



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

July 21, 2016

Dear Chairman Jacobson:

Sound Transit would like to extend its appreciation to the ST3 Expert Review Panel for your letters of April 26 and June 1, 2016 providing comments and questions on the technical analysis supporting Sound Transit's development of the ST3 Regional High-Capacity Transit System Plan. The Panel raised several important points which I will address in the order in which they appeared in your letters.

Project Schedules, Capacity Issues and Risk

Based on examination of the March 24th DRAFT ST3 System Plan, and the final ST3 "Regional Transit System Plan for Central Puget Sound," adopted by the Sound Transit Board on June 23, 2016, projections for potential annual capital expenditure levels have been refined to determine that the final plan would be affordable under present final project cost and funding assumptions. Between the release of the DRAFT and final Regional Transit System Plan for Central Puget Sound, the total project delivery schedules for most of the high capacity transit corridor projects were reduced by 2 to 5 years.

The final plan as adopted makes the following project delivery commitments to the region's taxpayers:

"Link light rail from Kent/Des Moines to Federal Way is scheduled to open in 2024, and the scheduled opening from Angle Lake to Kent/Des Moines has been adjusted to open at the same time. Link light rail from Redmond Technology Center to downtown Redmond is scheduled to open in 2024. Further extension south from Federal Way to Tacoma and an extension between downtown Seattle to West Seattle are scheduled to open in 2030. Link light rail north from Lynnwood to Everett via the Southwest Everett Industrial Center is scheduled to open in 2036. The plan anticipates a new extension between downtown Seattle and Ballard to open in 2035. Infill stations are slated to open in 2031 at South Boeing Access Road, South Graham Street and Northeast 130th Street. An extension of Tacoma Link to Tacoma Community College is scheduled for 2039, and a Link light rail line from south Kirkland to Issaquah is scheduled for 2041.

The extension of Sounder from Lakewood to DuPont is scheduled for 2036. The South Sounder Capital Improvements Program will provide funding for a series of improvements from 2024 to 2036."

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Peter M. Rogoff

The document, "ST3 Project Phasing (June 2016)" on Sound Transit's website (SoundTransit3.org) provides details on the completion dates for every ST3 project.

The Panel is correct in noting that ST3 (combined with already-approved ST2 projects) results in several years when the required level of effort and investment in both engineering and construction resources exceeds the levels required so far for the implementation of the Sound Move and early ST2 programs. As the Panel is aware, the following Sound Transit executives provided a briefing on the subject of how Sound Transit plans to meet these resource requirements and address capacity issues related:

- Peter Rogoff, Chief Executive Officer
- Ric Ilgenfritz, Executive Director -- Planning, Environmental & Project Development Dept.
- Ahmad Fazel, Executive Director -- Design, Engineering & Construction Management Dept.
- Brian McCartan, Chief Financial Officer
- Valentina Zackrone, Chief Human Resources Officer/EEO Officer

Partnerships and Streamlining

The Agency has appreciated the Panel's comments on the subject of the importance of forming meaningful partnerships with other jurisdictions to the achievement of ST3 program objectives and schedules. Sound Transit responded to the Panel's comments, in part, through the inclusion of the following language in the ST3 Plan:

"To help maintain project delivery schedules, Sound Transit will work with project delivery partners to develop tools to provide clarity about project phasing requirements and schedules. Examples of these tools could include early agreements on permits needed for projects; establishment of project teams to obtain agreement on project scopes and schedules; or model term sheets to outline decisions related to the identification of preferred routing and profile choices.

Sound Transit will also seek to have third parties assign a single point of accountability for projects to ensure a streamlined and accountable process. Sound Transit will work with individual project partners to establish a common set of project goals based on the plan scope, schedule and budget and to identify the preferred project as early as possible in the environmental review process.

Sound Transit will ask local agencies to coordinate permit actions with federal, state and other agencies, including using the mitigation commitments described in the environmental documents and/or Record of Decision during permitting for mitigating potential environmental impacts of a project rather than using a city or county's authority to impose additional mitigation measures. Sound Transit will also seek code amendments and other agreements to facilitate the preparation, filing and diligent processing of any required permits, modifications or renewals of permits, as soon as practicable, with the goal of receiving land use permit decisions within 120 days of submittal and other technical permit decisions sooner.

