

SUMMARY and FISCAL NOTE*

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** Note that the Summary and Fiscal Note describes the version of the bill or resolution as introduced; final legislation including amendments may not be fully described.*

1. BILL SUMMARY

- a. Legislation Title:** 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.

- b. Summary and background of the Legislation:**

This legislation authorizes the Mayor to execute, for and on behalf of the City, an agreement with OVG, the “Memorandum of Understanding (Arena at Seattle Center).”

On January 11, 2017, the City’s Office of Economic Development (OED) released a Request for Proposals (RFP) for the possible redevelopment of KeyArena. The City’s RFP included seven objectives for the project:

- 1) Provide a world-class civic arena (the “Arena”) to attract and present music, entertainment, and sports events, potentially including NBA and NHL events, to Seattle and the region.
- 2) Provide for Project design and Arena operations in a manner that integrates with and enhances connections to Uptown and adjoining neighborhoods and aligns with the Urban Design Framework (“UDF”).
- 3) Provide for design, permitting, development, demolition (if applicable), and construction of the Arena (the “Project”) with minimal City financial participation.
- 4) Provide for the continuous, successful, sustainable operation of the Arena as a world-class civic venue with minimal City financial participation.
- 5) Provide for mitigation of transportation impacts due to Project construction and Arena operations.
- 6) Provide Project construction and Arena operations in a manner that is equitable for workers and consistent with the City’s Race and Social Justice Initiative.
- 7) Provide for Project design and Arena operational integration with Seattle Center, contributing positively to the vibrancy of Seattle Center.

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.” OVG’s proposal was one of two responsive proposals received by the City in response to the RFP.

Responses to the City’s RFP were carefully reviewed by a Community Advisory Panel, City Staff Review Teams, outside consultants and a City Executive Review Team. The Advisory Panel submitted its Final Summary Report and Observations to the Mayor and Executive Review Team. Based the input from all reviewers, the Mayor selected the proposal submitted by OVG as the preferred proposal for the redevelopment of KeyArena.

The City and OVG began negotiating the terms of the MOU on June 7, 2017. The City and OVG have committed to actively participate and work together collaboratively, in good faith and with due diligence, to carry out the process described in the MOU and to negotiate “Transaction Documents” (including a Development Agreement, a Lease Agreement, and a Seattle Center Integration Agreement) consistent with the terms, conditions, and limitations of the MOU.

Key components of the MOU, to be memorialized in the Transaction Documents, are detailed in Fiscal Note Attachment A; this list is not intended to be inclusive of all terms of the MOU.

Following execution of the MOU, the City and OVG will begin negotiating the Transaction Documents. With review by the Seattle Center Representative, OVG has commenced design and permitting work.

2. CAPITAL IMPROVEMENT PROGRAM

- a. Does this legislation create, fund, or amend a CIP Project? ___ Yes ___X___ No

3. SUMMARY OF FINANCIAL IMPLICATIONS

- a. Does this legislation amend the Adopted Budget? ___ Yes ___X___ No
- b. Does the legislation have other financial impacts to the City of Seattle that are not reflected in the above, including direct or indirect, short-term or long-term costs?

Upon approval of the MOU by the City Council and execution by the Parties, OVG will reimburse the City for all reasonable and documented Development Costs up to a maximum amount of \$3,500,000. Development costs are defined in the MOU as out-of-pocket expenses incurred by the City in connection with the development, execution, and performance of the 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 retained by the City. Some of these

costs have been incurred by the City in connection with the negotiation of the MOU and review of the transaction and its terms. OVG is also responsible for payment of permitting expenses and SEPA expenses, which are separately reimbursable by OVG to the City and are not subject to the \$3,500,000 cap.

If Transaction Documents consistent with the MOU are approved by the City Council, there will be likely fiscal impacts. Those impacts are described in Attachment A to this Summary and Fiscal Note.

c. Is there financial cost or other impacts of *not* implementing the legislation?

Redevelopment of KeyArena under the terms described in the MOU – with OVG bearing the costs of designing and constructing its tenant improvements, and leasing and operating a world class sports and entertainment venue – would resolve a longstanding issue facing the City that has significant financial implications. In June 2015 AECOM completed an evaluation of options for the future of KeyArena. Those options, and the financial costs to the City associated with each, are fully described in AECOM’s report. AECOM estimated that, in order to maintain KeyArena as a viable event space, the City would have to invest a minimum of \$100 to \$150 million. Implementation of the terms of the MOU would resolve the future of KeyArena, and would produce a redeveloped sports and entertainment venue without a multimillion dollar investment by the City. If the legislation approving the MOU is not implemented, the City and OVG will not proceed to the next step of negotiating Transaction Documents, leaving the future of KeyArena unresolved.

4. OTHER IMPLICATIONS

a. Does this legislation affect any departments besides the originating department?

This legislation would require collaboration of the Seattle Center, Office of Economic Development, Seattle Department of Transportation, Seattle Department of Construction and Inspections, the City Attorney’s Office, the City Budget Office and the City Council.

b. Is a public hearing required for this legislation?

No.

c. Does this legislation require landlords or sellers of real property to provide information regarding the property to a buyer or tenant?

No.

d. Is publication of notice with *The Daily Journal of Commerce* and/or *The Seattle Times* required for this legislation?

No.

e. Does this legislation affect a piece of property?

This legislation impacts KeyArena and Seattle Center. A map of the properties is attached to this Summary and Fiscal Note

f. Please describe any perceived implication for the principles of the Race and Social Justice Initiative. Does this legislation impact vulnerable or historically disadvantaged communities?

The following description assumes that Transaction Documents consistent with the terms of the MOU are approved by the City Council.

OVG believes that diversity of thought, background, and experience cultivate vibrant communities and thriving businesses. The project would be built and operated by persons who reflect the diverse communities of Seattle. OVG would use the City's inclusion plan to ensure inclusion of Women and Minority Owned businesses in the design and construction of OVG's tenant improvements to the arena, and utilization of women and minority businesses and local businesses and workers in concessions and operations.

OVG would also commit to using the City's priority hire ordinance and community workforce agreement as the framework for construction, and would partner with the City's Race and Social Justice Initiative to ensure its policies and practices promote racial and socioeconomic equity.

OVG would have a full-time position dedicated to community outreach and equitable hiring. This person would work with Tabor 100, the City, and other community organizations to promote racial and socioeconomic justice, and to engage with and to inform Women and Minority Business Enterprises (WMBE) about contracting opportunities. OVG would provide access to bidding for WMBEs. OVG would work with the City to designate priority zip codes to define areas that the City identifies as needing additional support in hiring efforts.

OVG looks forward to working with the Seattle Chamber of Commerce, other regional chambers of commerce, Washington RoundTable, Seattle Rotary #4, the Northwest Minority Business Council, the Breakfast Group, the Urban League of Metropolitan Seattle, and other community organizations to develop a comprehensive labor agreement that creates tangible inclusion goals and policies that allow for women, minority, and LGBTQ persons to be fully represented in the workforce. Additionally, OVG would engage in efficient and effective outreach to priority zip codes and other underrepresented groups that would have priority access to hiring for the project both in the preconstruction, construction, and operations phases.

- g. 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).**

The goals of the Request for Proposal, which the terms of the MOU are designed to further, are noted above.

List attachments/exhibits below:

Attachment A – Summary and Key Terms

Attachment B – Map of Premises