattle.

Elliott Bay Seawall Funding—Draft Funding Plan

- **City Staff:**
 - Current Elliott Bay Seawall funding sources include LTGO Bonds, King County Flood District, 2.5% Commercial Parking Tax (CPT) and sources to be determined from 2014 through 2016.
 - The Elliott Bay Seawall is fully funded through 2012; money has been set aside for 2013 but the funds are not appropriated beyond two years.
 - A 30-year bond would cost approximately \$50 per year for each household; a nine-year levy at \$50 per year would generate \$150 million.
- **Finance & Partnerships Subcommittee Co-Chairs & Members:**
 - Is the King County money guaranteed? Do you need state legislation? **City Staff noted that we're still working at the county level to get the remainder of the money—it is not appropriated but it is allocated.*
 - On the Commercial Parking Tax, is a revenue stream coming in? Why are the numbers different in different years? **City Staff noted that it is a bonded stream. The figures are based on what is needed.*

Waterfront Seattle Open Space & Surface Street

- **City Staff:**
 - The two major components include open space (\$234 million) and surface street/viaduct demolition (\$290 million) which totals \$524 million; this excludes utility costs of \$94 million.
 - The open space amount is higher than the \$125 million in last year's budget; we used the potential of a \$225 million LID and adjusted it upwards to reflect additional existing funding sources.

- The numbers for the design/right-of-way and construction costs start to get much larger after 2012, which is when we're funded through—that's important to note.
- There are two parcels we've identified that we need; if we can keep the parcels to a small number, it will be more achievable.
- **Finance & Partnerships Subcommittee Co-Chairs & Members:**
 - When do the right-of-way costs appear? **City Staff noted that right-of-way shows up in 2015.*

Central Waterfront Funding—Draft Funding Plan

- **City Staff:**
 - The central Waterfront funding sources include LTGO Bonds, 2.5% Commercial Parking Tax (CPT), State Funds and sources to be determined from 2012 through 2018.
 - The state funds are identified within the tunnel budget; the \$225 million in the “To Be Determined” column is the LID number.
 - We're assuming that we'll have enough of a project identified by June 2012 so that we can legitimately start accruing costs to be charged to a future LID.
 - To do that we need to be far enough along and have enough specificity to identify the project or program that fits into the LID.
- **Finance & Partnerships Subcommittee Co-Chairs & Members:**
 - Who makes the LID determination? When does it need to be identified? Does that include concept, design, schematics and construction documents? **City Staff noted that we need good conceptual design by next summer in order to identify the part of the project that we want to fund with a LID.*
 - When you make that determination will you be specific about the funding source? **City Staff noted that it's part of the conversation we need to have from now until June.*
 - That puts a lot of pressure on the design schedule and quality of work we're going to get from the design team; also hearing which parts of the project are targeted for the LID. **City Staff noted that there will be large figures associated with the estimates; phases may be part of that, but we haven't yet determined all of the answers.*
 - When do the preliminary estimates come back from the team? **City Staff noted that we'll have those in April or May of 2012; we'll start talking actively this November and December.*
 - Are these accurate numbers, based on preliminary designs, or are they plug numbers showing what we can generate with an LID? Does that mean there is a cost associated with the street and open space, not the jco work? **City Staff noted that \$123.5 million was the placeholder budget number last year. It covered a smaller and more basic project so it was revised it to \$225 million, based on the findings from last year's LID Feasibility Study—we will review it further when we get more accurate numbers.*
 - Is the \$2.5 million from the CPT in 2012 a new increment? Or does the CPT reflect what has been adopted to date? **City Staff noted that CPT reflects what has been adopted to date—it was budgeted for Waterfront Seattle and the Seawall Project for 2011-2012.*

Local Improvement District (LID) & LID Next Steps

- **City Staff:**
 - In June 2010, Allen Brackett Shedd (ABS) completed a LID Preliminary Feasibility Analysis to estimate potential “special benefits” from project improvements.
 - The study revealed that the probable range for the Waterfront special benefits is \$450-\$600 million and the probable range for the seawall special benefits is \$10-\$15 million.