To further assist the region in meeting Sound Transit 3 delivery schedules, Sound Transit will work with project partners to develop and publish a master implementation schedule – a Schedule Dashboard – for all projects. This schedule will be reviewed and updated at regular intervals by the Sound Transit Board of Directors. Sound Transit staff will report schedule performance to the Board and the public, including factors contributing to schedule improvements or degradation."

Related to the issue of increasing the labor pool, the final ST3 Plan states:

"Implementing ST3 will require the support of tens of thousands of skilled construction workers each and every year of the 25 years. Sound Transit intends to include the delivery of major ST3 construction projects using the existing project labor agreement, which may be amended from time to time. The agreement has provided both the building trades and the agency with the certainty of available highly skilled workers as well as apprenticeship opportunities. It has promoted fairness in employment and enhanced diversity in employment opportunities for disadvantaged workers while preventing strikes, lockouts, pickets and other job delays."

Bus/Rail Integration and the Cost of Access Improvements

Sound Transit takes very seriously the Panel's advice that during the station planning and design, a seamless, high-quality experience for transit riders should be emphasized. The agency's existing System Access Policy states that cost and the potential for gains in ridership are key criteria for determining an appropriate mix access investments. Sound Transit will use these and other criteria to determine the best approach for each station. Sound Transit agrees that the standard for integration between bus routes and light rail *must* be higher than what has been achieved so far for Sound Move and ST2 projects. For this reason, bus/rail integration features have been included in the scope of light rail stations where any significant transfer activity is anticipated. Should unanticipated transfer activity occur, or other related needs be identified, bus/rail integration features have been added to the system access program as eligible improvements. The final Regional Transit System Plan for Central Puget Sound includes the following text dealing with bus/rail integration:

To serve the region's 3.7 million future residents, the Sound Transit Board of Directors has made multimodal access a priority for Sound Transit 3. People will access the 116 miles of light rail, Sounder commuter rail stations north and south and hundreds of thousands of annual ST Express bus service hours by walking, biking, parking, transferring from partner transit services or using pick-up and drop-off areas.

- *Bus-rail integration allowances: Integration with other transit services is a priority for the region. Sound Transit will work closely with local transit agencies to clarify roles and responsibilities for funding future transit integration improvements. Sound Transit will also work closely early in the planning process with local transit agencies and jurisdictions to integrate station plans with transit service and related land use plans. To facilitate convenient passenger transfers between modes, the cost estimates for the light rail projects described in the Sound Transit 3 plan include approximately \$100 million (\$2014) in integration allowances to build off-street facilities at key stations for buses to lay over and maintain consistent schedules. As Sound Transit expands commuter rail, light rail, Bus Rapid Transit and express bus corridors, there will be more opportunities to create convenient transfers for bus riders.*

Transparency of Information

Regarding the estimated cost per household for the ST3 proposal, on July XX, 2016 Sound Transit Chief Financial Officer Brian McCartan sent a memorandum, entitled "Updated ST3 Per-Adult Tax Impacts" to the agency's Chief Executive Officer, Peter Rogoff explaining the most recent calculation the "typical cost of the ST3 taxes per adult" in the Sound Transit district. That memorandum (attachment 1) details how:

- The ST3 plan would cost typical adult \$169 annually or \$14 per month, and provides the following additional information:

- The more accurate new calculation indicates the the \$169 annual figure is \$34 (17 percent) less than the \$203 figure previously presented to the Expert Review Panel,
- Under the updated and more precise methodology, the calculations for all three of the new taxes that regional voters will consider now use median values, or the amounts at which 50 percent of people would pay more and 50 percent would pay less.
 - Previously, the calculation for the motor vehicle excise tax (MVET) used average vehicle values. (The 1 percent of vehicles in the district with values over \$52,000 and 10 percent with values over \$27,000 drive the average calculation of vehicle value to a level paid by only very car owners --- substantially dramatically higher than the median value of \$5,333),

Sound Transit will develop an online calculator, at SoundTransit3.org, through which residents can input information to calculate individualized annual cost estimates. Here's how much a typical adult would pay if ST3 is approved:

- **MVET:** An adult owning the median value motor vehicle would pay an additional \$43 per year in MVET if ST3 were passed.
- **Property tax:** An adult with the median home value would pay an additional \$47 per year in property tax if ST3 were passed. The updated calculation is based on a median \$360,658 assessed value for the Sound Transit District, and 1.93 adults per household.
- **Sales tax:** An adult at the median income level would pay an additional \$79 per year in sales and use taxes if ST3 were passed. This is based on an updated median household income level of \$73,359 according to 2015 data from the Washington State Office of Financial Management (OFM) for Snohomish, King and Pierce counties, and 1.93 adults per household..

