

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 an 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 Washington 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 City owns the Monorail and a private contractor operates it. The Space Needle, the Pacific Science Center, the EMP Museum, the Chihuly Garden and Glass Exhibition, and Seattle Public Schools' Memorial Stadium and an adjacent parking lot, are also part of the campus but are privately owned and operated. The City's 2003 Asset Preservation Study valued Seattle Center's capital assets at \$777 million. This valuation does not include the Monorail, Mercer Arena or the Blue Spruce Building (all were thought to be going away at the time of the study). The valuation also does not include the Fifth Avenue Parking Garage, which was completed in 2008.

Seattle Center's Capital Improvement Plan (CIP) is at the heart of the Center's purpose – "to create exceptional events, experiences and environments that delight and inspire the human spirit to build stronger communities." 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 2014 CIP is \$7.1 million. In addition, KEXP will use \$14.8 million of private funds (for KEXP) to redevelop the Northwest rooms; the funds will remain with KEXP rather than being transferred to the City. The 2015 to 2019 Seattle Center CIP spending plan averages \$8.9 million per year. Actual out-year spending is dependent upon the availability of various revenue sources, in particular REET revenue.

Capital projects at Seattle Center are planned and implemented to minimize the impact on events that occur 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 aging infrastructure, lack of funding, and an increasingly competitive environment for the sports and entertainment business that provides roughly

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two-thirds of the revenue which supports Seattle Center. 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, Seattle Center should have been investing \$6.8 million annually in asset preservation (not including the Monorail, Mercer Arena or the Blue Spruce). This \$6.8 million amount in 2003 dollars inflated at 3% per year calculates to roughly \$9.4 million in 2014 dollars.

Seattle Center's annual CIP spending over the last eight years has averaged \$7.9 million (including a major renovation of the monorail). Center's annual allocation of REET and CRS Unrestricted funding 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 and federal grant funds. The City also allocated \$8 million from the sale of a Seattle Center surface parking lot to the Bill & Melinda Gates Foundation for capital improvements at Seattle Center, and \$4.7 million 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 \$2.8 million to \$1.0 million 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), will be nearly fully spent by the end of 2013. Another important part of Seattle Center capital funding is the intermittent infusion of a significant amount of capital dollars every seven to ten years from a bond issue (1977, 1984), or a levy (1991, 1999). As Seattle Center enters its next 50 years, 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. In 2008, following a two-year community process, the City Council adopted the Seattle Center Century 21 Master Plan. This plan 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 Atrium Renovation (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 2014-2019 CIP are as follows:

Safety and Security – The safety of Seattle Center visitors and staff is always the first priority. In 2014, Seattle Center replaces automatic security bollards at a third campus entry location, in follow-up to replacing security bollards at two entries in 2013.

Disabled Access – In 2014, Seattle Center continues a program to improve disabled access to the campus and to individual buildings, including the Armory, the Exhibition Hall and KeyArena.

Asset Preservation – In 2014, Seattle Center prioritizes asset preservation investments in its 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

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existing facilities. Armory asset preservation work in 2014 builds on recent renovation work in the Atrium, in the heavily used public restrooms, and in the third floor Conference Center with additional restroom renovation and atrium improvements. Asset preservation work in McCaw Hall and KeyArena continues in 2014 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 2014, primarily funded with Federal Transit Administration (FTA) grant funds. Also in 2014, Seattle Center makes asset preservation investments in campus HVAC infrastructure and campus open spaces. Allocation levels for asset preservation in the out years, 2015-19, will depend on available resources.

Energy Efficiency and Sustainability – Sustainability is a key principle of the Seattle Center Century 21 Master Plan. In 2014, Seattle Center improves metering of heating and cooling use to better track building energy use and makes priority renovations to outdated HVAC components.

Implementation of the Seattle Center Century 21 Master Plan – In 2014, Seattle Center will develop an Action Plan for the redevelopment of the Memorial Stadium site, the centerpiece project in the Century 21 Master Plan. The Action Plan will take the current redevelopment ideas and shape them into a program with a phased implementation plan and cost estimates.

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 2014, Seattle Center will invest in event-related infrastructure that supports the revenue generating capacity of facilities throughout the campus. An example is the Armory Rehabilitation project that redevelops the third floor atrium. This improvement increases the appeal of the adjacent conference rooms which are rented throughout the year.

Leverage Non-City Funds – In 2014, public radio station KEXP will undertake a \$14.8 million privately funded renovation of the upper Northwest Rooms at Seattle Center to be their new home. The City provides \$250,000 for emergency power and fiber connections to ensure that KEXP is able to fulfill its emergency broadcast role in the event of an emergency. The 2014 Proposed CIP also includes \$750,000 for the development of an Innovation Lab in the former Northwest Rooms which would train high school students in digital media technologies, with the goal of connecting students' passions with career opportunities. It will serve high school, college, and life-long learners by forging strategic partnerships with Seattle-area companies, educational institutions, and technology leaders. 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. 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

For 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. Staff initially prioritize projects 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.

Seattle Center

Major maintenance funding has fallen far short of the levels recommended in the City's 2003 Asset Preservation Study, especially during 2009-12 due to dramatic reductions in Real Estate Excise Tax (REET) revenues, a primary 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, the Armory and campus grounds.

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 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 is intently focused on the following two Century 21 Master Plan projects (costs are in 2011 dollars):

- Memorial Stadium Site Redevelopment (a new cost estimate will be developed in 2014 Action Plan)
- Redevelopment of the former North Fun Forest area (\$6.5 million)