

**Second Amendment to O&M Agreement
by and between City of Seattle & Seattle Aquarium Society
regarding the Ocean Pavilion**

City Council Public Assets and Homelessness Committee

July 19, 2023

Seattle Parks and Recreation



City of Seattle

Second O&M Amendment

- Required to accommodate SEAS need to secure private bank loan.
- Loan is between SEAS & bank –City not directly involved and not a guarantor to loan.
 - City owns Aquarium properties and will take ownership of Ocean Pavilion (OP) upon issuance of certificate of occupancy in 2024.
 - OP is not collateral to loan but revenue streams generated by SEAS are, e.g., admissions revenues and philanthropic \$.
 - City has material interest in success and financial health of Aquarium and SEAS management of it.



Overview of Second O&M Amendment (OMA)

- Legislation authorizes Superintendent of Parks & Recreation, City Finance Director, and Director of the Office of the Waterfront and Civic Projects to execute amendment to OMA w/SEAS
- Requires written consent of City Finance Director before bonds backing bank loan can be issued
- Extends OMA term for additional 10 years
- Adds preconditions to City's ability to terminate OMA with SEAS while bank loan outstanding
- Adds new subsection re: SEAS minimum reserve fund required by the bank

Extends OMA term, conditions City's ability to terminate OMA w/SEAS, and confirms future update

- Extends agreement from June 2030 to December 2040 (Section 1.26)
- Prohibits City from terminating MOA with SEAS while SEAS Bonds outstanding unless:
 - City determines SEAS unable to cure default event (either through a corrective action plan or opinion of City Finance Director); *and*
 - City provides Termination Fee to SEAS to pay amounts due by SEAS for Bank Loan (Section 21)
- Reaffirms City & SEAS will update OMA terms shortly after City accepts OP to address operational issues at the newly enhanced facility (new subsection 8.4)

City Finance Director Approval Required

- Authorizes City Finance Director to provide written consent to issuance of SEAS Bonds upon satisfaction of certain conditions (Section 6.7.2)
- Amendment doesn't take effect until Finance Director receives specific due diligence items in forms acceptable to Director. This is key protection against unreasonable financing terms and undisclosed financial risks.
 - Bank loan documents “true, correct, and complete”
 - Bank loan documents consistent with SEAS prepaying City's Enhanced Facility Fees
 - Certain other documents provided to City at least 5 day prior to closing



Requires SEAS to establish Minimum Reserve

new subsection 7.2.6

- SEAS required to establish minimum reserve fund for Aquarium's capital needs & obligated to replenish and maintain it over life of SEAS Bonds.
- SEAS required to submit on-going reports to City for monitoring & oversight.
- SEAS can request an Increased Funding Commitment from City to maintain reserve fund should it fall below minimum levels. Council must consider these requests, but whether to grant it will be at Council's discretion.



Questions?