

**COUNCIL SUMMARY BACKGROUND BRIEF:
PUGET SOUND REGIONAL COUNCIL (PSRC)
July, 2017**

GROWTH MANAGEMENT POLICY BOARD (GMPB)

At its July 6 meeting, the GMPB:

- **Recommended Full Certification of the Comprehensive Plan for Pierce County.** The PSRC previously granted “conditional certification” with three specific requirements for Pierce County to achieve full certification of its Comprehensive Plan. Pierce County submitted a report on the progress made on the three requirements, and the PSRC reviewed the report and deemed that the conditions were met.
- **Received a presentation on regional growth trends, including new 2017 population numbers from the Office of Financial Management.** The region gained 82,000 people in the last year, reaching a total population of 4,067,000 as of April 1, 2017. This was the second year in a row that the region experienced population growth exceeding 80,000. Most new housing is being built in cities and urban areas. Regionally, 96% of permitted housing units were in cities and urban areas in 2015, compared to 72% in 1991.
- **Continued discussion of the regional centers framework update.** The GMPB previously discussed:
 - how to recognize military installations in the framework;
 - standards and/or guidelines for manufacturing-industrial centers (MIC), regional growth centers and countywide centers; and
 - how funding could be affected by the revised framework.

The GMPB provided direction on the framework for each of the topic areas. PSRC staff will prepare a new draft framework for the Board to consider in September and October which can then be published for public comment. The GMPB is expected to make a recommendation to the PSRC Executive Board in December 2017. The GMPB directed PSRC staff to prepare a draft that includes:

- designation of the four major military installations (Joint Base Lewis-McChord, Naval Base Kitsap – Bangor, Naval Shipyard Kitsap – Bremerton, and Naval Station Everett) as a “regional geography” and provide more information about how this would impact regional funding, ensure accountability for purposes of regional planning, and maintain the integrity of the regional centers process;
- creation of two categories of MIC, one for preserving those with existing employment and another for preserving land with potential for growth, including specific criteria for designating each category;
- a mix of criteria for regional growth centers (e.g., Downtown Bellevue) from alternatives previously presented that recognizes at least two different types of centers with different qualifying criteria; and
- basic guidelines for criteria and guidelines counties would use in designating countywide centers.

Bellevue’s primary interest is the criteria for designation as a regional growth center; particularly as it applies to Downtown Bellevue. All of the alternatives considered to date would maintain the

current designation and recognize the important regional role of Downtown Bellevue. Although Bellevue does not contain any military installations or areas designated as MIC, these will also compete for limited regional transportation funds. If these types of “centers” proliferate, regional transportation funds could be diluted and negatively impact Bellevue.

King County currently does not have a designation for “countywide” centers, but could in the future, and Bellevue would likely have areas that could qualify. These centers compete for countywide funds, which Bellevue also competes for under different criteria.

The next meeting of the GMPB is September 7.

TRANSPORTATION POLICY BOARD (TPB)

At its July 13 meeting, the TPB:

- **Directed PSRC staff to begin modeling the draft Transportation 2040 Financial Strategy for further discussion this fall.** To meet federal requirements, the Transportation 2040 plan must have a fiscally constrained strategy that balances costs and anticipated revenues throughout the life of the plan. This must include current revenue sources as well as a new revenue source outlook. The new revenue scenario identifies potential future revenues from sources that have yet to be enacted, but are reasonably expected to be available based on voter trends and political momentum. Any new revenues identified in the financial strategy will require legislative actions by cities, counties, the state, and/or the federal government.

The TPB authorized PSRC staff to proceed with updated financial assumptions based on a set of recommendations from the Finance Working Group—a committee made up of PSRC Board and committee members. This direction will allow staff to conduct modeling and plan analysis over the summer for the TPB to review in fall 2017. After reviewing this preliminary analysis, the TPB will have an opportunity to discuss plan performance and request any necessary changes to the financial strategy prior to release of the draft transportation plan for public comment at the end of the year.

The Finance Working Group recommended that the TPB:

- Reaffirm the existing, adopted strategy of maintaining and increasing currently available revenue sources, while transitioning to new user-based fees over the long term.
- Better address the needs of cities, counties, and local transit in the near term, using both current and new revenue tools.
- Pursue road usage charges, rather than a regional system of limited access highway system tolls, as a mechanism to replace the gas tax in the long-term.
- Use funding tools that address desired regional performance outcomes – including reduction of congestion and greenhouse gases.
- Strive for equity in implementation, benefits, and impacts of existing and new revenue sources – particularly for underrepresented users.

