June 28, 2018

The Honorable Steve Hobbs  
Chair  
Senate Transportation Committee  
P.O. Box 40444  
Olympia, WA 98504-0444

The Honorable Judy Clibborn  
Chair  
House Transportation Committee  
P.O. Box 40600  
Olympia, WA 98504-0600

The Honorable Curtis King  
Ranking Member  
Senate Transportation Committee  
P.O. Box 40414  
Olympia, WA 98504-0414

The Honorable Mark Harmsworth  
Ranking Member  
House Transportation Committee  
P.O. Box 40600  
Olympia, WA 98504-0600

In the 2017 Legislative session, Engrossed Senate Bill 5096 Section 306(20)(b) directed WSDOT to develop a Memorandum of Understanding (MOU) to fund the $130 million from local agency partners for the Puget Sound Gateway Program included in the 2015 Connecting Washington transportation revenue package. Engrossed Senate Bill 5096 stated that:

*The secretary of transportation must develop a memorandum of understanding with local project stakeholders that identifies a schedule for stakeholders to provide local matching funds for the Puget Sound Gateway project. Criteria for eligibility of local match includes matching funds and equivalent in-kind contributions including, but not limited to, land donations. The memorandum of understanding must be finalized by July 1, 2018. The department must submit a copy of the memorandum of understanding to the transportation committees of the legislature and report regularly on the status.*

In October 2017, WSDOT began a stakeholder process to help establish the local contributions necessary to achieve the $130 million in local funding. The resulting Funding and Phasing Subcommittee, made up of 18 affected jurisdictions, has met five times. From this group, a grant-focused strategy emerged as the most feasible way to fund the $130 million. A key element of the grant-focused strategy was to identify smaller project elements within the Gateway Program that provide clear and measurable benefits to local jurisdictions, called “Local Nexus Projects.” The Funding and Phasing Subcommittee met regularly to establish a process for determining benefits derived from the Local Nexus Projects, align on contributions, and develop the MOU.
All 18 jurisdictions have endorsed and signed the attached Local Funding MOU.

Additionally, WSDOT and our local agency partners have already submitted four grant applications this spring for the Local Nexus Projects. We submitted three applications with the Puget Sound Regional Council (PSRC) and one with the Freight Mobility Strategic Investment Board (FMSIB). We received the FMSIB grant and two PSRC grants, totaling $13 million, which combined with local match funding, brings the local contribution amount to over $26 million for this initial grant cycle.

If you have any questions or would like to meet for an update on the Puget Sound Gateway Program, please feel free to contact me.

Sincerely,

Roger Millar, PE, FASCE, FAICP
Secretary of Transportation
Puget Sound Gateway Program
SR 167 and SR 509 Completion Projects

Local Funding and Phasing
Memorandum of Understanding

1. Participating Parties
In addition to the Washington State Department of Transportation (WSDOT), the following Local Agency Partners constitute those parties currently participating in this Memorandum of Understanding pertaining to the local contribution requirement for the Puget Sound Gateway Program (Gateway Program):

- Port of Seattle
- Port of Tacoma
- King County
- Pierce County
- City of Algona
- City of Auburn
- City of Burien
- City of Des Moines
- City of Edgewood
- City of Federal Way
- City of Fife
- City of Kent
- City of Milton
- City of Pacific
- City of Puyallup
- City of SeaTac
- City of Sumner
- City of Tacoma

2. Background and Purpose of MOU
In July 2015, the Washington State Legislature and Governor Inslee acted to fund the Gateway Program through the Connecting Washington revenue package. The Gateway Program is comprised of two projects: the State Route 167 Completion Project and the State Route 509 Completion Project. These projects provide essential connections to the ports of Tacoma and Seattle and will help ensure that people and goods move more reliably through the Puget Sound region.

