



**PARKS, SEATTLE CENTER, LIBRARIES & WATERFRONT COMMITTEE BRIEF  
JULY 21, 2016**

**THIRD AMENDMENT TO THE MERCER ARENA GROUND LEASE**

**Background - Seattle Opera’s Project, Culmination of 25 Years of Redevelopment Efforts:**

<b>YEAR</b>	<b>MERCER ARENA</b>
1927	Opened as part of the Civic Center Complex
1927-99	Served as a venue for hockey, basketball, concerts, high school graduations, and many other public assembly activities
1990	Site identified in the Seattle Center 2000 Master Plan as a development opportunity
1999	Used as temporary venue for Opera and Ballet during Opera House remodel and options for its future and to address building code deficiencies were to be developed
2002	Redevelopment options, ranging from \$18 - \$35M or \$6M to demolish (in 2003 dollars) were evaluated
2003	Arena “mothballed” due to seismic and code compliance issues while other development options were considered
2008	Seattle Opera leases site with a delayed commencement date, paying extension option fees
2010	Lease commencement date extended up to 3 years due to Opera’s fundraising challenges
2014	Opera commenced lease and began paying rent
2015	Resolution 31628 expressed support for providing \$5M for Opera project with added project enhancements and public benefits

**Legislation Summary:**

- Lifts \$200,000 2016 budget proviso as the lease amendment meets the proviso requirement for identifying project enhancements and supplemental public benefits.
- Authorizes payment of \$4.8 M to the Opera in 2017, subject to appropriation approved by City Council in the 2017 Adopted Budget, and Opera’s fulfillment of the following requirements:
  - Review of the project by the Seattle Design Commission (in progress),
  - Presentation of the proposed renovation plan to City Council (occurring at the July 21st Parks, Seattle Center, Libraries & Waterfront Committee meeting),
  - Completion of a construction agreement (in progress), and
  - Demonstration to the City Budget Director of sufficient financial resources to complete the proposed project.

- Project enhancements include:

<b>Project Enhancements</b>	<b>Added Value</b>
The Opera’s capital investment obligation is increased by \$20M, from \$40M to \$60M, increasing the present value of the depreciated building the City will receive at the lease end in 2043 by \$5.5M. The increased capital investment also enables the addition of spaces that support the Opera’s increased focus on community and educational programs and provision of direct stage access between the Mercer Arena and McCaw Hall at the stage level for greater efficiencies for both the Opera and Seattle Center.	\$5,533,000
Open space improvements east of Arena	\$569,000
Mercer Street frontage design improvements	\$75,000
<b>Total Enhancements:</b>	<b>\$6,177,000</b>

- In addition to the project enhancements the Opera will provide and annually report on the provision of supplemental public benefits. The annual reports will include the number and type of programming or efforts provided, the number and type of employment opportunities and attendance. The supplemental public benefits include:

<b>Supplemental Public Benefits</b>
Education events, activities and outreach efforts for persons who historically have been underrepresented in Opera audiences, which may include outreach efforts, and provision of free or discounted tickets, scholarships and culturally relevant programming
Support of incubation programs to encourage and support diversity in the dramatic arts, including artistic and back and front of house employment opportunities
Artistic and educational efforts designed to address issues of race and social justice reflective of a broad cultural context

**Ground Lease Terms:**

- Term: 30 years with a 30-year extension option.
- Rent: \$220,000 plus 15% of commercial subleases; rent increases 10% every 5 years.
- Public Benefits: Opera contractually obligated to provide and report annually on identified public benefits.
- Extension Option Rent: Negotiated based on building value and public benefits.
- The Opera is responsible for all operation and maintenance of the interior of the facility and routine maintenance of the roof, walls and exterior windows and the City is responsible for major maintenance of the roof, walls and exterior windows.
- Building belongs to the City at the end of the lease.