

## **SUMMARY and FISCAL NOTE**

<b>Department:</b>	<b>Dept. Contact:</b>	<b>CBO Contact:</b>
Office of City Finance	Kristi Beattie	Caleb Wagenaar

### **1. BILL SUMMARY**

**Legislation Title:** AN ORDINANCE relating to public art museum facilities; authorizing a restatement of a guarantee and reimbursement agreement with the Museum Development Authority of Seattle and other parties that amends the second amended and restated guarantee and reimbursement agreement, as originally authorized by Ordinance 121950, as amended by Ordinance 122458, and as further amended by Ordinance 124429; and ratifying and confirming certain prior acts.

**Summary and Background of the Legislation:** This legislation authorizes the Director of Finance to approve and sign a Third Amended and Restated Guarantee and Reimbursement Agreement, which amends the Second Amended Guarantee and Reimbursement Agreement among the City, the Museum Development Authority of Seattle (“MDA”), the Seattle Art Museum (the “Museum”), and other parties (as amended and restated, the “Agreement”), as shown in the form of agreement attached as Exhibit A to this ordinance.

The MDA currently has \$22.8 million in outstanding MDA Bonds (defined below) guaranteed by the City that are eligible to be refinanced in 2024. City authorization by ordinance is required to approve revisions to the Agreement to accommodate the refunding (i.e., refinancing). The refinancing is in the City’s interest because it would reduce the annual debt service that is the subject of the City’s guarantee, thus reducing the City’s potential exposure. The refunding is sensitive to market rates and savings resulting from the refunding will be determined at the time the MDA bonds are refunded.

This ordinance authorizes the City’s guarantee of the refunding bonds and provides flexibility to respond to proposals to address future financing needs of SAM and MDA as they arise. Specifically, it:

- Authorizes the City to guarantee the 2024 Refunding Bonds to be issued by the MDA as part of refinancing the MDA’s 2014 Refunding Bonds (the “MDA Bonds”) that are guaranteed by the City’s full faith and credit; and
- Maintains the current legal and financial arrangements that secure the City’s rights to be reimbursed by MDA and/or SAM if the City is required to make any advances to MDA to pay debt service on the MDA Bonds; and
- Provides flexibility for the City to consider, on a case-by-case basis, a request by the MDA or SAM in the future to propose borrowing for operational needs or other purposes approved by Council. If any consent or amendment is requested that would diminish the City’s security for reimbursement of advances made in respect of the MDA Bonds, such request would be subject to future Mayoral approval and Council approval by ordinance.

**Additional Background:** In 2005, the Museum undertook the simultaneous expansion of its downtown facilities and the Olympic Sculpture Park project. As part of this capital program, the City guaranteed \$61 million in bonds issued by the MDA in 2005. These 2005 Bonds were refinanced by the issuance of the MDA Bonds in 2014. The 2014 Bonds are now eligible for refinancing for additional savings.

The debt service on the MDA Bonds is paid by the MDA consistent with the terms of the Guarantee and Reimbursement Agreement among the City, the MDA, the Museum, and other parties. MDA uses lease revenues received from SAM, which revenues are in turn derived from lease revenues that SAM receives from its tenants in the 8 floors of office space located immediately above the current SAM galleries. The master tenant in the office space is currently Nordstrom, Inc., which replaced Washington Mutual Bank (“WaMu”) as the master tenant following the bank’s collapse in 2008. The lease term currently extends through the maturity of the MDA Bonds in 2031. As required by the City’s Guarantee, the City previously approved Nordstrom’s annual lease payment schedule, which currently exceeds the minimum 1.2x coverage ratio of net annual rent to debt service on the MDA Bonds. As of the time of this ordinance, the debt service on the MDA Bonds is approximately \$3.9 million annually.

The form of the Third Amended and Restated Guarantee and Reimbursement Agreement between the City, the MDA, SAM, and other parties, which is provided as Exhibit A to this ordinance, retains the terms of the City’s guarantee of the MDA Bonds as described in the Agreement as last authorized by Council in Ordinance 124429. Any changes to the security or any other terms of the City’s guarantee of the MDA Bonds would be subject to authorization by separate ordinance in the future.

## 2. CAPITAL IMPROVEMENT PROGRAM

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

## 3. SUMMARY OF FINANCIAL IMPLICATIONS

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

Although this legislation does not have a direct financial impact to the City, it does have an indirect impact through the guarantee provided by the City. The principal of and interest then due on guaranteed bonds counts against the City’s general obligation bond debt capacity. This guarantee has been evaluated for consistency with the City’s debt policies regarding City guarantees of public development authority debt, and has been reviewed by DMPAC. The refinancing of the MDA Bonds will provide annual debt service savings for MDA and reduce the amount of the City’s exposure.

## 4. OTHER IMPLICATIONS

a. Please describe how this legislation may affect any departments besides the originating department.

N/A

- b. 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.**  
No City property is affected; this legislation does pertain to property owned by the MDA and other property owned by the nonprofit Seattle Art Museum. The City has rights to exercise interests in both the MDA and SAM properties as security for reimbursement of amounts advanced pursuant to the City's guarantee of the MDA Bonds.
- 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.**
  - ii. Please attach any Racial Equity Toolkits or other racial equity analyses in the development and/or assessment of the legislation.**
  - iii. What is the Language Access Plan for any communications to the public?**  
N/A
- 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.**
  - 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.**  
N/A
- 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?**  
N/A

## 5. CHECKLIST

- ☐ **Is a public hearing required?**  
No

☐ **Is publication of notice with *The Daily Journal of Commerce* and/or *The Seattle Times* required?**

No

☐ **If this legislation changes spending and/or revenues for a fund, have you reviewed the relevant fund policies and determined that this legislation complies?**

N/A

☐ **Does this legislation create a non-utility CIP project that involves a shared financial commitment with a non-City partner agency or organization?**

No

## **6. ATTACHMENTS**

**Summary Attachments:**

None