WSDOT is the lead project sponsor and is responsible for the planning, design and construction of the Gateway Program, as well as for its overall financial management. The program has been guided from its beginning by a Joint SR 167/SR 509 Executive Committee (Executive Committee), comprised of elected and appointed representatives of local jurisdictions served by the Gateway Program (Algona, Auburn, Burien, Des Moines, Edgewood, Federal Way, Fife, Kent, Milton, Pacific, Puyallup, SeaTac, Sumner, Tacoma, King County, Pierce County, Port of Seattle, and Port of Tacoma) as well as Federal Highway Administration, Washington State Transportation Commission, Washington State Department of Transportation, Puget Sound Regional Council, Sound Transit, Pierce Transit, and the Freight Mobility Strategic Investment Board.

Funding for the Gateway Program has been approved to come from the state gas tax, tolls, local contributions, and potential federal and state grants. Total funding for the Gateway Program, from the 2015 Connecting Washington transportation funding package, is $1.875 billion, which includes local contributions of $130 million. The program has been funded over a 16-year
timeline. Based on the legislative funding plan, major construction for a first stage would occur from 2019 through 2025, and a second stage from 2026 through 2030. Local contributions will be needed to construct both stage one and stage two projects.

In the 2017 Legislative session new language was enacted (Engrossed Senate Bill 5096 § 306(20)(b)) requiring development of a Memorandum of Understanding (MOU) between the Local Agency Partners and WSDOT. The legislature directed that:

The secretary of transportation must develop a memorandum of understanding with local project stakeholders that identifies a schedule for stakeholders to provide local matching funds for the Puget Sound Gateway project. Criteria for eligibility of local match includes matching funds and equivalent in-kind contributions including, but not limited to, land donations. The memorandum of understanding must be finalized by July 1, 2018. The department must submit a copy of the memorandum of understanding to the transportation committees of the legislature and report regularly on the status.

To this end, the Executive Committee of the Gateway Program convened a Funding and Phasing Subcommittee (Subcommittee) to develop a MOU that summarizes their planned future commitments and planned timing of those commitments to contribute to the SR 167 and SR 509 projects.

The Subcommittee goals include:
- Support efforts to build the Gateway projects on or ahead of schedule
- Create successful local partnerships
- Obtain sufficient local funding to build the Puget Sound Gateway projects
- Time grant-funding projects to support the project delivery schedule

The construct of local funding participation, when authorized by the legislative bodies of the relevant agencies through a series of forthcoming interlocal agreements, is based on the following projections:

<table>
<thead>
<tr>
<th></th>
<th>SR 167</th>
<th>SR 509</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Port contributions</td>
<td>$30 million</td>
<td>$30 million</td>
<td>$60 million</td>
</tr>
<tr>
<td>Federal INFRA grant</td>
<td>$10 million</td>
<td>$10 million</td>
<td>$20 million</td>
</tr>
<tr>
<td>Local agency partner match</td>
<td>$10 million</td>
<td>$10 million</td>
<td>$20 million</td>
</tr>
<tr>
<td>Other Grants (PSRC, FMSIB, TIB)</td>
<td>$20 million</td>
<td>$10 million</td>
<td>$30 million</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$70 million</strong></td>
<td><strong>$60 million</strong></td>
<td><strong>$130 million</strong></td>
</tr>
</tbody>
</table>

3. Local Funding Strategy

A key element of the local funding strategy is to identify projects within the Gateway Program that provide clear and measurable benefits to local jurisdictions. In the Gateway Program, these are called “Local Nexus Projects,” are designed to:
• Create a positive business case for Local Agency Partners by focusing on the parts of the program that are most relevant and important to local jurisdictions
• Leverage the potential to access significant grant funding to support local funding assumptions

In support of the local funding strategy, Local Agency Partners shall:

• Participate, co-fund match, and submit grant applications with support from Subcommittee staff, as identified in Section 6 of this MOU
• Combine local monetary and in-kind contributions and project funds to ensure fully-funded applications, as identified in Section 6 of this MOU
• Support the grant effort and avoid competition with the local projects in the year of application

