

OPERATIONS TEAM REVIEW OF OAK VIEW GROUP & SEATTLE PARTNERS

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Oak View Group (OVG)

- A. *Provide a world-class civic arena (the “Arena”) to attract and present music, entertainment, and sports events, potentially including NBA and NHL events, to Seattle and the region.***

Strengths: OVG offers a strong design, backed by an experienced project team with extensive background in music/entertainment and professional sports to provide a world-class arena. The design accepts the constraint of KeyArena’s existing roof line (likely to be landmarked) and took on the challenge of designing the best possible facility they could within that parameter. Proposed design also seems to meet recent NBA/NHL requirements with capacities that are greater than or equal to recent arena projects in Sacramento (Golden One Arena), Las Vegas (T-Mobile Arena) and Brooklyn (Barclay’s Center). Each of these projects has followed recent trends of smaller capacity facilities (to help drive demand and easier sell-outs) with higher emphasis on flexible premium and club seating offerings concentrated in arena lower bowls.

OVG digs down 15 feet below the current floor to expand the arena to 660,000 sq. ft. They close the current east and west main entrances and build a new atrium with entrances at the southern end of the arena. The expanded floor plate gives them capacity to build new amenities to support the facilities of many lines of business (club space, premium seating, concessions, etc.) and create capacity for more operational efficiencies (larger event level, elevators in four corners). This would still be one of the smaller facilities, but slightly larger than the recently constructed T-Mobile Arena in Las Vegas which is 650,000 sq. ft.

NBA configuration is planned to have 9,900 seats in the lower bowl with 18,350 total seats, which is above capacities for recent NBA Arena’s that have been constructed. The NHL configuration will have 8,650 seats in the lower bowl with a total capacity of 17,100 seats, which is also just above capacities for recently constructed NHL Arenas. OVG designs have a larger concentration of club seats and various other premium seating options with views into the bowl, this is a strength for this proposer, because it will allow for higher revenue opportunity and flexibility to deal with premium needs of the various types of events in the facility.

OVG maintains the historic roof, but completely guts and remodels the interior, with a full rebuild of the lower and upper bowl—offering what seems to be a new arena under the historic roof.

OVG has excellent contacts with the NHL to position Seattle as a home for a franchise. They partner with Delaware North concessions which brings in Jeremy Jacobs, who owns the Boston Bruins and serves as the Chairman of the NHL Board of Governors. OVG CEO Tim Leiweke sat on the NHL executive committee and has been president of the Toronto Maple Leafs and Los Angeles Kings. It seems their designs work well to accommodate NHL with the ice/bunker suites, press boxes and large amount of seating on the east/west side of the arena.

The ability to program a robust mix of music and entertainment is a strength for OVG, as they have partnered with Live Nation Entertainment, the global leader for live entertainment. Live Nation has consistently brought the highest-grossing shows and the greatest number of shows to KeyArena for the past 10 years, and by a large margin over their closest competitor AEG Presents. Live Nation Entertainment is also the parent company of Ticketmaster, which is the world's leader in annual live event ticket sales and is the primary ticket seller for 27 of the 30 NHL teams and 28 of the 30 NBA teams.

Here some additional operational strengths compiled from the team after review of the designs:

- New Loading Dock with larger loading capacity for show trucks (accommodates 15 trucks)
- Completely rebuilt lower bowl with almost 10,000 seats
- Expanded and diverse premium seating that can flex to demands of all types of events
- Improved rigging grid to accommodate large events/concerts (load capacity exceeds 200,000 lbs)
- Floor Size: Larger floor area and increased sq. footage will be a welcome change to accommodate larger stage sizes and more exiting space at stage left and stage right and allows them to have event floor club spaces which is a strength compared to Seattle Partners who does not
- Operational Staffing: Org chart shows a large staff for every facet of management which is comparable to most arena staffing levels and provides management for all services
- Two Scoreboards: Provides for additional sponsorship opportunities and a custom look different than every other arena
- Concessions: 50% of stands vented for cooking which should be sufficient
- Robust Locker Rooms: WNBA, NBA and NHL exclusive spaces and visiting teams
- Number and size of backstage dressing rooms far exceeds the current layout

