



City of Seattle

Michael McGinn, Mayor

Office of the Mayor

March 2, 2010

Honorable Richard Conlin
President
Seattle City Council
City Hall, 2nd Floor

Dear Council President Conlin:

I am pleased to transmit the enclosed council bill that would, if approved by the City Council, submit to Seattle voters on May 18, 2010, a \$243 million, 30-year bond measure and excess property tax levy for the purpose of design, construction, renovation, improvement and replacement of the Alaskan Way seawall. I look forward to working with you as we refine this proposal to fund this essential project, which needs to be completed as soon as possible in order to ensure public safety.

Replacing the Alaskan Way seawall is a critical project because it has deteriorated from aging components and materials, as well as from marine borer damage. Constructed between 1916 and 1930, the existing seawall was never designed to withstand earthquakes and has reached the end of its useful life. The failure of the seawall would disrupt public transportation and utilities, damage regional commerce and potentially lead to loss of life. As such, timely replacement is critical to both public safety and the local and regional economy. I am committed to having dialogue as we collaborate on how to move forward in funding the seawall project.

Based on the current accelerated schedule that I am proposing, the Seattle Department of Transportation (SDOT) anticipates a funding gap of nearly \$20 million in 2011 for the Seawall Replacement Project. In order for work on this critical project to continue, this 2011 funding gap needs to be addressed in 2010. This proposal meets that need. Attached are further details of the funding needs for the seawall project and for the remaining components of the Alaskan Way Viaduct & Seawall Replacement Program (AWVSRP). At this time, I am recommending delay to the 1st Avenue Streetcar planning work and intend to integrate the consideration of this project into future transit planning efforts. As such, the costs for this project are not included in the attached materials.

I believe that an excess property tax levy is the most viable funding option for completing this critical project. An excess property tax levy, if approved in 2010, would provide resources to complete the Seawall Replacement Project on a faster schedule than previously planned and provide clarity on the funding plan for this vital component of the AWVSRP. The estimated impact to property owners is \$0.125 per \$1,000 of Assessed Value, or \$50 for a \$400,000 home.

Why an excess levy for the Alaskan Way Seawall Replacement Project?

There are a variety of revenue sources that the City could consider for the Alaskan Way Seawall Replacement Project. While I am open to discussing alternative proposals for supporting this

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project, these are some of the reasons that have led me to recommend a voter-approved excess levy as the funding source for this project:

- Long-term, critical capital project – Excess levies are designed to support long-term critical capital projects. This funding mechanism, established by the state constitution, allows voters to determine when a project is important enough to warrant a dedicated and protected funding source. The Alaskan Way Seawall Replacement Project is critical due to its life-safety implications and the regional transportation and commerce activities it sustains. Replacement of the seawall is the highest-priority major capital project that we have a need to fund. This is exactly the type of project that a voter-approved excess levy is designed to support.
- Preservation of Limited Tax General Obligation (LTGO, or “councilmanic”) debt capacity – This mechanism would allow the city to issue bonds for replacement of the Alaskan Way Seawall without impacting the city’s councilmanic debt capacity or requiring additional General Fund cuts to support the debt service. Although substantial capacity currently exists for councilmanic debt issuance, recent declines in the city’s total assessed value of 10.3% for the 2010 tax roll indicate that we need to preserve LTGO capacity when possible. LTGO debt will likely be required to finance other major and minor projects in the near-future as well. Currently, \$1.1 billion in general purpose voted-debt (UTGO) capacity exists, beyond the \$895 million of LTGO capacity. Only a voter-approved bond measure and excess levy allows us to utilize this additional capacity.
- Preservation of other funding sources - The use of an excess property tax levy to fund replacement of the seawall also allows the city to preserve other funding sources, such as capacity within the city’s regular property tax levy and potential increases to the commercial parking tax, for other projects. This is especially important given the severe fiscal distress faced by many city funds in 2011. For example, the General Fund faces an estimated deficit of over \$50 million in 2011 and is unlikely to be able to support all the projects we would like. To the extent that we can secure new funding sources for essential projects early this year, we can focus decision-making in coming months on remaining resources and projects.
- Citywide benefit – The seawall serves the interests of all Seattle residents (not just those in the immediate vicinity) by prevention of catastrophic failure, loss of property, and severe damage to our transportation facilities. This broad benefit is in line with a broadly supported funding source such as an excess levy.
- Certainty and flexibility – Voter-approved excess property tax levies, once approved by voters, provide a reliable and stable source of funding that do not falter with economic turmoil. If approved in May 2010, design may proceed with the certainty that revenue will be available to support future debt service. This does not preclude the city from utilizing other resources that may become available, such as additional federal or state funding.

