



Legislation Text

File #: CB 119088, Version: 1

CITY OF SEATTLE

ORDINANCE _____

COUNCIL BILL _____

AN ORDINANCE related to KeyArena; authorizing the Mayor to execute a memorandum of understanding with Oak View Group, LLC, regarding the redevelopment of KeyArena into a world-class, multi-purpose sports and entertainment arena at Seattle Center, including its design, construction, lease, financing and future operation; exempting the redevelopment and future operation of the Arena from the requirements of Chapter 20.47 of the Seattle Municipal Code; and ratifying and confirming certain prior acts.

WHEREAS, on January 11, 2017, the City’s Office of Economic Development released a Request for Proposals (RFP) for the redevelopment of KeyArena at Seattle Center; and

WHEREAS, the City’s RFP included seven objectives related to the project, summarized as follows: (1) develop a world-class sports and entertainment arena, (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, and (7) contribute to Seattle Center’s vibrancy; and

WHEREAS, on February 23, 2017, the City formed an advisory body known as the Arena Community Advisory Panel (Advisory Panel) to provide counsel to the City to consider proposals responding to the RFP, comprised of ten members chosen based on their various expertise, including, but not limited to, music, sports, transportation, neighborhood interests, and design; and

WHEREAS, on April 12, 2017, Oak View Group, LLC (OVG) submitted to the City a proposal in response to the RFP entitled “Proposal for the Transformation of the Arena at Seattle Center” and

WHEREAS, between April 12, 2017, and June 2, 2017, each of (1) the Advisory Panel, (2) a City Executive

Review Team comprised of the Director of the Office of Economic Development, the Director of Seattle Center, and the Director of the City Budget Office, and (3) a City Staff Review Team comprised of City staff members in the areas of design/constructability, finance, operations, social equity, and transportation carefully evaluated the various proposals in response to the RFP; and

WHEREAS, on June 2, 2017, the Advisory Panel submitted its “Final Summary Report and Observations” to the Mayor and the Executive Review Team regarding the RFP proposals; and

WHEREAS, on June 7, 2017, based upon the input of the Advisory Panel, the Executive Review Team, and the City Staff Review Team, the City selected the OVG Response as the preferred proposal for the renovation of the Arena; and

WHEREAS, OVG and the City (the “Parties”) have negotiated the terms of a Memorandum of Understanding (MOU), which the Parties intend to be a binding and enforceable agreement regarding the process to be followed by the Parties in order to complete necessary reviews, including all environmental reviews, and to negotiate and, as appropriate, approve future transaction documents including a development agreement, a lease agreement, and a Seattle Center integration agreement (collectively the Transaction Documents), all as further described in the MOU; and

WHEREAS, on July 20, 2017, the City formed a new advisory body known as the Arena Community Advisory Group to provide counsel to the City throughout the development of the MOU and subsequent Transaction Documents; and

WHEREAS, on August 14, 2017, the City Council adopted Resolution 31764, which set forth the City Council’s expectations for the negotiation of, and approval process for, the MOU; and

WHEREAS, the MOU reflects the mutual understandings of the Parties regarding those actions, permits, approvals, and/or agreements lawful and necessary for OVG to (A) accomplish the design, development, financing and construction of OVG’s tenant improvements to the Arena, and (B) lease, manage, operate, use and occupy the Arena; and

WHEREAS, the Parties intend to actively participate and to work together collaboratively, in good faith and with due diligence, to negotiate the Transaction Documents consistent with the terms, conditions, and limitations of the MOU or as otherwise mutually agreed upon; NOW, THEREFORE,

BE IT ORDAINED BY THE CITY OF SEATTLE AS FOLLOWS:

Section 1. The City finds that the future agreements outlined in the Memorandum of Understanding (MOU) with Oak View Group, LLC (OVG), attached hereto as Attachment 1, furthers each of the City's objectives for the redevelopment of KeyArena ("Arena"), as articulated in the Request for Proposals (RFP).

The project as agreed to in the MOU will:

- A. Provide a world-class civic arena to attract and present music, entertainment, and sports events, potentially including National Basketball Association (NBA) and National Hockey League (NHL) events, to Seattle and the region;
- B. Provide for Arena design and operations in a manner that integrates with and enhances connections to Uptown and adjoining neighborhoods and aligns with the Urban Design Framework;
- C. Provide for design, permitting, development, demolition, and construction of the Arena with minimal City financial participation;
- D. Provide for the continuous, successful, and sustainable operation of the Arena as a world-class civic venue with minimal City financial participation;
- E. Provide for mitigation of transportation impacts due to Arena construction and operations;
- F. Provide Arena construction and operations in a manner that is equitable for workers and consistent with the City's Race and Social Justice Initiative; and

- G. Provide for Arena design operational integration with Seattle Center, contributing positively to the vibrancy of Seattle Center.

Section 2. For the reasons described below, the City Council finds that redevelopment, lease and operation of an arena at Seattle Center by OVG under the terms and conditions described in the MOU would provide sufficient and fair value to the City, and further finds that the requirements of Chapter 20.47 of the Seattle Municipal Code should not apply.

