



August 16, 2016

Jim Jacobson, Chair  
 ST3 Expert Review Panel  
 93 Pike Street, Suite 315  
 Seattle, WA 98101

Dear Mr. Jacobson:

Thank you for your letter dated June 20th and for your subsequent presentation to the Sound Transit Board of Directors on June 23, 2016. Staff and Board members appreciated the opportunity to hear the Expert Review Panel’s findings as the Board finalized the ST3 System Plan. Sound Transit staff also incorporated several suggestions from our June 6 meeting and your most recent letter in the ST3 System Plan documents.

ST3 System Plan documents as adopted by the Board and their online locations are summarized in the following table:

<b>Document</b>	<b>Title</b>	<b>Additional Key Words &amp; Subjects</b>	<b>Find this Document at:</b>
ST3 Plan	Sound Transit 3: The Regional Transit System Plan for Central Puget Sound	Link Light Rail, Bus Rapid Transit, ST Express Bus, Sounder Commuter Rail, Planning for the Future, Innovation, Sustainability, Project Delivery, Early Deliverables, Annexations, Funding, Risk Assessment	soundtransit3.org/document-library/Sound Transit 3: The Regional Transit System Plan for Central Puget Sound
Appendix A	Detailed Description of Facilities and Estimated Costs	ST3 Program Costs, Program Revenues, Modes, Sources and Uses, Financial Plan, Capital Expenditures, O&M Expenditures, Subareas, System-wide Activities	soundtransit3.org/document-library/Appendix A
Appendix B	Financial Policies	Legal Responsibilities, Equity, Implementation Policy, ST District, Adjustments to Subarea Projects and Services, System-wide Expenditures, Debt Management, Debt Financing, Debt Service Coverage Ratio, Asset Management, Accountability, Tax Rollback	soundtransit3.org/document-library/Appendix B

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Appendix C	Benefits, Costs, Revenues, Capacity, Reliability, and Performance Characteristics	Ridership, Highway Travel Time, Passenger Miles, Mixed Traffic, Exclusive Right-of-Way, Passenger Trips, Transfer Rate, Transit Trips and boarding, Ridership by Mode, Vehicle Miles Traveled, Activity Centers, Mode Splits, Forecast Methods, Rail Bias, Cost Savings for Transit Riders, Cost Effectiveness, Rail and BRT Access, Performance Characteristics by Mode	<a href="http://soundtransit3.org/document-library/Appendix C">soundtransit3.org/document-library/Appendix C</a>
Appendix D	Social, Economic and Environmental Impacts; Integration with Regional Land Use; Transit-Oriented Development	Accessibility, Mobility Options, Access to Regional Services, Regional Economy, System Safety, Job Access, Productivity, Energy Consumption, Air Quality, Greenhouse Gas Emissions, Transit System Resiliency, Puget Sound Regional Council, Vision 2040, Transit-Oriented Development	<a href="http://soundtransit3.org/document-library/Appendix D">soundtransit3.org/document-library/Appendix D</a>

At the Board’s further direction, Sound Transit staff will produce a set of these documents that incorporate graphic design elements and minor corrections. We anticipate posting these documents to [soundtransit3.org](http://soundtransit3.org) on August 23, 2016. The following paragraphs respond to the individual sections of your letter.

**Panel Comments on ST3 Draft System Plan Document**

*References to State Legislation*

Sound Transit has incorporated information regarding transit-oriented development (TOD) and the sales tax offset fee in the System Plan narrative as advised by the Panel. Expenditures related to the sales tax offset fee and TOD are accounted for in the sources and uses of funds described in Appendix A. Appendix D includes additional context and detail regarding statutory provisions for TOD, in addition to the funding for affordable housing.

