

## 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 related to KeyArena; authorizing the renovation of KeyArena into a world-class, multi-purpose sports and entertainment arena at Seattle Center, including its design, construction, lease, financing, and future operation; authorizing the Mayor to execute agreements with Seattle Arena Company, LLC, for the renovation and lease of the Arena, including a lease agreement, a development agreement, an integration agreement, and other related agreements; exempting the renovation and future operation of the Arena from the requirements of Chapter 20.47 of the Seattle Municipal Code; authorizing the Seattle Center Director to execute future joint purchasing agreements with Seattle Arena Company, LLC, notwithstanding Seattle Municipal Code Chapter 20.60; and ratifying and confirming certain prior acts.

**b. Summary and background of the Legislation:**

This legislation authorizes the Mayor to execute, for and on behalf of the City, a series of agreements with the Seattle Arena Company, LLC, related to the redevelopment, lease and operation of the new Arena at Seattle Center.

On January 11, 2017, the City’s Office of Economic Development (OED) released a Request for Proposals (RFP) for the possible redevelopment of KeyArena. The City’s RFP included seven objectives for the project:

- 1) Provide a world-class civic arena (the “Arena”) to attract and present music, entertainment, and sports events, potentially including NBA and NHL events, to Seattle and the region.
- 2) Provide for Project design and Arena operations in a manner that integrates with and enhances connections to Uptown and adjoining neighborhoods and aligns with the Urban Design Framework (“UDF”).
- 3) Provide for design, permitting, development, demolition (if applicable), and construction of the Arena (the “Project”) with minimal City financial participation.
- 4) Provide for the continuous, successful, sustainable operation of the Arena as a world-class civic venue with minimal City financial participation.
- 5) Provide for mitigation of transportation impacts due to Project construction and Arena operations.
- 6) Provide Project construction and Arena operations in a manner that is equitable for workers and consistent with the City’s Race and Social Justice Initiative.
- 7) Provide for Project design and Arena operational integration with Seattle Center, contributing positively to the vibrancy of Seattle Center.

On April 12, 2017, Oak View Group, LLC (OVG) submitted to the City a proposal in response to the RFP entitled “Proposal for the Transformation of the Arena at Seattle Center.” OVG’s proposal was one of two responsive proposals received by the City in response to the RFP.

Responses to the City’s RFP were carefully reviewed by a Community Advisory Panel, City Staff Review Teams, outside consultants and a City Executive Review Team. The Advisory Panel submitted its Final Summary Report and Observations to the Mayor and Executive Review Team. Based the input from all reviewers, the Mayor selected the proposal submitted by OVG as the preferred proposal for the redevelopment of KeyArena.

The City and OVG began negotiating the terms of the MOU on June 7, 2017. And, on December 4, 2017, the City Council passed and on December 6, 2017 the Mayor signed Ordinance 125480, which authorized the Mayor to execute a Memorandum of Understanding with Oak View Group, LLC, and adopted the Arena Community Advisory Group’s guiding principles as a basis for developing transaction documents required to renovate and operate the Arena.

Following the City Council’s approval of the MOU, OVG and its equity partners and investors formed Seattle Arena Company, LLC (“ArenaCo”) as the entity that will redevelop, lease and operate the Arena.

In the subsequent months, the City and ArenaCo have worked together collaboratively to carry out the process described in the MOU and to negotiate “Transaction Documents” (including a Development Agreement, a Lease Agreement, and a Seattle Center Integration Agreement) consistent with the terms, conditions, and limitations of the MOU.

The Lease Agreement specifies an initial 39-year term with two 8-year extension options, for a total possible term length of 55 years. In addition to delineating a range of standard lease contractual obligations including use, management, operation, maintenance, alteration, and improvements of the premises, the lease is designed so the City continues to receive the equivalent of the current net revenue from operation of KeyArena, the 1<sup>st</sup> Ave North Garage and Seattle Center campus sponsorships plus sharing a percentage of the new operating revenues generated by the Arena. The agreement outlines annual payments associated with the lease, including specifying agreed-upon minimum thresholds for several payments and delineating a mechanism for rent adjustments.

The Development Agreement addresses the terms and conditions for development, design and construction of the Arena. Construction of the project will be privately financed and ArenaCo is responsible for all costs and any cost overruns of the project, as well as reimbursing the City for project-related costs and providing funding to assist in relocating existing tenants. The agreement also requires ArenaCo to 1) have it prime contractor utilize WMBE Inclusion and Apprenticeship Plans and pay prevailing wages; 2)

complete a Community Workforce Agreement and Labor Harmony Agreement; 3) implement a plan for the retention of existing KeyArena qualified workers; and 4) implement a construction mitigation plan intended to reduce or eliminate impacts from the Development Project with respect to transportation, noise, dust control, and impacts on biological and historic resources. The agreement also addresses community concerns, requiring the provision of a community liaison and City Ombudsperson to facilitate communications, funding for building capacity in community organizations, and commitments to regular communication and collaborative efforts.

