

## SUMMARY and FISCAL NOTE

<b>Department:</b>	<b>Dept. Contact:</b>	<b>CBO Contact:</b>
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### **1. BILL SUMMARY**

**Legislation Title:**

AN ORDINANCE relating to the Seattle Center Department; authorizing the Seattle Center Director to execute a Fourth Amendment to the Facility Use and Occupancy Agreement between The City of Seattle and the Seattle Repertory Theater; and ratifying and confirming certain prior acts.

**Summary and Background of the Legislation:**

History of SRT and the Bagley Wright Theatre

The Seattle Repertory Theater (SRT), founded in 1963 under the leadership of Bagley Wright, is one of the oldest resident organizations on the Seattle Center campus. They have been giving joy, inspiring laughter, and provoking discussion at Seattle Center for 61 years.

SRT's first home was the Seattle Center Playhouse, a performance space built for the 1962 Seattle World's Fair. In October 1983, the Bagley Wright Theatre was completed and became the new home for SRT at Seattle Center. The final cost was \$10 million, with the City providing \$5.6 million in bond proceeds and SRT providing the remaining \$4.4 million.

The Bagley Wright Theatre was the first new facility constructed on the Seattle Center campus since the 1962 World's Fair, and the first public/private partnership undertaken by Seattle Center. SRT was the first arts group to make such a substantial contribution to a Seattle Center facility.

History of City-SRT Agreements, and origin of the BWT MMR and SRT Trust Funds:

In 1981, authorized by Ordinance 109853, SRT and the City executed a Licensing Agreement covering 26 years, from the 1983-4 season through the 2008-9 season, with the agreement expiring May 31, 2009. SRT's license fee was calculated to equal approximately 25% of operating costs, in consideration of their capital contribution to the project. SRT was a tenant in the building and the City was responsible for all operating and maintenance costs, including utilities, janitorial services, theatrical systems, and all other building systems.

By the mid-1990's, by which time three other major arts organizations had located at Seattle Center and make significant capital investments (Intiman Theatre, Pacific Northwest Ballet, and Seattle Children's Theatre) the standards for financial terms had changed. In these later three cases, the arts organizations had exclusive use (with a specified number of days available to the City) and were responsible for the internal systems and the regular maintenance and operating expenses of the facilities.

In 1996, SRT was ready to construct a smaller, second stage addition and the financial terms for this new space reflected Seattle Center's new standard. In May 1996, the City Council passed Ordinance 118109 authorizing a Premises Use and Occupancy Agreement and a Construction Agreement with SRT. The 1996 agreement wrapped the second stage addition (which became known as the Leo Kreielsheimer Theatre) and the Bagley Wright Theatre (BWT) into one agreement, superseding the 1981 agreement, and extending the term for the BWT from 2009 to 2026.

For the Leo Kreielsheimer ("Leo K") Theatre, SRT covered 100% of the construction costs and was responsible for all operating and maintenance costs, and for theatrical and other internal building systems. The City was responsible for the building shell. The 1996 agreement was structured to transition the BWT to a similar financial structure. Over time, by June 1, 2009, SRT assumed full responsibility for operating costs and internal systems of the BWT, consistent with the structure of the more recent agreements between Seattle Center and resident arts organizations.

To achieve this transition from the 1981 agreement, the 1996 agreement specified that the City and SRT each make annual contributions into separate funds for replacement and renovation of internal building systems (primarily theatrical systems) of the BWT. Annual funding levels were established to pay for anticipated internal maintenance, repair, and replacement needs through 2009 and to generate a sufficient balance for SRT to assume full responsibility for internal systems after May 31, 2009, the expiration date of the original 1981 agreement. As of June 1, 2009, the City's financial obligation for the maintenance, repair, and replacement of internal systems at the BWT ended, and the City's responsibility for the entire facility (both theaters) became limited to external systems, structures, and finishes.

The 1996 agreement also specified that after May 31, 2009, the rent for the BWT be reduced to \$1.00 per month, provided SRT made an investment of \$1 million in capital renovations and improvements of the BWT by September 1, 2010, and provided certain free use days for the City.

Relevant Preceding Amendments to the 1996 Agreement:

The Second Amendment responded to financial impacts resulting from the severe economic downturn that began in 2008. Seattle Center and SRT negotiated a five-year interim agreement, giving SRT time to make a financial recovery and work its way back to being able to meet the intent of the 1996 agreement. The interim agreement, authorized by Ordinance 123767 and approved on November 2011 in the 2<sup>nd</sup> Amendment to the 1996 Agreement, modified the annual deposits that SRT were required to make into their fund, and extended the deadline for the full \$1 million capital investment with the value of the investment adjusted by CPI to preserve the value of the contribution.

The Third Amendment modified the Fund requirements at SRT's request in response to the COVID-19 emergency. In 2020, SRT and other performing arts organizations faced extreme financial struggles as COVID-19 triggered statewide restrictions on public gatherings, including in-person performances. The Third Amendment authorized by Ordinance 126243 in December 2020 removed the obligation for SRT to make their 2019 and 2020 fiscal year contributions to

the Fund and also provided SRT with the option to use the Fund for operating expenses through June 30, 2022, or such later date as might be agreed upon between SRT and the Seattle Center Director. SRT would be required to maintain a minimum balance of \$160,000 in the Fund.

Recent background for this Fourth Amendment:

SRT was ultimately able to navigate through the pandemic without drawing on its Fund to pay for operating expenses. National and local pandemic relief funding provided much-needed assistance for a reopening after a two-year shutdown. The balance of the SRT Trust Fund is currently \$871,586.00, and the current balance of the BWT MMR Fund is \$119,669.00.