*Reference to Operations and Maintenance Facilities*

The Panel suggested that the final ST3 Plan include more details regarding which jurisdictions are being considered for ST3 operations and maintenance facility sites. Sound Transit agrees that greater clarity is beneficial in the early planning process regarding the location of proposed maintenance facilities. The ST3 Plan includes light rail maintenance facilities in the north and south corridors. Jurisdictions that could host these facilities include the cities of Everett, Mukilteo, Lynnwood, Federal Way, Milton, Fife, and Tacoma, as well as areas of unincorporated Pierce and Snohomish Counties. At the time of ST2’s passage, some stakeholders believed that since either the east or north corridor would not be selected for a maintenance facility site, they could depend on their jurisdiction not being selected. Sound Transit will be adamant in interactions with all jurisdictions in the north and south corridors that light rail operations will necessitate two facilities, and all jurisdictions are under consideration. Optimum locations for maintenance bases may shift as operating plans evolve over the ST3 implementation period.

## *Annexations*

Language in the System Plan related to annexations has been revised to reflect statutory changes, as proposed by the Panel. The final ST3 System Plan describes new, routine procedures for annexations due to city boundary changes.

## *Major Changes to Proposed Alignment*

The Expert Review Panel suggested funding from other parties would be necessary to support major alignment changes. Sound Transit agrees with the Panel's observation that the agency should set a strong expectation for stakeholders. Significant scope changes will likely require funds from other partners. The Plan includes provisional stations that will take priority should additional funding become available.

The ST3 financial plan is Sound Transit's statement of total expected project costs and revenues generated. It would not be appropriate to assume Sound Transit taxes could fund project scope changes if doing so would not fit within the agency's resources and ability to deliver the full capital program. If voters approve ST3, the agency will conduct alternatives analyses for each project. This work includes preliminary design and engaging partner jurisdictions and stakeholders. Precise project configurations will evolve based on what the agency learns from public feedback and additional design work. Costs or revenues may be different than those forecasted in the Plan. Sound Transit has the flexibility to build the best project serving the areas identified in the System Plan, within available resources. As demonstrated with the East Link project in the ST2 program, Sound Transit does have flexibility to accept partner funding for additional scope elements.

## *Transit Oriented Development (TOD)*

Sound Transit agrees that the ST3 Plan will be most successful in attracting riders if housing and employment growth occurs in proximity to future light rail stations. The ST3 Plan references working with local jurisdictions to create land use policies conducive to TOD, as appropriate. PSRC's VISION 2040 and Regional Economic Strategy, Sound Transit's TOD strategy, and other policies and practices provide guidance to Sound Transit and our partners in the region for developing transit-supportive land uses. As the Panel notes, there are areas along future transit corridors such as NE 130<sup>th</sup> Street in Seattle that have not matured as hubs of activity. If ST3 is approved, the station at NE 130<sup>th</sup> Street is anticipated in 2031. Seattle intends to create a new urban village surrounding that future station location so that supportive land uses may take hold. The City of Seattle is updating its comprehensive plan, and zoning changes and other neighborhood plan elements would follow that plan's adoption. While ST3 projects are not contingent on land use changes by local jurisdictions, the agency will work closely with a variety of stakeholders to identify opportunities to catalyze development, integrate local transit service, and help plan for other community amenities in such locations. Both the ST3 Plan narrative and Appendix D provide additional details on TOD implementation.

## *Review of Plan Appendices – Appendix C*

Sound Transit provided draft information for the Panel on topics including travel times and ridership at the June 6 meeting. The Panel should note during its review that Appendix C presents this information in conformity with state statutes describing ridership, travel time and other benefits of the System Plan. In some cases the terminology used differs from the state of practice. Notes are included to describe how methodologies relate to similar measures currently used by FTA.

## **Panel Comments on ST3 Finance Plan**

Please see Appendix B for more expansive information on each of the following topic areas.

