

**SOUND TRANSIT  
STAFF REPORT**

**MOTION NO. M2003-07**

**Approval of Long-Term Service Agreement with the Rainier Valley Community  
Development Fund to Administer Sound Transit's Supplemental Mitigation  
Account of the Community Development Fund for Southeast Seattle**

<b>Meeting:</b>	<b>Date:</b>	<b>Type of Action:</b>	<b>Staff Contact:</b>	<b>Phone:</b>
Finance Committee Board	2/6/03 2/13/03	Discussion/Possible Action to Recommend Board Approval Action	<b>Joann Francis, Chief Administrative Officer</b> Hugh Simpson, Chief Financial Officer Ron Lewis, Link Deputy Director	(206) 689-4934  (206) 398-5082 (206) 689-4905

<b>Contract/Agreement Type:</b>	<b>Requested Action:</b>	
Competitive Procurement	Execute New Contract/Agreement	3
Sole Source	Amend Existing Contract/Agreement	
Memorandum of Agreement	Contingency Funds Required	
Purchase/Sale Agreement	Budget Amendment Required	

- Applicable to proposed transaction.

**Objective of Action**

This action would authorize execution of a long-term Community Development Fund service agreement, which would facilitate one of the major and imminent goals of the Fund: the disbursement of supplemental mitigation funds to impacted parties in the Rainier Valley in tandem with Sound Transit's property acquisition and occupant relocation program.

**Action**

- Authorize the Executive Director to execute a long-term service agreement with the Rainier Valley Community Development Fund (RVCDF) to administer Sound Transit's Supplemental Mitigation Account of the Community Development Fund (the Fund) for a period of one year in the amount of \$528,935, with options to extend annually for a total of five years. This amount is equal to 70% of the projected cost of Fund administration in 2003. The RVCDF expects to receive the remaining 30% funding from the City of Seattle through a separate contract that has not yet been negotiated. Sound Transit will be reimbursed for the total cost of this contract and contract oversight expenses from the Fund. The execution of this agreement is contingent upon Board adoption of the amendment to the 2003 Board-adopted budget as provided for in Resolution No. R2003-02.

## **KEY FEATURES**

- On an annual basis the RVCDF will submit a proposed scope of work and operating budget to the Sound Transit Board for approval which will be part of the annual renewal process. This budget will be included in Sound Transit's overall operating budget.
- Sets forth the scope of work for implementing and administering the objectives of the Fund.
- The total cost of implementing and administering the Fund for Sound Transit are as follows:
- As a separate action, staff is recommending an amendment to the 2003 budget that includes \$528,935 that will be disbursed to the RVCDF in eleven monthly payments of \$48,085 and \$215,625 for Sound Transit internal administrative costs.
- Internal administrative costs include staffing and related startup costs in the Administrative Services Department (\$120,000) and Finance and Information Services Department (\$95,625). Sound Transit staff will provide transaction processing support, accounting and investment services, contract management and continuity between Sound Transit Administrative Services and the RVCDF objectives.
- All payments made by Sound Transit under the proposed long-term service agreement and internal administrative costs incurred will be reimbursed to Sound Transit from the Fund.
- As defined in the long-term service agreement, a reconciliation process will occur on a monthly basis throughout the year to ensure service contract payments are accounted for and corresponding services are received.
- The RVCDF will perform necessary tasks required to complete the Fund goals that include transaction setup, monitoring and coordination with Sound Transit.
- Sound Transit will be providing oversight, required financial transaction support and accounting to the Fund from the following departments: Administrative Services, Legal and Finance and Information Services. All Fund transactions will be recorded in Sound Transit financial records and are subject to audit.
- Administrative Services will be providing overall contract management and support for the long-term service agreement. This department will also ensure that RVCDF's programs are integrated and compliment Sound Transit existing programs, including real estate acquisition and relocation and pre-apprenticeship activities.
- The Legal Department will provide limited on-going support including document review and contract development.
- Finance and Information Services will provide oversight in the areas of investment services, general ledger and disbursements.

