

Motion No. M2026-24

Settlement Agreement between Sound Transit and the City of Tacoma for the Sounder D-to-M Street Track and Signal and Hilltop Tacoma Link Extension Projects

Meeting:	Date:	Type of action:
System Expansion Committee	07/09/2026	Recommend to Board
Board	07/23/2026	Final Action

Staff name:	Staff title:
Brad Owen	Acting Chief Capital Delivery Officer
Bernadette McDermott	Capital Delivery Center of Excellence Executive Director
John Baker	Construction Services Director

Proposed action

Authorizes the chief executive officer to execute an agreement with the City of Tacoma resolving open items and issues associated with the D-to-M Street Track and Signal project and the Hilltop Tacoma Link Extension project for a total authorized agreement amount not to exceed \$16,469,027, contingent upon adoption of Resolution No. R2026-17.

Key features summary

- This action authorizes an agreement to resolve outstanding funding obligations and the City of Tacoma's acceptance of public infrastructure, allowing the close-out of permits related to the construction of both the D-to-M Street Track and Signal and Hilltop Tacoma Link Extension (HTLE) projects in exchange for payments by Sound Transit.
- The D-to-M Street project scope included creating an overpass for the commuter rail line at Pacific Avenue to avoid an at-grade crossing, dropping the elevation of Pacific Avenue by approximately sixteen feet, changing surface water flow, and tying-in to existing stormwater infrastructure. The parties have disagreed whether the system was adequately sized to accommodate a 100-year storm event, with expert analyses conducted by both parties reaching differing conclusions. This agreement includes payment by Sound Transit to City of Tacoma in the amount of \$10.7 million; the City will accept the system in its current condition, close out the permit, and resume its position as owner of the system and the property.
- On the HTLE project, the agreement settles final acceptance of infrastructure as-is, reconciliation of the city services agreement, and the resolution of necessary street improvements at 4th Street and Stadium Way that the City will perform, eliminating safety concerns for that part of the system. This agreement includes payments by Sound Transit to the City in the following amounts:
 - HTLE City Services reconciliation: \$1,994,627
 - 4th Street and Stadium Way Improvements to be conducted by the City: \$3,774,400

- The City of Tacoma will provide Sound Transit with a payment of \$2,807,249.48 in City-funded HTLE betterments pursuant to this agreement.
- In total Sound Transit will provide a total of \$16,469,027 to the City of Tacoma. Resolution No. R2026-17 would amend the Adopted 2026 Budget to provide funding to support this agreement and closeout activities on the above-mentioned projects.

Background

Both the Hilltop Tacoma Link Extension and the D-to-M Street Track and Signal projects in Tacoma still have public infrastructure that has yet to be accepted by the City. Sound Transit has requested that the City accept the infrastructure as-is as part of the Link and Commuter Rail Right of Use provisions. This agreement sets the terms and conditions for doing so with payments.

The Hilltop Tacoma Link Extension included the 2.4-mile extension of the T Line from Downtown Tacoma to the Hilltop neighborhood, 7 new stations in the roadway median, an Operations and Maintenance Facility expansion, and the purchase of five new streetcar vehicles. The extension started construction in 2018 and was opened for service in 2023. The City of Tacoma entered into a funding and services agreement with Sound Transit in 2017 setting forth City responsibilities for services, permitting, and inspection pertaining to the HTLE project. Since the project's completion, Sound Transit has requested that left turns from Stadium Way to 4th Street be restricted with infrastructure constructed by the City to avoid potential damage to track rail in this segment. This will require signalization improvements at Division Avenue and Stadium Way, with design and construction being performed by the City. Funding is needed to close permits, address remaining safety issues at the intersection, and settle payments related to the 2017 agreements.