- The actual assessments are a percentage of special benefits; they are based on one-quarter to one-third of what the probable value is expected to be.
- A LID is not based on future benefits, which is important to note—it measures benefits by looking at the value of the property the day before to the day after the project is finished.
- The LID study is based on the assessors' value of the property in 2010; ABS cross-referenced that against the real estate value and sales are running 125 percent above that value, so we believe these are conservative numbers and not inflated property values.
- The primary benefits that we're seeing for the Waterfront are related to removing the viaduct and what we're doing in the open space; that is the project.
- Where the benefits lie is also very important; if we want to raise a significant amount of money, it does not affect how we phase the project or who pays for it—it's one large project.
- Some property owners with special purposes, functions or roles may be treated differently, such as the Port of Seattle and the stadiums.

Current Transportation Revenue Sources

- **City Staff:**
 - Current transportation revenue sources include gas tax, grants, general fund, cumulative reserve (sub)fund and LID.
 - Revenue from the gas tax is not a sustainable fund source at the current levels; we may be able to leverage state and federal grants funds, but this would be a small amount over time.
 - We're eligible for all of the general funds and when the economy turns around there may be more money in the real estate excise tax fund, but it's highly competitive.
 - It's important to understand the difference between fees and taxes; fees are driven by the purpose they're for and can only be used for certain things.
 - Right now, most of the property that we're planning on building on is part of the street; that provides a tremendous amount of flexibility but also some strong constraints:
 - When Seattle was platted, each property owner gave their right-of-way for street use, which means that almost all of the space is an easement for street purposes.
 - The adjacent property owner, therefore, has the underlying right to that piece of the street—it can be used for no other purpose than a street purpose, or it reverts back to property owner.
 - If we want to use it for something other than a street, we have to purchase the property; for the parcels we do end up buying, we'll need to think about what we're buying them for.
 - We can go one step further and create pedestrian malls by ordinance; it stays a street and we're not violating any provisions; next year we'll have more discussions about this.
- **Finance & Partnerships Subcommittee Co-Chairs & Members:**
 - If we have easements for cars or bikes, can we have concessions for bike rentals and cafés? How does this affect development and revenue-generating uses? **City Staff noted that uses are subject to street use provisions but that it may be possible to get permits for this type of concession; we'll be challenged to think about that further.*

Potential Funding/Grants for Waterfront Seattle & Elliott Bay Seawall

- **City Staff:**
 - Potential funding and grants for Waterfront Seattle and the Elliott Bay Seawall include federal, state, City and non-governmental funding sources.
 - The state law is a challenge in terms of what we have to do to get permission to use taxes that might go to another entity for this project; it's theoretically possible, but tough in this climate.

- **Finance & Partnerships Subcommittee Co-Chairs & Members:**
 - There are ways to formally and informally do this, but another problem is that we're not anticipating a huge amount of development (next to the Waterfront; because of limited zoning capacity and the fact that most of these parcels are fully developed) and potential development areas are at the extreme ends of the Waterfront.
 - This year legislation was enacted allowing tax increment financing on a much bigger scale for districts in which they have agreed to allow developers to purchase development rights from working (rural and forest) landscapes.
 - This does not harvest the state's increment of property tax growth—we cannot do that without a constitutional amendment; all we get is the ability to bond the City and county component.
 - It's not necessarily true that we would never get a cap down the sides, but if we agree to such a long-term relationship, we are locked-in and cannot cause the space to perform the way we want.
 - It's interesting to note that we last re-invented Seattle in 1968 for Forward Thrust the total of all elements was \$819.2 million and elements approved by voters totaled \$334 million; translated into 2011 dollars, the total of all elements would be \$5.3 billion, and the elements approved would be \$2.17 billion.

Maintenance & Operating Costs

- **City Staff:**
 - Maintenance and operations costs, including staffing, are the most challenging area to raise money: if there are funds from concession agreements, it would be included here.
 - The existing cost estimates for maintenance and operations may be high; we may want to estimate these per square foot of peer projects, not the percentage of capital costs.
 - Sometimes more expensive materials are nicer and less expensive to maintain; hard surfaces are also more expensive to maintain than grass.
- **Finance & Partnerships Subcommittee Co-Chairs & Members:**
 - We've had conversations about maintenance and operations this spring, and we'll have to continue the conversations publicly, as well.
 - We don't need a cap for this—it's a dedicated flow of money as opposed to debt service capitalizing; the approach of budget per square foot seems appropriate.
 - We have to be careful and conservative—we don't know what the folds will be and the programming could be expensive to provide.