Weaknesses: It doesn't seem that Oak View put much effort into developing a plan that considers the Uptown Urban Design Framework or Seattle Center Master Plan Design Principles, the Arena's placement on the Seattle Center campus, adjacency to multiple cultural facilities or other place-based factors. Their design team seemed to lack a landscape architect/urban designer or simply a focus in that area. During their presentation

to City staff, they made it clear they will putting all their focus in the best arena design and financing and they would basically work with the city to work out the rest.

Here are some potential operational challenges after review of the designs:

- Event Level Service Corridor: Listed as 12' wide, due to current concert and other event needs, chair carts access, etc., this should be a minimum of 16' wide
- Portable Concessions Stands on the Floor: Facilities are moving away from event level concession stands (even portables) it is not a necessary guest service element-- recommend having more space for event level restrooms. Providing amenities on main concourse for general guests on event level is sufficient
- Access directly to the floor for flat floor events or GA tickets: Not sure there is explanation for how we get a large number of people to the event floor directly from the exterior
- Acoustics: More explanation of how improved acoustics will be accomplished is needed, sports team desires for 'loud' cheering fans may conflict with 'top of the line' acoustics for musical events.
- Show truck parking: the design calls for a marshaling area that can accommodate up to 15 trucks. This is the same amount of on-site parking available at the current Arena.

B. Provide for Project design and Arena operations in a manner that integrates with and enhances connections to Uptown and adjoining neighborhoods and aligns with the Urban Design Framework.

Strengths: OVG put forward a true historic preservation design option for the Arena that would likely meet federal standards (Department of Interior). By maintaining key elements of the existing facility's exterior design, including the roofline, OVG offers some surety the aesthetic and scale of the new Arena will integrate well into the Seattle Center campus and Uptown neighborhood.

Weaknesses: The proposal is lacking information on how the Arena will integrate with the Seattle Center campus and Uptown neighborhood in terms of transportation connections, pedestrian connectivity, and the design and use of surrounding plazas and other public spaces. We recommend OVG be asked to develop this element of the proposal more fully. We understand from the presentations and follow-up responses to questions that they've expressed a willingness to work with the City to work out some of these details, but it would be helpful to get a sense from them of the scale/level of exterior investments they would be willing to make. Additionally, we do not see a clear path for their proposed new garage to be permitted under the proposed new zoning regulations for Uptown (expected to require screening of ground-level parking and at least 50% of new structured parking to be underground).

Adding the new 850 stall garage on Thomas Street, next to the 1st Ave garage will negatively impact an already congested area. If the surface lot on the SW corner of 1st Ave

N and John is used for TNC and ride share as well as show vehicle access the egress capacity of the 1st Ave Garage will be further impaired adding to the congestion in the area.

The South End of the Arena development seems to have a lot of pressure with the new garage, new entrance atrium and Thomas St doing a lot of heavy lifting with lots of potential conflicts to manage related to proper ingress/egress to and from a facility.

C. *Provide for design, permitting, development (if applicable), and construction of the Arena (the “Project”) with minimal City financial participation.*

Oak View does not appear to be requesting direct upfront financial assistance or financing from the City, but does ask for incremental on-going taxes and potential upside on future revenues.

We are a bit unclear on how their proposed reinvestment of Arena tax revenues would work. Also, their design/permitting/construction schedule seem very optimistic and unrealistic.

D. *Provide for the continuous, successful, sustainable operation of the Arena as a world-class civic venue with minimal City financial participation.*

Strengths: OVG creates a capital reserve fund for maintenance and capital improvements to the building. They would initially contribute \$1 million upon completion of the arena and add \$1 million annually, up to the balance of \$5 million. The fund will have no more than \$5 million and no less than \$1 million at any time over the lifetime of the lease.