Sounder D-to-M Street project lowered Pacific Avenue and added 1.4 miles of track and safety and signals upgrades connecting the Tacoma Dome Station with the Lakewood subdivision and was completed in October 2012. The lowering of Pacific Avenue eliminated the need for an at-grade crossing, which improved safety but also necessitated alterations to stormwater drainage and grade elevations. Two 100-year storm events occurred in 2013, flooding the Pacific Ave Crossing, and project closeout was put on hold due to disagreements over the adequacy of the installed stormwater infrastructure. In 2018, Sound Transit had asked the City to regain ownership and accept the improved assets for this project but the City refused pending further studies. Expert analyses, commissioned separately by Sound Transit and the City, were completed in 2022 with competing outcomes; however, it was agreed by the parties that the work at Pacific Avenue was a contributor to stormwater system issues. The City subsequently conducted a larger stormwater system upgrade project in the Thea Foss Drainage basin and is currently under way with the Puyallup Avenue Sewer Utility Replacement Project scheduled for completion in December 2027. While not directly related, those projects will resolve any drainage issues related to the Pacific Avenue work completed by Sound Transit. Sound Transit's position through this agreement is that this contribution is based on "mutual benefit." Since 2022, the Agency and the City have been negotiating the contribution and have currently settled on a \$10.7M payment by Sound Transit to the City of Tacoma.

This combined settlement agreement addresses open items from these two projects, transfers ownership of aforementioned assets to the City, and resolves payments due/owed under the agreements stated above. This agreement will move both projects toward close-out.

Fiscal information

This action is contingent upon Board approval of the budget amendments outlined in Resolution No. R2026-17: Budget Amendment to Support Closeout activities for the D-to-M Street Track and Signal and the Hilltop Tacoma Link Extension projects.

This action is funded by the current approved project authorized allocations, and there is sufficient budget projected to fund the remaining work. The current project authorized allocations are included in the existing Long Range Financial Plan.

D St – M St Track & Signal

The authorized allocation for the D-to-M Street Track & Signal project is \$163,751,747. Within the \$78,726,564 Construction phase, \$12,306,539 has been allocated to the budget line item for Construction Miscellaneous. This action would commit an additional \$10,700,000 to this line item and leave a phase budget balance of \$891.

D St - M St Track & Signal

(in thousands)

Project Phase	Authorized Allocation	Board Approvals*	This Action	Total Commitment Plus Action	Uncommitted / (Shortfall)
Agency Administration	\$9,045	\$9,025	\$	\$9,025	\$20
Preliminary Engineering	1,733	1,733	-	1,733	-
Final Design	17,371	17,371	-	17,371	-
Third Party	605	605	-	605	-
Right of Way	42,144	42,144	-	42,144	-
Construction	78,727	68,026	10,700	78,726	1
Construction Services	5,173	5,173	-	5,173	-
Vehicles	8,953	8,953	-	8,953	-
Total	\$163,752	\$153,031	\$10,700	\$154,778	\$21

Phase Detail - Construction

Construction Miscellaneous	\$12,307	\$1,607	\$10,700	\$12,307	\$
Other Construction	66,420	66,419	-	66,419	1
Total Phase	\$78,727	\$68,026	\$10,700	\$78,726	\$1

Notes:

Amounts are expressed in Year of Expenditure \$000s.

For detailed project information, see page 121 of the 2026 Adopted Budget & Financial Plan.

* Board Approvals = Commitment and PO Contingency Remaining as of 5/31/2026.

Hilltop Tacoma Link Extension

The authorized allocation for the Hilltop Tacoma Link Extension project is \$306,721,000. Within the \$176,276,783 Construction phase, \$16,910,268 has been allocated to the budget line item for WBO-City of Tacoma. This action would commit an additional \$5,769,027 to this line item and leave a phase budget balance of \$0.