The Seattle Center Integration Agreement establishes the framework within which the City and ArenaCo will coordinate and integrate operations of the Arena and the Seattle Center campus. The agreement establishes the shared goals and priorities within which work will be accomplished and outlines terms for technology integration, coordination of parking garage operations, operating terms, public benefits, security and emergency management, marketing and co-promotions and ArenaCo's exclusive rights regarding the sale of Seattle Center Sponsorships.

As directed in the MOU, City staff also worked closely with ArenaCo and community representatives from Uptown, Belltown, Queen Anne, South Lake Union, Uptown Arts and Culture Coalition and the Seattle Center Foundation in understanding potential impacts and community benefit interests as it relates to the construction and lease of the new Arena at Seattle Center.

On May 7th, 2018, community and resident stakeholders endorsed a community benefit package, subject to the final language in the applicable provisions of the development agreement, lease, and integration agreement.

These Transaction Documents are now ready for Council consideration as part of this legislation.

## 2. CAPITAL IMPROVEMENT PROGRAM

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

## 3. SUMMARY OF FINANCIAL IMPLICATIONS

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

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?

If Transaction Documents consistent with the MOU are approved by the City Council, there will be minimal fiscal impacts. Those impacts are described in Attachment A to this Summary and Fiscal Note.

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

Redevelopment of KeyArena under the terms described in the MOU into the Transaction Documents – with ArenaCo bearing the costs of designing and constructing its tenant improvements and leasing and operating a world class sports and entertainment venue – would resolve a longstanding issue facing the City that has significant financial implications. In June 2015, AECOM completed an evaluation of options for the future of KeyArena. Those options, and the financial costs to the City associated with each, are fully described in AECOM’s report. AECOM estimated that, in order to maintain KeyArena as a viable event space, the City would have to invest a minimum of \$100 to \$150 million. Implementation of the terms of the MOU into the transaction documents will resolve the future of KeyArena and will produce a redeveloped sports and entertainment venue without a multimillion dollar investment by the City. If the legislation approving the transaction documents is not implemented, the City and ArenaCo will not proceed to the next step of development of the arena, leaving the future of KeyArena unresolved.

#### **4. OTHER IMPLICATIONS**

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

This legislation would require collaboration of the Seattle Center, Office of Economic Development, Seattle Department of Transportation, Office of the Waterfront and Civic Projects, Office of Arts and Cultural Affairs, Seattle Department of Finance and Administrative Services, Seattle Department of Construction and Inspections, the City Attorney’s Office, the City Budget Office and the City Council.

**b. Is a public hearing required for this legislation?**

No.

**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?**

This legislation impacts KeyArena and Seattle Center on City-owned property. A map of the development area is included with the Development Agreement and a map of the leased property is attached to 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 following description, provided by OVG/ArenaCo during the evaluation process, addresses their commitment to RSJI principles:

OVG believes that diversity of thought, background, and experience cultivate vibrant communities and thriving businesses. The arena project would be built and operated by persons who reflect the diverse communities of Seattle. OVG will use the City's inclusion plan to ensure inclusion of Women and Minority-Owned businesses in the design and construction of OVG's tenant improvements to the arena, and utilization of women and minority businesses and local businesses and workers in concessions and operations.

OVG commits to using the City's priority hire ordinance and community workforce agreement as the framework for construction and would partner with the City's Race and Social Justice Initiative to ensure its policies and practices promote racial and socioeconomic equity.

OVG will have a full-time position dedicated to community outreach and equitable hiring. This person would work with Tabor 100, the City, and other community organizations to promote racial and socioeconomic justice, and to engage with and to inform Women and Minority Business Enterprises (WMBE) about contracting opportunities. OVG will provide access to bidding for WMBEs. OVG will work with the City to designate priority zip codes to define areas that the City identifies as needing additional support in hiring efforts.

OVG will work with the surrounding business districts, including the Seattle Chamber of Commerce, and other regional chambers of commerce, Washington RoundTable, Seattle Rotary #4, the Northwest Minority Business Council, the Breakfast Group, the Urban League of Metropolitan Seattle, and other community organizations to develop a comprehensive labor agreement that creates tangible inclusion goals and policies that allow for women, minority, and LGBTQ persons to be fully represented in the workforce. Additionally, OVG will engage in efficient and effective outreach to priority zip codes and other underrepresented groups that would have priority access to hiring for the project both in the preconstruction, construction, and operations phases.

- 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).**

The goals of the Request for Proposal, which the terms of the transaction documents are designed to further, are noted above in the Summary section.

**List attachments/exhibits below:**

Summary Attachment A – Summary and Key Terms