

CIP White Paper

Seattle Center

Section 1: Overview

The place that we know today as Seattle Center has a long history as a gathering place for our city and region. It was a location where Native American tribes gathered for talk, ceremony and celebration. In the 1920's a civic campus was created with the construction of the Civic Auditorium, Civic Ice Arena, and Civic Field, with Mayor Bertha Landes presiding over the ground breaking in 1927. In the 1930's the Washington State Armory (later called Center House and recently renamed the Armory) was built. Memorial Stadium was constructed in the 1940's. In the late 1950's and early 1960's the site for the 1962 Seattle World's Fair was created, expanding the size of the campus to roughly what we know today. One result of this long history as a gathering place is aging infrastructure. Some facilities have been significantly renovated (e.g., Civic Auditorium into the Opera House for the World's Fair, and into McCaw Hall in 2003), while others remain in need of major renovation/redevelopment (e.g., the Armory and Memorial Stadium).

Today, Seattle Center is a 74-acre campus in the middle of the city. It is the largest visitor destination in the State, attracting an estimated 12 million visits each year to arts, sporting, educational, and cultural events and festivals, and to enjoy the grounds and open spaces. There are 24 buildings and three parking garages on the campus. Seattle Center is also a major urban park with lawns, gardens, fountains, a skatepark, and a variety of plazas and open spaces. The Seattle Center Monorail runs between the Seattle Center campus and downtown Seattle. The Monorail is owned by the City and operated by a private contractor. Also part of the campus, but privately owned and operated, are the Space Needle, the Pacific Science Center, the Experience Music Project (EMP) Museum, KCTS 9, Chihuly Garden and Glass, the Science Fiction Museum and Hall of Fame (SFM), and Seattle Public Schools' Memorial Stadium and an adjacent parking lot. The City's 2003 Asset Preservation Study valued Seattle Center's capital assets at \$777 million (this number does not include the Monorail, Mercer Arena, or the Blue Spruce Building, all planned to go away at the time of the study, or the new Fifth Avenue Parking Garage, completed in 2008.)

Seattle Center's Capital Improvement Plan (CIP) is at the heart of the Center's vision to be the "premier urban park," a place "to delight and inspire the human spirit in each person and bring together our rich and varied community." The Center's CIP repairs, renews, and redevelops the facilities and grounds of the Center in order to provide a safe and welcoming place for millions of annual visitors. Seattle Center's CIP is funded from a variety of revenue sources including Real Estate Excise Tax (REET), the City's General Fund, voter-approved property tax levies, State, County, and federal funds, proceeds from property sales, and private funds. Following the adoption of the Seattle Center Master Plan in 1990, two voter-approved levies raised \$62 million for Seattle Center's redevelopment. This amount in turn, leveraged \$500 million in non-City funds, including \$440 million from private sources. In August of 2008 the City Council adopted a new master plan for Seattle Center, the Seattle Center Century 21 Master Plan, which will guide development of the Seattle Center campus over the next 20 years.

Seattle Center's Proposed 2013-14 CIP is \$14.1 million. The 2015 to 2018 Seattle Center CIP spending plan averages \$8.0 million per year. However, actual out-year spending is dependent upon the availability of various revenue sources, in particular REET revenue. A slower than anticipated economic recovery will reduce the Center's CIP spending accordingly.

As a general rule, capital projects at Seattle Center are planned and implemented to minimize the impact on events that occur all throughout the year, including four major festivals between May and September.