Weakness: OVG went beyond what was asked in the RFP and requests exclusive control over all three of Seattle Center’s parking garages (not just 1st Ave Garage which was listed in the RFP)—this is Seattle Center’s number one revenue source and long-term funding of Seattle Center would potentially be impacted in the long-run, depending on how the revenue share model is negotiated. In addition, OVG requests exclusive rights to sell sponsorships for the “commercial entities” at Seattle Center: Space Needle, Chihuly and MoPop, in addition to all sponsorship and naming rights for the new arena. They also offered to assist Seattle Center in selling sponsorships too. This could impact long-term revenue opportunities for Seattle Center, as sponsorship and business development opportunities have been a big area of growth for Seattle Center over the last several years. OVG promised revenue share or an annual payment, but it seems as it would be capped and limit Seattle Center’s future revenue development and sustainability. They also say they would leave alone the non-profit sponsorships and event sponsorships, but it seems that these smaller organizations would be impacted in this approach.

The OVG organization is only two years old. While they want the Seattle arena to be their cornerstone property, they have little organizational infrastructure in place to operate a world class arena compared to Seattle Partners and AEG’s robust corporate infrastructure

and bench. Under Tim Leweike’s leadership they certainly have the capability to recruit qualified personnel, including current staff. We need additional information about their structure (see 2nd Round additional questions sent to OVG)

There is not enough detail on how OVG would integrate their operations with existing Seattle Center resources. They have given some detail on integrating to our central plant, power needs and possible connection or relocation of fiber, but additional discussions need to happen in this area to understand the on-going operational challenges this might cause the City/Seattle Center.

E. Provide for mitigation of transportation impacts due to Project construction and Arena operations.

Strengths: Oak View identifies the need for a construction management plan that addresses transportation impacts and provides a basic outline of what that plan should require/include. Oak View also acknowledges that the share of trips made to the Arena by automobile is expected to decrease over time, which was good to see (tacit acknowledgement that transportation planning for the new facility shouldn’t just be about accommodating cars).

Commits \$1 million building transportation hub at 1st Ave and John streets, work with the city to contribute \$2 million towards monorail expansion, \$1 million technology and wayfinding solutions, \$1 million towards the city’s adaptive signal control system. Will provide supervision at drop off zone on East side of campus and new transportation hub at 1st and John. Will pay for “Seattle Traffic Control” (unclear who this is and some of this work must be done by SPD) to manage intersections and garage exits. Will prepare and update Traffic Management Plan in consultation with the city.

Weaknesses: Transportation section of report is largely an analysis of existing conditions. Would have been nice to see more specific ideas/recommendations from Oak View about what could be done to improve access to the Arena other than parking incentives and shuttle buses. Even if they had put forward some ideas that might not be totally feasible, it would have been nice to see some creative thinking.

F. Provide Project construction and Arena operations in a manner that is equitable for workers and consistent with the City’s Race and Social Justice Initiative.

Strengths: OVG has committed to the goal to retain all leadership and staff members that work at the arena. They have also committed to support and implement local hiring practices and set defined minority and local hiring goals that reflect the diversity of Seattle. Still more detail is really needed to understand the conditions around these goals.

OVG also sets up an interesting partnership with YouthCare, donating \$10 million over the next 20 years to help provide access and job training for homeless youth to connect them

directly with jobs in the Arena. An additional \$10 million will be distributed to other Seattle Center and surrounding community beneficiaries over the next 20 years—allocations will be decided by a steering committee of community members and non-profit leaders.

Weaknesses:

In OVG's proposal, they say they will do what they are required to do to comply with state/City rules on prevailing wages and Priority Hire. Their write-ups on labor peace agreements and community benefit agreements were also general and need further exploring and clear parameters spelled out. We need additional information about how they plan to work with WMBE firms – both during construction/permitting and as facility operators.

OVG's language about City use of the Arena for events like the health clinic and Bumbershoot is also vague. It seems like there might be challenges working around City-requested dates (as opposed to requiring us to work around their booking schedule). In addition, OVG say that the events can't be for profit—since Bumbershoot is a hybrid that might challenge our existing relationship with One Reel/AEG Presents who produce the event.

