

July 15, 2019

MEMORANDUM

To: Select Committee on Civic Arenas
From: Brian Goodnight, Council Central Staff
Subject: CB 119549: Amendment 1 for Seattle Storm Facility Use Agreement for KeyArena

At its July 15 meeting, the Select Committee on Civic Arenas will consider [Council Bill 119549](#), approving Amendment No. 1 to the facility use agreement between the City and the owners of the Seattle Storm (Force 10 Hoops, LLC) for the use of KeyArena for professional women's basketball. This memorandum provides background information on the existing facility use agreement and a comparison of the proposed amendment's provisions relative to the current agreement.

Background

In May 2017, the Council approved [Ordinance 125323](#) authorizing a facility use agreement for the Seattle Storm's use of KeyArena through December 2028, replacing an agreement that the parties entered into in 2009. In addition to covering the typical facility use agreement provisions that existed in the 2009 agreement, such as licensing fees, concession revenues, and public benefits, the 2017 agreement also expanded upon provisions to address the potential redevelopment of KeyArena and the need for the Storm to relocate when redevelopment occurs. The agreement provides for three types of redevelopment/relocation payments: (1) an annual payment to the Storm "in consideration of such intangible impacts and lost opportunities which may occur" due to a potential redevelopment; (2) per game or per season relocation payments for regular season games depending on the duration of the relocation; and (3) per game relocation payments for playoff games.

Subsequent to entering into the agreement with the Storm, in September 2018 the City entered into a series of agreements with Seattle Arena Company related to the redevelopment and operation of KeyArena as the new Arena at Seattle Center ([Ordinance 125669](#)). KeyArena was closed in October 2018 and is expected to reopen in 2021, necessitating the relocation of the Storm for at least the 2019 and 2020 basketball seasons. Per the agreements with Seattle Arena Company, the City is obligated to pay any applicable relocation payments for the 2019 and 2020 seasons, and Seattle Arena Company is obligated to offer the Storm dates in the new Arena for the 2021 season. Consistent with the requirements of the agreements, Seattle Arena Company and the redevelopment project's collateral agent have consented to the proposed Amendment No. 1 to the City and Storm agreement described below.

Comparison of Proposed Amendment to Current Agreement

The proposed Amendment No. 1, attached to the bill as Attachment A, replaces Subsection XXVII D.3 of the agreement between the City and the Storm relating to the per season relocation payments for regular season games and to the per game relocation payments for playoff games. The amendment would not increase the total potential liability of the City, which remains capped at \$2.6 million per season plus playoff game flat rate payments, but it does modify the formula used to calculate relocation payments. In addition, the amendment creates a new type of supplemental payment for playoff games which is constrained by the \$2.6 million cap.

In the current agreement, the structure for the per season relocation payment differentiates between “additional costs” and “lost revenue.” “Additional costs” are the costs incurred by the Storm for playing their home games at a venue other than KeyArena, minus the average cost for playing a comparable game at KeyArena. Similarly, “lost revenue” is the difference between the revenue that the Storm would, on average, receive from playing a game at KeyArena and the revenue that they actually receive by playing at an alternate venue.

As shown in Table 1 below, Amendment No. 1 would no longer differentiate between additional costs and lost revenue in calculating the per season relocation payment. The reason for this change is to incentive the Storm to play their home games in Seattle, rather than in locations such as Everett that may have lower costs.

Table 1: Per Season Relocation Payment Comparison

	Current Agreement	Proposed Amendment No. 1
PER SEASON: REGULAR HOME GAMES		
Additional Costs	100% of additional costs up to \$500,000 80% of additional costs above \$500,000 Capped at \$600,000	N/A
Lost Revenue	100% of lost revenue up to \$850,000 65% of lost “advertising” revenue above \$850,000 50% of lost “non-advertising” revenue above \$850,000 Capped at \$2,000,000	N/A

	Current Agreement	Proposed Amendment No. 1
Combined Payment (Additional Costs & Lost Revenue)	N/A	100% of additional costs or lost revenue up to \$1,350,000 75% of additional costs or lost revenue above \$1,350,000 Capped at \$2,600,000
Maximum Payment	\$2,600,000	\$2,600,000

Amendment No. 1 retains a flat rate relocation payment to the Storm for playoff home games which is not limited by the maximum per season payment shown in Table 1. The amendment also introduces a new supplemental payment for each playoff game which is limited by the per season maximum and will only be paid if the maximum has not been reached. The formula for calculating the supplemental payments for playoff games is similar to the formula used for the per season payments shown in Table 1, with the exception that the playoff formula accounts for the City's flat rate payments.

Table 2: Per Game Playoff Relocation Payment Comparison

	Current Agreement	Proposed Amendment No. 1
PER GAME: PLAYOFF HOME GAMES FLAT RATE¹		
Rounds 1 & 2	\$50,000 per game	\$50,000 per game
Rounds 3 & 4	\$60,000 per game	\$60,000 per game
PER GAME: PLAYOFF HOME GAMES SUPPLEMENTAL²		
Rounds 1 & 2	N/A	100% of additional costs or lost revenue in excess of \$50,000 up to \$130,000 75% of additional costs or lost revenue in excess of \$130,000 up to \$260,000
Rounds 3 & 4	N/A	100% of additional costs or lost revenue in excess of \$60,000 up to \$140,000 75% of additional costs or lost revenue in excess of \$140,000 up to \$260,000

¹ In addition to the per season payments even if the \$2.6 million maximum has been reached.

² Only applicable if the per season maximum payment of \$2.6 million has not been reached.

Overall, the total potential liability of the City remains capped at \$2.6 million per season plus the additional flat rate payments for playoff games. For context on the potential cost of playoff games, the Storm played five playoff home games all within Rounds 3 and 4 in 2018 on their way to winning the WNBA Championship. If this scenario were to happen again in the 2019 or 2020 season, the cost of the flat rate relocation payments would total \$300,000.

cc: Kirstan Arestad, Central Staff Director
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