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Why not fund the seawall replacement with a Local Improvement District?

Another potential revenue source that has been considered to support the larger AWVSRP is a Local Improvement District (LID). Given the significance of the seawall to regional transportation and commerce as well as the safety and security of life and property, replacement of the Central Seawall is less likely a candidate for LID funding than the development of public space along the waterfront, as the more locally-oriented nature the waterfront public space lends itself well to LID-funding. We may want to leave this tool available to the Central Waterfront Partnership Committee (CWPC) for the planning, development, and operation of that public space. This is not to say that a LID could not be used for the seawall, but rather that the regional and critical nature of this project lends itself to a regional and stable revenue source. We look forward to partnering with the CWPC and Council on developing that strategic vision and funding plan.

Additionally, a Local Improvement District will take time to establish. This is not something that can be easily created in 2010. Given that work on the seawall will ramp up significantly in the coming year, the delay inherent in creating a LID makes it less amenable to fund this project. The Waterfront Public Space component of the AWVSRP is a better candidate for LID support as construction will not begin until after 2016. The groundwork needed to analyze and create a LID will be easily completed well within that extended timeframe.

The Seattle Department of Transportation is currently working to identify the feasibility of establishing a LID and what level of support it would be able to provide to the AWVSRP, including which projects might be eligible. We anticipate that this study will be complete in May 2010. Additional study and work will be needed to proceed with establishing the LID, once a direction is determined. I will continue to work with the Seattle City Council to ensure that all questions about the feasibility of using this funding source are addressed.

Funding for remaining AWVSR projects

As mentioned above, I am recommending to delay further planning of the 1st Ave streetcar. The City has agreed to fund other components of the AWVSRP and funding gaps (estimated below) remain for these projects:

- Mercer Corridor West Phase (funding gap: \$57.0 million)
- Parking Program / Project Services (funding gap: \$5.3 million)
- Waterfront and surface street (funding gap: \$122.4 million)

Unlike replacement of the seawall, these projects do not constitute a life-safety issue. This is the reason that I am recommending we move forward and identify and secure funding for the seawall replacement project in advance of these other projects.

All other significant potential funding sources will be considered to fund these projects. This includes use of a LID, a levy lid-lift, and other potential revenue solutions. As discussed above, the feasibility of using a LID is currently being evaluated, and I cannot make a recommendation for



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funding of these projects until that work is completed. There is also the potential for public-private partnerships and additional state or federal funding opportunities as well.

Some Council action will be needed in 2010 in order to put in place funding mechanisms for these projects. I will transmit to the Council by June 1, 2010 a recommendation that meets these funding needs.

Use of the Commercial Parking Tax (CPT) and Vehicle License Fee (VLF)

While I reaffirm my commitment to transmit a recommendation that meets the funding needs for the remaining components of the AWVSRP, it is my intent that this funding plan will not rely on the CPT or a VLF.

The Commercial Parking Tax and Vehicle License Fees are important tools to the city in that they can be applied to a broad range of critical transportation projects. This flexibility will become increasingly important to us as we grapple with allocating strained resources to meet ever-increasing transportation needs within the city. These priorities include transportation improvements, such as improved transit corridors, high-priority maintenance needs, bridge replacement, implementation of the Pedestrian and Bicycle Master Plans and potential use for Light Rail expansion. Other priorities may warrant use of these revenues as well.