The following Local Nexus Projects have been identified within the north (SR 509) and south (SR 167) segments of the Gateway Program:

<table>
<thead>
<tr>
<th>Gateway North (SR 509)</th>
<th>Gateway South (SR 167)</th>
</tr>
</thead>
<tbody>
<tr>
<td>188th South Ramps</td>
<td>Meridian West Ramps</td>
</tr>
<tr>
<td>SeaTac Access, with Ramps to 28th/24th Avenue South</td>
<td>54th Avenue East Ramps</td>
</tr>
<tr>
<td>Veterans Drive Extension</td>
<td>Interurban Trail</td>
</tr>
<tr>
<td>Lake to Sound Trail</td>
<td>Valley Avenue West Ramps</td>
</tr>
<tr>
<td></td>
<td>Port of Tacoma Access/SR 509 Spur</td>
</tr>
<tr>
<td></td>
<td>70th Avenue E Bridge Relocation</td>
</tr>
</tbody>
</table>

If Local Nexus, INFRA, and any other pending grant projects become fully funded, these projects will contribute substantially toward the Legislative requirement for local match. Funding commitments will be achieved via an interlocal agreement from each signing party up to the amounts presented in this MOU. Local Agency Partner signatories to this MOU understand that once the local contribution requirements set forth in ESB 5096 ($130 million) is achieved, that Local Agency Partners will not be required to commit to additional funds beyond what is outlined in this MOU. If additional grant funding or additional funds from other sources are obtained that fulfill the $130 million local contribution requirement, the Secretary of Transportation and the Executive Committee will review and determine to either reduce local agency partner match payments, or recommend expanding scope of the Gateway Program, and amend each signing party’s interlocal agreement accordingly.

4. Local Participation Policy
   The Joint Executive Committee has agreed to a funding and phasing policy that structures local agency partner match requirements to be commensurate with the benefits accrued from the project at a local level. This policy states that:
All local agency partners accrue some benefit from the Puget Sound Gateway Program. Partners receiving fewer benefits, however, are not expected to contribute as much as partners who receive more benefits. Direct benefits are those that are most quantifiable, but there are other components of value that include indirect, strategic and policy/social benefits. Both direct and indirect benefits will be assessed as part of the consideration of local contributions, because they are more easily quantifiable than strategic and policy/social benefits.

All Local Agency Partner signatories of this MOU expect to seek approval of interlocal agreements to contribute a match to be applied to Local Nexus Projects at a level that reflects their respective anticipated level of benefit, as identified in Section 6 of this MOU.

5. Benefit Assessment Methodology
The proposed financial participation by each partner is based on a general, qualitative assessment of the net benefits expected to be received by full completion of the Gateway Program. The assessment includes the following metrics, based on available project data and transportation modeling outputs:

- **Direct transportation linkages.** The location of direct access points for new limited access highways or other transportation infrastructure that benefits the community.
- **Effects on local sales taxes.** The impacts of the projects to sales tax receipts, both in terms of one-time construction sales taxes for the project, and ongoing sales taxes from impacts to commercial uses.
- **Travel time savings.** Overall travel time savings for local car and truck traffic associated with the projects.
- **Traffic diversion from local streets.** The diversion of, or increase in, traffic on local arterials due to the project, with associated positive impacts to traffic safety and local road maintenance.
- **Effects on local employment.** The potential effects of improved accessibility are reviewed, particularly in the context of access to new or potential employment uses.
- **Effects on developable residential lands.** The potential impacts of changes in traffic flow and accessibility on residential land development, with a focus on areas within the jurisdiction that are available for redevelopment.
- **Effects on developable employment lands.** The potential impacts of changes in traffic flow and accessibility on the development or redevelopment of commercial and industrial lands.
- **Achievement of local policy goals.** The alignment of the WSDOT Gateway Program with local plans and policies.
- **Environmental and social benefits.** Environmental and social benefits specifically linked to these projects, including upgrades to pedestrian and cycling infrastructure, and wetlands and riparian restoration.