Also attached is a press release of July 8, 2016 entitled "ST3 plan would cost typical adult \$169 annually or \$14 per month: Sound Transit provides Expert Review Panel with updated calculation of costs for additional car tab, sales and property taxes" (Attachment 2). This press release provides a high level of detail regarding the updated calculations of cost per adult, based on newly available data.

Transit-Oriented Development Policies

Regarding the implementation of TOD throughout the ST3 program, the final Plan includes the following statements (emphases added):

"Development around transit investments represents a significant opportunity both to shape communities that attract jobs and housing opportunities affordable at a range of incomes, increase transit ridership and to improve equitable access to opportunities for current and future residents. Construction for ST3 will take place during a period of dramatic regional growth, especially among transit-dependent communities. Under this plan, Sound Transit will implement a regional equitable TOD strategy for diverse, vibrant, mixed-use and mixed-income communities adjacent to Sound Transit stations that is consistent with transit-oriented development plans developed with the community by the regional transportation planning organization within Sound Transit's boundaries. The necessary board policy changes for implementation must be completed within 18 months of voter approval of this system plan. Sound Transit will use such plans as the 2013 Growing Transit Communities Strategy to inform the content and implementation of its TOD strategy. The Plan allocates funds to support collaborative planning for TOD at the transit capital project development stage,

as well as for planning and pre-development activities on agency-owned properties that may be developed as TOD. ... Sound Transit's policies will specifically promote equitable TOD by:

Project-level

- *TOD allowance: The cost estimates for the projects described in the Sound Transit 3 Plan include allowances to fund appropriate TOD planning activities.*

System-wide

- *TOD Fund: The Sound Transit 3 plan includes a TOD fund of \$20 million (\$2014) to incorporate TOD considerations during land acquisition.*
- *Coordinating with the local land use authority so that TOD activity on Sound Transit property considers and is consistent with local land use plans, policies and goals and the local community's established vision for growth.*
- *Working with local governments, housing authorities, non-profit developers, community organizations and others to implement a regional equitable transit-oriented development strategy for diverse, mixed-use, mixed-income communities.*
- *Incorporating TOD objectives adopted by the Sound Transit Board as part of the selection criteria during land acquisition.*
- *Using TOD objectives adopted by the Sound Transit Board, including consideration of local government TOD supportive land use policy and regulation, to analyze and inform alignment and station location decisions.*
- *Offering surplus properties that it deems suitable for housing for either transfer at no cost, sale or long-term lease first to local governments, housing authorities and non-profit developers to develop affordable housing regardless of acquisition date, in accordance with RCW 81.112.350.*
- *Contributing \$20 million (dollars in year of expenditure) to a regional revolving loan fund to support affordable housing creation.*
- *Developing station design policies that appropriately facilitate housing and accommodate TOD.*

Additional information on transit-oriented development and affordable housing and related statutes is included in the final section of Appendix D.

Thank you very much for allowing Sound Transit this opportunity to respond to the Panel's findings. We look forward to future review by the Panel and our ongoing constructive relationship.

Sincerely,



Michael Harbour
Deputy Chief Executive Officer

Cc: 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

Attachment 1

MEMO

July 7, 2016

To: Peter Rogoff, Chief Executive Officer

From: Brian McCartan, Executive Director, Finance & Information Technology

RE: Updated ST3 Per-Adult Tax Impacts

In its June 20, 2016, letter, the ST3 Expert Review Panel (ERP) appointed by the state of Washington wrote that the “panel would also suggest that the typical cost per household be updated to reflect the most current data.”

Sound Transit finance staff has reviewed its methodology for calculating the “typical” impact of new ST3 taxes and have identified refinements to make the number more accurate. This memo describes the methodology used to update the calculation.

