

KING COUNTY FISCAL NOTE - Property Leases and Sales

GENERAL TRANSACTION INFORMATION

Ordinance/Motion:	Sale of Metro Transit Convention Place Station Property to the Washington State Convention Center			Transaction Duration:	32 yrs
Title:	King County Metro Transit (Metro), General Fund, Facilities Management Division, Mental Illness and Drug Dependency Fund, and Housing, Tourism-Related, and Cultural Development Activity Expenditures			Fair Market Value:	\$ 162,010,940
Affected Agency/Agencies:	Gregory Svidenko			Legal Transaction Type:	Installment sale
Note Prepared By:	Shelley De Wajs	Date Prepared:	1/23/17	Fiscal Transaction Type:	Standalone
Note Reviewed By:	Sale of the Convention Place Station Property to the Washington State Convention Center				
Description of Request:					

FINANCIAL IMPACTS

Part 1 - Net Present Value Analysis Results

Net Present Value to King County (all impacts): ***	NA	Net Present Value to Primary Impacted Agency (customer of transaction): ***	NA
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Part 2 - Revenue and Expenditure Impacts

As of the preparation date of this fiscal note, the impact of the above legislation on the financial affairs of King County is estimated to be as indicated below: ¹

Appropriation Unit	Appr. Number	Department	Fund Number	Project Number	Revenue Account Code and Source/Description	Sum of Revenues Prior to 2017	2017 / 2018	2019 / 2020	2021 / 2022	Sum of Outyear Impacts ²
Housing, Tourism-Related, and Cultural Development Activities	Various	Various	Various		Hotel/Motel Tax	\$ -	\$ -	\$ -	\$ -	see note 5
Finance General Fund	A15000	GF	0010		General Fund sales tax revenue related to new construction associated with the property transaction	\$ -	\$ 508,833	\$ 810,000	\$ 101,667	\$ -
Metro Transit Operating Fund	A46410	DOT	4641		Metro Transit sales tax revenue related to new construction associated with the property transaction	\$ -	\$ 3,053,000	\$ 4,860,000	\$ 610,000	\$ -
Metro Transit Capital Fund	C36410	DOT	3641		Proceeds of sale - see note 5	\$ -	\$ 21,410,109	\$ 2,820,218	\$ 2,820,218	\$ 248,300,000
Facilities Management Division/RES	A44000	DES	0010		Proceeds of sale - see note 5	\$ -	\$ 403,000	\$ -	\$ -	\$ -
Department of Community and Health Services Operating		DCHS			Payment for affordable housing in lieu of constructing - see note 6	\$ -	TBD	TBD	\$ -	\$ -
Mental Illness and Drug Dependency Fund	A99000	DCHS	1135		MIDD sales tax revenue related to new construction associated with the property transaction	\$ -	\$ 339,222	\$ 540,000	\$ 67,778	\$ -
TOTAL						\$ -	\$ 25,714,165	\$ 9,030,218	\$ 3,599,662	\$ 248,300,000

Appropriation Unit/Expenditure Type	Appr. Number	Department	Fund Number	Project Number	Expenditure Notes	Sum of Expenditures Prior to 2017	2017 / 2018	2019 / 2020	2021 / 2022	Sum of Outyear Impacts ²
Metro Transit Capital Fund	C36410	DOT	3641	1028624		\$ -	\$ -	\$ -	\$ -	\$ -
Other Transaction Costs					Project planning and negotiation	\$ 3,417,178	\$ 2,800,000	\$ -	\$ -	\$ -
SUBTOTAL						\$ 3,417,178	\$ 2,800,000	\$ -	\$ -	\$ -
Metro Transit Capital Fund	C36410	DOT	3641	1128646		\$ -	\$ -	\$ -	\$ -	\$ -
Other Transaction Costs					Relocation of traction power substation	\$ -	\$ 9,700,000	\$ -	\$ -	\$ -
SUBTOTAL						\$ -	\$ 9,700,000	\$ -	\$ -	\$ -
Metro Transit Capital Fund	C36410	DOT	3641	1128656		\$ -	\$ -	\$ -	\$ -	\$ -
Other Transaction Costs					Relocation of Sound Transit and Metro equipment from Downtown Seattle Transit Tunnel (DSTT)	\$ -	\$ 6,700,000	\$ -	\$ -	\$ -
SUBTOTAL						\$ -	\$ 6,700,000	\$ -	\$ -	\$ -
Metro Transit Capital Fund	C36410	DOT	3641	1131130		\$ -	\$ -	\$ -	\$ -	\$ -
Other Transaction Costs					Metro's contribution to construction of ramp to maintain bus access to DSTT (80% per PSA)	\$ -	\$ -	\$ 4,000,000	\$ -	\$ -
SUBTOTAL						\$ -	\$ -	\$ 4,000,000	\$ -	\$ -
Metro Transit Operating Fund	A46410	DOT	4641	NA		\$ -	\$ 682,370	\$ 4,230,000	\$ -	\$ -
Other Transaction Costs					Overhead and other ongoing costs that will not be reimbursed by Sound Transit (see note 5)	\$ -	\$ (776,000)	\$ (3,100,000)	\$ -	\$ -
Other Transaction Costs					Reduction/elimination of debt service payments associated with the exit of buses from the DSTT (see note 5)	\$ -	\$ (93,630)	\$ 1,130,000	\$ -	\$ -
SUBTOTAL						\$ -	\$ -	\$ 1,130,000	\$ -	\$ -
Facilities Management Division/RES	A44000	DES	0010	NA		\$ -	\$ -	\$ -	\$ -	\$ -
Real Estate Services Labor Costs						\$ -	\$ 500,000	\$ -	\$ -	\$ -
Other Transaction Costs					Closing costs	\$ -	\$ 50,000	\$ -	\$ -	\$ -
SUBTOTAL						\$ -	\$ 550,000	\$ -	\$ -	\$ -
TOTAL						\$ 3,417,178	\$ 19,656,370	\$ 5,130,000	\$ -	\$ -