The Transportation 2040 financial plan estimates total 2018-2040 expenditures of \$198 billion, including \$106.6 billion on maintenance and preservation, and \$91.7 billion on system improvements.

The proposed revenue scenario projects more than \$64 billion in new revenues from new sources between 2018 and 2040. Two-thirds of this total is anticipated to be from high occupancy toll

(HOT) lanes, facility tolls, and additional user fees. Additional potential revenue sources include a carbon tax on fuel, increased motor vehicle excise taxes, impact fees, indexing the existing fuel tax to inflation and other sources.

Modeling shows changes in vehicle technology (such as greater fuel economy and higher electric vehicle usage), increasing capital costs, changing travel behavior, and inflation continue to compromise the purchasing power of fuel tax proceeds. To combat this revenue decline, the Finance Working Group assumes transitioning to a system heavily funded by user fees, most specifically a road usage charge. With these sources, the plan still identifies a near-term 2018-2025 funding gap for county and city maintenance and preservation of \$3.7 billion, which may need to be deferred to later years in the plan. Over the longer-term, it is anticipated that user fees will provide stable funding to support maintenance, preservation, operations, and system improvements needs.

It is important to note that road usage charges modeled for the draft Financial Strategy are a very productive revenue tool, to the extent that there may be substantial surpluses over the life of the plan. If these surpluses are realized, there is the potential to reduce or eliminate other existing or new revenue sources, such as fuel taxes, sales taxes, excise taxes, and other taxes or fees. The Finance Working Group anticipates a discussion of these potential surpluses in fall 2017, after the initial modeling and analysis of transportation system performance and financial assumptions are complete.

- **Heard a presentation on the State Facilities Action Plan, which is currently under development by the Washington State Department of Transportation (WSDOT).** As part of the Transportation 2040 Update Work Program, the Transportation Policy Board directed staff to “request that WSDOT develop, in cooperation with the PSRC and others, an action plan identifying (1) low cost operational improvements to address I-5 and other congested corridors in the near term; (2) an updated I-5 rehabilitation plan and cost estimate; (3) a plan for improving flow on high occupancy vehicle (HOV) lanes; and (4) updated cost estimates and accelerated schedule for seismic retrofits. The PSRC will support WSDOT through modeling, data, and other planning support as needed. Additionally, the PSRC will request WSDOT develop a funding strategy for projects beyond Connecting Washington including local priority state routes.”

In response, WSDOT developed five briefing papers on these topics, all of which were presented to the TPB at its July meeting. The briefing papers provide background context, current and emerging issues, as well as future needs. Selected findings from two of the WSDOT briefing papers of most relevance to Bellevue are as follows:

- Maintenance and Preservation
An estimated \$2.5 billion is needed to preserve I-5 pavement, bridges, culverts and other systems in the Puget Sound region through 2040 (southern border of Pierce County to the northern border of Snohomish County). The statewide preservation need through 2040 is estimated at \$14 billion in the same period.
- HOV Lane Performance
Per WSDOT’s policies adopted in 1992, the speed and reliability standard for HOV lanes is operations at 45 mph during 90% of peak hours measured over a six-month period. Achievement of this goal has been poor and has fallen sharply in most areas in recent years. WSDOT proposes the following options to consider individually or in combination:

1. Continuing the current 2+ HOV lane policy, which still out-performs regular lanes, perhaps with a revised performance standard;
2. Adopting a 3+ policy system-wide;
3. Converting HOV lanes to express toll lanes with a variety of operating policies;
4. Adding a second lane or part time shoulder to selected HOV or express toll lane segments;
5. Using a combination of express toll lanes and congestion pricing in select locations;
6. Converting general-purpose lane segments to managed lanes on a peak-only or all-day basis to provide continuity over entire corridors, e.g. on I-5 to match reversible lane capacity in the Express Lanes;
7. Regulating the number of upstream general purpose lanes feeding into bottleneck locations; and
8. Enhancing policies or enforcement to improve HOV lane compliance.

The next meeting of the TPB is September 14.