Army Corps of Engineers Update

General Investigations

- **City Staff:**
 - In 2011, the Corps received \$182,000 to continue the seawall general investigation and they have \$50,000 remaining.
 - That will get us through the feasibility scoping meeting (FSM) during which federal interest in the project will hopefully be established; we expect that to be scheduled in September.
 - The Corps will have almost no money for general investigations moving forward; the challenge is even getting \$1 in the 2012 budget, which would then provide opportunities for funding reallocations to support the Corps' work on the project.

- The City team’s work with the Corps Planning Branch is currently on hold because of the lack of funding, and this means that the Corps is not reviewing designs or the environmental analysis underway. Postponing the reviews has the potential to extend the schedule dramatically.
- If we are to continue working with Corps Planning at the pace supported by current funding levels, the earliest the central seawall would be in construction is 2016, which is significantly later than the City’s desired construction date of fall 2013.

Meeting with Let Mon Lee/Water Resources Development Act Waiver

• **City Staff:**

- In July the team met with Let Mon Lee from the office of the Assistant Secretary of the Army for Civil Works.
- His advice was to engage with the Regulatory Branch of the Corps; previously we understood that we’d be cut off from the possibility of federal funding if we took that path.
- However, he suggested that in the 2007 Water Resources Development Act (WRDA) there is a provision that talks about a waiver, which means that the City could get credit for everything we’ve spent, enabling us to initiate construction in 2013 and still get credit for the design and construction costs of the first phase of the project.
- This would essentially be advancing the City’s portion of the cost share if we moved forward on our preferred schedule; we will need to secure a waiver before construction begins in 2013.
- The most important next step is meeting the threshold of having national interest—there are discussions underway about coastal storm damages versus seismic damages.
- It would be surprising if we got a direct yes or no answer right now, but we’ll probably hear that there is a possibility of a federal interest; that’s all that is required to keep the project moving forward at this time.
- Right now we assume a federal interest, although establishing this interest and continuing to work with the Corps may be a challenge for two reasons:
 - The Corps is not funding general investigations nationwide, given the budget situation.
 - The seawall does not fit into the normal Corps definition of storm-related damage, which is more typically focused on flooding a freshwater river, for example.
- There is the possibility of significant funding here but federal dollars have never been guaranteed and it’s become more challenging to secure them.

• **Finance & Partnerships Subcommittee Co-Chairs & Members:**

- What does the City money pay for in terms of current cost sharing with the Corps? **City Staff noted that it pays for the Corps’ staff costs. The City has funded \$8 million and the federal government has funded \$3 million toward this project since 2003. A challenge will be giving the Corps more money in 2012 because it requires a six-month process to create an authorization; we want them to be reviewing our plans or discipline reports to keep things moving.*
- It seems we need the money available now and we’re about to spend ahead of that curve. Have the odds increased that we won’t get funding? **City Staff noted that they have; the Army Corps of Engineers currently has 450 active investigations and they’ll be cutting that to 100 in the next budget cycle; of those, only 10 will be funded.*
- If the seawall project makes it to the list of 100, will the City then provide the funding for the Corps? **City Staff noted that City funds would still be needed to support the Corps.*
- Is the north seawall cost also \$330 million? Can we ask voters to pay for half of a seawall knowing that the other may not happen? **City Staff noted that, even if declared, there are other projects of national interest—we’ve continued to make the case that the City can’t pay for the*

whole thing on our own, even though we've already funded portions with our own money. We have the advantage that we don't need the money now, which gives us a better opportunity.

- If there is no national interest, does that mean the possibility of funding through the Army Corps of Engineers is done? **City Staff noted that the answer is yes.*
- The story is enhanced if we've laid the groundwork and know that we can compete—if we're not competitive, that makes it difficult. **City Staff noted that we'll keep charging ahead—we have to continue with the design anyway.*