

MOTION NO. M2010-82

A motion of the Board of the Central Puget Sound Regional Transit Authority endorsing the I-90 Center Roadway Term Sheet and authorizing the chief executive officer to execute an umbrella agreement with the Washington State Department of Transportation pursuant to the Term Sheet.

BACKGROUND:

In January 2010, the Washington State Department of Transportation (WSDOT) and the Sound Transit chief executive office executed the I-90 Center Roadway Term Sheet. The Term Sheet sets forth the principal terms and conditions for implementing the R8A I-90 Two-Way Transit and HOV Project (R8A) and light rail in the Center Roadway, and states the consideration to be paid by Sound Transit to use the center roadway, should the Sound Transit Board advance the East Link project after completion of the environmental review process. The Term Sheet includes an agreement to negotiate and execute an umbrella agreement to implement the Term Sheet. Although the Board was briefed on the provisions in the Term Sheet, the Board has not formally endorsed the essential terms upon which the implementing umbrella agreement will be based. The motion approves the essential terms of the Term Sheet and authorizes the chief executive officer to negotiate and execute an umbrella agreement with WSDOT. Subject to completion of the environmental process and other required authorizations for light rail, the Board will approve the funding identified in the Term Sheet to implement the remainder of the R8A Project.

MOTION:

It is hereby moved by the Board of the Central Puget Sound Regional Transit Authority that the Board endorses the Term Sheet attached hereto and authorizes the chief executive officer to negotiate and execute an umbrella agreement with the Washington State Department of Transportation as contemplated by the Term Sheet. Subject to completion of the environmental process and other required authorizations for light rail, the Board will approve the funding identified in the Term Sheet to implement the remainder of the R8A Project and light rail.

APPROVED by the Board of the Central Puget Sound Regional Transit Authority at a regular meeting thereof held on August 26, 2010.

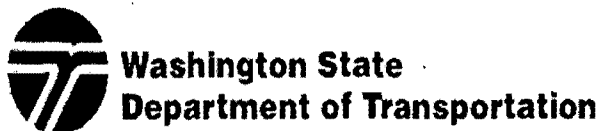


Fred Butler
Board Vice Chair

ATTEST:

Marcia Walker
Board Administrator

EXHIBIT K



January 21, 2010

The Honorable Mary Margaret Haugen
Chair, Transportation Committee
Washington State Senate
PO Box 40410
Olympia, WA 98504-0410

The Honorable Judy Clibborn
Chair, Transportation Committee
Washington State House of Representatives
PO Box 40600
Olympia, WA 98504-0600

The Honorable Aaron Reardon
Chair, Board of Directors
Sound Transit
401 S. Jackson Street
Seattle, WA 98104-2826

Dear Senator Haugen, Representative Clibborn and Executive Reardon:

Following the voter approval of Sound Transit Proposition 1, the Washington State Legislature directed the state Department of Transportation and Sound Transit to take steps to finish the I-90 Two Way Transit and HOV Operations Project and complete negotiations for use of the center lanes by light rail.

Pursuant to the mandates set forth in ESSB 5352 Section 204(3), WSDOT and Sound Transit retained a consultant team led by Steel Rives LLP to conduct an "An Analysis of Methodologies to Value the Reversible (Center) Lanes on Interstate 90 to be Used for High Capacity Transit Pursuant to Sound Transit Proposition 1 Approved by Voters in November 2008." A draft of the report was submitted in July 2008 and finalized following confirmation from USDOT Secretary Ray LaHood that no federal reimbursement is required for use of the I-90 center lanes by Sound Transit for light rail.

Pursuant to the mandates set forth in ESSB 5352 Section 306(37), we are pleased that we have finalized a Term Sheet, dated January 20, 2010. This final "Term Sheet" is predicated on resolution of pending Supreme Court decisions and meeting all terms and conditions of the Draft EIS as signed by Megan White on behalf of WSDOT to Don Billen on November 21, 2008. This is a major milestone in getting the I-90 Two Way Transit and HOV Operations Project complete and light rail to the Eastside. We believe that the term sheet outlines what the signatories of the 1976 MOA and 2004 amendment had envisioned; a multi-modal approach to improving mobility so that people and goods can move safely through the corridor.

Thank you for your efforts to enable this important milestone to be reached.

Sincerely,

A handwritten signature in black ink, appearing to read "Paula J. Hammond".

Paula J. Hammond, P.E.
Secretary of Transportation
WA Department of Transportation

A handwritten signature in black ink, appearing to read "Joni Earl".

Joni Earl
Chief Executive Officer
Sound Transit

**Link Light Rail
I-90 Center Roadway Term Sheet**

1/20/10

I-90 Term Sheet

Parties: Washington State Department of Transportation and Sound Transit are the parties to the agreements contemplated in this Term Sheet.

Purpose of Agreements: This Term Sheet concerns the use of the center road way of I-90 from Seattle to Bellevue. ("Center Roadway"). The use of the Center Roadway by light rail is consistent with the preferred Alternative R8A which was identified in the Final Environmental Impact Statement issued by Sound Transit, WSDOT, and FHWA dated May 24, 2004 "(I-90 Two-Way Transit and HOV Operations") and consistent with the 2004 Memorandum of Agreement between WSDOT, Sound Transit, the cities of Mercer Island, Seattle and King County which provided for the use of the Center Roadway by high capacity transit.

