

Seattle Center CIP White Paper

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 (now Center House) 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., Center House and Memorial Stadium). Still others, like KeyArena (originally constructed as the Washington State Pavilion for the 1962 World's Fair, transformed into the Seattle Center Coliseum after the fair, and reconstructed as KeyArena in 1994-5) have been renovated over the years, but need significant investment to remain competitive in the increasingly competitive sports, entertainment, and events marketplace in which Seattle Center operates.

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), 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 Program (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 us together as a 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 has, 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 2012 CIP is \$3.2 million. The 2013 to 2017 Seattle Center CIP spending plan averages \$7.4 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 Department's CIP spending accordingly.

The most pressing CIP project in the short-term relates to the 50th anniversary celebration of the 1962 Seattle World's Fair, which will take place at Seattle Center from April 21 – October 21, 2012. This project, the Center House food court renovation, is planned to be completed in time for the 50th anniversary celebration. Major construction projects will not occur between April and October 2012. 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.

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 2012 dollars. Center's annual CIP spending over the last six years has averaged \$8.3M (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) and 2007 (monorail rehabilitation). The 2003 bond is being repaid with REET funds, and the 2007 monorail bond through Cumulative Reserve Subfund (CRS) Unrestricted funds and Federal Transit Administration (FTA) capital grant 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. Regular infusions of significant funding are unlikely however, and it will be challenging to prioritize available resources amongst Seattle Center's capital needs.

Seattle Center's REET and CRS funding over the last four years (exclusive of debt service) has dropped from \$2.8M to less than \$1M per year, and one-time funding sources (land sale to Gates Foundation, KeyArena Settlement Funds) are mostly expended. In 2012, REET and CRS Unrestricted funding for major maintenance/asset preservation, exclusive of debt service, is less than \$500,000. Another important part of Seattle Center capital funding is the intermittent infusion of a significant amount of capital dollars every 7-10 years from a bond issue (1977, 1984) or a levy (1991, 1999). While a levy is not contemplated at this time, Seattle Center hopes that the 50th anniversary celebration of the 1962 World's Fair in 2012 will be the impetus for the next major infusion of private capital funding for Seattle Center.

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. 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 Center House Food Court (2012). The challenge in the coming years is how to fund the vision of the Master Plan and to maintain existing assets.

Thematic Priorities

The thematic priorities for Seattle Center's CIP are as follows:

Asset Preservation – With very limited funding in recent years and into 2012, due to the dramatic reduction in REET revenues, Seattle Center prioritized asset preservation for our primary public assembly facilities – McCaw Hall, KeyArena, and campus open spaces. Consistent with the City's 2003 Asset Preservation Study, Center has prioritized asset preservation spending on newer facilities. The level in its 2012 CIP is below the recommended levels of the 2003 study. Allocations for asset preservation are shown as increased to more sustainable levels in the out years, 2013-17, but actual funding levels will depend on available resources. In 2012, asset preservation allocations are limited to small amounts for Open Space, McCaw Hall, Artwork Maintenance, and Preliminary Engineering and Planning.

Implementation of the Seattle Center Century 21 Master Plan – The one large project funded in Seattle Center's 2011 and 2012 CIP is renovation of the food court in Center House. This project, which is funded through REET, will make improvements that realize a first phase of the vision for Center House in the 2008 Master Plan. This project supports another key theme of the 2012 CIP, as it supports additional revenue generation from the food court.

Sustainability – Sustainability is a key principle of the Seattle Center Century 21 Master Plan, as well as one of eight strategic initiatives of the Seattle Center Strategic Plan – “Destination 2012.” In 2012, Seattle Center continues to carry out a series of energy efficiency projects in multiple campus facilities.

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 department'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 addition to the Center House master plan improvements, asset preservation investments in KeyArena and McCaw Hall, as well as federal grant funded renovations to the monorail, support Seattle Center operating revenues.

Leverage Non-City Funds – In McCaw Hall, the City’s \$200,000 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. In addition, a portion of monorail system revenues provide the 20% local match for Federal Transit Administration 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.

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. Projects 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 department. 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.

To allocate limited major maintenance funding, we prioritize projects which cannot be delayed due to safety concerns or system failure, and allocate some level of annual asset preservation investment in our major public assembly facilities, including McCaw Hall, KeyArena, Fisher Pavilion, Center House, and campus grounds. Examples in the 2012 – 2017 Proposed Budget of major maintenance projects include McCaw Hall Asset Preservation Fund spending to replace theatrical systems and components, and Open Space Restoration and Repair, which, in 2012, includes hard surface repairs in the North Fun Forest area.

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 as potential projects for consideration, funding for which will depend on available resources:

- Memorial Stadium Property Acquisition (\$45 million)

- Memorial Stadium Site Redevelopment (\$188.5 million)
- Development of the North Fun Forest area (\$7.8 million)
- Northwest Rooms (technology infrastructure for KEXP and courtyard repairs, \$0.65 million)
- Center House Meeting Rooms Improvements (\$2.6 million)
- KeyArena Major Maintenance (\$20 million)