

Finance Review Team

Presentation to Community Advisory Panel

May 15, 2017

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Impact under Both Proposals

- Redevelops a high-profile, aging City asset.
- Saves the City approximately \$150 million to \$285 million in upfront capital investments needed to refurbish the arena (based on AECOM's 2015 estimates).
- City receives, at a minimum, the same level of tax revenue it currently collects from the arena.
- However, replacing the \$2 million net revenue the City currently receives from KeyArena is dependent upon the success of the building and how much tax revenue it generates.

Financing Summary

- Both groups appear to have the financial capacity to deliver. The Finance Team expects to complete additional due diligence once a preferred alternative is selected.
- Equity investment is roughly the same: ~\$270 million
- Different financing approach:
 - Oak View Group: **private** financing (Goldman Sachs)
 - Seattle Partners: **public** financing (City of Seattle bonds)

Financing Summary

- City's "reinvestment" in the arena is roughly the same under both proposals. Similar types of revenue and tax streams would go to the proposer in one form or another.
- City Budget Office is still modeling tax and revenue implications.

Sources and Uses

OAK VIEW GROUP			
Sources		Uses	
Owner's Equity	\$277,200,000*	Construction/Design	\$501,300,000
Private Loan	196,900,000*	Parking Garage	25,000,000
Historic Tax Credits	50,000,000	Interest During Construction	12,500,000
City Tax Reinvestment of Arena Revenues	40,000,000	Loan Costs and Reserves	25,300,000
Total Sources	\$564,100,000	Total Uses	\$564,100,000

**Should there be an NHL or NBA team, the debt capacity could increase by as much as \$100 million – \$150 million with a commensurate reduction in equity.*

SEATTLE PARTNERS			
Sources		Uses	
Owner's Equity	\$271,448,133	Construction/Design	\$546,250,045
City Bond Financing	250,000,000	Capitalized Interest, Bonds	23,006,250
		Government Fees/Taxes*	(47,808,162)
Total Sources	\$521,448,133	Total Uses	\$521,448,133

**Would require exemption/waiver/reinvestment of several city, county, and state taxes/fees.*

Differences

OAK VIEW GROUP

Collects all parking revenue growth and seeks control of all parking operations.

Sponsorship and Premium Seat Revenues:
Optimistic

- 59% of total revenues, \$22 million
- 40 suites with 480 seats
- Other premium seats: 538
- 3,020 club seats

Decades of individual experience but a new operational entity.

Key Financial Support:

- Madison Square Garden Company (publicly-traded)

SEATTLE PARTNERS

Collects all campus sponsorship revenue growth and seeks control over all sponsorships (i.e. Center campus-wide). Also seeks a cap on utility bills.

Sponsorship and Premium Seat Revenues:
Extremely Optimistic

- 71% of total revenues, \$39 million
- 66 suites with 1,056 seats
- Other premium seats: 332
- 1,864 club seats

Unrivaled operating experience.

Key Financial Support:

- AEG
- Hudson Pacific Properties (publicly-traded)

Key Revenue Comparison

	Oak View Group No NBA or NHL (Year 1)	Seattle Partners No NBA or NHL (Year 1)	KeyArena No NBA or NHL (2016)	AECOM Modernized Arena No NBA, NHL (2020)	AECOM Upgraded Arena w/ NBA or both (2020)
Naming	\$5,000,000	\$5,341,000	\$0	\$1,177,000	\$3,000,000 or \$5,000,000
Sponsorship	\$7,500,000	\$10,005,000*	\$355,000	\$358,000	\$6,000,000 or \$8,000,000
Premium Seating	\$9,500,000	\$22,898,000	\$1,550,000	\$992,000	Team controls
Total	\$22,000,000	\$38,244,000	\$1,905,000	\$2,527,000	\$9,000,000 or \$13,000,000

**Excludes \$985,000 from projected Seattle Center campus sponsorships.*

Oak View Group

- Strengths
 - Privately financed.
 - A leader in the music, entertainment, and sports industry
 - Comparably more conservative sponsorship and premium seating revenue projections, but still optimistic.
 - Seeks to utilize Federal Historic Tax Credits to improve economics.
- Weaknesses
 - Experienced individuals and companies but coming together under a new operating entity.
 - Parking garage funding uncertain, but OVG will not ask City for funds.
 - Effort to integrate with Seattle Center and address the needs of tenants, users, and community.

Seattle Partners

- Strengths
 - A leader in the music, entertainment, and sports industry.
 - Effort to integrate with Seattle Center and address the needs of tenants, users, and community.
- Weaknesses
 - Requests public financing, but AEG would provide guaranty of payment.
 - Requires extremely optimistic sponsorship and premium seating revenue.