A. Among the benefits and other types of consideration that would be received by the City under the terms described in the MOU are the following:

1. A redeveloped sports and entertainment facility that nearly doubles the size of current KeyArena, with all construction costs being paid by OVG. The City would pay no portion of the cost of construction, and would not issue public debt to pay for arena construction. Historic landmark sites would be preserved. The Arena would be built consistent with NBA and NHL design standards, with the goal of attracting an NBA team and an NHL team.
2. OVG would assume the risk of cost overruns during construction, as well as the risk of increased costs due to unknown environmental conditions.
3. OVG would bear all costs of operating and maintaining the Arena during the 39-year initial term of the lease and, if applicable, during the two eight-year extensions, including costs associated with utilities, security, routine maintenance, and insurance.
4. OVG would fund capital improvements to maintain the Arena. OVG would spend a minimum of \$1,000,000 per year for capital improvements during the first ten years of the lease, and a minimum of \$2,000,000 per year during the next 29 years. In addition, between the twenty-first and thirtieth years of the term of the lease, OVG would spend no less than \$50,000,000 on capital improvements, as a condition precedent to the City granting the first eight-year extension. Between the thirty-first and forty-seventh

years of the lease term (assuming the first eight-year extension was granted), OVG would spend no less than an additional \$50,000,000 on capital improvements, as a condition precedent to the City granting a second eight-year extension.

5. The City would be entitled to rent payments from OVG to cover current base revenues generated by existing KeyArena operations, the 1st Avenue parking garage, and Seattle Center sponsorship rights; would be entitled to reimbursement should tax revenues generated by the Arena fall below current levels; and would also receive a certain amount of tax revenues above the existing base revenues.

6. OVG would reimburse the City up to \$3,500,000 as reimbursement for the out-of-pocket expenses actually incurred by the City directly in connection with the development, execution and performance of the MOU, the Transaction Documents, and the transactions contemplated therein.

7. OVG would pay \$40,000,000 into a Transportation Fund, to be administered by the City and used for transportation improvements in the neighborhoods surrounding Seattle Center.

8. OVG and the City would develop a North Downtown Mobility Action Plan, and OVG would pay up to \$250,000 for a transportation consultant to support that effort.

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

10. OVG would provide financial assistance toward relocation of existing tenants, the City's skate park and the campus maintenance facility, each of which will be affected by construction of the redeveloped Arena.

11. OVG's construction project would utilize a community workforce agreement and priority hiring requirements, and OVG would use the City's inclusion plan for woman- and minority-owned businesses (WMBEs). During operations, OVG would enter labor harmony agreements and a Community Benefits Agreement, and OVG would work with the City to offer employment to current KeyArena workers.

12. OVG would establish a \$20,000,000 community fund to provide resources for

organizations that serve the greater Seattle area and the communities surrounding Seattle Center, of which \$10,000,000 would be dedicated to the nonprofit organization YouthCare.

13. OVG would commit to funding for art in a program similar to the City’s “One Percent for Art” program.

14. OVG would make an affordable housing impact mitigation payment to the City for the increase in Arena square footage.

D. The City Council finds that that Chapter 20.47 of the Seattle Municipal Code should not apply to the redevelopment and operation of an arena at Seattle Center as described in the MOU, because OVG is not a “professional sports organization” within the meaning of that law.

E. Even if Chapter 20.47 of the Seattle Municipal Code were applicable here, the City Council finds that the benefits described above provide sufficient and fair value to the City. The City Council further finds that that redevelopment and operation of an arena at Seattle Center under the terms and conditions described in the MOU is consistent with the principles underlying Chapter 20.47.

F. The City Council hereby exempts the redevelopment and operation of an arena at Seattle Center, under the terms and conditions described in the MOU, from the requirements of Chapter 20.47 of the Seattle Municipal Code.

Section 3. The Mayor or the Mayor’s designee is authorized to execute, for and on behalf of the City, an agreement with OVG, substantially in the form of the agreement entitled “Memorandum of Understanding (Arena at Seattle Center),” attached hereto as Attachment 1.

Section 4. The City finds that as subsequent transaction documents are developed, the Arena Community Advisory Group’s counsel will be of value to the City. The Arena Community Advisory Group’s guiding principles are attached hereto as Attachment 2.

Section 5. Any act consistent with the authority of this ordinance taken after its passage and prior to its effective date is ratified and confirmed.

Section 6. This ordinance shall take effect and be in force 30 days after its approval by the Mayor, but if not approved and returned by the Mayor within ten days after presentation, it shall take effect as provided by Seattle Municipal Code Section 1.04.020.

Passed by the City Council the _____ day of _____, 2017, and signed by me in open session in authentication of its passage this _____ day of _____, 2017.

President _____ of the City Council

Approved by me this _____ day of _____, 2017.

Jenny A. Durkan, Mayor

Filed by me this _____ day of _____, 2017.

Monica Martinez Simmons, City Clerk

(Seal)

Attachments:

Attachment 1 - Memorandum of Understanding (Arena at Seattle Center) between The City of Seattle and Oak View Group, LLC

Attachment 2 - Arena Community Advisory Group Guiding Principles