



## City of Seattle

### Summary of MOU

#### A fully renovated arena

- Redeveloped arena will nearly double size of current KeyArena.
- 39-year lease with two, eight-year renewal options (total of 55 years).
- Designed to preserve the current and historic roofline, and to meet LEED Gold standards.
- Designed to meet NBA and NHL standards and attract teams.
- Project cost estimate: \$600M.
- Construction anticipated to begin in October 2018, with re-opening in October 2020.

#### There will be no public financing

- Arena will be funded by OVG via private equity, debt financing from lenders, and federal historic tax credits. *No City debt financing.*
- OVG will assume all costs related to operating and maintaining the Arena.
- To vest its two eight-year extension options, OVG must invest a minimum of \$168M for capital improvements in the building. In addition, OVG must maintain the building to a standard equivalent to other comparable arenas throughout the term of the lease.
- OVG's rent will cover current base revenue generated by KeyArena operations, 1<sup>st</sup> Avenue Parking Garage, and Seattle Center campus sponsorship rights (~\$2.6M per year).
- OVG will also reimburse the City should the tax revenues generated by the Arena fall below current levels (~\$2.4M per year). This tax revenue guarantee applies to admissions tax, sales tax, B&O tax, leasehold excise tax, and commercial parking tax.
- Rent adjustments between City and OVG will result in City effectively retaining 25 percent of all "upside revenue" in the first 10 years, and 50 percent for the remaining years. "Upside revenue" includes excess revenue above the baseline generated from Mercer and 5<sup>th</sup> Avenue parking garages, campus sponsorships, and represents the increase in all taxes other than admissions tax.
- \$3.5M also reimbursed to City toward development costs for MOU (i.e. legal, financial consultants).

#### Risk Mitigation

- OVG will assume the risk of cost overruns during construction and the risk of increased costs due to unknown environmental conditions.
- City has retained financial consultants to conduct due diligence to ensure that: 1) OVG has in place sufficient debt and equity to build the Arena; 2) OVG has a plan and the financial wherewithal to successfully operate the Arena; and 3) the City's interests will be protected.

#### Transportation

- OVG will pay for the Environmental Impact Study, all necessary SEPA mitigation of transportation impacts, plus contribute an additional \$40M for a Transportation Fund.
- OVG and City will develop a North Downtown Mobility Action Plan. OVG will pay up to \$250K for a transportation consultant separate from the SEPA/EIS process for this mobility planning effort.

#### Seattle Center

- Project will include a Seattle Center Integration Agreement.
- Pottery Northwest will be temporarily relocated and returned to current space, at OVG's expense.
- OVG will pay \$1.5M to relocate Skate Park and campus maintenance facility and \$500K to relocate other tenants.
- OVG will eventually assume City's obligations to the Storm or develop a new agreement with the team.

#### Community Benefits

- Project will include Community Workforce Agreement, Labor Harmony Agreements, Inclusion Plan for WMBEs, Community Benefits Agreement, 14 rent-free days at Arena reserved for community events, and OVG will work with the City to offer employment to KeyArena workers.
- \$20M Community Fund established, \$10M dedicated to YouthCare.
- Voluntary commitment to fund art program similar to the City's "1 percent for Art Program."
- OVG will make a Mandatory Housing Affordability payment for the increase in arena square footage.