The approach and findings of the benefits assessments have been provided to the Local Agency Partners.
6. Local Jurisdiction Anticipated Contributions to the Program

Based on results from the benefit assessment described in Section 5, contributions for each of the Local Agency Partners were determined by project stage in the tables below. Following execution of this MOU, interlocal agreements will be drafted for subsequent approval. Anticipated contributions only become binding commitments when embedded in interlocal agreements, and the conditions therein are approved by the proposed funding entity. Interlocal agreements between WSDOT and the respective Local Agency Partner must be in place for a project prior to issuance of the Request for Proposals (RFP) for any proposed construction contract. The interlocal agreements will become binding commitments, within the statutory authority of the Local Agency Partner, and will define the schedule of local match payments expected over the duration of each construction project stage.

WSDOT will exercise due diligence to develop and construct each project on schedule within the Gateway Program to the best of its abilities. Local Agency Partners will participate in project development reviews and project meetings in support of the Gateway Program.

If grant pursuits identified in the Stage 1 and Stage 2 tables below are not achieved sufficient to meet the $130 million local contribution, additional grants will be pursued from the funding programs listed or from other funding programs that may become available over the life of the Gateway Program. If Local Nexus Projects go to construction without planned grants, the Local Agency Partner match funds will still be provided by agreement with WSDOT. If it is determined that a Local Nexus Project cannot be fully funded, WSDOT will review options with the Executive Committee. If an official decision is determined by the Executive Committee and the Secretary of Transportation that the Local Nexus Project is not to be included in a construction project, the Local Agency Partner match may be withdrawn.

