

### **Attachment A. Summary and Key Terms**

***The following key terms of the project are outlined in the MOU. The City and OVG have committed to the good faith negotiation of Transaction Documents consistent with these terms.***

#### **Arena Overview**

- The redeveloped Arena will nearly double the square footage of the current 368,000 square foot KeyArena.
- The City and OVG will sign a 39-year lease with two, eight-year renewable options (for a potential total of 55 years).
- OVG will design and construct tenant improvements to the Arena that will preserve the current and historic roofline and meet a LEED Gold rating, or achieve equivalent standards.
- The Arena will be designed to accommodate 17,100 for hockey games, 18,350 for basketball games, and between 16,940 and 19,125 for concerts.
- OVG will provide a state-of-the-art civic Arena to attract and present music, entertainment and sports events, potentially including National Basketball Association (NBA) and National Hockey League (NHL) teams.
- OVG will use commercially reasonable efforts to pursue an NBA team and an NHL team to be the resident home teams and play their home games at the Arena.
  - OVG will bear all costs of improvements to or enhancements of the Arena that may be required by the NBA, NHL or any other third party, in connection with obtaining and maintaining such team(s).
  - Each team will maintain its corporate headquarters in Seattle.
  - Each team’s lease with the Arena will require a non-relocation agreement for the benefit of the City.
  - Subject to NBA approval and applicable rules, regulations, requirements, and agreements of the NBA, OVG will use commercially reasonable efforts to secure the “Seattle Sonics/ Supersonics” name.
- During the term of the MOU and Lease Agreement, the City will not negotiate with any person or entity, other than OVG, regarding renovation or redevelopment of the Arena, or solicit or entertain bids or proposals to do so. Additionally, the City will not provide financial support, benefits, or incentives (other than those that are generally available to any potential developer) with respect to the construction of any live entertainment venue with a capacity of more than 15,000 seats within the City of Seattle.

#### **Financial Terms**

- Construction of OVG’s tenant improvements to the Arena will be financed privately by OVG with no City financing; the current project cost estimate is \$600 million. All costs and potential cost-overruns of construction and arena operations are the responsibility of OVG.
- The City is entitled to rent to cover the City’s current base revenue generated by KeyArena, the 1<sup>st</sup> Avenue North Parking Garage and campus sponsorship rights, known as “Baseline Rent.” OVG and the City will jointly engage in an audit to establish the Baseline Rent based on a 4-year trailing historical annual average.
  - In the first 10 years of operation, OVG will receive abatement of the Baseline

Rent in the amount of \$350,000 annually.

- The City is entitled to payment of its baseline tax revenue, known as the “Baseline Tax Guaranty.” OVG will reimburse the City should the tax revenue generated by KeyArena and the parking garages fall below the “Baseline Tax Threshold.” The Baseline Tax Threshold includes:
  - the City’s portion of Sales Tax revenues attributable to Arena operations;
  - Business and Occupation Tax revenues attributable to Arena operations;
  - the City’s portion of Leasehold Excise Tax revenues attributable to Arena operations;
  - Admissions Tax revenue attributable to Arena operations;
  - Commercial Parking Tax and the City’s portion of the Sales Tax revenues attributable to the 1st Avenue North Parking Garage, the Fifth Avenue North Parking Garage and the Mercer Street Parking Garage.
- The City recognizes that the City will receive additional financial benefit due to OVG’s significant investment in construction and operation of the Arena including shifting of construction risk and potential cost overruns; assumption of operation risk, and responsibility for associated costs such as utility costs, security, routine maintenance, and insurance; historical preservation of landmark sites; rent-free use of the Arena for fourteen (14) days per year; transportation and community benefits; technology improvements; enhanced activation of the Arena and adjacent Seattle Center areas; enhanced prospects for attracting NBA and NHL teams; and other benefits. In consideration of these benefits, the amount of rent will be subject to an annual “Rent Adjustment.”
  - The Rent Adjustment is calculated based on net revenue received above the Rent Adjustment Threshold, which is intended to equal the amount of tax and facility revenues the City receives from the current operation of the Arena and related business operations. The Rent Adjustment is calculated annually to be equal to revenues received by the City in excess of the Rent Adjustment Threshold from:
    - the Fifth Avenue North Parking Garage;
    - Mercer Street Parking Garage;
    - Seattle Center Sponsorship Rights;
    - the City’s portion of Sales Tax related to Arena operations;
    - Business and Occupation Tax related to Arena operations;
    - the City’s portion of the Leasehold Tax related to Arena operations;
    - the Commercial Parking Tax and City’s portion of Sales Tax attributable to the 1<sup>st</sup> Avenue North, Fifth Avenue North and Mercer Street Parking Garages; and
    - the Admissions Tax revenue.
  - These incremental amounts will be aggregated annually. In the first 10 years of the Term, 25% of the total amount will be allocated to the City, 75% to OVG. For each year thereafter, 50% of the total amount will be allocated to the City and 50% to OVG.
  - For all years of the Term, OVG’s Rent Adjustment allocation will include 100% of Admissions Tax revenue above the Rent Adjustment Threshold.
- The City’s guaranteed revenues, including Baseline Rent and the Baseline Tax Threshold will be adjusted annually for escalation (with no negative adjustments), determined

annually to be the lesser of 3% or the percentage change in US Department of Labor Statistics Consumer Price Index for Urban Consumers (Seattle-Tacoma-Bremerton Local Area) or “CPI.”