## **BUDGET DISCUSSION**

The total 2003 budget for the long-term service agreement is \$528,935 for eleven months. Sound Transit will establish a separate business unit within its financial structure to separately account for transactions required to implement and administer the Fund's objectives. A 2003 budget amendment is required to incorporate these dollars into the adopted budget.

In addition, staff is recommending the Sound Transit staff operating budget be increased by a total of \$215,625 to add resources directly related to operating the Supplemental Mitigation portion of the Fund through the budget amendment referenced above. This includes \$120,000 in Administrative Services and \$95,625 in Finance and Information Services. All administrative costs (service payments and Sound Transit internal administrative costs) will be reimbursed from the Fund.

Resolution No. R99-34 states that the \$50 million fund shall pay all necessary and associated administrative, legal, and staff support costs, including any economic feasibility studies completed to support the implementation of the Fund's programs. Costs of the Fund are to be offset by contributions from the City of Seattle and King County to the Central Link Light Rail project.

Sound Transit's funding agreement with the City of Seattle and the adopted Operating Plan contemplate that Sound Transit and the City of Seattle will share costs of Fund administration. For 2003, Sound Transit will pay 70% of the total cost of Fund administration. By separate contract, the RVCDF will need to receive the remaining 30% from the City of Seattle. This proration of costs will be evaluated annually. For financial planning purposes the table below includes a 70/30 split of costs through 2008, and depicts the CDF funding, mitigation disbursements and administrative costs and related notes.

### **CDF Budget and Funding Notes**

**Note 1:** Motion No. M2002-46 (Memorandum of Agreement with the City of Seattle) provides for funding from the City of Seattle to Sound Transit in reference 1(a) through utility related work on the Central Link Light Rail Initial Segment. Motion No. M2002-65 (Memorandum of Agreement with King County and City of Seattle related to the Downtown Seattle Transit Tunnel) provides for funding from King County to Sound Transit in line 1(b) for work related to the Central Link Light Rail Initial Segment.

**Note 2:** Under the agreements referenced above Sound Transit will make payments per this schedule to a separate account within Sound Transit's financial structure to be used in disbursing funds for mitigation payments, advances and administrative costs.

**Note 3:** Amounts included under this section are for payments from CDF designated funds contained within Sound Transit financial records to impacted parties for program elements. Annual estimates were created from input from the CDF Steering Committee and Founding Board.

**Note 4:** Amounts included in this section are divided into two sections: service contract payments and Sound Transit internal administrative costs. Service contract payments are estimated and will be presented within the proposed long-term service agreement to the Sound Transit Board during February 2003. These funds will be used by the CDF organization to implement the operating plan through 2008. Sound Transit internal costs include to-date actual expenditures of \$318,000 and annual amounts required for Sound Transit to administer the program through 2008. All administrative costs (service payments and internal administrative costs) will be reimbursed from CDF designated funds included in Note 2 to Sound Transit.

**Note 5:** The costs shown include only Sound Transit's 70% portion of the total cost of Fund administration. The remaining 30% is expected to be paid by the City of Seattle through a separate contract with the City of Seattle. This proration will be evaluated annually; for planning purposes, the above table shows a 70/30 split of costs through 2008.

**Note 6:** Current funding from Sound Transit is forecasted at \$28,700,000. Forecasted program elements (mitigation payments, advances and administrative costs) are estimated at \$30,566,000. The difference of \$1,866,000 is interest earned from 2003-2009 on funds administered by Sound Transit. Any shortfall will be made up through an adjustment of program elements or by repayments from advances.

## **REVENUE, SUBAREA, AND FINANCIAL PLAN IMPACTS**

There are no subarea impacts from this agreement. All Sound Transit expenditures related to this motion will be reimbursed.