### Stage 1 Grant Pursuits for Local Nexus Projects

<table>
<thead>
<tr>
<th>Project</th>
<th>Estimated Construction Cost</th>
<th>Funding Program</th>
<th>Grant Target Amount</th>
<th>Target Due Mo/Year</th>
<th>Anticipated Construction Expenditure</th>
<th>Local Agency Partner Match</th>
<th>Partner Nexus</th>
</tr>
</thead>
<tbody>
<tr>
<td>70th Avenue E/Interurban Trail</td>
<td>$32,245,600</td>
<td>FMSIB</td>
<td>$5,000,000</td>
<td>Mar 2018</td>
<td>2019-2021</td>
<td>$800,000, $500,000, $3,000,000</td>
<td>Fife, Tacoma Port of Tacoma</td>
</tr>
<tr>
<td></td>
<td></td>
<td>TIB</td>
<td>$5,000,000</td>
<td>Aug 2018</td>
<td>2019-2021</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>State Capital &amp; Transportation</td>
<td>$1,400,000</td>
<td>Mar 2018</td>
<td>2019-2021</td>
<td></td>
<td>Fife</td>
</tr>
<tr>
<td>Veterans Drive/ SR516 Interchange</td>
<td>$33,800,000</td>
<td>PSRC</td>
<td>$4,500,000</td>
<td>Apr 2018</td>
<td>2021-2025</td>
<td>$1,000,000</td>
<td>Kent</td>
</tr>
<tr>
<td></td>
<td></td>
<td>TIB</td>
<td>$5,000,000</td>
<td>Aug 2020</td>
<td>2021-2025</td>
<td>$1,000,000</td>
<td>Kent</td>
</tr>
<tr>
<td>SeaTac Access</td>
<td>$176,883,500</td>
<td>PSRC</td>
<td>$4,500,000</td>
<td>Apr 2018</td>
<td>2021-2025</td>
<td>$2,000,000, $500,000</td>
<td>SeaTac (ROW in lieu), Des Moines</td>
</tr>
<tr>
<td>Project</td>
<td>Estimated Construction Cost</td>
<td>Funding Program</td>
<td>Grant Target Amount</td>
<td>Target Due Mo/Year</td>
<td>Anticipated Construction Expenditure</td>
<td>Local Agency Partner Match</td>
<td>Partner Nexus</td>
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<tr>
<td>Port of Tacoma Access/509 Spur</td>
<td>$323,042,000</td>
<td>PSRC</td>
<td>$4,500,000</td>
<td>Apr 2018</td>
<td>2021-2025</td>
<td>$1,500,000 $3,000,000 $800,000</td>
<td>Tacoma Port of Tacoma Fife</td>
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<td></td>
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</tr>
<tr>
<td>FMSIB</td>
<td>$5,000,000</td>
<td>Mar 2020</td>
<td></td>
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<tr>
<td>All Gateway Program</td>
<td>INFRA $20,000,000*</td>
<td>Nov 2017</td>
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<tr>
<td>SR 167 Stage 1</td>
<td>Port of Tacoma</td>
<td>Jan 2021</td>
<td>2021-2025</td>
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<td>Port of Tacoma</td>
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<td>SR 509 Stage 1</td>
<td>Port of Seattle</td>
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<td>2021-2025</td>
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<td>Port of Seattle (expected in 2023-2025)</td>
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<td>Total Stage 1</td>
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<tr>
<td>Stage 2 Future Grant Pursuits for Local Nexus Projects</td>
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<td></td>
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<tr>
<td>Project</td>
<td>Estimated Construction Cost</td>
<td>Funding Program</td>
<td>Grant Target Amount</td>
<td>Target Due Mo/Year</td>
<td>Anticipated Construction Expenditure</td>
<td>Local Agency Partner Match</td>
<td>Partner Nexus</td>
</tr>
<tr>
<td>Meridian Avenue Interchange</td>
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<td></td>
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<td>2022</td>
<td>2026-2030</td>
<td>$2,000,000</td>
<td>Puyallup</td>
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<tr>
<td>Valley Avenue Interchange</td>
<td>TBD</td>
<td></td>
<td>$3,000,000</td>
<td>2022</td>
<td>2026-2030</td>
<td>$2,000,000</td>
<td>Pierce County</td>
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<tr>
<td>188th Street Interchange improvements</td>
<td>TBD</td>
<td>TBD</td>
<td>2023</td>
<td>2026-2030</td>
<td>TBD</td>
<td></td>
<td>SeaTac</td>
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<tr>
<td>SR 167 Stage 2</td>
<td>TBD</td>
<td>$4,000,000</td>
<td>2022</td>
<td>2026-2030</td>
<td>$500,000 $500,000</td>
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<td>Edgewood (ROW in lieu) Sumner</td>
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<tr>
<td></td>
<td>Port of Tacoma</td>
<td>Jan 2026</td>
<td>2026-2030</td>
<td>$15,000,000</td>
<td></td>
<td></td>
<td>Port of Tacoma</td>
</tr>
<tr>
<td>SR 509 Stage 2</td>
<td>TBD</td>
<td>$4,000,000</td>
<td>2024</td>
<td>2026-2030</td>
<td>$15,000,000</td>
<td></td>
<td>Port of Seattle</td>
</tr>
<tr>
<td></td>
<td>Port of Seattle</td>
<td>Jan 2026</td>
<td>2026-2030</td>
<td>$15,000,000</td>
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<td>Total Stage 2</td>
<td>$14,000,000</td>
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<tr>
<td>Total Stages 1 &amp; 2</td>
<td>$68,900,000</td>
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<td>$73,100,000</td>
<td>$142,000,000</td>
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</tr>
</tbody>
</table>

* – If no INFRA, apply for FHWA BUILD grant for Port of Tacoma Access (SR 509 Spur)

TBD – grant funding program pursuit to be determined in future

7. Terms and Termination

7.1. Amendments

This MOU shall be periodically reviewed and evaluated regarding the need for modifications or amendments by mutual determination of WSDOT and Local Agency Partners. Amendments to the MOU shall be required if program funding assumptions need to be adjusted that affect the ability to construct the identified Local Nexus Projects or the ability to achieve the $130 million local contribution. Such amendments shall only be binding if they are in writing and signed by authorized personnel from all of the Local Agency Partners. Except as set forth in an amendment, the MOU will be unaffected and shall continue in full force and effect in accordance with its terms. If there is conflict
between an amendment and the MOU or any earlier amendment, the terms of the most recent amendment will prevail.