G. *Provide for Project design and Arena operational integration with Seattle Center, contributing positively to the vibrancy of Seattle Center.*

Strengths: Proposal includes some general language about a commitment to working and communicating with Seattle Center, tenant organizations and Uptown neighbors. OVG was pressed on this area in follow-up presentations and questions. They responded by committing to \$500,000 to relocate displaced tenants in development area. They also said they would pay the relocation costs for Pottery NW which are spelled out in their agreement (which would use \$250,000 of the fund) OVG also says they would accommodate the current Storm and SU agreements, but need to get clarity if they would be responsible for relocations costs while the Arena is being remodeled.

The OVG technology plan is robust. WiFi coverage and coordination, High Density coverage DAS, Emergency Responder DAS, ticketing applications, ADA services (open captioning, screen reader and magnification software etc.,) and audio are well covered. OVG says they will relocate and coordinate fiber infrastructure with Seattle Center campus needs.

Weaknesses: OVG seems to rest the responsibility of relocating all the tenants on the tenants themselves or the City, but is willing to work with us on some staff costs and identified relocation fees in contracts. More negotiation is needed in this area. As mentioned, OVG does commit \$500,000 towards short and long term relocation of displaced tenants. It is unclear how much of these funds will directly benefit the tenants. They will “explore” relocation to the South Site. The commitment is vague: the future of Pottery Northwest, Seattle Center Labor/Gardeners Operation, Skateboard Park, Blue

Spruce tenants and Restroom Pavilion are very much up in the air and need further discussions/negotiations.

OVG doesn't replace the Skateboard Park anywhere on the new site, but do say they would help fund a new Skateboard Park and are willing to work with the City's Skateboard Park Advisory Commission to find available alternative locations.

Overall, OVG's proposal for the Arena design and financing seems quite strong; we wish they had spent more time focusing on the external (for lack of a better term) elements of the facility – neighborhood integration, staffing/labor plans, transportation access, etc. It could serve the City well to ask Oak View to spend some time over the next couple months further developing these elements of their proposal and in potential further negotiations.

Another issue comes up with the new addition at the NW corner of the Arena, where it seems they remove the ramp access to the NW Courtyard. This will greatly impact the ability to plan NW courtyard operations for KEXP and festivals, and will further cut off that corner from the rest of the campus and neighborhood. There also does not appear to be an ADA-compliant access path from the west side of the atrium entry.

Event egress seems to be concentrated all on the south side of the building. This will create imbalanced impacts on that side of the Seattle Center campus for pedestrians and vehicle traffic.

Seattle Partners (AEG/Hudson Pacific)

- A. *Provide a world-class civic arena (the “Arena”) to attract and present music, entertainment, and sports events, potentially including NBA and NHL events, to Seattle and the region.***

Strengths: Like OVG, Seattle Partners has provided a design that can accommodate both NBA and NHL with capacities that seem in line with recently constructed NBA/NHL arenas. Seattle Partners has created a new loading dock to accommodate 20 plus show-trucks and creates the capacity to have faster turnovers. They have also taken advantage of expanding the South end of the building by creating a new entrance with east/west access and expanded the curtain wall to accommodate for larger concourses/expanded concessions opportunities and expanded the number of suites and created new club spaces to accommodate more premium guest experiences. They have increased the total size of the facility to 600,000 square feet, but is still shy of recent buildings like T-Mobile Arena which is a smaller facility around 650,000 square feet and smaller than OVG’s proposed 660,000 square feet.

Seattle Partners has strong Seattle ties with AEG’s management of multiple facilities and their current partnership with Seattle Center/KeyArena. Hudson Pacific Properties has invested \$750 million in office towers and other buildings in Seattle.

AEG owns the Los Angeles Kings and has either built or managed numerous NHL arenas, including T-Mobile Arena in Las Vegas, Barclay’s Center in Brooklyn and Gila River Arena in Glendale, AZ. Hudson Pacific Properties is owned by Victor Coleman, who is known to the league after he expressed interest in bringing an NHL expansion franchise to Seattle in 2014 and 2015 to play at the envisioned SODO District site pitched by Chris Hansen.

