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DEEP-BORE TUNNEL

Seattle Mayor's Viaduct Tunnel Vision

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BUSINESS JOURNAL PHOTO/Jan Schaefer

Seattle Mayor Mike McGinn sat down with my colleague Steve Wilhelm and me recently to talk about why he has taken a stand against the city being on the hook for cost overruns related to the Alaskan Way Viaduct replacement project. (Subscribers only can click [here](#) for the Q&A.)

With a view of traffic sweeping by on the viaduct far below his seventh floor City Hall office Hall, McGinn spoke of his disdain for the deep-bore tunnel plan and how this transportation mega-project would be a drain on a financially strapped city.

Here is more from the interview:

WHAT IS YOUR VISION OF WHAT YOU'D LIKE FOR THE CITY AND WHAT IS THAT BASED UPON?

If you want to back up, I'll back up even further. I think the issue here is what are our objectives. I think big objectives are shared prosperity. We're in economic times that are pretty bad. Over the last few decades we've seen rising income inequality and wealth inequality in this country. Surprising enough, even in this recession, it's continued to increase. What are the steps we can take in this city that contribute to shared prosperity, not prosperity for some, but shared by as many residents as possible. There are a lot of pieces to that: job training, green jobs,

energy efficiency, there's support for small businesses, trying to reach out to immigrant and refugee communities, giving them support for their entrepreneurial activities. I think that means you have to put your big infrastructure investments through that lens as well. Is what you're doing the best way to support broad-based economic activity in the city? If we have to pay cost overruns on that tunnel, which is what state law currently says, you can argue about the enforceability. There's no argument the Legislature has capped its contributions, and expects us to pay cost overruns. The opportunity costs of cost overruns are very high for this city.

WHAT CONSTITUENCIES INFLUENCE YOU? What informs those views is a sense of shared prosperity, and how do we make investments that enable everyone to share in economic activity and growth in the region, and environmental sustainability, and how do we prepare for the future. I think in both of those, this is the investment filter I put a lot of things through. The public is smart, and when you ask them what they think, they get good answers. We saw they were 70 percent against the tunnel, it was a different construction technique, but still they saw the cost, and the benefit, and thought it was a lousy deal.

WHAT SHOULD MONEY BE SPENT ON? Let's look at some of the infrastructure questions we face. I know whatever I say, people will say, it's a different pot of money but in terms of illustrating what you can do with dollars. A \$20 million grant from federal government to work on energy efficiency, we think we can leverage that six or seven times, with private capital, to create jobs weatherizing homes in southeast and central Seattle, as well as multi-family buildings. That's an infrastructure investment that will reduce costs for people living here, improve the quality of our housing stock for the future, that will give jobs to people who need them, and help respond to environmental challenges, so that's a great investment. We have labor, business community, communities of color at the table.

WHAT ARE SOME OF THE ISSUES YOU STRUGGLE WITH? I look at the fact that Metro bus system will face huge cuts next year. They managed to delay the cuts that might have come this year, by basically transferring capital to operating. Next year it's going to be huge. Bus service gets people to work. There's no way we can get people in and out of downtown in single-occupancy vehicles. The Downtown Seattle Association recognizes this. They represent the merchants and businesses of downtown, and they've been advocates for transit and walking and biking for a long time. Transportation is the second highest household cost after housing, by 20 percent. If you can invest in transit, you can reduce costs to users, you can involve more people in economic prosperity because they can get to jobs and find jobs. They have more money in their pockets to invest in other things, and you're making progress on the environment. These are the types of investments I think we should be making.

WHAT ARE BUSINESS LEADERS' OPINIONS ABOUT THE VIADUCT? I think if you scratch the surface, you would find there are business leaders who question whether it's a smart idea for Seattle to take on cost overruns, or take on too much of the expense of that project. What you tend to see in politics is when issues become polarized, people don't speak up as much. There are people for that tunnel to the point they are willing to take it on at all costs, and that's not very prudent with our dollars or thrifty with our dollars to say we'll take it on at all costs.

