

JUNE 2, 2017



ARENA COMMUNITY ADVISORY PANEL

FINAL SUMMARY REPORT AND OBSERVATIONS

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ARENA COMMUNITY ADVISORY PANELISTS

Deborah Frausto, Uptown Alliance

Ollie Garrett, President, Tabor 100

Nicole Grant, Executive Secretary, King-County Labor Council

Todd Humphrey, Co-Founder and Chief Commercial Officer, League Inc.; former professional hockey player

Megan Jasper, CEO, Subpop Records; Seattle Music Commission

Jan Levy, Executive Director, Leadership Tomorrow; Chair, Seattle Center Advisory Commission

Jill Nishi, Director, Strategy Planning & Management and Chief of Staff, Bill and Melinda Gates Foundation

Rico Quirindongo, Architect, DLR Group; One Center City Advisory Group

Ethan Stowell, Chef and Owner, Ethan Stowell Restaurants

Lenny Wilkens, Legendary Sonics Coach, Three-Time Basketball Hall of Fame Inductee

CITY EXECUTIVE AND STAFF TEAM

Brian Surratt, Director, Office of Economic Development

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Findings and Observations

Thank you for the opportunity to have served on Mayor Ed Murray's Arena Community Advisory Panel (the "Panel") to review the proposals to redevelop KeyArena at Seattle Center. The members of the Panel represent a cross section of Seattle's business, labor, philanthropic, entertainment, sports, residential, and music communities. We are all excited to see the potential development of a new world-class entertainment and sports venue for Seattle and the region.

As an advisory body, our objective was to review the two proposals submitted to the City of Seattle on April 12, 2017. We offer our advice and observations about the strengths and weaknesses of each proposal to the Mayor and his Executive Review Team, as they consider the next steps in selecting a preferred development partner.

As part of our evaluation, we kept in mind the seven City Objectives, as outlined in the City's Request for Proposal:

- 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.
- Provide for design, permitting, development, demolition, and construction of the Arena (the "Project") with minimal City financial participation.
- Provide for the continuous, successful, sustainable operation of the Arena as a world-class civic venue with minimal City financial participation.
- Provide for mitigation of transportation impacts due to Project construction and Arena operations.
- 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.
- Provide for design and operational integration with Seattle Center, contributing positively to the vibrancy of Seattle Center.
- Provide for Project design and Arena operations in a manner that integrates with and enhances connections to Uptown and adjoining neighborhoods.

The City received two proposals totaling more than \$1 billion in combined investments from two developers – Oak View Group ("OVG") and Seattle Partners ("SP"), a partnership with between AEG and Hudson Pacific. We heard presentations from both proposers, reviewed the analysis of the City of Seattle's Staff Review Team, and discussed the two proposals with the City's Executive Team Review Team.

From this process, the Panel believes that a redeveloped Arena is viable, and, if executed well, will be a critical asset for the region. The two Arena proposals represented strong offers to reimagine the Arena, and we believe the effort to redevelop the Arena is an appropriate path for the City to undertake.

Seattle values are important to the Panel, particularly with respect to equity, racial and social justice, inclusive processes, commitment to workers, and support for women and minority-owned businesses.

We have concluded that both bidders have the resources and expertise to redevelop and operate the Arena, of course, each with its strengths and weaknesses. Given that, we considered the following questions for each Proposal:

- 1) Do you feel this is a world-class arena design that will stand the test of time?
- 2) What is the “risk” to the City?
- 3) Is this a company we want to be a partner with for the next 50+ years?
- 4) Does the company understand the community (culture, neighborhood, and Seattle Center campus), and/or have the interest in better understanding it?
- 5) Do you have other comments to bring to the Mayor’s attention? (For instance, are there 1-2 items you would like to see changed in the Proposals?)

Based on the information gathered from these questions, we have several observations for the Mayor’s consideration. Below is a summary of our collective responses to these questions:

1) Do you feel this is a world-class arena design that will stand the test of time?

The Panel members believe that OVG’s Arena building design is the stronger of the two proposals. Key elements supporting this observation is that OVG presented a much better job of respecting the integrity of the historically relevant roof-line and current building, ensuring the hockey and basketball court centerlines are in-line with the center of the building, and introducing innovative scoreboard screens at either end of the court and ice rink. Proposing to dig down 15 feet allows OVG to achieve the added seats needed and right space configuration. Furthermore, according to industry experts, OVG’s design appears more flexible for achieving current and future arena standards.

The SP building design distorts the iconic arena roof design which may make it difficult surviving the landmark process and provides concerns with its less than optimal site lines and fan experience because of how the center court and rink is off-center from the dominating interior roof structure.

2) What is the "risk" to the City?

The Panel suggests that the City develop performance criteria as an exhibit of any final contract or memorandum of understanding which obligates the developer to specific financial performance metrics, transportation performance goals, urban planning requirements, community benefits, and other goals critical to the successful redevelopment of the Arena.

Financial:

The Panel believes that OVG presented a more feasible financial proposal for the City by using private equity and debt funds for construction and creating an ongoing capital reserve fund for long-term maintenance.

SP, on the other hand, requested financing through the City's public bonding capacity, which lowers SP's cost of capital to support the Project. Given the general public's concerns about the use of public financing, the Panel acknowledged that it is far more challenging to use the City's bond capacity to finance the arena.

Overall, while the financing *sources* may be different between two bidders, the financing models of the two projects are very similar: both assume incremental new tax revenues to pay down the cost of financing the arena's redevelopment.

