

April 4, 2019

## MEMORANDUM

**To:** Finance and Neighborhoods Committee  
**From:** Eric McConaghy, Central Staff Legislative Analyst  
**Subject:** Council Bill (CB) 119490: Revisions to the 2019 Adopted Budget and 2019-2024 CIP related to the Central Waterfront Improvement Program

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### Decision

On April 10, the Finance and Neighborhoods Committee (Committee) will receive a briefing on a supplemental appropriations bill proposed by the Executive, [Council Bill \(CB\) 119490](#), that would:

- authorize the execution of a memorandum of agreement (MOA) with the Washington State Ferries (WSF) regarding the provision of electrical service at Coleman Dock;
- authorize the acceptance of non-City Funding from WSF;
- authorize the acceptance of non-City funding from the Washington State Convention Center (WSCC);
- amend the 2019 Adopted Budget; and
- amend the 2019-2024 Capital Improvement Program (CIP).

Each of the aspects of CB 119490 relate to the City's ongoing work to complete the Central Waterfront Improvement Program. Some of the proposed amendments to the CIP were anticipated at the time of the passage of the formation ordinance for the Waterfront Local Improvement District (Waterfront LID), [Ordinance 125670](#) and the Waterfront funding, operations and maintenance (O&M) ordinance, [Ordinance 125761](#). I provide more information about those actions in the *Waterfront LID Background* section. I also briefly detail each aspect of the bill that is currently before the Committee.

After the briefing and discussion, the Committee may decide whether to recommend that the City Council approve CB 119490 during the meeting on April 10 or may continue discussion and take action during the Committee meeting on April 24.

### WSF MOA and Funding

Seattle City Light (SCL) and WSF have entered into a customer agreement to provide electrical service to the Colman Dock Ferry Terminal allowing for electrification of ferry vessels, including the funding, by WSF, of design and construction of capital facilities to allow for this electrical service. WSF, SCL and the Office of the Waterfront and Civic Projects (OWCP) agree that

building these facilities during construction of the Waterfront improvements is the most efficient method of providing these facilities.

This legislation authorizes the Director of OWCP, on behalf of the Director of Transportation, to enter into a MOA with WSF to fund provision of electrical facilities to serve the Colman Dock Ferry Terminal as part of Waterfront construction. It also allows the funds, when received, to be deposited in the Central Waterfront Improvement Fund. Reimbursable appropriations will be revised to account for these funds in the 2020 budget.

### **Amendments to the 2019 Adopted Budget**

#### *WSCC public benefit contributions*

In 2018 the City Council, as part of approving a street vacation for the Washington State Convention Center (WSCC), placed a condition requiring WSCC to provide \$10 million as a public benefit contribution for constructing improvements in the Pike/Pine Street corridors as part of the mitigation to offset the loss of right-of-way. ([Clerk File 314338](#)). The City received the first installment of funds following submission of the 2019 budget.

This legislation accepts the first installment of WSCC public benefit contributions and increases 2019 appropriation authority by \$500,000 in the Transportation Major Projects Budget Summary Level (BSL). The Executive intends to request the remaining appropriations in the 2020 budget process.

#### *WSDOT funding for Alaskan Way Main Corridor Project*

OWCP staff reached agreement with Washington State Department of Transportation (WSDOT) staff to increase the amount of reimbursable cost for state-funded design activities related to the Alaskan Way/Elliott Way roadway and the Marion Street Bridge replacement. This legislation would correspondingly increase the appropriation in the Transportation Major Projects BSL project by \$2 million in 2019.

### **Amendments to the 2019-2024 CIP**

CB 119490 would amend the project pages for three projects of the 2019-2024 CIP. The amendments are shown on Attachments A, B, and C of the ordinance:

- Attachment A – Alaskan Way Main Corridor CIP
- Attachment B – Overlook Walk and East-West Connections CIP
- Attachment C – Parks Central Waterfront Piers Rehabilitation CIP

The increased funding from WSCC and from WSDOT, described as amendments to the budget above, are reflected in amendments to the CIP pages for the Overlook Walk and East-West Connections Project (WSCC funding) and the Alaskan Way Main Corridor Project (WSDOT funding).

Additionally, all three of the projects would be amended to accommodate changes precipitated by the passage of Ordinance 125670 and Ordinance 125671. Each of the projects would be amended to show reductions in resources from LID bonds, changes to the timing and/or amounts of philanthropic contributions, and increased use of City resources overall. The Executive’s proposed amendments to the 2019-2024 CIP in CB 119490 are consistent with the Mayor’s updated funding and spending plan communicated in January and include:  
a reduction of \$40 million from the Waterfront LID;

- an increase of \$10 million in philanthropic contributions from the Friends of the Waterfront (FOWS);
- a \$5 million reduction in project scope; and
- an increase of \$25 million in other (non-LID) City funding.

