



# KeyArena Redevelopment Project Update

September 18, 2017  
Select Committee on Civic Arenas



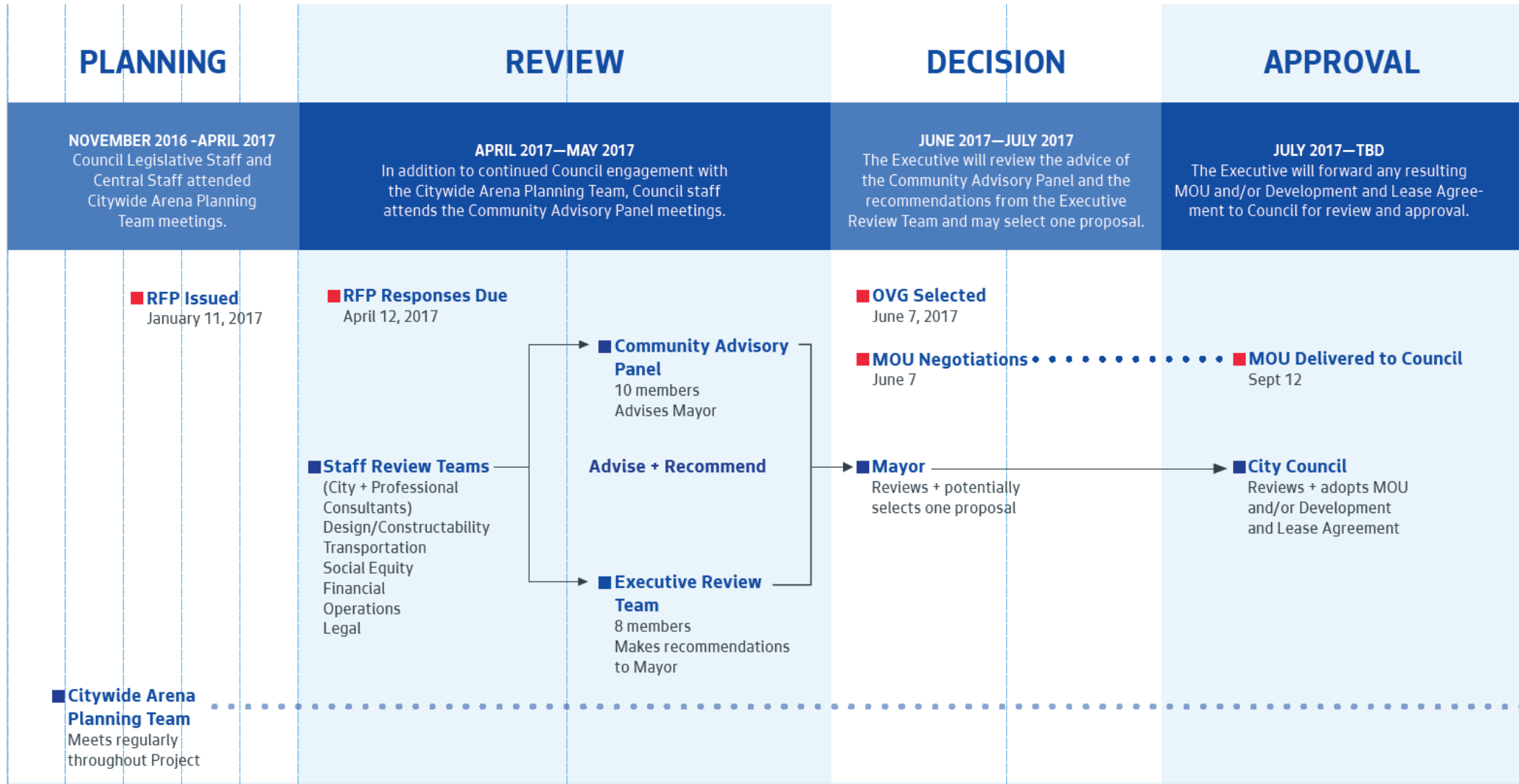
# Timeline to Date

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- ▶ RFP Issued January 11, 2017
- ▶ RFP Responses Due April 12, 2017
- ▶ OVG Selected June 7, 2017
- ▶ MOU Negotiations Begin June 23, 2017
- ▶ Council Letter Transmitted June 26, 2017
- ▶ Community Advisory Group July 20, 2017 – Present
- ▶ Council Resolution Adopted August 14, 2017
- ▶ MOU Transmitted to Council September 12, 2017



# Timeline to Date





# City's Objectives

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The City's RFP included seven objectives related to the project:

1. Develop a world-class sports and entertainment arena suitable for NBA/NHL at Seattle Center
2. Integrate with Uptown's Urban Design Framework
3. Include minimal City financial participation in capital development
4. Include minimal City financial participation in ongoing operations
5. Address transportation impacts
6. Treat neighbors and impacted workers equitably
7. Contribute to Seattle Center's vibrancy



