

SUMMARY and FISCAL NOTE*

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** Note that the Summary and Fiscal Note describes the version of the bill or resolution as introduced; final legislation including amendments may not be fully described.*

1. BILL SUMMARY

- a. **Legislation Title:** AN ORDINANCE relating to Volunteer Park; authorizing the Superintendent of Parks and Recreation to enter into a development agreement and lease with the Seattle Art Museum for the renovation and continued occupancy for recreation purposes of the building that has historically housed the Seattle Asian Art Museum; and ratifying and confirming certain prior acts.

- b. **Summary and background of the Legislation:** This proposed legislation authorizes Seattle Parks and Recreation (SPR) to execute a Development Agreement and a Lease to facilitate a major renovation of the Seattle Asian Art Museum (SAAM) in Volunteer Park, and to enable the Seattle Art Museum (SAM) to continue to occupy the museum building and operate the museum under a formal lease.

The Asian Art Museum building was constructed in 1931 by the predecessor of the Seattle Art Museum. The City-owned building has not been substantially renovated or restored since the building was completed in 1933. To enable the building to continue operating as a museum, substantial renovation is needed, including replacement of systems needed to provide modern climate control that properly protects historic artifacts and works of art, along with structural elements, such as seismic stabilization, and other major improvements.

The 2008 Parks and Green Spaces Levy included \$9 million towards the City’s share of the SAAM building renovation. At the time, the total renovation cost was estimated to be \$22 million. Moving forward with the renovation was delayed due to the onset of the Great Recession in 2009.

In 2015, the City and SAM agreed to move forward with a larger and more comprehensive renovation to make the building more functional as a public museum (Ordinance 124571). With the 2015 agreement, the City committed to provide \$11 million for the project, subject to escalation consistent with construction cost increases. The City’s financial commitment in 2017 and 2018 to the project, escalated for inflation to the projected construction start in late 2017 and including an additional \$5 million, will be \$19 million. This \$19 million was included in the 2017-2022 Adopted Capital Improvement Program. In addition to the \$19 million, the City previously invested \$2 million in planning and design work for the project (this \$2 million was reallocated in 2007 from city funds that had been committed for construction of SAM’s Olympic Sculpture Park). The estimated total project cost, including prior design work, is approximately \$54M. SAM is raising funds for the project, and the budget includes \$6 million in Federal Historic Rehabilitation Tax Credits (HRTC).

In addition to improving the building systems, the SAAM project expands the building to the east into Volunteer Park.

The City has had an operating and maintenance agreement with SAAM since the early 1930's. It was amended three times, in 1975, 1981, and 1994, and it expired in 2008. Both parties agreed that the agreement would remain in effect until a new agreement was executed. Pursuant to the proposed Lease Agreement, the City would enter into a new 55-year lease of the SAAM Building. The lease will allow SAAM to master lease the building to a Tax Credit Entity in order to qualify for the historic tax credits needed to support the renovation of the building.

HRTCs are currently estimated at \$6 million which would support the overall project costs. The tax credit structure envisioned under the development agreement and the lease ensures that SAAM continues to provide the public benefits (see Exhibit B of lease) required as part of the lease and SAM's continued management of the renovation project and operation of the museum.

The lease also outlines the continued annual payments to SAAM to support museum operations. Currently, the City pays SAAM \$250,000 in general fund annually to support operations. The funding is not covering any maintenance activities on the building. The new lease changes the financial structure to include a REET commitment starting in the 11th year of the lease. Payments will begin after construction ends and a certificate of occupancy has been issued to SAAM. For years 1-5, the payment will be \$250,000 to support operations. It increases to \$275,000 in years 6-10 and then by \$50,000 annually through the term of the lease. Starting in year 11, the funding provided to SAAM will include a combination of general fund and REET for SAAM to use to cover both operating and some level of maintenance expenses on the building. The GF/REET share continues through the duration of the lease.

