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Subject: Civic Arenas Committee Question

Following is the response to the final question raised at the March 27, 2017 Civic Arenas Committee meeting which was not addressed in our March 30, 2017 memo.

Question:

3. *CM Johnson & CM Bagshaw* – What is the cost and nature of the capital projects and major maintenance projects that are currently needed for KeyArena? How would this list change with the range of redevelopment ideas explored in the 2015 AECOM report?

Response:

To provide the full context for an answer to this question requires some brief background. The renovation of the Seattle Center Coliseum into KeyArena was completed in 1995. The Sonics and the City signed a 15-year lease agreement for the Sonics to be the prime tenant. Both parties were required to make investments in the building by 2003, the midpoint of the lease, to keep the building up to standard. The Sonics invested \$1 million in the parts of the building for which they had responsibility – catering and concessions areas, locker rooms, and other team support spaces. The City invested \$5.2 million in technology improvements, ADA seating improvements, lighting and sound upgrades, upgrades to premium seating areas, and basic building infrastructure.

The City and Sonics agreed to use a portion of the KeyArena 2003 renovation funds to study future renovation options for KeyArena with an eye towards extending its future as an NBA facility past the 15-year lease term. This study formed the basis for the work of the KeyArena Subcommittee, a citizen group asked by the Mayor to look at issues related to the future of KeyArena, which issued a report and recommendations in February 2006. The Subcommittee analyzed five different levels of capital investment, from \$20M to \$200M (in 2006 dollars), to make the KeyArena more competitive and attractive for future use.

The Subcommittee report concluded that “only at the \$200 million level that the KeyArena gains the space to correct operational deficiencies, improve the competitiveness of the arena for events, enhance the fan experience with added amenities, and create revenue opportunities that allow an NBA team to be competitive within their league.” (The \$200 million plan was the plan the Sonics pursued with the State legislature, prior to the sale of the team to new owners, who eventually moved the team to Oklahoma City after the 2008 season.)

The Subcommittee looked at a scenario where both the Sonics and Storm relocated to another state. Under this scenario, the Subcommittee identified a minimum investment of \$20 million for the building to be a competitive, non-major league arena:

\$11.1M – upgrade event support facilities and update public/patron areas from seats to restrooms

\$ 4.9M – modernize communication and technology infrastructure

\$ 3.9M -- to support new business opportunities for smaller concerts and other sports uses

The Subcommittee report included a recommendation from CSL, a nationally recognized consultant for arenas and stadium financing and operations, for investing 0.5% to 0.75% of construction costs annually for capital maintenance and upgrades.

As part of the Sonics departure, Seattle Center received \$2.3M of KeyArena “Settlement” funds to replace equipment the Sonics took with them and do modest upgrades to support a new mix of events. In addition, \$2.7M of REET funds have been allocated for KeyArena from 2011 to 2017 to provide for some priority technology and building system upgrades.

Based on a 2016 facility condition assessment, a separate study of KeyArena audio and video infrastructure, and investigation work on certain building systems showing signs of failure, the estimated current major maintenance need for KeyArena is \$27M as shown in the table below.

	Estimated Cost	
Building Infrastructure	\$7,234,000	Lighting controls, fire safety, sewage ejectors, elevators, restrooms, finishes
Audio/Visual/Technology	7,290,000	Scoreboard, digital ring, HD infrastructure, A/V
Seating	7,326,000	retractable, fixed, and floor seating
Suite Level	4,686,000	Upgrade fixtures and finishes and meet ADA and code standards
Accessibility Improvements	550,000	ADA improvements in general public areas
Food and Beverage Equipment	TBD	Current estimate not available
TOTAL	\$27,086,000	

Note: There has not been a recent assessment of food and beverage concession and catering equipment replacement and infrastructure needs, so the estimated current need in this category is listed as “TBD” in the table above.

The above table includes many of the very visible items that have been identified for replacement and modernization in previous efforts and studies, including audio and video systems, technology infrastructure, premium seating areas, restrooms and seating. Less visible are critical building systems that are over 20 years old and at the end of their useful life. Seattle Center is currently in-the process of emergency repairs to the freight elevator and the lighting control system which both failed in early 2017. These are included under “Building Infrastructure” above, along with sewage ejector and fire safety systems.

The 2016 facility condition assessment evaluated KeyArena’s HVAC system as being in satisfactory condition, with most major components having an additional life expectancy of 10 years, requiring a large capital investment by 2025-6, when the building is thirty years old.

Regarding the second half of the question about the 2015 AECOM report, when comparing previous studies to the 2015 AECOM report, many common themes emerge:

- Scenarios A1 and A2 in the AECOM report range from \$100M to perform an “interior renovation of Key that upgrades the amenities and finishes” (A1) to \$150M to add “improvements to fan experience opportunities and [improve] the arena’s ability to generate revenues, to more closely resemble a modern arena” (A2).
- Scenarios B1/B2 identify \$285M for KeyArena for a “more significant renovation to enable it to host NHL hockey and/or NBA basketball”.
- Scenario C identifies \$150M for “dividing the current arena into two, separated event facilities”
- Scenario D identifies \$101M for “eliminating the arena bowl...for a number of other potential uses”.
- The demolition cost was estimated at \$6.7 M.

The AECOM report did not include detail for any of the above scenarios, so it is not possible to compare the above \$27 million deferred major maintenance list to any specific line items. What is clear from the multiple reports and studies is that stewardship of large spectator arenas requires maintenance of complex building systems layered with improvements to keep the facilities current and competitive for event producers and patrons.