## **HISTORY OF THE PROJECT**

On November 18, 1999, by Resolution No. R99-34, the Sound Transit Board directed staff to establish a \$50 million (YOES) Transit-Oriented Community Development Fund to be available to mitigate impacts of the construction and operation of light rail in Southeast Seattle.

In August of 2000, by Motion No. M2000-72, the Sound Transit Board directed staff to establish a Steering Committee for the \$50 million Transit-Oriented Community Development Fund for Southeast Seattle to propose an operating plan for the Fund and providing for associated tasks and procedures.

In Spring 2002, the Steering Committee submitted a draft operating plan to the Sound Transit Board. On September 6, 2002, the organization officially incorporated as the Rainier Valley Community Development Fund, a non-profit corporation of the State of Washington. On September 19, 2002, the Founding Board of the Community

Development Fund submitted the organization's Operating Plan to the Sound Transit Board for consideration. The Operating Plan contemplates that Sound Transit will contract with a newly formed non-profit entity to administer Sound Transit's Supplemental Mitigation Account of the Fund.

One of the major and imminent goals of the Fund is the disbursement of supplemental mitigation funds to impacted parties in the Rainier Valley in tandem with Sound Transit's property acquisition and occupant relocation program currently underway.

In October 2002, by Resolution No. R2002-16, the Sound Transit Board authorized execution of an interim service agreement and budget for operations start-up through the end of 2002 and authorized negotiations to begin with the RVCDF for a long-term service agreement that would be concurrently considered and approved with the Rainier Valley Community Development Fund Operating Plan prior to December 31, 2002.

On December 12, 2002, by Motion No. M2002-138 the Sound Transit Board adopted the RVCDF Operating Plan, which provides overall guidance for the administration of the Fund and governance of the RVCDF that will administer the Fund pursuant to a contract with Sound Transit. The Sound Transit Board adopted this Operating Plan with the express condition that certain aspects of Fund operations may not be adjusted without an amendment to the Operating Plan approved by both the Sound Transit Board and the Seattle City Council. These items include: (1) the mission statement of the Fund; (2) the purposes of payments, advances, and loans; (3) separation of its operations and financial record keeping into the Supplemental Mitigation Account and the Community Development Account; (4) geographic boundaries of the Fund; and (5) legal and governance structure of the RVCDF.

This action would authorize execution of a long-term service agreement, which would facilitate one of the major and imminent goals of the Fund: the disbursement of supplemental mitigation funds to impacted parties in the Rainier Valley in tandem with Sound Transit's property acquisition and occupant relocation program.

**Prior Board or Committee Actions and Relevant Board Policies**

<b>Motion or Resolution Number</b>	<b>Summary of Action</b>	<b>Date of Action</b>
M2002-138	Adopted the Rainier Valley Community Development Fund Operating Plan on December 12, 2002, which provides overall guidance for the administration of the Fund and governance of the entity that will administer the Fund pursuant to a contract with Sound Transit.	12/12/02
R2002-16	Authorizing the Executive Director to execute an interim service agreement with the Community Development Fund, adopting a budget for that interim agreement through December 31, 2002 in an amount not to exceed \$196,130, and authorizing the Executive Director to begin negotiations with the CDF incorporated as the Rainier Valley Community Development Fund for a long-term service agreement to be executed by December 31, 2002.	10/10/02