The calculations for all three of the new taxes that regional voters will consider now use median values, or the amounts at which 50 percent of people would pay more and 50 percent would pay less. Previously, the calculation for the motor vehicle excise tax (MVET) used average vehicle values based on the information that was readily available in early 2015. Using a median value cancels the disproportionate impact of the relatively small number of people that own very expensive vehicles. For example, the 1 percent of vehicles in the district with values over \$52,000 and 10 percent with values over \$27,000 are dramatically higher than the median value of \$5,333. Using a median figure for vehicles reduces the estimated ST3 cost for the typical adult to \$169. For both the MVET and property taxes the new calculation is also more specific to the residents who live within the precise boundaries of the Sound Transit District.

Because the district includes a significant number of single-person households, Sound Transit is continuing to express the estimated additional cost of ST3 on a per-adult basis.

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Summary of ST3 Tax Impacts

	Prior Methodology	Per Adult	Updated Methodology	Per Adult
Sales and Use Tax	2013 median income, inflated to 2017	\$78	2015 median income, inflated to 2017	\$79
Motor Vehicle Excise Tax (MVET)	2017 average vehicle for tri-county region	\$78	2015 median vehicle for ST district inflated to 2017	\$43
Property Tax	\$43	\$47	Median 2016 assessed value for properties in ST district, inflated to 2017	\$47
Total ST3 Taxes		\$203		\$169

Methodology

Sales tax: An adult at the median income level would pay an additional \$79 per year in sales and use taxes if ST3 were passed. This is based on an updated median household income level of \$73,359 according to 2015 data from the Washington State Office of Financial Management (OFM) for Snohomish, King and Pierce counties, and 1.93 adults per household. The OFM-estimated amount that a household of that income level pays in sales taxes was then adjusted to an estimate for 2017 by adding two years of inflation at approximately 2.25 percent annually.

The previous calculation was based on the OFM 2013 median income level of \$67,032, which was inflated to a \$78 estimated additional cost for 2017 by adding four years of inflation. The fact there was not much change in the estimated sales tax cost under the updated calculation reflects that the earlier inflation assumptions were fairly accurate.

Motor vehicle excise tax (MVET): An adult owning the median value motor vehicle would pay an additional \$43 per year in MVET if ST3 were passed. The updated calculation reflects an annual median value \$5,333 of vehicles in the Sound Transit District. MVET taxes are determined by a state of Washington depreciation schedule for a specific vehicle's model and production year. The reduction to \$169 from the prior methodology is based primarily on shifting to using a median vehicle value specific to the Sound Transit District. The previous calculation relied on an average vehicle value of \$10,135 for the tri-county area, for an annual cost of \$78 per adult.

Property tax: An adult with the median home value would pay an additional \$47 per year in property tax if ST3 were passed. The updated calculation reflects a median \$360,658 assessed value for the Sound Transit District. This calculation uses actual median assessed home values for 2015 which are inflated by 9.6 percent to estimate what people would pay in 2017 following the passage of ST3. For reasons of data availability assessed values were not used at the time of the original calculation, although they are the basis for determining what people actually pay. Rather, the earlier calculation used Zillow home values in the entire Snohomish, King and Pierce county areas to generate an estimate of

additional property tax per adult that was coincidentally also \$47 per year for an assumed median market value of \$360,776



ATTACHMENT 2

FOR IMMEDIATE RELEASE — July 8, 2016

ST3 plan would cost typical adult \$169 annually or \$14 per month

Sound Transit provides Expert Review Panel with updated calculation of costs for additional car tab, sales and property taxes

Sound Transit today released an updated and more precise calculation of the taxes residents would pay if the Sound Transit 3 ballot measure is approved in November.

In its June 20, 2016 letter, the ST3 Expert Review Panel (ERP) appointed by the state of Washington suggested that the typical cost per household be updated to reflect the most current data. The more accurate new calculation indicates ST3 would cost the typical adult in the Sound Transit District an additional \$169 annually, \$34 or 17 percent less than the \$203 previously estimated.

