

SUMMARY and FISCAL NOTE*

Department:	Contact Person/Phone:	Executive Contact/Phone:
Seattle Center	Ned Dunn/684-7212 Kerry Smith/615-0358	Candice Livingston-Foote/233-7274

1. BILL SUMMARY

Legislation Title: AN ORDINANCE relating to the Mercer Arena; authorizing the Director of the Seattle Center Department to execute a third amendment to the Mercer Arena Ground Lease between the City of Seattle and Seattle Opera; and lifting a budget proviso.

Summary and background of the Legislation: Mercer Arena, built in 1927 as the Civic Ice Arena, has been closed to public assembly use since 2003 due to seismic and related code deficiencies. In 2008, in an agreement supported by Resolution 31040 and approved by Ordinance 122630, Seattle Opera entered into a lease for the site, intending to redevelop and use the site for their rehearsal spaces, costume and set construction facilities and administrative offices. Due to economic conditions, fundraising for the project was challenging and in 2010, the agreement was amended by Ordinance 123399, to extend the rent commencement date while the Opera raised funds for the project. The lease commenced July 1, 2014 and the Opera began paying rent. Later in 2014 the lease was amended a second time to address administrative issues related to the parties' interim shared use of the Mercer Arena prior to construction commencement.

Resolution 31628 expressed support for the City providing \$5 million for an expanded Opera project that would replace the Mercer Arena and provide additional project enhancements and supplement the public benefits in the lease. Of this amount, \$200,000 is appropriated in the Finance General Reserves BCL in the 2016 Adopted Budget. A budget proviso was placed on these funds, requiring the Executive to provide Council with information on how the funding would be used for enhancements beyond what is required in the City's current lease with the Seattle Opera, and a contract for public benefits. The Third Amendment addresses those requirements and the legislation lifts the proviso.

The remaining \$4.8 million appropriation will be included in the proposed Seattle Center's 2017-18 Capital Improvement Program Budget and, subject to approval by the Seattle City Council, would be made available to the Opera in 2017 after they have fulfilled the requirements contained in Section 12 of the existing lease. Those requirements include:

- Review of the project by the Seattle Design Commission,
- Presentation of the proposed renovation plan to the Parks, Seattle Center, Libraries and Waterfront Committee of the City Council,
- Completion of a construction agreement between Seattle Center and the Opera, and
- Opera's demonstration to the City Budget Director that they have sufficient financial resources to complete the proposed project.

Project Enhancements and Supplemental Public Benefits

The additional project enhancements, which exceed \$5 million by over \$1 million, are itemized in Summary Attachment 1 - Project Enhancements and include:

- The budget for the expanded Opera project has increased from approximately \$40 million to over \$60 million. The Opera will replace the Mercer Arena with an entirely new building, increasing the estimated useful life of the building, allowing for direct access to McCaw Hall at the stage level and enabling the addition of spaces that support the Opera's increased focus on community and educational program. Direct access at the stage level will create efficiencies for both the Opera and Seattle Center as scenery and stage materials can be moved directly from the Opera's technical spaces to McCaw Hall, reducing the time necessary for the move-in and move-out of shows. The expanded project will also increase the depreciated present value of the building being provided to the City at the end of the least term. The building is being designed for a 100 year life, assuming regular ongoing maintenance. In 2043 the building will be delivered to the City and, assuming a conservative 80 year useful life, the depreciated present value of the building is estimated at \$12.8 million, an increase in value of \$5.5 million when compared to the previous \$40 million project. If a 100 year building life is used in the estimate, the increased present value to the City at the end of the lease term would be \$6.7 million.
- The addition of landscaping, irrigation, screening, hardscape, lighting, environmental graphics and other amenities in the public open space to the east of the new building. These project enhancements were not a requirement of the lease and are budgeted at \$569,000 for design and construction.
- Provision of an integrated Mercer Street frontage design, including landscaping, irrigation, hardscape, lighting, environmental graphics and other amenities for the area extending from the Mercer Arena to the Kreielsheimer Promenade. This enhancement is budgeted at \$75,000.

The Opera is in a unique position to be able to contribute toward the City's goals of racial equity and inclusiveness through its educational, outreach and programming efforts and will utilize that position to:

- Provide education events and outreach efforts for persons that have historically been underrepresented in Opera audiences, which may include the provision of free or discounted tickets, and scholarships, and culturally relevant programming.
- Support incubation programs designed to encourage and support diversity in the dramatic arts including artistic and back and front of house employment opportunities.
- Provide artistic and educational efforts designed to address issues of race and social justice reflective of a broad cultural context.

Summary Attachment 2, a Blackline Third Amendment to the Mercer Arena Ground Lease, shows the proposed changes to the Mercer Arena Ground Lease as amended.

3. SUMMARY OF FINANCIAL IMPLICATIONS

X This legislation does not have direct financial implications.

Note: This legislation lifts a \$200,000 2016 budget proviso in Finance General Reserves BCL for the Seattle Opera for funds that have been appropriated.

4. OTHER IMPLICATIONS

- a) **Does the legislation have indirect or long-term financial impacts to the City of Seattle that are not reflected in the above?**
No
- b) **Is there financial cost or other impacts of not implementing the legislation?**
If the proviso is not lifted or additional funding approved for the Mercer Arena project, the project scope would be reduced, eliminating the enhancements and supplemental public benefits and impacting the Opera's ability to activate Mercer Street.
- c) **Does this legislation affect any departments besides the originating department?**
No
- d) **Is a public hearing required for this legislation?** No
- e) **Does this legislation require landlords or sellers of real property to provide information regarding the property to a buyer or tenant?** No
- f) **Is publication of notice with *The Daily Journal of Commerce* and/or *The Seattle Times* required for this legislation?** No
- g) **Does this legislation affect a piece of property?** No
- h) **Please describe any perceived implication for the principles of the Race and Social Justice Initiative. Does this legislation impact vulnerable or historically disadvantaged communities?**
This legislation supports the provision, by Seattle Opera, of new artistic and programming efforts designed to address issues of race and social justice in the arts.
- i) **If this legislation includes a new initiative or a major programmatic expansion: What are the long-term and measurable goals of the program? Please describe how this legislation would help achieve the program's desired goals.**
Not applicable.
- j) **Other Issues:**None

List attachments/exhibits below:

Summary Attachment 1 – Project Enhancements

Summary Attachment 2 – Blackline Third Amendment to the Mercer Arena Ground Lease