- OVG commits to spend a minimum of \$1 million per year for capital improvements during the first 10 years of the lease. For the next 29 years, OVG commits to spend no less than \$2 million per year on capital improvements. Additionally:
  - Between the 21<sup>st</sup> and 30<sup>th</sup> year of the Lease Term, in addition to the minimum capital commitments noted above, OVG commits to expend no less than \$50 million on capital improvements. This investment will be a condition precedent to the City granting the first 8-year extension.
  - Between the 31<sup>st</sup> and 47<sup>th</sup> year of the Lease Term, in addition to the minimum capital commitments noted above, OVG commits to expend no less than \$50 million on capital improvements. This investment will be a condition precedent to the City granting the second 8-year extension.
- Upon approval of the MOU by the City Council and execution by the Parties, OVG will reimburse the City for all reasonable and documented out-of-pocket Development Costs up to a maximum amount of \$3,500,000 for costs related to the development, execution, and performance of this MOU, the Transaction Documents, and the transactions contemplated through the Lease Execution Date, including, but not limited to expenses for engineers and legal, financial, and other required consultants paid by the City. Additionally, OVG will pay all permitting expenses and SEPA expenses, which are separately reimbursable by OVG to City and are not subject to the \$3,500,000 cap.

#### *Risk Mitigation and Maintenance of Arena as a First-Class Facility*

- OVG will assume the risk of cost overruns during construction including the risk increased cost due to unknown environmental conditions.
- OVG will be responsible for Arena operations and maintenance of the facility over the life of the Lease Term; OVG will assume the risks and costs of operating and maintaining the arena.
- OVG must maintain the facility to an operating standard suitable for serving as the home facility for NHL and NBA teams, and not less than consistent with the standards of quality and performance comparable to the United Center in Chicago, the TD Garden in Boston and the Pepsi Center in Denver.
- Pursuant to the City’s financial due diligence condition to entering into the Transaction Documents (Section 24(c)), the City and its financial advisors will complete its due diligence on the budget as updated and current as of the time of entering into the Transaction Documents, including the construction contract, completion bond and the adequacy of contingencies, as well as the sources of the debt and equity financing. Upon the City’s approval of the budget and the equity financing, OVG will be required to provide a backstop, in the form of cash deposit or letter of credit, for the amount of such equity financing.

#### *Transportation*

- OVG will additionally contribute \$40 million to a Transportation Fund, to be administered by the City.

- Before the City Council considers approval of any Transaction Documents, the City will complete an environmental impact statement (EIS) analyzing the impacts of the OVG proposed project and identified alternatives, including a comprehensive traffic and historic resources impact analysis, and identification of possible mitigating actions. OVG will pay for all necessary EIS mitigation, separate from the Transportation Fund.
- OVG will pay for the preparation of the EIS and reimburse the City for the reasonable costs incurred by the City as part of the SEPA review.
- Separate from the SEPA/EIS process, a North Downtown Mobility Action Plan will be developed to support transportation improvements for the north downtown neighborhoods; OVG will pay up to \$250,000 for a transportation consultant to development and conduct the mobility planning effort.

#### Seattle Center Integration

- The Project will include a Seattle Center Integration Agreement to ensure design, construction, and operation of Arena integrates into and benefits the overall Center campus.
- The goals and principles upon which the Seattle Center Integration Agreement will be based are (1) People First, (2) Place-Making, Not Just a Project, and (3) Partnership for Success.
- OVG would work with the City to offer employment to current KeyArena workers. The terms and conditions of the plan for retention of workers will be included in the Development Agreement, and as applicable, the Lease Agreement.
- The forthcoming Development Agreement will include a schedule and plan for the relocation of City tenants currently in the Blue Spruce building, and for relocation of Pottery Northwest, and Key Arena licensees/tenants, as necessary for construction.
- OVG will pay the City \$1.5 million in consideration of the City's need to relocate the Seattle Center Skate Park, Campus Maintenance Facility, public restrooms and other public amenities affected by the project.
- Provisions for temporary relocation of Pottery Northwest during the construction of the Project will be detailed in the Development Agreement; temporary relocation will be at OVG's expense. The Seattle Center Integration Agreement shall provide for subsequent return of Pottery Northwest to the Premises at OVG's expense.
- OVG will pay the City \$500,000 for solutions developed by Seattle Center for displaced tenants, other than the Skate Park and Pottery Northwest.
- OVG will assume the City's lease with the Seattle Storm or develop a new agreement with the team by the opening date of the Arena.

#### Community Benefits

- OVG will enter into a Community Benefits Agreement with community organizations to foster equity and social justice and provide benefit to the communities that will be affected by the Arena, including supporting programs and services for youth, arts, sports, music, and culture.

- OVG will establish a charitable foundation to administer a \$20 million (minimum) community fund for organizations that serve the greater Seattle area and the communities surrounding Seattle Center, and \$10 million has been committed to YouthCare, a non-profit organization serving homeless youth.
- OVG will include public art in the project, with funding which is comparable to the City’s “1% for Art” program for public projects.
- OVG will make affordable housing impact mitigation payments to the City for the increase in arena square footage.
- The City will have the right to use the Arena 14 days per-year, rent free, for Bumbershoot and other community events.
- OVG will hire a full-time community liaison who will run day-to-day outreach operations, coordinating with local community organizations, during both development and operation of the Arena.
- Recognizing the importance of providing opportunities for patrons of all income-levels, OVG will provide seats at a range of price points. OVG will also collaborate with anchor tenants and community partners to identify regular opportunities to make reduced-priced tickets available.
- The project will include:
  - The City of Seattle Community Workforce Agreement terms. OVG’s agreements with its contractors and subcontractors of every tier shall also include priority hiring terms consistent with all additional elements of the City of Seattle’s Priority Hire Ordinance at SMC Chapter 20.37.
  - A Labor Harmony Agreement with relevant labor organizations.
  - An Inclusion Plan using the City of Seattle’s Women and Minority Owned Businesses (“WMBE”) Construction Public Works WMBE Inclusion Plan.