If there is a conflict between subsequent interlocal agreements and the MOU or any earlier amendments, the terms of the interlocal agreements will prevail.

Changes that do not affect the ability to construct the identified Local Nexus Project or achieve the $130 million local contribution shall be addressed through the interlocal agreement between WSDOT and the relevant Local Agency Partner.

7.2. Dispute Resolution
Should any signatory to this MOU object at any time to any actions proposed or the manner in which the terms of this MOU are implemented, the Executive Committee shall hear the dispute first and if the disputant(s) is/are not satisfied with the Committee’s proposed decision, the Committee will send to the Secretary of Transportation its proposed solution and all documentation relevant to the dispute. The Secretary of Transportation shall provide the Executive Committee with his/her advice on how to resolve the dispute within thirty (30) calendar days of receiving adequate documentation. Prior to reaching a final decision on the dispute, the Executive Committee shall prepare a written response that considers any timely advice or comments regarding the dispute from the Secretary of Transportation, signatories and other interested parties, and provide them with a copy of this written response. WSDOT will then proceed according to this final decision.

7.3 Conditions for Termination of Participation
Subject to legislative appropriation and all applicable laws, each signatory shall ensure that the Gateway Program is carried out in accordance with the terms of the MOU and subsequent interlocal agreements. A signatory may terminate its participation in this MOU if its terms cannot be met and by providing written notice to the Secretary of Transportation and the Executive Committee a minimum of 180 calendar days before a project issues an RFP that relies on that local agency partner funding. Prior to providing written notice terminating participation, however, the signatories shall consult with WSDOT to determine whether an amendment to the MOU might be feasible. If a signatory terminates its participation, WSDOT will then consult with the Executive Committee to determine if project scope elements need to be removed if contributions are not realized in accordance with this understanding.

8. Period of Agreement.
This MOU will commence on July 1, 2018 and will dissolve when the $130 million of local contribution have been secured, or when the Local Nexus Projects have been constructed and are complete.
9. Signatories

__________________________  ____________________________
Stephen P. Metruck            Date
Executive Director
Port of Seattle

__________________________  ____________________________
John Wolfe                  Date
Chief Executive Officer
Port of Tacoma

__________________________  ____________________________
Dow Constantine            Date
County Executive
King County

__________________________  ____________________________
Bruce Dammeier            Date
County Executive
Pierce County

__________________________  ____________________________
David E. Hill            Date
Mayor
City of Algona

__________________________  ____________________________
Nancy Backus            Date
Mayor
City of Auburn

__________________________  ____________________________
Brian Wilson            Date
City Manager
City of Burien
Michael Matthias  
City Manager  
City of Des Moines  

6/26/18  
Date

Daryl Eidinger  
Mayor  
City of Edgewood  

6/13/18  
Date

Jim Ferrell  
Mayor  
City of Federal Way  

6/20/18  
Date

Hyun Kim  
City Manager  
City of Fife  

6/20/18  
Date

Dana Ralph  
Mayor  
City of Kent  

6/26/18  
Date

Shanna Styron-Sherrell  
Mayor  
City of Milton  

6/21/18  
Date

Leanne Guier  
Mayor  
City of Pacific  

6/21/18  
Date

Kevin Yamamoto  
City Manager  
City of Puyallup  

6/12/18  
Date
Joseph Scorcio
City Manager
City of SeaTac

William L. Pugh
Mayor
City of Sumner

Elizabeth A. Pauli
City Manager
City of Tacoma

Roger Millar
Secretary of Transportation
Washington State Department of Transportation