# Negotiations

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- ▶ The terms of the MOU were developed based on the details OVG submitted in their RFP response
- ▶ The MOU clarifies the intent of forthcoming transaction documents:
  - ▶ Development Agreement
  - ▶ Lease Agreement
  - ▶ Seattle Center Integration Agreement



# Negotiations — City Team

## **Executive**

- ▶ Executive Team
- ▶ Departments
  - ▶ OED – Project Coordination
  - ▶ Seattle Center – Integration
  - ▶ CBO – Financials
  - ▶ SDCI – Permitting
  - ▶ SDOT – Transportation

## **Community**

- ▶ Community Advisory Group

## **Legislative**

- ▶ Central Staff

## **Law**

- ▶ City Attorney's Office

## **Consultants**

- ▶ Legal
- ▶ Industry
- ▶ Financial
- ▶ Design



# Major Deal Points

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- ▶ **Arena Details**
- ▶ **Financing**
- ▶ **Risk Mitigation**
- ▶ **Transportation**
- ▶ **Seattle Center**
- ▶ **Community Benefits**



# Arena Details

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- ▶ World-class arena designed to attract NHL and NBA teams
- ▶ Design nearly doubles the square footage of current KeyArena
- ▶ The design of the Arena preserves historic roofline and achieves LEED Gold or equivalent standards
- ▶ Project cost estimate currently \$600 million
- ▶ Initial Term is 39 years with option for two, 8-year extensions (total of 55 years)



# Arena Details





## Arena Details — NBA/NHL

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- ▶ 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 pursue NHL and NBA teams
- ▶ OVG will bear costs of improvements that may be required to obtain teams
- ▶ Team(s) will maintain corporate headquarters in Seattle
- ▶ Team lease(s) will require a non-relocation agreement
- ▶ OVG will pursue securing “Seattle Sonics/Supersonics” name







## Arena — Financing

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- ▶ Funded by OVG via private equity, debt financing from lenders, and federal historic tax credits – **no City debt financing**
- ▶ OVG's rent will cover current base revenue generated by KeyArena operations, 1st Avenue Parking Garage, and Seattle Center campus sponsorship rights (~\$2.6M per year)
- ▶ OVG will also reimburse the City should the tax revenues generated by the Arena fall below current levels (~\$2.4M per year)
- ▶ Rent adjustments between City and OVG will result in City effectively retaining 25% of excess revenue above the baseline in the first 10 years, and 50% for the remaining years
  - ▶ The City's revenue above the baseline includes revenues generated from Mercer and 5th Avenue parking garages, campus sponsorships, and represents the increase in all taxes other than admissions tax



## Arena — Financing

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- ▶ OVG will assume all costs related to operating and maintaining the Arena
- ▶ To vest its two eight-year extension options, OVG must invest a minimum of \$168M for capital improvements in the building
  - ▶ In addition, OVG must maintain the building to a standard equivalent to other comparable arenas throughout the term of the lease (United Center in Chicago, TD Garden in Boston, Pepsi Center in Denver)
- ▶ Up to \$3.5M reimbursed to City for MOU/Transaction Documents development costs



## Arena — Risk Mitigation

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- ▶ OVG will assume the risk of cost overruns during construction and the risk of increased costs due to unknown environmental conditions
- ▶ City has retained financial consultants to conduct due diligence to ensure that:
  - ▶ OVG has in place sufficient debt and equity to build the Arena
  - ▶ OVG has a plan and the financial wherewithal to successfully operate the Arena
  - ▶ City's interests will be protected



## Arena — Transportation

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- ▶ **EIS/SEPA:** Before Council considers approval of any Transaction Documents, the City will complete an environmental impact statement (EIS). OVG will pay for all necessary EIS mitigation, separate from the Transportation Fund
  - ▶ Internal City team created coordinating SEPA process with OVG
- ▶ **Mobility Action Plan:** 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 mobility planning effort
- ▶ **Transportation Fund:** OVG will additionally contribute \$40 million to a Transportation Fund, to be administered by the City





## Arena — Seattle Center

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- ▶ Transaction Documents will include a Seattle Center Integration Agreement
- ▶ Temporary relocation of Pottery Northwest and subsequent return to premises will be at OVG's expense
- ▶ OVG will pay the City \$1.5M to relocate the Seattle Center Skate Park and Campus Maintenance Facility, and \$500k to relocate other tenants
- ▶ Project to include enhanced active and passive pedestrian experience in Seattle Center's Northwest Courtyard
- ▶ Once the Arena reopens, OVG will assume City's obligations to the Seattle Storm or develop a new agreement with the team

# Arena — Seattle Center





## Arena — Workers

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- ▶ OVG will work with the City to offer employment to current KeyArena workers
- ▶ **Project Labor Agreement/Priority Hire**
  - ▶ City of Seattle Community Workforce Agreement
  - ▶ Priority hiring terms consistent with all additional elements of the City of Seattle's Priority Hire Ordinance
- ▶ **Labor Harmony Agreements**
  - ▶ Labor Harmony Agreements with relevant labor organizations
- ▶ **Women and Minority Owned Businesses (WMBE)**



