



King County



April 22, 2021

The Honorable Kent Keel
Chair, Board of Directors
Sound Transit
401 S. Jackson St
Seattle WA 98104-2826

Re: ST3 Realignment – additional analysis and scenario development requested

Dear Chair Keel:

In the face of a global pandemic, we are proud that the Sound Transit Board (Board) and staff have remained focused on ensuring the delivery of Sound Transit projects, while also being responsible stewards of the resources entrusted to us. We appreciate your leadership in this effort. These are unprecedented times, and as local leaders, we know that when things get tough, we cannot stop or cut and run; we must find a way to make it happen.

In response to the pandemic-induced economic crisis beginning in March 2020, the Board took immediate action to chart a path forward and began realignment. By June 2020, the Board adopted Sound Transit Motions [M2020-36](#) and [M2020-37](#) in the aftermath of agency staff projections totaling more than \$12.1 billion in lost long-term revenues. M2020-36 developed criteria to inform the Board on how to best achieve the objectives of the Sound Transit 2 and 3 plans and M2020-37 directed staff to explore all available financial options (including identifying new external funding sources) to address impacts of lost revenue. These actions were closely followed up by Board approval in September 2020 of [Motion M2020-55](#), which identified paused projects to advance through near-term actions in 2020. Underlying these three Board actions was a clear understanding and intent to realign Sound Transit 2 and 3 plans because of lower long-term revenue projections.

Since those votes in 2020, the revenue projections that precipitated board action have remained volatile and uncertain. Sound Transit's initial spring 2020 long-term revenue (2020 through 2041) update projected a \$12.1 billion revenue decline, but in fall 2020 the projection had recovered by almost 50 percent to \$6.1 billion lower than forecasted prior to the pandemic. As of this month, the revenue projection has improved dramatically at only \$1.5 billion, or 2.6 percent, below the pre-pandemic long-term revenue projections through 2041. For comparison, in December 2010 following the 2007-2009 Great Recession, the Sound Transit Board [approved a program realignment](#) to its Sound Move and Sound Transit 2 plans because revenues through 2023 were \$3.9 billion, or 25 percent, lower than what was forecasted in 2008.

In January 2021, amidst the uncertainty around the rapidly changing revenue situation, as well as the ongoing COVID pandemic and associated economic fallout, Sound Transit announced it had identified \$12.3 billion in capital cost increases. At the [January 7, 2021 Executive Committee meeting](#), and following at the January 21, 2021 Board Realignment Workshop, agency staff briefed the Board about the increases of select non-baselined projects, citing cost estimate changes around right-of-way acquisition, design advancement, as well as contingencies and other soft costs as the drivers for cost increases. Sound Transit has engaged a third-party consultant to conduct an independent assessment of the drivers of cost increases and make recommendations for cost containment. This process remains underway. Importantly, the Board has not yet taken any steps to try to mitigate or control project cost increases prior to making widescale programmatic changes via realignment. More time and analysis are clearly necessary to address cost increases.

Finally, the agency has just begun to identify and acquire external funding as called for in Motion M2020-37. Already, federal pandemic relief and recovery legislation in the form of the Coronavirus Aid, Relief, and Economic Security Act (CARES), Coronavirus Response and Relief Supplemental Appropriations Act (*CRRSA*) and the recently-passed American Rescue Plan Act funds are providing critical assistance for Sound Transit to address its affordability gap. On the federal level, there are additional opportunities, including President Biden's proposed American Jobs Plan and legislation from senators Murray and Cantwell. The former has just been proposed and action is due in late summer or fall of this year. The latter would increase the federal share of Sound Transit's two Full Funding Grant Agreement projects by 30 percent, increasing the agency's financial capacity by as much as \$1.7 billion to \$1.9 billion. Additionally, we remain hopeful that additional state funding opportunities will be available moving forward. Much of this important work will remain incomplete if a realignment decision is made by summer 2021.

It is with respect for the gravity of the decisions before us and our commitment to "make it happen," that we request the following additional analysis and scenario development to inform our board decision-making.

- **Develop a realignment extension scenario, with near term actions:** We request development of a new scenario to extend the realignment process until July 2022, while taking select near-term actions in 2021. This scenario will allow the board to examine the pros and cons of extending realignment until additional information is available, including the prospect of acquiring additional new revenues, the benefits of a clearer economic picture, identifying new flexible approaches to station access, incorporating additional information about the nature of capital cost increases and conducting meaningful public engagement. During the 2010 realignment, the Board took action to align the cost of the plan with the projected resources after 20 months of deliberation and the end of the Great Recession (2007-09). With more time comes more certainty about the economic picture and the scale and scope cost overruns and how to mitigate them. An extended realignment will afford the Board the ability to make more informed choices in a comprehensive and program-wide manner. This

stands in contrast to the proposed Board action in 2021, which could force ad hoc decisions as the economic situation and our understanding of cost increases invariably change in the coming year.

- **Explore additional opportunities with agency financing:** We would appreciate an opportunity for our City and County financial and planning staff to collaborate with Sound Transit to explore realignment financial scenarios and assumptions. Discussion could include information sharing about likely changes to debt service assumptions due to some projects already seeing a minimum of one to two years delay; about options for moving forward on paused projects now; and about financing opportunities by extending the financial plan to 2043 or 2046.
- **Extend and expand the third-party cost review consultant contract to:** (1) Work with Sound Transit staff to estimate cost projections for all projects subject to realignment (not just the South OMF, Tacoma and WSBLE Link extensions); (2) review cost increases from previous Sound Transit Link projects currently under construction (Federal Way, Northgate, Lynnwood) to compare initial cost estimates and estimates at 10 percent, 30 percent and 60 percent design to see if there are trend lines for certain project element increases; and (3) make additional recommendations for identifying lower cost solutions. Extending realignment until summer 2022 would allow the third-party consultant to review all projects and give additional confidence to the board on Sound Transit cost estimating methodology and to help identify opportunities for lower cost solutions, including reviewing assumptions about the location of land acquisitions and the increased size of land acquisition needs.
- **Align the realignment solution with the problem:** One year ago, in 2020, the problem the Board was tasked to address stemmed from a massive revenue shortfall due to a pandemic-induced recession; now, the overwhelming problem is unforeseen cost increases. With this change, we may need to reevaluate our approach. Are the assumptions that led to cost increases in the evaluated projects likely to lead to increases in the remaining realignment portfolio? What has been the average cost increase in recent projects? How should the agency approach a cost-related gap differently than a revenue-related gap?

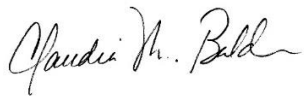
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From both a revenue and cost perspective, the one thing that is certain in the coming year is uncertainty. The decisions before us will have consequences on our region's mass transit system now and into the future and their magnitude warrant the time and analysis necessary to make these important choices successful. One thing is clear: the transit infrastructure we are building will be key to our region's recovery. The above requests are intended to provide additional information and understanding for the Board in its ongoing deliberation. Because the process continues to move quickly, we hope to receive and discuss this information prior to the May 2021 Board meeting.

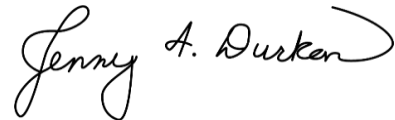
Sincerely,



Claudia Balducci
Board member, System
Expansion Committee Chair



Dow Constantine
Board Vice Chair



Jenny Durkan
Board member

cc. Sound Transit Board of Directors
Peter Rogoff, CEO, Sound Transit