The parties will enter into funding and construction agreements for the construction of R8A, an airspace lease for the light rail use of the Center Roadway, a temporary construction area lease or other agreements to provide for the completion of the I-90 Two-Way Transit and HOV Project (R8A) and provide for the future long term light rail use of the I-90 Center Roadway. In addition the parties will extend the term of the existing Restated Land Bank Agreement by 40 years.

Structure of Transaction: All of the R8A project costs paid by Sound Transit will be offset against the sum of the rental value of a temporary construction area lease ("TCAL"), a 40 year airspace lease for the use of the Center Roadway (determined within 1 year of the commencement of construction) and the State's share of the cost of improvements. An airspace lease will be used for the light rail use of the Center Roadway. The airspace lease shall be in conformance with all rulings of the Supreme Court. The initial term of the airspace lease shall be 40 years with an option to renew the airspace lease for additional 35 year term by mutual agreement. The R8A project costs will be offset against the value of the TCAL, the initial 40 year lease term at the time the lease is executed and the one time reimbursement payment for the State's share of the cost of the improvements. Excess R8A costs not offset against the TCAL, the 40 year airspace lease term, and the State's share of the cost of the improvements will be credited to the land bank under the current Restated Land Bank Agreement, and the term of that agreement will be extended by 40 years. Sound Transit will provide up to \$18.4 million of additional funding for R8A Stage 2 and 3 costs which were programmed as the State's share of the R8A costs, and this amount of \$18.4 million will be credited to the Land Bank.

Upon Sound Transit's Board approval of this Term Sheet, the parties will enter into an Umbrella Agreement which will provide for the form of the airspace lease, for the Sound Transit funding commitment, construction task order(s), operations and maintenance agreements and other agreements necessary for the construction and operation of light rail on the Center Roadway.

The parties agree that if the State is prohibited from transferring the Center Roadway to Sound Transit by a court of law, Sound Transit shall be given land bank credits for all of its investments in R8A. This provision will be incorporated into the umbrella agreement.

The form of the airspace lease under the Restated Land Bank agreement with the modifications described in this term sheet will be used by the parties.

Terms:

1. R8A Funding Obligations:

ST's contribution: Sound Transit will provide all funding* for the construction of R8A as provided in the scope of work, which is now estimated to be \$153.2 million. The ST Funding includes \$18.4, which is the funding that was to be provided by WSDOT for construction of Stage 2 and 3 of R8A. The Scope of Work for R8A has already been defined, and Sound Transit's commitment to fund the construction costs for R8A is limited to the costs associated

with the Scope of Work as of the date of this Term Sheet.

(*This amount excludes WSDOT's contribution. WSDOT has provided \$29.1 million of funding for R8A, and agrees to provide an additional \$10.5million for dowel bar retrofits, and \$4.8m in federal funding.)

2. Term of Use: The parties will execute an airspace lease agreement for the light rail use of the Center Roadway for an initial term of 40 years with an option to renew for an additional 35 year term upon the mutual agreement of the parties. The airspace lease will commence upon the start of revenue service of light rail in the Center Roadway. Prior to the commencement of the airspace lease, a temporary construction area lease will be issued by the State for the light rail construction in the Center Roadway.

3. Credit for ST's R8A investment for Airspace Leases: All of Sound Transit's funding for the R8A project shall be offset or credited towards the initial 40 year term of the airspace lease for the use of the Center Roadway or the TCAL. The offset for the initial 40 year term shall occur at the time the airspace lease is executed. The offset for the TCAL shall occur at the time the TCAL is granted.

4. Credit for Remaining ST Funding Amount and Extension of Land Bank Agreement: Any funding provided by Sound Transit for the construction of R8A not offset against the first 40 year term of the airspace lease will be carried as credits under the Land Bank Agreement. These credits include the amount of R8A costs not offset against the payments for the first 40 year airspace lease term, and the credits for Sound Transit's funding of \$18.4 million of the State's share of Stage 2 and 3 of R8A. The Restated Land bank Agreement shall be amended to extend the term of this agreement by 40 years to expire in 2080.

5. Form of Use Agreement:

The form of the airspace lease under the Restated Land Bank agreement will be used with the following modifications to the termination section. (1) the lease shall state that the initial term shall be 40 years with an option to renew the lease for an additional 35 years by mutual agreement. (2) All of Sound Transit's funding for the R8A project shall be offset or credited towards the initial 40 year term of the airspace lease, and the offset shall occur at the time the airspace lease executed. (3) WSDOT may not terminate the airspace lease for a "highway purpose;" (4) WSDOT may only terminate the airspace lease if Sound Transit or its successor ceases using the Center Roadway for light rail for a period of 90 days, provided that a cessation of use due to maintenance or repair shall not be considered a cessation of use under this provision; (5) other references to termination for a highway purpose shall be deleted wherever this concept appears in the lease including Sections 7 and 9; (6) references to termination for other reasons outlined in the airspace lease agreement such as default, liquidation, bankruptcy, and emergency, shall not be deleted wherever this concept appears in the lease including Sections 7 and 9.