M2002-46	Authorized the Executive Director to execute an agreement with the City of Seattle to establish, oversee and fund the City of Seattle's portion of the Transit-Oriented Community Development Fund for Southeast Seattle, and to provide funding support for certain aspects of the Central Link Light Rail Project	5/9/02
M2002-34	Authorized the Executive Director to execute an amendment to a \$99,900 sole source contract with Paige Chapel (Solutions in Community Development and Finance) to assist the Steering Committee in completing the Draft Community Development Fund (CDF) Operating Plan and provide near term staffing to the CDF Founding Board (pending approval of the CDF Operating Plan) in the amount of \$57,250 with a 10% contingency of \$5,725, for a total of \$62,975 and for a new total authorized contract amount not to exceed \$162,875.	3/28/02
M2002-35	Authorized the Executive Director to execute an amendment to a \$99,900 sole source contract with Patty Grossman (Good Management, Inc.) to assist the Steering Committee in completing the Draft Community Development Fund (CDF) Operating Plan and provide near term staffing to the CDF Founding Board (pending approval of the CDF Operating Plan) in the amount of \$54,000 with a 10% contingency of \$5,400, for a total amount of \$59,400 and for a new total authorized contract amount not to exceed \$159,300.	3/28/02
M2000-72	Established a steering committee for the \$50 million Transit-Oriented Community Development fund for Southeast Seattle, providing for associated tasks and procedures, and directed staff to develop Memoranda of Understanding with the City of Seattle and King County identifying their offsetting contributions to the Link Light Rail program.	8/10/00
R99-34	Sound Transit shall establish within the North King County sub-area budget a \$50 million (YOES) Transit-Oriented Community Development Fund ("The Fund") to be available to mitigate impacts of the construction and operation of light rail in Southeast Seattle.	11/18/99

### **CONSEQUENCES OF DELAY**

- Delay in the execution of a long-term service agreement with the RVCDF would delay the distribution of the Fund to impacted parties in the Rainier Valley.

### **Regional Partnership and Cooperation**

Sound Transit, the City of Seattle, King County and the RVCDF's Steering Committee, Founding Board and Rainier Valley community members have partnered throughout the RVCDF process to develop an Operating Plan so that implementation can continue.

### **Public Involvement**

During the summer of 2000, the Rainier Valley community developed criteria for community representatives who would serve on the Steering Committee, the nominating and election process. Twenty community members volunteered to serve on the Steering Committee. A community election was held on September 11, 2000, resulting in the nomination of ten community members for the Steering Committee. The Steering

Committee also included representatives from Sound Transit, the City of Seattle and King County.

*The Steering Committee held its first meeting at a daylong retreat, on October 14, 2000. Since that first meeting, the Steering Committee has:*

- Held 27 meetings (open to the public) to work through the details of the Operating Plan;
- Met more than 65 times in various sub-committees;
- Met twice in full-day summits to discuss and finalize decisions on critical aspects of the RVCDF structure, operation, and launch;
- Held three community forums attended by a total of 96 community members to review the Steering Committee's work plan and timeline; to solicit feedback on the proposed mission, principles, and funding priorities; to review the supplemental mitigation products and services; to solicit input on the use of the RVCDF's funds; and to ask for nominees to the Founding Board;
- Held two focus groups attended by 32 impacted businesses to discuss and evaluate proposed RVCDF financial assistance;
- Met one-on-one with an additional 33 impacted businesses to review their needs and to discuss whether the proposed RVCDF's financial products and technical assistance will be useful and sufficient;
- Met with 32 community stakeholders to discuss their opinions regarding the RVCDF's structure, governance, staffing, and non-mitigation activities;
- Made five presentations to Sound Transit's Central Link Task Force to discuss and seek approval on the RVCDF's proposed mission statement, guiding principles, and funding priorities, and to introduce the proposed supplemental mitigation products and services;
- Made one presentation to the full Sound Transit Board to review the Steering Committee's progress;
- Drafted and sent five letters to the Sound Transit Board regarding the Steering Committee's position on a number of issues that impacted the Rainier Valley community and the RVCDF;
- Participated in a presentation to the Seattle City Council regarding the RVCDF's funding issues;
- Made presentations to joint meetings of the Sound Transit Finance Committee, Central Link Oversight Committee and Seattle City Council Transportation Committee on the Operating Plan.