During the period of slower activity in the theater, SRT chose to proceed with an extensive facility improvement project. SRT funded this project through fundraising efforts and did not draw on the SRT Trust balance as a precaution in case an emergency operating need arose. Thus far SRT has spent \$3,920,110 on the first two phases of the project and intends to spend another \$1.1 million in Phase 3 of the project, commencing July 1, 2024. This facility upgrade has improved the performance of the BWT by improving access throughout the BWT spaces; incorporating new water conserving plumbing fixtures in the renovated bathrooms; and replacing old lighting fixtures with energy conserving LED fixtures. Since 2019, SRT has also invested in theatrical lighting and sound upgrades, and upgraded the paging/monitoring communications system, cue light system, and stage floor, with the combined value of these projects totaling \$502,499. These improvements would likely have qualified for reserve fund approval, but SRT elected to make them without using the reserve funds because the upgrades were required in a timely manner that did not align with the required process for drawing down the Funds.

SRT, like many arts organizations, has struggled to recover from the impacts of the pandemic and rebuild its audiences to 2019 levels. SRT operations continue to run at a deficit and as SRT made significant investments in the building during the pandemic, Seattle Center permitted SRT to temporarily postpone payment of its annual contribution into the Fund in 2021 and 2022 while the Rep and the City worked out a long-term vision to meet the goal of investing in the facility and transferring responsibility for that investment to SRT.

The City and SRT agree that the total funds owed in annual contributions into the SRT Fund according to Exhibit 8 of the 1996 Agreement is \$918,994.00, including \$354,042 in postponed payments and \$564,952 in future annual payments anticipated through the end of the Agreement term.

This Fourth Amendment will amend the process described in the Agreement for expenditures out of the SRT Fund and the BWTMMR Fund by authorizing the following actions:

- SRT will draw down the balance of the SRT Fund to reimburse itself for funds already invested in Phases 1 and 2 of the Renovation Project.
- Before the end of the term of the 1996 Agreement, SRT will spend at least \$918,994 on improvements to the BWT mutually agreed to by SRT and the City.

- The City will spend the remaining balance of the BWTMMR Fund on replacement of the BWT exterior cladding and select areas of its roof (the “Roof Project.”).

SRT and the City agree these actions will result in a better facility by allowing SRT to make needed upgrades in a timely manner and will meet the intent of the 1996 Agreement to transition full responsibility for the building’s internal and theatrical systems to SRT.

The City and SRT have a mutual desire to see SRT continue to thrive at Seattle Center for decades to come. The two parties have agreed to begin negotiating the terms of a new agreement for use and occupancy of the BWT and Leo K Theatres before the end of 2024, so a new agreement may be ready when the current term expires on May 31, 2026.

**2. CAPITAL IMPROVEMENT PROGRAM**

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

Project Name:	Master Project I.D.:	Project Location:	Start Date:	End Date:	Total Project Cost Through 2029:
Seattle Rep Roof and Cladding	MS-SC-S9701	155 Mercer St., Seattle WA 98109	May 2024	December 2024	\$6,855,228.00

**3. SUMMARY OF FINANCIAL IMPLICATIONS**

Does this legislation have financial impacts to the City?  Yes  No

**4. OTHER IMPLICATIONS**

- Please describe how this legislation may affect any departments besides the originating department.**  
 The legislation does not affect any departments besides the originating department.
- Does this legislation affect a piece of property? If yes, please attach a map and explain any impacts on the property. Please attach any Environmental Impact Statements, Determinations of Non-Significance, or other reports generated for this property.**  
 The legislation affects the Bagley Wright Theatre at Seattle Center, the street address for which is 155 Mercer Street, Seattle WA 98109. The property is the subject of the Agreement between the City of Seattle (City) and Seattle Repertory Theater (SRT), which will be amended by this legislation, and the property will benefit from the maintenance, replacement, and repair funds invested by SRT and the City as described in the amendment proposed by this legislation.

**c. Please describe any perceived implication for the principles of the Race and Social Justice Initiative.**

- i. How does this legislation impact vulnerable or historically disadvantaged communities? How did you arrive at this conclusion? In your response please consider impacts within City government (employees, internal programs) as well as in the broader community.**

This legislation indirectly affects historically disadvantaged communities by amending the process for disbursement of the maintenance, repair, and replacement funds to support SRT's investment in upgrades to its facility that regraded ramps, improved wheelchair accessibility, provided a new all-gender/family restroom, and provided more comfortable seating for diverse human bodies in the BWT.

- ii. Please attach any Racial Equity Toolkits or other racial equity analyses in the development and/or assessment of the legislation.**

No RET or other racial equity analyses were completed.

- iii. What is the Language Access Plan for any communications to the public?**

No public communications are planned.

**d. Climate Change Implications**

- i. Emissions: How is this legislation likely to increase or decrease carbon emissions in a material way? Please attach any studies or other materials that were used to inform this response.**

This legislation will not materially impact carbon emissions.

- ii. Resiliency: Will the action(s) proposed by this legislation increase or decrease Seattle's resiliency (or ability to adapt) to climate change in a material way? If so, explain. If it is likely to decrease resiliency in a material way, describe what will or could be done to mitigate the effects.**

This legislation will not materially impact Seattle's resiliency to climate change.

- e. 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)? What mechanisms will be used to measure progress towards meeting those goals?**

This legislation does not include a new initiative or major programmatic expansion.

**5. CHECKLIST**

- Is a public hearing required?**
- Is publication of notice with *The Daily Journal of Commerce* and/or *The Seattle Times* required?**
- If this legislation changes spending and/or revenues for a fund, have you reviewed the relevant fund policies and determined that this legislation complies?**

**Does this legislation create a non-utility CIP project that involves a shared financial**

**6. ATTACHMENTS**

**Summary Attachments:**

Summary Attachment 1 - Seattle Center Map