APPROPRIATION IMPACTS

As of the preparation date of this fiscal note, the impact of the above legislation on the budget appropriation of King County is estimated to be as indicated below: ¹

Appropriation Unit	Appr. Number	Department	Fund Number	Project Number	Appropriation Notes	2017 / 2018 Appropriation Change	Total 6-Year CIP Outyear Planning Level Costs ⁷
Metro Transit Capital Fund	C36410	DOT	3641	1028624	Project planning costs through the end of 2017/2018.	\$ -	\$ 2,800,000
Metro Transit Capital Fund	C36410	DOT	3641	1128646	Relocation of traction power substation.	\$ 9,700,000	\$ 9,700,000
Metro Transit Capital Fund	C36410	DOT	3641	1128656	Relocation of Sound Transit and Metro Transit equipment from DSTT.	\$ 2,699,896	\$ 6,700,000
Metro Transit Capital Fund	C36410	DOT	3641	1131130	Planning and construction costs for the access ramp.	\$ 4,000,000	\$ 4,000,000
TOTAL						\$ 16,399,896	\$ 23,200,000

Assumption and Additional Notes:

- *** An NPV analysis was not performed because of the large degree of uncertainty associated with the potential revenues and costs for alternatives.
- 1. If the expenditure impact equals or exceeds five percent of the fund expenditures, a copy of the most recent applicable appropriation unit financial plan is attached to this transmittal.
- 2. The sum of outyear impacts is provided for capital projects and agreements. This sum for revenue and expenditures includes all revenues/expenditures for the duration of the lease/other agreement or life of the capital investment.
- 3. This transaction does not require the use of fund balance or reallocated grant funding.
- 4. The transaction involves the sale of a property. No long-term expenditures requiring resource backing are associated with this transaction.
- 5. A detailed explanation of how the revenue/expenditure impacts were developed is provided below, including major assumptions made in developing the values presented in the fiscal note and other supporting data:
 - Hotel/motel tax revenue is expected to increase as a result of this transaction; however, the increase cannot be quantified at this time.
 - The transaction is structured as an installment sale involving an initial payment to Metro of \$20 million in 2017, interest-only payments of 1% annually from closing (estimated as 7/1/2017) through 2023, and growing annual payments starting in 2024 (4.25% interest and 3% escalation), with payments starting at about \$6.8 million and growing to about \$13.8 million. Of the anticipated property sale revenues, approximately \$6 million must be set aside for future use on a Federal Transit Authority approved project. This amount is shown in the capital designated revenue reserve in the financial plan.
 - The total estimated cost of relocating equipment in DSTT is provided above; however, the allocation of this cost to Sound Transit and Metro is still under negotiation. While Metro anticipates a cost sharing reimbursement for some portion of this project from Sound Transit, Metro is requesting appropriation authority of the total project cost in order to contract for the work to be done.
 - Currently, Metro allocates a portion of the agency overhead and other costs (security, service quality) to DSTT operations, which are then reimbursed by Sound Transit. When Metro removes buses from the tunnel, some of these costs go away, but other costs accrue entirely to Metro. The net impact is an increase in Metro operating costs.
 - For reduced debt service payments, it is assumed that this transaction results in Metro buses exiting the DSTT in September 2018 and debt retirement occurs at the end of 2019. It also assumes that all debt and other operations and maintenance costs for the DSTT accrue to Sound Transit after buses exit the DSTT.
- 6. Per the terms of the PSA, WSCC will either construct affordable housing or contribute \$5 million to DCHS to provide affordable housing. This fiscal note includes a placeholder as resolution of the question is not known at this time.
- 7. Total 6-year capital costs exceed the appropriation request because some appropriation for this work was obtained in the 2017-2018 biennial budget.