Section 2: Summary of Upcoming Budget Issues and Challenges

The biggest challenges facing Seattle Center's CIP are the inter-related challenges of aging infrastructure, an increasingly competitive environment for the sports and entertainment business that provides roughly two-thirds of the revenue which supports Seattle Center, and a lack of funding. The City's 2003 Asset Preservation Study looked at best practices in the public and private sectors and set an initial annual asset preservation funding target of 1% of the replacement value for buildings and 0.5% for other assets (e.g., grounds and open space). By that calculation, the annual investment number for Seattle Center was \$6.8 million (not including the Monorail, Mercer Arena, or the Blue Spruce). This \$6.8 million number in 2003 dollars inflated at 3% per year calculates to roughly \$9 million in 2013 dollars. Center's annual CIP spending over the last seven years has averaged \$8.1M (including a major renovation of the monorail). To achieve this level of spending, what was an annual allocation of REET and CRS Unrestricted funding of roughly \$3M per year prior to 2009, has been augmented by bond funds in 2003 (roof replacements and seismic improvements) 2007 (monorail rehabilitation) and 2011 (Armory renovation). The 2003 and 2011 bonds are being repaid with REET funds, and the 2007 monorail bonds through CRS Unrestricted funds. The City also allocated \$8M from the sale of a Seattle Center surface parking lot to the Bill & Melinda Gates Foundation for capital improvements at Seattle Center, and \$4.7M from the settlement with the Sonics for capital improvements in KeyArena and elsewhere on the grounds.

Due to economic impacts of the Great Recession, from 2009-12, Seattle Center's annual CRS REET and Unrestricted CIP funding (exclusive of debt service) dropped from \$2.8M to \$1.0M per year. Economic recovery has allowed REET funding levels to increase, which is particularly critical for Seattle Center, as the one-time funding sources listed above (land sale to Gates Foundation, KeyArena Settlement Funds, and City-issued bonds) are nearly all expended by the end of 2012. Another important part of Seattle Center capital funding is the intermittent infusion of a significant amount capital dollars every 7-10 years from a bond issue (1977, 1984) or a levy (1991, 1999). As Center celebrates its 50th anniversary, it will continue to work with City officials to determine how best to meet its future capital needs.

Seattle Center continues to draw millions of visitors each year and provides green and open space in an increasingly dense center of the city. The Seattle Center Century 21 Master Plan, adopted by the City Council in 2008 following a two-year community process, provides a roadmap for the redevelopment of Seattle Center around a set of design and planning principles including increased open space, sustainable design and operations, opening the edges of the campus to the surrounding community, enlivening the campus throughout the day, being pedestrian friendly and accessible to all, and continuing to provide a diversity of programming and attractions for all parts of our community. Seattle Center has used mostly one-time funding sources to complete initial Master Plan capital projects: Broad Street Renovation Phase I (2009), new Seattle Center Skatepark (2009), Theater Commons (2010), Campus Signage Renovation (2011), and Armory (2012). The challenge in the coming years is how to fund the vision of the Master Plan and to maintain existing assets.

Section 3: Thematic Priorities

The thematic priorities for Seattle Center’s 2013-2014 CIP are as follows:

Safety and Security

The safety of Seattle Center visitors and staff is always the first priority. In 2013-14, Seattle Center replaces automatic security bollards at three campus entry locations and makes improvements to the fire alarm system in the Armory/Center House.

Disabled Access

In 2013, Seattle Center continues a program to improve disabled access to the campus and to individual buildings, including the Armory/Center House, the Exhibition Hall, McCaw Hall, KeyArena, Fisher Pavilion, the 1st Avenue North Garage, and the entry to the Upper Northwest Rooms breezeway.

Asset Preservation

In 2013-2014, Seattle Center prioritizes asset preservation investments in our primary public assembly facilities – McCaw Hall, KeyArena, the Armory, and campus open spaces. Consistent with the City’s 2003 Asset Preservation Study, Seattle Center has prioritized capital investments in existing facilities. Asset preservation work in 2013-14 builds on the 2012 renovation of the Armory Atrium with renovation work in the heavily used public restrooms in the Armory, as well as in the third floor Conference Center. Asset preservation work in McCaw Hall and KeyArena continues in 2013-14 and is overseen by the McCaw Hall Operating Board and the KeyArena Operating Board, respectively. An ongoing program of renovation of the Seattle Center Monorail continues in 2013-14, primarily funded with Federal Transit Administration (FTA) grant funds. Also in 2013-14, Seattle Center makes asset preservation investments in campus HVAC infrastructure and campus open spaces. Allocation levels for asset preservation in the out years, 2015-18 will depend on available resources.

Energy Efficiency and Sustainability

Sustainability is a key principle of the Seattle Center Century 21 Master Plan. In 2013 Seattle Center utilizes utility incentive payments resulting from energy saving capital projects to support additional energy savings investments.