# Arena — Community

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- ▶ **Arena Community Advisory Group**

- ▶ **Community Benefits Agreement**

- ▶ **Community Fund**

- ▶ OVG will establish a charitable foundation to administer a \$20 million (minimum) community fund. Of the \$20 million, \$10 million has been pre-committed to YouthCare by OVG, a non-profit organization serving homeless youth

- ▶ **Arts**

- ▶ Project will include public art, with funding comparable to the City's "1% for Art" for public projects

- ▶ **Mandatory Housing Affordability**

- ▶ OVG will make Housing Affordability Payments

- ▶ **Community Events**

- ▶ The City would receive 14 rent-free days per year for community events for Bumbershoot, the Seattle/King County medical clinic and other community events

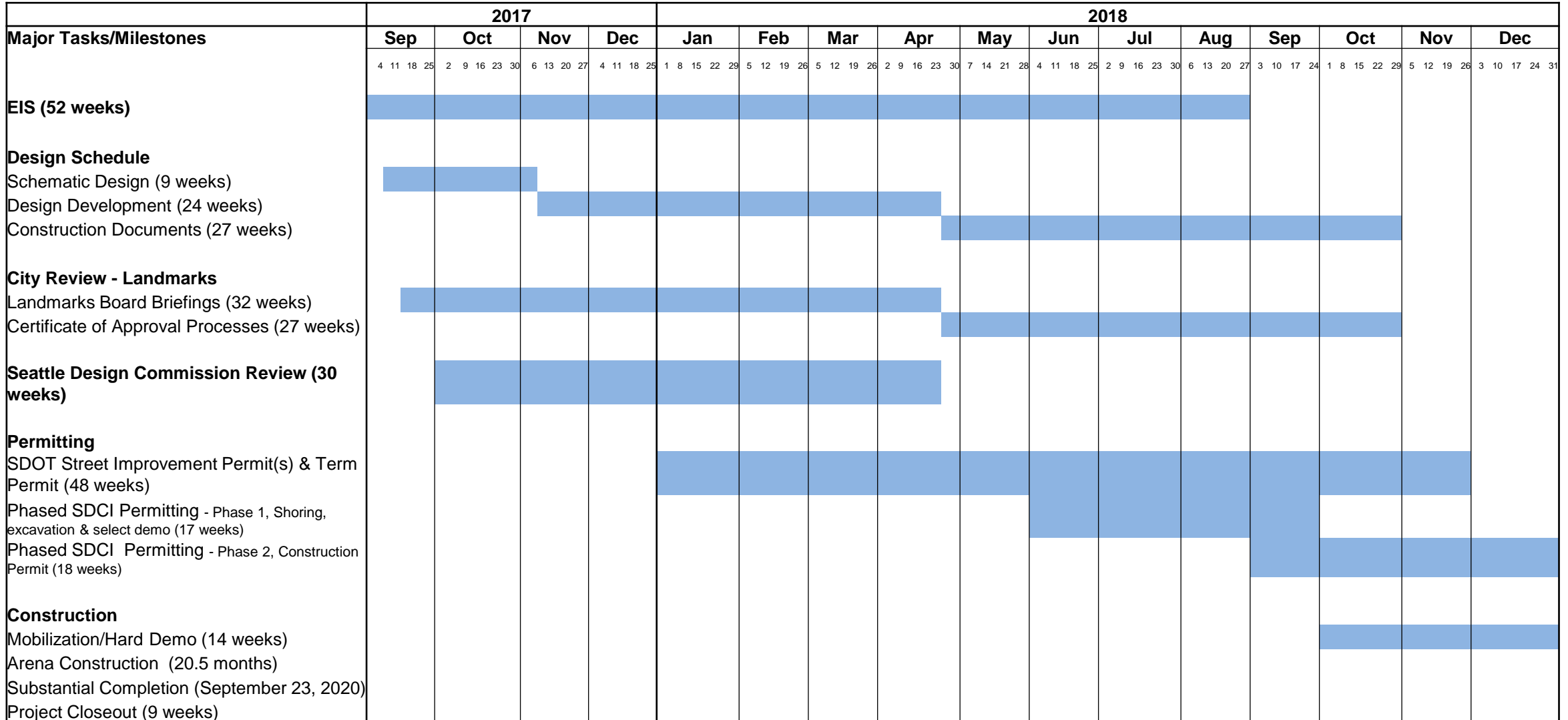


# Project Milestones

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- ▶ Assuming Council approves the proposed MOU:
  - ▶ EIS, Mobility Study
  - ▶ Landmarks
  - ▶ Permitting
  - ▶ Transaction Documents
  - ▶ Construction: Fall 2018
  - ▶ Open: Fall 2020

# Anticipated Permits, Design and Construction Schedule





# Council Calendar

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- ▶ September 18, 2017– Select Committee on Civic Arenas Meeting
- ▶ October 10, 2017– Public Hearing/Select Committee Meeting
- ▶ November 16, 2017 – Select Committee on Civic Arenas Meeting
- ▶ Goal: Public Hearing and Vote December 4, 2017