Hilltop Tacoma Link Extension

(in thousands)

Project Phase	Authorized Allocation	Board Approvals*	This Action	Total Commitment Plus Action	Uncommitted / (Shortfall)
Agency Administration	\$48,215	\$31,626	\$	\$31,626	\$16,589
Preliminary Engineering	5,559	5,559	-	5,559	-
Final Design	16,557	16,157	-	16,157	400
Third Party	974	974	-	974	-
Right of Way	1,915	1,915	-	1,915	-
Construction	176,277	170,361	5,769	176,130	147
Construction Services	16,659	16,659	-	16,659	-
Vehicles	40,565	40,163	-	40,163	403
Total	\$306,721	\$283,413	\$5,769	\$249,020	\$17,136

Phase Detail - Construction

WBO - City of Tacoma	\$16,910	\$11,141	\$5,769	\$16,910	\$
Other Construction	159,367	159,220	-	159,220	147
Total Phase	\$176,277	\$170,361	\$5,769	\$176,130	\$147

Notes:

Amounts are expressed in Year of Expenditure \$000s.

For detailed project information, see page 145 of the 2026 Adopted Budget & Financial Plan.

* Board Approvals = Commitment and PO Contingency Remaining as of 5/31/2026.

Disadvantaged and small business participation

Not applicable to this action.

Public involvement

Not applicable to this action.

Time constraints

As a result of ongoing legal activity related to the HTLE Construction contract, a delay longer than 30 days would result in insufficient budget to fund work for the remainder of 2026.

Prior Board/Committee actions

Motion No. M2022-11: Authorized the chief executive officer to (1) increase the City Services Agreement authorized reimbursement amount to the City of Tacoma for construction support services for the Hilltop Tacoma Link Extension by \$1,430,000, with 10 percent contingency of \$143,000, for a total authorized cost reimbursable agreement amount not to exceed \$6,613,449; (2) accept in-kind from the City in an amount not exceed \$5,172,651; and (3) execute work order 12 under the agreement.

Motion No. M2009-98: Authorized the chief executive officer to execute three agreements with the City of Tacoma: the Master Utilities Licensing Agreement, the Right of Use Agreement, and the D-to-M Street Track and Signal Development Agreement, and to execute all other subsequent agreements with the City of Tacoma as may be necessary to implement these agreements, for a total authorized expenditure not to exceed \$1,212,349.

Environmental review – KH 6/22/26

Legal review – JEN 07/02/26

Motion No. M2026-24

A motion of the Board of the Central Puget Sound Regional Transit Authority authorizing the chief executive officer to execute an agreement with the City of Tacoma resolving open items and issues associated with the D-to-M Street Track and Signal project and the Hilltop Tacoma Link Extension project for a total authorized agreement amount not to exceed \$16,469,027, contingent upon adoption of Resolution No. R2026-17.

Background

Both the Hilltop Tacoma Link Extension and the D-to-M Street Track and Signal projects in Tacoma still have public infrastructure that has yet to be accepted by the City. Sound Transit has requested that the City accept the infrastructure as-is as part of the Link and Commuter Rail Right of Use provisions. This agreement sets the terms and conditions for doing so with payments.

The Hilltop Tacoma Link Extension included the 2.4-mile extension of the T Line from Downtown Tacoma to the Hilltop neighborhood, 7 new stations in the roadway median, an Operations and Maintenance Facility expansion, and the purchase of five new streetcar vehicles. The extension started construction in 2018 and was opened for service in 2023. The City of Tacoma entered into a funding and services agreement with Sound Transit in 2017 setting forth City responsibilities for services, permitting, and inspection pertaining to the HTLE project. Since the project's completion, Sound Transit has requested that left turns from Stadium Way to 4th Street be restricted with infrastructure constructed by the City to avoid potential damage to track rail in this segment. This will require signalization improvements at Division Avenue and Stadium Way, with design and construction being performed by the City. Funding is needed to close permits, address remaining safety issues at the intersection, and settle payments related to the 2017 agreements.