AEG is part-owner of the Los Angeles Lakers and has built and managed multiple NBA facilities, including the Staples Center in Los Angeles, American Airlines Arena in Miami and AT&T Center in San Antonio.

Weaknesses: The Arena design conceived by Seattle Partners is weak in comparison with the substantial redesign submitted by OVG. Seattle Partners has provided solutions to accommodate the NHL by expanding the South End and creating a larger seating bowl to accommodate a higher NBA capacity, but has not added the variety and flexibility of spaces that OVG has with the expansion of the floor plate. Seattle Partners has maintained 58% of the concourses and in doing so has kept many of the constraints that were issues from the 1995 KeyArena remodel: narrow upper concourses, more limited concession offerings and limited club spaces with sightlines in the bowl. It is hard to tell what new constraints to operations may occur by not having the basketball and hockey ice sheet not centered beneath the east/west truss, in addition to potential impacts to the fan experience. For example, the scoreboard may impact certain types of events as the uncentered position might impact site lines as it can’t fly up into the center of the building. They have come up

with some creative solutions, but not substantial design changes to match to the latest innovations—specifically their limited amount of club seats in comparison with OVG and the location of clubs which are in areas that historically are dark and unsuccessful as they don't have sightlines into the bowl.

There is also a strong possibility that AEG's proposed Arena design would not meet federal or local landmark preservation standards. The extension of the roofline falls out of line with what was really asked for in the RFP, as we asked for either a tear down/rebuild or a design that is respectful of the existing historic roofline.

Seattle Partners also talks a lot about event programming in their proposal, but currently AEG Presents does not come close to their competitor in the number of shows promoted in the Seattle area that can sell 10,000 – 15,000 tickets. Even though the building would not be exclusive to AEG Presents-promoted shows, there are questions around this proposer's ability to secure the highest grossing touring concerts.

Another weakness for this proposal is the \$5.00 per ticket facility fee that would be used to pay back the City-issued bonds. Currently \$5.00 is KeyArena's highest per ticket surcharge amount and is only assessed on tickets priced \$125.00 and over. A flat \$5.00 charge on all tickets, no matter what their price will most likely receive pushback from existing family show promoters and the Seattle community in general.

This proposer has included two separate box office locations in their plan. This is like the current box office set-up of KeyArena, instead of one centralized location which is more desirable. From our experience, having two locations is very confusing to patrons and does not promote streamlined ticketing operations.

This proposer has included food and beverage operations and restaurants on the ground level of their plan and have indicated in their response to our question that these F&B operations are intended to be open during non-event hours. The addition of adding more restaurants to the Seattle Center campus may impact our current F&B tenants in the Armory.

B. Provide for Project design and Arena operations in a manner that integrates with and enhances connections to Uptown and adjoining neighborhoods and aligns with the Urban Design Framework.

Strengths: Seattle Partners clearly put thought into how to integrate their proposal into the surrounding area. They have interesting ideas about activating the public spaces adjacent to the Arena (programming activities on the plazas, installing public art, creating an activity trail) and making it feel like an integrated part of Uptown and the Seattle Center campus. They applied a lot of attention to trying to find ways to make the Arena site a place everyone can enjoy – not just those that can afford a ticket for an event. They have committed to hire a Director of Community Engagement, which would be a great asset to

help coordinate with the many stakeholders at Seattle Center and the surrounding neighborhood.

Weaknesses: AEG’s efforts to design nice exterior spaces do not compensate for the shortcomings of its Arena design. To compete with the facility proposal OVG put on the table, AEG would need to make significant changes to their proposed design.

C. *Provide for design, permitting, development (if applicable), and construction of the Arena (the “Project”) with minimal City financial participation.*

Strengths: N/A

Weaknesses: AEG’s reliance on \$250 million in City bond capacity to finance its Arena plan feels like a non-starter considering what was requested in the RFP. Also, their design/permitting/construction schedule is very optimistic. The south end roof renovation would need further review, might not meet landmarks criteria, and could take additional time for approvals.