If we are able to secure voter approval for an excess levy to fund the Alaskan Way Seawall Replacement Project, then we can focus the discussion on how to tackle these other transportation priorities that will improve the local and regional transportation system, create jobs, protect the environment, and enhance our quality of life. I look forward to engaging with the Council in the coming months to identify the projects that meet these shared-objectives and how we can best make progress on these.

Considerations in utilizing an excess levy and timing

There are some challenges that we will face in using an excess levy for this project. A voter-approval requirement of sixty percent is a higher requirement than for some options that require a public vote such as a levy lid lift. Additionally, there is a minimum voter-turnout requirement for an excess levy, unlike other voter-approved options. These are both requirements that I believe can be achieved in a May 2010 election.

I have confidence that, when we present voters with an open and honest assessment of the project needs, the importance of the replacement project, and offer them a choice to move forward, that they will approve this measure.

Voter-approval in May 2010 of this excess levy would settle the question of whether we can confidently move forward with this critical project. We also know that voters will likely face other tax proposals from the state, the county, and other local jurisdictions in the near future, in addition



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to any future proposals that the city may propose. As there is no higher priority for capital funding needs, replacement of the Alaskan Way seawall should be the next proposal voters consider.

I have asked SDOT to develop an accelerated design and construction schedule for the Alaskan Way Seawall Replacement Project. If we accelerate the Central Waterfront concept design process to begin in the Fourth Quarter 2010, we would provide a period of design overlap and coordination between the seawall and central waterfront projects. This will allow the concept design work for the central waterfront public spaces and streets to influence the selection of the seawall preferred alternative design, before the seawall design must be finalized for the purposes of completing permitting and environmental review. Allowing this design coordination addresses a key concern of stakeholders. We continue to work closely with the Central Waterfront Partnerships Committee on the process for hiring the design consultant for the central waterfront and defining the design process, including public involvement.

Fund Alaskan Way Seawall Replacement Project ahead of other major projects

As you acknowledged in a letter to me in January 2010, there are a number of major projects that we will need to consider funding in the near and long term. This includes funding for bicycle and pedestrian improvements, light rail expansion, renewal of the Families and Education Levy, the North Precinct, and others. The list of wants and needs continues to grow, and it will continue to do so unless we can identify funding sources and move forward with implementation of our top priorities. There are many great ideas throughout Seattle and I wish I could commit to developing and delivering a realistic plan to fund all of them, but given our constrained revenue-generating ability, I do not believe this is a realistic goal.

I am committed to a dialogue about the city's long-term capital needs, with the understanding that there are some projects that must be done now. The Alaskan Way Seawall Replacement Project has been a known safety risk for nine years and I believe we need to move ahead and secure funding in order to expedite this critical work. We have an opportunity to resolve this legacy issue of funding for replacement of the seawall; we have the need to identify funding in order for work to proceed in 2011; and, we have many challenges ahead of this year and beyond. It is time to move ahead and secure funding for this project.

Partners and next steps

I look forward to continuing to work with the Council, the Central Waterfront Partnership Committee, the county, the Port of Seattle, the community, and other partners as we refine our plans for creating a great central waterfront.

Once the LID study is complete, I will be able to send for your consideration a proposed funding strategy for the remaining components of the AWVSRP. I anticipate this will occur prior to June 1, 2010. This future transmittal will include recommendations for action in 2010 that will secure anticipated funding needs in 2011 and beyond for the remaining components of the AWVSRP. We

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will be considering all revenue options available to us and I look forward to further discussions with the Council about those options.

There are many important capital projects across the city that we will need to consider in the near future, but given the critical nature of replacing the seawall, I am recommending that we move ahead and secure funding for this project expeditiously. This proposal would allow the City to accelerate planning and construction of this safety replacement project, preserve capacity within other more-flexible funding sources, and establish certainty around this component of the AWVSRP.

Thank you for considering this legislation. Should you have questions, please contact Ethan Raup at 233-3871.

Sincerely,

Mike McGinn
Mayor of Seattle

cc: Honorable Members of the Seattle City Council