Under the updated and more precise methodology addressed in the attached memo, the calculations for all three of the new taxes that regional voters will consider now use median values, or the amounts at which 50 percent of people would pay more and 50 percent would pay less. Previously, the calculation for the motor vehicle excise tax (MVET) used average vehicle values based on the information that was readily available in early 2015. Using a median value cancels the disproportionate impact of the relatively small number of people that own very expensive vehicles. For example, the 1 percent of vehicles in the district with values over \$52,000 and 10 percent with values over \$27,000 are dramatically higher than the median value of \$5,333.

For both the MVET and property taxes, the new calculation is now a reflection of the typical adult who lives within the precise boundaries of the Sound Transit District as opposed to the three-county area.

The ST3 Plan would build 62 additional miles of light rail and 37 new stations to form a 116-mile regional system, as well as bus rapid transit, commuter rail and other regional transit investments to get people out of traffic as the region's population keeps growing. The plan's \$53.8 billion in investments would be enabled by new taxes including: (1) a sales tax of 0.5 percent (\$.50 on a \$100 purchase); (2) a MVET of 0.8 percent (\$80 annually per \$10,000 of vehicle value); and (3) a property tax of 25 cents for each \$1,000 of assessed valuation (\$100 annually for a \$400,000 home). Sound Transit will develop an online calculator through which residents can input information to calculate individualized annual cost estimates.

Here's how much a typical adult would pay if ST3 is approved:

- **MVET:** An adult owning the median value motor vehicle would pay an additional \$43 per year in MVET if ST3 were passed. The updated calculation reflects an annual median value \$5,333 of vehicles in the Sound Transit District. MVET taxes are determined by a state of Washington depreciation schedule for a specific

vehicle's model and production year. The previous calculation relied on a less representative average vehicle value of \$10,135 for the more expansive tri-county area, for a significantly higher annual cost of \$78 per adult.

- **Property tax:** An adult with the median home value would pay an additional \$47 per year in property tax if ST3 were passed. The updated calculation is based on a median \$360,658 assessed value for the Sound Transit District, and 1.93 adults per household. This calculation uses actual median assessed home values for 2015 which are inflated by 9.6 percent to estimate what people would pay in 2017 following the passage of ST3.

This more precise data, based on what taxpayers actually pay, was not available at the time of the original calculation. Instead, the earlier calculation used less precise Zillow home values in the entire Snohomish, King and Pierce county areas to generate an estimate of additional property tax per adult that was coincidentally also \$47 per year for an assumed median market value of \$360,776.

- **Sales tax:** An adult at the median income level would pay an additional \$79 per year in sales and use taxes if ST3 were passed. This is based on an updated median household income level of \$73,359 according to 2015 data from the Washington State Office of Financial Management (OFM) for Snohomish, King and Pierce counties, and 1.93 adults per household. The OFM-estimated amount that a household of that income level pays in sales taxes was then adjusted to an estimate for 2017 by adding two years of inflation at approximately 2.25 percent annually.

The previous calculation was based on the older OFM 2013 median income level of \$67,032, which was inflated to a \$78 estimated additional cost for 2017 by adding four years of inflation. The fact there was not much change in the estimated sales tax cost under the updated calculation reflects that the earlier inflation assumptions were fairly accurate.

The ST3 Plan would construct light rail further north to Everett, further south to Federal Way and Tacoma, and further east to downtown Redmond. Extensions would connect West Seattle and Ballard to the system, in addition to a new line in East King County linking South Kirkland, Bellevue and Issaquah.

ST3 would also establish bus rapid transit service on I-405 from Lynnwood to Burien and on SR 522, with faster buses running every 10 minutes during peak commute hours. The plan would expand the capacity of fast-growing Sounder south commuter rail service linking Seattle, Tukwila, Kent, Auburn, Sumner, Puyallup, Tacoma and Lakewood, with extension of the line to reach Joint Base Lewis-McChord and DuPont. Parking and other investments would expand access about both south line and north line Sounder stations. The Tacoma Link light rail line would extend from Hilltop to Tacoma Community College.

Among a number of other projects in the plan, early investments would include speeding up existing bus routes by enabling them to run on the shoulders of freeways where possible. Details of the plan are available at soundtransit3.org, including an interactive map.

CONTACT: Geoff Patrick — (206) 398-5313 or geoff.patrick@soundtransit.org

Sound Transit plans, builds and operates regional transit systems and services to improve mobility for Central Puget Sound.