### *Sales Tax Growth*

Sound Transit agrees with the Panel that internet purchases are a variable that increases uncertainty about sales tax growth. We also agree with an observation at the June 6 meeting that policy changes may allow Washington jurisdictions to access tax revenue from internet purchases. Internet sales growth has matured to some degree over the last two decades. Sound Transit assumes that the sales and use tax will grow to some degree with recent historical trends, hewing to the regional economic forecast. The agency has also performed stress tests and risk analysis to ensure the financial plan is resilient within a reasonable range of sales tax growth.

### *O & M Cost Growth*

Sound Transit intends to use several tools to control the growth of operations and maintenance costs in the plan, including revisiting how much service is contracted through partners and building O&M facilities owned by the agency. Fortunately there is some indication that federal policy changes are slowing health care cost growth, which impacts the labor component of operating & maintenance costs.

### *Sensitivity Analysis*

Sound Transit appreciates the Panel's attention to how events including those modeled in stress tests may affect the financial plan for ST3. If necessary, the Board has a variety of tools to adjust project elements and timelines. Project delivery schedules in the final ST3 Plan have been found to be affordable within the financial plan.

### *Sources of Funds*

Appendix C includes assumed operations to expense ratios for each mode of transit included in the ST3 plan. In general, fares are assumed to grow more slowly than inflation. Sound Transit conducts a comprehensive process for every fare change. The ST3 financial plan holds the farebox ratio close to current Sound Transit benchmarks for each mode. A future Sound Transit Board could choose to increase fares above current practice, resulting in greater fare revenues than those forecasted in the ST3 financial plan. Many of the ST3 projects will not open until late in the plan horizon. There will be opportunities to engage riders and the FTA in fare changes several times throughout implementation of the ST3 program.

### *Cost Per Household*

The adopted ballot language for ST3 includes a description of the taxing level for each of three new taxes and states that existing taxes would be extended. Sound Transit shares the belief that voters in the region should have a clear understanding of their tax contributions. Sound Transit has provided the methodology used upon request. Note that several variables contribute to differences in tax impacts for potential ST3 taxpayers. For example, the sales tax calculation is based on the Washington State Tax Alternatives model, but actual spending patterns vary widely. Some households own expensive homes in less expensive areas and vice versa. This is obscured in countywide averages. Renters would see less impact from the property tax component of the plan. Households throughout the region would also see different charges based on the number of vehicles they own. Vehicle values are computed using a state Department of Licensing

number of vehicles they own. Vehicle values are computed using a state Department of Licensing calculation rather than market prices. Sound Transit will carefully consider any materials we present to prevent an unreasonable expectation of precision if several figures are used for the cost per household.

### **Panel Comments on the Measurement of Cost per Rider**

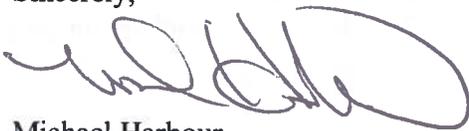
The Panel's attention to providing cost-effective investments has added value to Sound Transit's planning efforts for several elements of the ST3 plan. The agency routinely measures the cost of various alternatives against their respective benefits. The agency will measure project costs and benefits consistent with the state of practice and FTA guidelines to deliver the region the best services possible within available resources.

### **Panel Comments on Project Delivery**

Sound Transit executive leadership team members were pleased to present the Panel with the results of early work to streamline project delivery and plan for the growth of Sound Transit's workforce. We aim to complete projects on the most expeditious timelines possible. We share the belief that there is great value in expanding our existing workforce development programs and developing new initiatives if we are to meet the needs of the ambitious ST3 program.

Thank you very much for allowing Sound Transit this opportunity to respond to the Panel's comments and findings. We appreciate the public service you provide and look forward to additional comments by the Panel.

Sincerely,



Michael Harbour  
Deputy Chief Executive Officer

Copies:       Members of the Expert Review Panel  
                  Dow, Constantine, Sound Transit Board Chair  
                  Sound Transit Board of Directors  
                  Josh Brown, Executive Director, Puget Sound Regional Council