Implementation of the Seattle Center Century 21 Master Plan

In 2013-14, a primary focus of Seattle Center is to continue progress on the Memorial Stadium project, which is the centerpiece of the Century 21 Master Plan. The Center will build on the momentum of the privately funded International Design Competition during the 2012 Next 50 celebration, as well as the expected passage of Memorial Stadium legislation by 2013, to continue planning and design efforts for this transformative project. .

Revenue Generation

Capital improvements which maintain and/or enhance a facility’s ability to generate revenue are critical to the financial health of Seattle Center, where roughly two-thirds of the Seattle Center’s budget comes from revenue generated by operations. Maintenance and improvement of revenue generating capacity can be as important as maintenance and improvements to building systems. In 2013 Seattle Center is prioritizing infrastructure investments to help attract a full-service restaurant and increase food service revenue potential in the Armory. Also in 2013, the Center will renovate the Armory Conference Center and invest in event-related infrastructure that supports the revenue generating capacity of facilities throughout the campus.

Leverage Non-City Funds

In McCaw Hall, the City's \$250,000 allocation for the McCaw Hall Capital Reserve Fund is matched by a combined equal investment from the building's resident tenants, Seattle Opera and Pacific Northwest Ballet. Additional investments in the Armory Atrium leverage private investments by food service providers. And a portion of monorail system revenues provide the 20% local match for FTA capital grant funds for monorail renovation. The ability to use City investment to leverage non-City funds is a fundamental part of the history of the redevelopment and renewal of Seattle Center.

Section 4: Project Selection Criteria

Each two-year budget cycle, a broad cross-section of Seattle Center staff members are engaged in the process of identifying the highest priority asset preservation and improvement needs on the campus. This includes staff members who maintain facilities, rent facilities to clients, provide technical support for events, manage parking and public assembly facilities, and manage capital projects. Project are prioritized around a set of criteria, including public and staff safety, regulatory requirements, failing building systems, asset preservation, Master Plan implementation, reducing operating costs and/or increasing revenue potential, and leveraging non-City funds. Projects are first prioritized within work groups, and then a group of managers and directors work to prioritize projects across the Center. Seattle Center does not use a point system to prioritize projects, but looks across all the project selection criteria to determine project priorities for anticipated available funding, plus additional projects, in case additional funds become available.

Major maintenance funding has fallen far short of the levels recommended in the City's 2003 Asset Preservation Study, especially over the previous four years due to dramatic reductions in Real Estate Excise Tax (REET) revenues, a major source of major maintenance/asset preservation funding for Seattle Center. To allocate limited major maintenance funding, Seattle Center prioritizes projects which cannot be delayed due to safety concerns or system failure, and allocates some level of annual asset preservation investment in the major public assembly facilities, including McCaw Hall, KeyArena, Fisher Pavilion, Armory, and campus grounds.

Section 5: Future Projects/What is on the Horizon

The Seattle Center Century 21 Master Plan, adopted by the City Council in 2008, is a roadmap for the redevelopment of Seattle Center over the next 20 years. The total estimated cost of Master Plan improvements is \$567 million (in 2007 dollars). The Master Plan addresses the Seattle Center's aging infrastructure, the Center's critical role as a cultural and recreational center for the city and region, and the need for the Center to remain competitive in the marketplace and grow its revenue potential. The expectation is that the Master Plan will be implemented incrementally, as funds, partners, and opportunities become available. This was the experience with the 1990 Master Plan. Between 1990 and 2005, \$700 million was invested in the redevelopment of Seattle Center, including \$440 million in private funds, voter-approved levies in 1991 and 1999, and funding from King County, the State, and the Federal government.

Looking ahead, Seattle Center has identified the following items for future capital investment (costs are in 2011 dollars):

- Memorial Stadium Property Acquisition (\$45 million)

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- Memorial Stadium Site Redevelopment (\$188.5 million)
- Development of the North Fun Forest area (\$6.5 million)
- Northwest Rooms (technology infrastructure for KEXP and courtyard repairs, \$0.65 million)
- Armory Conference Center Improvements (\$1.9 million)
- KeyArena Major Maintenance (\$20 million)