

Fact Sheet

Lynnwood Link Extension

Summary of Cost and Schedule Estimates

August 24, 2017

Overview

- As Sound Transit continues building a transformative regional transit system, the agency remains committed to expanding high capacity transit in as little time and with as few taxpayer resources as possible.
- Currently, the Puget Sound region is experiencing strong, sustained growth and a booming construction economy, placing increased pressure on Sound Transit cost and schedule estimates. These same pressures are being experienced by other agencies constructing capital projects in the Puget Sound Region.
- Coupled with the uncertainty of previously promised federal funding for the Lynnwood Link Extension, the agency must now take an even more cautious and conservative approach to estimating project cost and the schedule for initiating service.

Market Conditions

- Our robust economy and booming construction activity are driving up project costs. For example, the supply of skilled labor for construction projects remains extraordinarily tight, forcing higher costs on contractors.
- Rebar, structural steel, lumber, cement and other construction material prices are rising – in some cases, dramatically – with higher price increases expected to continue for the foreseeable future.

- Anyone who has recently tried to buy a house or commercial property knows firsthand that our region’s hot real estate market has reached historic peaks, with property values still climbing.
- These higher prices impact the cost and schedule estimates for Lynnwood Link, since Sound Transit must buy properties to build the project.
- Costs for the Lynnwood Link Extension are trending upward, from \$2.4 billion in year-of-expenditure dollars estimated in the Sound Transit 2 ballot measure to \$2.9 billion currently (these estimates include capital construction, light rail vehicles and operations and maintenance facilities).

Value Engineering Effort to Contain Costs

- While Sound Transit uses the best available models for estimating representative project costs and schedules, when market conditions significantly change, as they have recently, prudent fiscal management requires Sound Transit to review these cost estimates and adjust them accordingly.
- Given our most recent review for the Lynnwood Link Extension, increasing cost estimates require a more thorough engineering review to identify cost savings in the project.
- This review, known as “value engineering,” will occur through the end of 2017 and produce an updated cost estimate in early 2018 on which the final project budget will be based.
- This review, which will be done in collaboration with cities in the project area, will take some months to complete. At the same time, due to the new budget policies at the U.S. Department of Transportation, there continues to be uncertainty as to whether the project will still receive \$1.2 billion in promised Federal funds. These two challenges together will push the estimated completion of the Lynnwood Link Extension from December 2023 to mid-2024.

- Once value engineering is complete and a project budget is established, Sound Transit will continue to work intensively with its partner cities to deliver the Lynnwood Link Extension as quickly as possible.
- With regards to potential impacts of market conditions on other Sound Transit projects, most elements of current projects are already in construction or were put out to bid during more favorable post-recession market conditions. Recent bids, however, have been trending higher.
- In the near term, while current overheated market conditions will most immediately affect the Lynnwood project, staff will closely monitoring market conditions and any potential impacts on the upcoming light rail extensions to Federal Way and Downtown Redmond.
- It is too early to assess potential market impacts on future projects approved by voters last November, given the 25-year window for these expansions and changes in the market that will likely occur between now and then.
- Nonetheless, staff will continue to monitor pricing, labor and other cost trends and work with the Board and project stakeholders to address any impacts that may arise.
- More information on the Lynnwood Link Extension cost and schedule estimates that will include a Q & A and Board presentation will be posted on the Sound Transit website later this week.

For general questions about the project, please email project staff at lynnwoodlink@soundtransit.org or call us 206-398-5300

Media questions should be referred to Kimberly Reason at (206) 689-3343