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Scott Dvorak,
Analyst

September 12, 2005

Honorable Councilmember Richard Conlin
Seattle City Hall
600 Fourth Avenue
Seattle, WA 98104

Re: Seattle Planning Commission Review of the Monorail Contract

Dear Councilmember Conlin:

In response to your request of July 8, 2005, we have reviewed the monorail contract with regard to: **station and guideway design; pedestrian and bicycle access; and ridership**. This included review of the most current ridership forecasts prepared for SMP. Detailed comments and analysis are set forth in the appendices attached hereto.

First and foremost we have an abiding concern that the \$111M in contingency and reserve funds in the project budget may be insufficient for a project of this magnitude, complexity, and duration. This concern would only be compounded by the new proposed finance plan to be considered by the SMP Board in the coming week.

Station And Guideway Design & Pedestrian And Bicycle Access: We concur with the view expressed by the Design Commission, in their letter to the Mayor and Council of August 10 2005, that the design of the project, as set forth in the Contract, falls short of the excellence which the citizens of Seattle have been led to expect. The requirement for design excellence is explicitly set forth in the Transit Way Agreement, Exhibit C, which also establishes several specific mitigation measures regarding pedestrian access to the stations.

The terms of the contract provide that the City may require changes to the design of the guideway and stations, but such changes are defined as "City-required" and entitle the Contractor to additional compensation. The benchmark for determining the value of the additional compensation is the design as depicted on the drawings in the Contractor's proposal. This is the design which the Design Commission and Planning Commission have criticized as lacking excellence. Given the financial pressures on the project, there is no reason to expect the design to meet the citizens' expectations unless the City requires changes to improve the design.

The contract specifically excludes from the scope of work all but one of the mitigation measures regarding pedestrian access, set forth in Exhibit C of the Transit Way Agreement, but provides that if such mitigation measures are required by the City, as conditions of awarding permits, the Contractor will be entitled to additional compensation.

The additional compensation described above would be paid for (1) first, out of the Contingency Fund of \$35M, (2) then, at SMP's option, out of additions to the Contingency Fund up to an additional \$35M financed by the Contractor and secured by bonded indebtedness, and (3) lastly, from the project's \$76M unallocated reserves. Together these funds amount to about 6% of the contract amount, or 8% if the bonded indebtedness is included, and are needed to provide for numerous other risks, such as differing site conditions and force majeure, which adhere to the SMP under the terms of the contract.

Were the City to insist on improvements to the design of the guideway and stations, or choose to enforce the required mitigation measures regarding pedestrian access, the effect would be to deplete the project contingency and reserve funds at the outset of the project. That might place the project in a financially untenable position. To avoid that consequence, the City may have no choice but to accept the bare-bones design of the project as it is, and not enforce the mitigation measures in the Transit Way Agreement regarding pedestrian access.

Ridership: With regard to the ridership forecasts, we found that some of the assumptions underlying the forecasts are not mode-specific and not conservative. The possibility that ridership forecasts (necessarily based on modeling, and involving many assumptions and judgments) may be significantly overestimated during the planning phase is a significant risk to any new transit system. The use of non-mode-specific and non-conservative assumptions increases that risk.

Because the Green Line proposal includes obvious limitations on capacity due to the single-beam guideway sections and the short train/platform lengths, we performed an analysis to determine whether these limitations will result in capacity constraints on ridership. We found that even under the least-conservative assumptions used in the ridership forecasts; the system is overloaded during the peak hour between Seattle Center and 5th/Broad. Under more conservative assumptions the overloads increase in magnitude and occur in other sections of the Green Line as well. These capacity constraints will likely deter ridership on the system. The most recent ridership forecasts for the Green Line, for the year 2030, explicitly assume that there are no capacity constraints to ridership.

The capacity constraints analysis also shows that the planned passenger loading levels during the peak periods are in excess of what is typically planned for new transit systems intended to attract new riders to transit. This too will likely deter ridership on the system.

Because the SMP has promised the voters that the Green Line will break even on operations by the year 2020, a shortfall in ridership poses significant financial risk because the MVET cannot be used to pay operating expenses after 2020.

In summary, the SMP base construction budget must be significantly increased to meet the expectation of the citizens of Seattle for quality design and pedestrian access. Additional contingency fund increases would be required to ensure operational budget needs if ridership fails to meet expectations, as appears likely. It would appear the magnitude of these additional base budget and contingency fund increases would substantially increase the overall SMP budget.

If you have any questions regarding the foregoing, please contact Barbara Wilson, SPC Executive Director, at (206) 684-0431. Our detailed analysis is available upon request. We appreciate the opportunity to be of service and will be glad to assist in any further analysis.

Sincerely,



Jerry Finrow
Vice Chair

cc: Mayor Greg Nickels
Tim Ceis, Deputy Mayor
Diane Sugimura, DPD
John Rahaim, DPD
Ethan Melone, SDOT
Guillermo Romano, Seattle Design Commission
Nic Roussow, Monorail Review Panel
John Haley, SMP Interim Executive Director
Eileen Norton, SMP

Seattle City Councilmembers
Sung Yang, Mayor's office
Grace Crunican, SDOT
Susan Sanchez, SDOT
David Spiker, Seattle Design Commission
Layne Cubell, Seattle Design Commission
Seattle Monorail Project Board
Tom Horkan, SMP