Arena Design:

To maximize our ability to bring back the Sonics and attract the NHL, the Panel wants the final Arena design to meet NBA and NHL standards. In consultation with industry experts, the SP arena design does not seem optimal for professional sports viewing, while the OVG design appears to make the most of the fan viewing experience. The Panel was generally content with the music and concert design for both proposals.

Transportation:

Overall, the Panel believes neither proposal dealt with the transportation issues in a compelling or convincing way. Simply building more parking or identifying existing transportation planning connections is not sufficient. The Panel suggests more innovative transportation solutions are necessary and a solid mobility plan based on performance goals and outcomes should be in place before development agreements are final.

SP's approach to transportation was more holistic and went further in considering future transportation needs including the hiring of a Director of Transportation. OVG focused primarily on addressing existing transportation issues and also included the hiring of a permanent Community Liaison for the project to address transportation needs.

Urban Design:

The Panel believes the exterior design should be integrated with the Seattle Center and the neighborhood and "raise all boats" to improve the urban environment for everyone. There was concern that both plans require work related to the ancillary program components south of the arena and impact the pedestrian experience along all building faces.

SP's urban design was strong, as their proposal integrates well with the area, especially the Thomas Street green walkway. OVG's proposal focused primarily on the arena and

needs more attention to the integration with the Seattle Center and neighborhood. The Panel was also concerned with OVG's proposed 850-stall parking garage.

With either proposal, the Panel is concerned with street use adjacent to the arena and the community impacts, the Thomas Street access (south end) for pedestrians, and what might happen to the west edge of the Arena redevelopment area if we do not invest in this opportunity. Seattle wants the NHL and NBA in our community, but that investment will have a much greater return for community benefit if the Arena is thoughtfully integrated into the existing City fabric and infrastructure at Seattle Center.

3) Is this a company we want to be a partner with for the next 50+ years? Why or why not?

The Panel believes that both groups could be strong partners for Seattle. The new Arena will be a major employer in the neighborhood and the Panel believes both bidders have signaled a commitment to making this project a "worker-friendly" opportunity. As for the ability to accomplish the community goal of bringing back the Sonics and attracting the NHL to Seattle, the Panel believes that both bidders have the relationships necessary with both leagues to accomplish this goal.

SP has the advantage of knowing the neighboring Uptown community based on their existing partnership, especially through AEG's current relationship with Seattle Center. This was reflected in SP's stronger connection with the Uptown neighborhood.

For OVG, the Arena represents an important, signature project for them as a new company. Because of this, most Panel members believe that OVG may be especially motivated and committed to establishing long-term partnerships in Seattle.

4) Does the company understand the community (culture, neighborhood, and Seattle Center campus), and/or have the interest in better understanding it?

The Panel suggested that the developer set specific goals about doing business in Seattle, including worker retention, local hiring, and WMBE goals. Both bidders proposed hiring community liaisons for the project, which the Panel supported.

Seattle Partners (through AEG) is in a better position to understand Seattle's culture from their years working on the Seattle Center campus as well as other venues in Seattle. Their proposal was stronger in their consideration of the neighborhood and the neighboring organizations. And, as noted previously, there was agreement that SP's proposed Arena better integrates with Seattle Center and the neighborhood. However, the Panel raised concerns about AEG CEO Philip Anschutz's alleged support of anti-LGBTQ causes. AEG representatives have shared that Anschutz is not anti-LGBTQ and that the company has nondiscrimination policies in place.

While new to our community, OVG expressed a desire to want to learn more and engage the community. The creation of a \$20 million community investment fund, with YouthCare as their initial partner, demonstrates this willingness. However, OVG needs to better understand the livability needs of the Uptown neighborhood.

5) Do you have other comments to bring to the Mayor's attention? For instance, what 1-2 items you would like to see changed in each proposal?

Design:

- There was Panel consensus that OVG's Arena represents a much stronger design. The overall development proposal would be stronger if they were willing to rethink their exterior plans and how it integrates with Seattle Center and the neighborhood.
- SP's roof design is likely not an acceptable design solution from a historic preservation perspective.

Site:

- The Panel encourages the developer to integrate the plaza next to KEXP, the Vera Project, and SIFF into the project scope.
- The Panel suggests additional urban design needs to be introduced along the west edge of the redevelopment area and along Thomas Street to add life to the street and the pedestrian landscape.

Transportation:

- The City needs to consider a comprehensive transportation and parking strategy in the area surrounding Seattle Center to fully understand the mobility challenges.
- A mobility hub must be developed in partnership with King County Metro, Sound Transit, Monorail, and Cascade Bicycle Club.
- A shuttle system is needed to link the Arena to a series of remotely located parking facilities, and the system should be financially supported by the parking facility owners/operators.
- City should have a dedicated transportation director for this arena project.

Financial:

- Public financing should not be a part of this project.
- A thorough vetting on the revenue assumptions would be important.
- The City should negotiate the baseline tax revenue that accrues to the City on an annual basis. An annual escalator clause to recapture new tax revenue should be considered.
- Any agreement should place the City in a solid financial position, without the issue of cost overruns.

Community/Arts:

- KeyArena is more than a performance center, it is a cherished component of this city and integral component of Seattle Center.
- A new Arena should enhance the Uptown, Belltown, and South Lake Union residents, businesses, restaurants, and theaters.
- The Arena design needs to transcend the physical space and include a way to reenergize the arts and culture community.
- The developer must be committed to the local music community and actively engage in the development of newer and less established artists.
- The developer must be committed to Seattle's values with respect to supporting women and minority-owned businesses, race and social justice issues, inclusiveness in the process, and be present in the Seattle Center and neighborhood community.