SAAM is solely responsible for regular and routine maintenance of the building throughout the term of the lease. Also, SAAM is solely responsible for maintenance of any specialized equipment needed to protect the art collection. The City is responsible for major maintenance of the structural portion of the building (roof, foundations, glazing, façade, and exterior walls), building systems (electrical, plumbing, mechanical, and fire/life safety systems), other major maintenance repairs or replacements, and the adjacent park property.

2. CAPITAL IMPROVEMENT PROGRAM

a. Does this legislation create, fund, or amend a CIP Project? Yes No

3. SUMMARY OF FINANCIAL IMPLICATIONS

a. Does this legislation amend the Adopted Budget? Yes No

Neither the Development Agreement or the Lease Agreement impact the 2017 and 2018 budgets. The 2017 Adopted Capital Improvement Program included the \$19 million agreed upon city contribution to the rehabilitation project and the operating budget includes the annual operating support payment of \$250,000 (the amount paid under the current operating agreement).

As stated in the Development Agreement, the City will cover utility costs on behalf of SAAM during construction in lieu of the operating support payment.

b. Does the legislation have other financial impacts to the City of Seattle that are not reflected in the above, including direct or indirect, short-term or long-term costs?

There are no anticipated additional financial impacts beyond what has been described.

c. Is there financial cost or other impacts of *not* implementing the legislation?

This legislation would enable the city to continue the partnership with Seattle Art Museum to operate a culturally relevant public art museum on City of Seattle owned parkland. This partnership benefits a wide variety of park users and museum visitors and creates access to a large creative public space. Not implementing the lease or development agreement would place risk on this partnership, and fail to address the preservation of an historic City-owned building in need of a substantial capital investments, including systems replacement, seismic upgrades, and other major improvements.

3.e. Revenues/Reimbursements

 X This legislation adds, changes, or deletes revenues or reimbursements.

Anticipated Revenue/Reimbursement Resulting from this Legislation:

Fund Name and Number	Dept	Revenue Source	2017 Revenue	2018 Estimated Revenue
10200	DPR	SAAM		\$30,000
TOTAL				

Is this change one-time or ongoing?
 The revenue reimbursement is a one-time only.

Revenue/Reimbursement Notes: This one-time revenue from SAAM is intended to reimburse the department for its actual project management and review costs. It is a threshold amount, and actual revenues may be lower depending on actual time spent reviewing the project.

4. OTHER IMPLICATIONS

a. Does this legislation affect any departments besides the originating department?

Yes, the Seattle Department of Construction and Inspection is submitting, concurrently with this legislation, a proposed Land Use Code amendment. The amendment permits

expansion of the museum building in the Single-Family Zone in which the museum is located.

- b. Is a public hearing required for this legislation?** Yes, a CLEAN hearing was held on November 1, 2017.
- c. Does this legislation require landlords or sellers of real property to provide information regarding the property to a buyer or tenant?** No.
- d. Is publication of notice with *The Daily Journal of Commerce* and/or *The Seattle Times* required for this legislation?** No.
- e. Does this legislation affect a piece of property?** Yes (see Exhibit A-1 in the Lease Agreement).
- f. Please describe any perceived implication for the principles of the Race and Social Justice Initiative. Does this legislation impact vulnerable or historically disadvantaged communities?**

The public benefits SAAM is required to provide as part of the Lease are designed to benefit historically underrepresented communities. The benefits include outreach specifically directed to underrepresented communities, \$25,000 per year in scholarships to SAAM programs, a minimum of 4 free days per month, and free admission to all youth aged 14 and under.

In addition, SAAM is required to conduct programs promoting the City's Race and Social Justice Initiative, per the following language in the Lease: "Tenant is required and is committed to actively advance the City's goals of serving historically underserved populations and creating more equitable access to cultural programs. To that end, Tenant shall provide on an annual basis a variety of programming..." Exhibit B to the lease states the specific public benefit programming required.

- g. If this legislation includes a new initiative or a major programmatic expansion: What are the specific long-term and measurable goal(s) of the program? How will this legislation help achieve the program's desired goal(s)?** No.
- h. Other Issues:** None

List attachments/exhibits below:

Summary Attachment A - Satisfaction of Conditions Letter