### **Legal Review**

JB 2/5/03

## **SOUND TRANSIT**

### **MOTION NO. M2003-07**

A motion of the Board of the Central Puget Sound Regional Transit Authority authorizing the Executive Director to execute a long-term service agreement with the Rainier Valley Community Development Fund (RVCDF) to administer Sound Transit's Supplemental Mitigation Account of the Community Development Fund (the Fund) for a period of one year in the amount of \$528,935, with options to extend annually for a total of five years. This amount is equal to 70% of the projected cost of Fund administration in 2003. The RVCDF expects to receive the remaining 30% funding from the City of Seattle through a separate contract that has not yet been negotiated. Sound Transit will be reimbursed for the total cost of this contract and contract oversight expenses from the Fund. The execution of this agreement is contingent upon Board adoption of the amendment to the 2003 Board-adopted budget as provided for in Resolution No. R2003-02.

#### **Background:**

On November 18, 1999, by Resolution No. R99-34, the Sound Transit Board directed staff to establish a \$50 million (YOES) Transit-Oriented Community Development Fund to be available to mitigate impacts of the construction and operation of light rail in Southeast Seattle. In August of 2000, by Motion No. M2000-72, the Sound Transit Board directed staff to establish a steering committee for the \$50 million Transit-Oriented Community Development Fund for Southeast Seattle to propose an operating plan for the Fund and providing for associated tasks and procedures.

In Spring 2002, the Steering Committee submitted a draft operating plan to the Sound Transit Board. On September 6, 2002, the organization officially incorporated as the Rainier Valley Community Development Fund, a non-profit corporation of the State of Washington. On September 19, 2002, the Founding Board of the Community Development Fund submitted the organization's Operating Plan to the Sound Transit Board for consideration. The Operating Plan contemplates that Sound Transit will contract with a newly formed non-profit entity to administer Sound Transit's Supplemental Mitigation Account of the Fund.

In October 2002, by Resolution No. R2002-16, the Sound Transit Board authorized execution of an interim service agreement and budget for operations start-up through the end of 2002 and authorized negotiations to begin with the RVCDF for a long-term service agreement that would be concurrently considered and approved with the Rainier Valley Community Development Fund Operating Plan prior to December 31, 2002. The interim service agreement has been extended through February 28, 2003.

On December 12, 2002, by Motion No. M2002-138 the Sound Transit Board adopted the proposed Operating Plan, which provides overall guidance for the administration of the Fund and governance of the RVCDF that will administer the Fund pursuant to a contract with Sound Transit. The Sound Transit Board adopted this Operating Plan with the express condition that certain aspects of Fund operations may not be adjusted without an amendment to the Operating Plan approved by both the Sound Transit Board and the Seattle City Council. These items include: (1) mission statement of the Fund; (2) the purposes of payments, advances, and loans; (3) separation of its operations and financial record keeping into the Supplemental Mitigation





Account and the Community Development Account; (4) geographic boundaries of the Fund; and (5) legal and governance structure of the RVCDF.

This action would authorize execution of a long-term service agreement, which would facilitate one of the major and imminent goals of the Fund: the disbursement of supplemental mitigation funds to impacted parties in the Rainier Valley in tandem with Sound Transit's property acquisition and occupant relocation program.

**Motion:**


It is hereby moved by the Board of the Central Puget Sound Regional Transit Authority that the Executive Director is authorized authorizing the Executive Director to execute a long-term service agreement with the Rainier Valley Community Development Fund (RVCDF) to administer Sound Transit's Supplemental Mitigation Account of the Community Development Fund (the Fund) for a period of one year in the amount of \$528,935, with options to extend annually for a total of five years. This amount is equal to 70% of the projected cost of Fund administration in 2003. The RVCDF expects to receive the remaining 30% funding from the City of Seattle through a separate contract that has not yet been negotiated. Sound Transit will be reimbursed for the total cost of this contract and contract oversight expenses from the Fund. The execution of this agreement is contingent upon Board adoption of the amendment to the 2003 Board-adopted budget as provided for in Resolution No. R2003-02.

APPROVED by the Board of the Central Puget Sound Regional Transit Authority at a regular meeting thereof held on February 13, 2003.



Ron Sims  
Board Chair

ATTEST:



Marcia Walker  
Board Administrator