THE WASHINGTON STATE DEPARTMENT OF TRANSPORTATION SAYS THE VIADUCT REPLACEMENT PROJECT DOES NOT HAVE A SIGNIFICANT RISK OF COST OVERRUNS, EXCEPT FOR THE DEEP-BORE TUNNEL DIGGING ESTIMATED TO COST \$350 MILLION. I WANTED TO ASK YOU IF YOU AGREED WITH THAT ASSESSMENT. I think the conveyance estimate for Brightwater (King County's tunnel project for treated wastewater) was originally around \$350 million. And their conveyance costs right now are probably over a billion.

BUT ISN'T BRIGHTWATER IS A DIFFERENT PROJECT? IT'S 13 MILES, AS OPPOSED TO 1.7 MILES FOR THE ALASKAN WAY TUNNEL, AND GOES TWICE AS DEEP. If they can tell us what is different now than other tunnel project that would be pretty interesting. What's the secret they now have? Because the Beacon Hill tunnel went over budget for Sound Transit and they are still spending money to fill in the voids under residences. These are voids under single-family residences as opposed to voids under multimillion-dollar skyscrapers. Let's focus on the risk. Beacon Hill went over budget. Brightwater is over budget. There is a tunnel up in Vancouver 100 percent over budget. Tunneling is a very risky endeavor. Where we are right now on Brightwater is the original contractor has been fired. And replaced. A new contractor is in there on a time and materials contract. The new contractor has a provision in their contract that's going to try and finish up that tunnel. But they are not

quite sure how they are going to do it. There's a clause in their contract that says everybody understands that there's no guarantee that they can actually be able to finish the project. So that's the risk of the deep-bore tunnel project. Now if you can't make a light-rail line as long as you originally budgeted, you make it shorter. That's what we did. You can't make a tunnel shorter. Look, on major projects it's really hard to estimate right. This is what we have seen on major projects, not just in our region, but around the world. The (2002 Oxford professor Bent) Flyvbjerg study shows that 90 percent of mega-projects go over budget because it's hard to get it right.

DIDN'T THE FLYVBERG STUDY ALSO SAY THAT ON AVERAGE PROJECTS WENT OVER BUDGET BY 28 PERCENT? If WashDOT (Washington State Department of Transportation) says there's no risk, why doesn't the state take the cost overruns? If there is no risk, why did the state change the performance bond contract from the cost of the contract to \$500 million, when \$800 million is available? If there is no risk, why did they just extend the timeline on the project for a year? After spending months and months telling us the leading cause of cost overruns was delay, they've extended the time of the project. I think the performance bond issue is really revealing. The state's telling us they're going to watch out for Seattle and there won't be cost overruns. But when the tunnel contractors tell them they can't get a performance bond for a sufficiently high number, right? What the state does is say we'll take that risk off of you by lowering the performance bond requirement. So for the state to come in and say only a portion of the project is risky, it's contradicted by their own actions as well as the history of tunneling in the region. If there is no risk, the state can take the risk.

WHERE WILL THE CITY GET THE FUNDING FOR THE SEA WALL REPLACEMENT? The sea wall estimate I think is about \$250 million. I actually advocated initially that we could use some of the gas tax money to help with the sea wall. The city took on the sea wall. We have proposed a long-term ballot measure to fund the sea wall, because it's a long-term investment. If we don't put it on the ballot this fall, we have to reach into other taxing sources to pay for at least the next year of work with it around \$15 million to \$20 million. The taxes the city has available are the commercial parking tax, the business head tax and some other specialized transportation taxes, including a vehicle license fee. Council could raise those taxes, but we have to go to the public for a property tax increase. I think sooner or later we are going to have to go to the voters. Why don't we just get the financing in place now? That would enable us to move forward with confidence that will accelerate the schedule and do the work.

I UNDERSTAND YOU ALSO ARE CONCERNED ABOUT TOLLING IN THE TUNNEL. There's not just a risk of cost overruns. There is a risk of revenue shortfalls; \$400 million is projected to come from tolling. This is a situation where it's not the Tacoma Narrows Bridge. You have choices. Lots of choices. Interstate 5. Surface streets. A rebuilt Alaskan Way. If that \$400 million comes up short, how does that get filled in? The Port of Seattle has suggested \$300 million, committed to \$300 million. Where does that \$300 million come from? What if the port doesn't actually raise the money? It's one thing to say we commit to it, it's another to raise it. If they're short, that would come back to us as well.

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