The increased use of City funding sources per project across the six-year CIP is tabulated below:

*Table 1: Increased Use of City Funding Sources in CB 119490 for CIP (in \$000s)*

CIP Project	Seattle Park District Revenues	Transportation Bond Funds	REET II <sup>1</sup>	2022 LTGO <sup>2</sup>
Parks Central Waterfront Piers Rehabilitation	\$8,000	\$0	\$0	\$0
Overlook Walk and East-West Connections	\$0	\$2,500	\$0	\$2,500
Alaskan Way Main Corridor	\$0	\$2,000	\$10,000	\$0
<b>Totals</b>	<b>\$8,000</b>	<b>\$4,500</b>	<b>\$10,000</b>	<b>\$2,500</b>

The table below shows the adopted and revised (as proposed) total project cost for the three CIP projects:

*Table 2: Adopted and Revised Total CIP Project Cost (in \$000s)*

Project in 2019-2024 CIP	Total Project Cost Adopted	Total Project Cost Revised
Alaskan Way Main Corridor	\$370,570	\$367,570
Overlook Walk and East-West Connections	\$174,340	\$184,340
Parks Central Waterfront Piers Rehabilitation	\$100,217	\$100,217

The reduction in total project costs of \$3 million for the Alaskan Way Main Corridor is a product of a reduction in costs of \$5 million from a scope reduction and the \$2 million increase in design cost reimbursable by WSDOT.

<sup>1</sup> REET II: The Real Estate Excise Tax (REET) is levied on all sales of real estate with the first 0.25% of the locally imposed tax going to REET I and the second 0.25% for REET II.

<sup>2</sup> LTGO: Limited Tax General Obligation (“LTGO,” or “Councilmanic”) Bonds: Bonds that are issued by the City Council without voter approval and backed by the City’s full faith and credit, within its current property tax limits.

The increase in total project costs of \$10 million for the Overlook Walk and East-West Connections represents the additional \$10 million for Pike/Pine Improvements from the WSCC Street Vacation Public Benefits package.

### **Waterfront LID Background**

The Central Waterfront Improvement Program (Waterfront Program) refers to a collection of projects that deliver on the Concept Design and Framework Plan for the Central Waterfront as adopted by the City in 2012 via [Resolution 31399](#). The projects that make up the Waterfront Program are included in the budgets of three City departments:

Seattle Department of Transportation (SDOT)

- Alaskan Way Main Corridor project and
- Overlook Walk and East/West Connections

Department of Parks and Recreation

- Parks Central Waterfront Piers Rehabilitation and
- Aquarium Expansion

Department of Finance and Administrative Services

- Pike Place Market PC-1 North Waterfront Entrance Project and
- Local Improvement District Administration

The total estimated cost of the projects in the Waterfront Program is over \$700 million. The projects known together as the Waterfront LID Improvements are a portion of the complete Waterfront Program. The total estimated cost of the Waterfront LID Improvements is approximately \$347 million, including the planning, design, and construction, together with administration costs of the LID and financing costs.

In January 2019, via [Ordinance 125760](#) the Council established Local Improvement District 6751 (Waterfront LID) with a total assessment of \$160 million to pay for a portion of the total estimated cost by assessing properties according to the special benefits from the construction of the Waterfront LID Improvements.

The formation of the Waterfront LID was called for in the Intent to Form Resolution ([Resolution 31812](#)) adopted in May 2018. In Resolution 31812, the expected limit on the LID assessment was set at \$200 million.

Ordinance 125760 did not specifically address the \$40 million difference between the limit set in Resolution 31812 and the limit set in Ordinance 125760. However, Ordinance 125760 did state that the “balance of the cost and expense of the LID Improvements shall be paid from other amounts available to the City, including philanthropic donations...”

With the proposal for Ordinance 125760, the Executive communicated the Mayor's plan to address what is effectively an increase of \$40 million in the unfunded balance of the Waterfront LID Improvements with an increase of \$10 million in philanthropic contributions from the Friends of the Waterfront (FOWS), a \$5 million reduction in project scope, and an increase of \$25 million in other (non-LID) City funding.

[Ordinance 125761](#), the Waterfront funding, operations and maintenance (O&M) ordinance passed at the same time as Ordinance 125760, committed FOWS to secure \$110 million in philanthropic donations towards the capital costs of the Waterfront LID Improvements. This represented an increase of \$10 million above the previous commitment by the FOWS of \$100 million.

As stated previously, the Executive's proposed amendments to the 2019-2024 CIP in CB 119490 are consistent with the Mayor's updated funding and spending plan communicated in January.

### **Next steps**

If the Committee recommends that Council approve CB 119490 on April 10, then Council could take action on the bill as early as April 15.

cc: Kirstan Arestad, Central Staff Director  
Dan Eder, Deputy Director