Sounder D-to-M Street project lowered Pacific Avenue and added 1.4 miles of track and safety and signals upgrades connecting the Tacoma Dome Station with the Lakewood subdivision and was completed in October 2012. The lowering of Pacific Avenue eliminated the need for an at-grade crossing, which improved safety but also necessitated alterations to stormwater drainage and grade elevations. Two 100-year storm events occurred in 2013, flooding the Pacific Ave Crossing, and project closeout was put on hold due to disagreements over the adequacy of the installed stormwater infrastructure. In 2018, Sound Transit had asked the City to regain ownership and accept the improved assets for this project but the City refused pending further studies. Expert analyses, commissioned separately by Sound Transit and the City, were completed in 2022 with competing outcomes; however, it was agreed by the parties that the work at Pacific Avenue was a contributor to stormwater system issues. The City subsequently conducted a larger stormwater system upgrade project in the Thea Foss Drainage basin and is currently under way with the Puyallup Avenue Sewer Utility Replacement Project scheduled for completion in December 2027. While not directly related, those projects will resolve any drainage issues related to the Pacific Avenue work completed by Sound Transit. Sound Transit's position through this agreement is that this contribution is based on "mutual benefit." Since 2022, the Agency and the City have been negotiating the contribution and have currently settled on a \$10.7M payment by Sound Transit to the City of Tacoma.

This combined settlement agreement addresses open items from these two projects, transfers ownership of aforementioned assets to the City, and resolves payments due/owed under the agreements stated above. This agreement will move both projects toward close-out.

This action authorizes an agreement to resolve outstanding funding obligations and the City of Tacoma's acceptance of public infrastructure, allowing the close-out of permits related to the construction of both

the D-to-M Street Track and Signal and Hilltop Tacoma Link Extension (HTLE) projects in exchange for payments by Sound Transit.

The D-to-M Street project scope included creating an overpass for the commuter rail line at Pacific Avenue to avoid an at-grade crossing, dropping the elevation of Pacific Avenue by approximately sixteen feet, changing surface water flow, and tying-in to existing stormwater infrastructure. The parties have disagreed whether the system was adequately sized to accommodate a 100-year storm event, with expert analyses conducted by both parties reaching differing conclusions. This agreement includes payment by Sound Transit to City of Tacoma in the amount of \$10.7 million; the City will accept the system in its current condition, close out the permit, and resume its position as owner of the system and the property.

On the HTLE project, the agreement settles final acceptance of infrastructure as-is, reconciliation of the city services agreement, and the resolution of necessary street improvements at 4th Street and Stadium Way that the City will perform, eliminating safety concerns for that part of the system. This agreement includes payments by Sound Transit to the City in the following amounts:

- HTLE City Services reconciliation: \$1,994,627
- 4th Street and Stadium Way Improvements to be conducted by the City: \$3,774,400

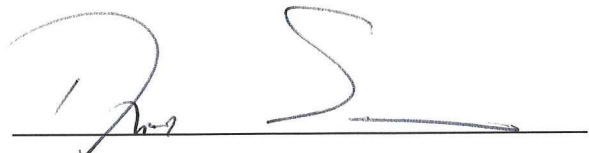
The City of Tacoma will provide Sound Transit with a payment of \$2,807,249.48 in City-funded HTLE betterments pursuant to this agreement.

In total Sound Transit will provide a total of \$16,469,027 to the City of Tacoma. Resolution No. R2026-17 would amend the Adopted 2026 Budget to provide funding to support this agreement and closeout activities on the above-mentioned projects.

Motion

It is hereby moved by the Board of the Central Puget Sound Regional Transit Authority that the chief executive officer is authorized to execute an agreement with the City of Tacoma resolving open items and issues associated with the D-to-M Street Track and Signal project and the Hilltop Tacoma Link Extension project for a total authorized agreement amount not to exceed \$16,469,027, contingent upon adoption of Resolution No. R2026-17.

APPROVED by the Board of the Central Puget Sound Regional Transit Authority at a regular meeting thereof held on July 23, 2026.



Dave Somers
Board Chair

Attest:



Kathryn Flores
Board Administrator