



November 3, 2017

Kimerly Rorschach
Illsley Ball Nordstrom Director and CEO
Seattle Art Museum
1300 First Avenue
Seattle, WA 98101

Re: Seattle Art Museum Project – Satisfaction of Conditions

Ms. Rorschach,

The City of Seattle and the Seattle Art Museum (“SAM”) are in the process of establishing a Development Agreement for Seattle Art Museum’s project to renovate and expand the Seattle Asian Art Museum (“Museum”) in Volunteer Park. The Museum is a City-owned building that is operated by SAM under lease agreement with the City, and its renovation and expansion will provide for its continued use as a public museum reflecting Asia’s rich cultures. The Development Agreement (“Agreement”) requires the City Finance Director to complete a comprehensive review of SAM’s funding for the project. This determination must be provided before SAM can issue a Notice to Proceed with the project. In anticipation of City Council approval of this Agreement, you have requested the City Finance Director’s determination as to whether the project has timely access to sufficient funds from all available sources.

The City Finance Director has determined that SAM has demonstrated timely access to sufficient funds from available sources to fund the project within the anticipated project schedule. The project is currently estimated to reach substantial completion in early 2019. As of the date of this letter, the \$54 million project budget is funded by a \$21 million City of Seattle grant (including \$2 million design and planning funding previously provided by the City); \$27 million in philanthropy funds; and \$6 million in federal Historic Tax Credits (“HTC”).

In reviewing these funding sources, the City Finance Director has confirmed the following information. The City’s 2018 Proposed Budget includes \$5 million in Real Estate Excise Tax (REET) funds which completes the City’s funding commitment. City funds will be provided on a reimbursable basis for costs incurred by SAM consistent with the terms of the Agreement. City Council approval of these funds is anticipated as of the time of this letter. SAM is engaged in an active campaign to raise philanthropy funds for the project, with a goal of raising at least \$27.5 million. As of the date of this letter, SAM has raised or received commitments for \$21.6 million, or 79% of that goal, with \$5.9 million remaining. In a meeting that took place in mid-October with SAM staff and designated staff of the City Finance Director, SAM staff presented sufficient information on the pledges received to date and the ongoing fundraising campaign for the City to have confidence in SAM’s ability to meet this fundraising goal. The City recognizes that some philanthropy funds may be provided to SAM over a longer period, and may follow completion of the

project. HTC's have not yet been secured, however, SAM is pursuing HTC's to support the project and has identified several interested investors as of the date of this letter. As described in the Agreement, SAM will be responsible for securing the balance of funding needed to fully fund the project should the funds described in this letter not be secured as currently planned.

In closing, this letter constitutes the City's confirmation that SAM has satisfied the requirements under Section 5.4.1 (b) of the Agreement. Thank you for your partnership on this important project.

Sincerely,



Glen Lee
City Finance Director
Department of Finance and Administrative Services

Cc:

Carol Binder, Seattle Art Museum
Jesus Aguirre, Department of Parks and Recreation
Michael Shiosaki, Department of Parks and Recreation
Helaine Honig, Law Department
Ben Noble, City Budget Office
Kristi Beattie, Finance and Administrative Services