6. Payments for the Use of Center Roadway:

Payment at Commencement of the Temporary Construction Area Lease and Initial 40 year Term:
The parties agree that the one time payment to be made at the commencement of the temporary construction area lease and initial 40 year term of the airspace lease will be an amount that is the sum of: (1) and (2) below.

(1) The rental value of the temporary construction area lease and airspace lease will be based on updated land value calculated within 1 year prior to the commencement of construction. (In 2009 the land value was appraised at \$70.1 million.)

- (2) \$69.2 million which is the amount representing the State's share of the cost of the Center Roadway improvements. The amount of \$69.2 million represents full reimbursement of the State's investment in the Center Roadway. It is documented that 85.8% of the improvement costs were funded by federal dollars and 14.2% was funded by state gas tax dollars. WSDOT has provided documentation for the percentage of federal funding that was used for the cost of improvements. It is assumed that payment of the Federal share of the cost of the improvements is waived.

Should the adjusted land value combined with the fixed cost of improvement result in a lease payment amount greater than Sound Transit's funding of R8A, Sound Transit may utilize land bank credits for the excess amount.

Payment for the Second 35 Year Term:

The rental value of the second 35 year term of the airspace lease will be calculated based only on the land value as agreed to by the parties. The cost of the improvements will not be used in the calculation of rent for the second term since Sound Transit will have already reimbursed the State's share of the improvements at the commencement of the airspace lease and the federal share will have been waived.

The rental value of the temporary construction area lease shall be calculated within 1 year prior to the commencement of construction as provided above. The rental shall also be paid with the R8A offsets.

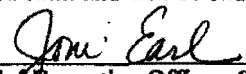
7. Waiver of Federal Reimbursement.

WSDOT will not seek payment for the federal share in accordance with the U.S. Department of Transportation letter to Alan Merkle, dated December 1, 2009.

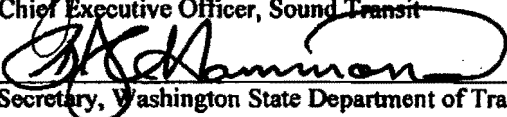
8. Operations and Maintenance Agreements: The parties will negotiate operations and maintenance agreements for (1) Trackways & Roadways and (2) Bridge and Tunnel Structure prior to commencement of construction unless agreed to by the Parties.

9. Future Agreements. The parties acknowledge that this Term Sheet contemplates the execution and delivery of a number of future agreements and instruments. Upon approval of these terms by the Sound Transit Board, the parties will execute an umbrella agreement by second quarter 2010 that will provide for the form of the airspace lease and the date of transfer, the funding and construction, operations and maintenance agreements, an amendment to the Restated Land Bank Agreement and any other agreements necessary to implement the terms agreed to by the Parties under this Term Sheet. The Parties agree to provide the necessary staff resources and work in good faith to develop the final form and contents of such agreements and instruments and to deliver such agreements and instruments.

This term sheet summarizes the essential terms of the agreements and the modifications of existing agreements that will be entered into by WSDOT and Sound Transit. These terms have been negotiated in good faith and will be endorsed and recommended for approval by the appropriate governing bodies.



Chief Executive Officer, Sound Transit



Secretary, Washington State Department of Transportation

1-20-10

Date

1/20/10

Date

Exhibit A
I-90 Center Roadway Transaction Estimates
(Millions\$)

ST Obligation Based on WSDOT 2007 CVEP*	
ST obligation based on WSDOT 2007 CVEP*	\$ 143.2
Assumes ST is funding \$18.4M of the State's obligation currently programmed beyond 2020 less \$10.4 for dowel bar stimulus	
November 2009 fire/life/safety increase	\$ 10.0
Current Estimated Total	\$ 153.2

*Cost Validation Estimate Process (CVEP).

Payments and Credits to Land Bank	
Rental Value	
40 Year Airspace Lease and TCAL Rent *(in 2009)**	\$ 65.8
Structure cost (reimburse State's share)***	\$ 69.2
Structure cost + 40 year airspace lease + TCAL	\$ 135.0
Apply R8A costs to offset payments	\$ 153.2
Balance (excess credits to land bank)	\$ 18.2

Land Bank Credits	
Credit for Excess R8A costs	\$ 18.2
ST-provided funding for state obligation for Stage 2 & 3	\$ 18.4
Total	\$ 36.6

* Based on a land value of \$70.1 m as derived from the State's appraisal report which assumed fee simple ownership of the land.

** Rental Value will be recalculated within 1 year prior to the commencement of the lease..

*** The reimbursement amount is based on an assumption that the State provided 14.2% of the costs of the Center Roadway.

Exhibit B
I-90 Estimated Schedule

	<u>Start Date</u>	<u>Completion Date</u>
Stage 2 Construction	March 2010	December 2011
Stage 3 Construction	March 2011	December 2014
East Link Center Roadway Construction	January 2015	December 2020