D. *Provide for the continuous, successful, sustainable operation of the Arena as a world-class civic venue with minimal City financial participation.*

Strengths: AEG has extensive history working with the City and Seattle Center specifically. For the last nine years, AEG Facilities has worked with Seattle Center to help manage certain functions at KeyArena including premium seating, sponsorships, concessions, marketing and other consultative services in facility maintenance and technology infrastructure. They helped to take over functions formerly provided by the Sonics, but partnered with Seattle Center in turning around the facility to become profitable.

AEG/Showbox Presents has years of experience in the marketplace operating the Showbox at the Market, Showbox SODO, Marymoor Park Concerts and helped to take over and revitalize Bumbershoot.

AEG has deep resources in this market, in addition to a robust corporate infrastructure with background in all areas of facility maintenance and operations. They consult on and operate hundreds of arenas around the world.

Weaknesses: The constraints of this arena design discussed above highlight concerns about the ability to flex to new business practices and trends in the industry—club spaces/seats are already impacted. There are additional concerns that on-going operations could be impacted by only having elevators at the south end of the building.

E. Provide for mitigation of transportation impacts due to Project construction and Arena operations.

Strengths: Seattle Partners' transportation consultants review was a strength and showed they had a handle on local transportation issues/challenges and how the Project could become an integrated part of ongoing mobility planning efforts in downtown, Uptown, and South Lake Union. Seattle Partners also pledged specific amounts of money to help implement needed transportation improvements near the Arena.

Seattle Partners commits up to \$5 million to accelerate transportation strategies and create a shared mobility hub to encourage multi modal transportation use. They also specify funding allocations for transportation projects and initiatives but do not commit funding to expansion of Monorail facilities.

Construction will close two blocks of Thomas between 1st Ave and 2nd Ave. Impacts to local churches, businesses and residences will be manageable with regular coordination and communication. The parcel South of Thomas will be used for laydown.

Their transportation plan, to be managed by an executive level Director of Transportation includes, but is not limited to: subsidizing transit fares with event ticket purchase, prioritizing Seattle Center parking for high occupancy vehicles, funding intelligent transportation technologies, expanding mobility hub locations, adding bike parking and valet facilities at arena, providing shuttles to and from Westlake Center and regional park and rides, providing shuttles and incentives to reduce event support staff SOV use as well as implementing wayfinding, navigation and travel technologies.

Weaknesses: Nothing specific identified.

F. Provide Project construction and Arena operations in a manner that is equitable for workers and consistent with the City's Race and Social Justice Initiative.

Strengths: Seattle Partners proposal indicates they plan to collaborate with Uptown neighbors and Seattle Center staff and tenant organizations, which is good. They also have long standing close partnerships with labor unions in Seattle. Programs within their company are aligned with important City values – e.g., environmental sustainability, workforce development, health and well-being. Additionally, Seattle Partners does commit to providing the City will full access to the Arena 14 days/year; however, we didn't see in their writeup whether they intended to grant the City our preferred dates or if that would have to be negotiated. Seattle Partner's outlines the process about their intent to hire existing KeyArena employees, but didn't go as far as OVG's commitment to keep all employees from leadership to frontline staff.

Weaknesses: Additional information about their staffing plans and planned approach to working with local labor unions also would have been helpful. We didn't see much about

that except for a sentence that said they would comply with the City’s request to enter into labor peace agreements as necessary. We also didn’t see anything about prevailing wage or Priority Hire, which should be addressed.

G. Provide for Project design and Arena operational integration with Seattle Center, contributing positively to the vibrancy of Seattle Center.

Strengths: AEG clearly put more thought into how to integrate their proposal into the surrounding area. They have interesting ideas about programming the public spaces adjacent to the Arena and making it feel like an integral part of the Seattle Center campus. AEG is also proposing to relocate the existing skate park and construct new office space that could be used to house Seattle Center tenant organizations that would be displaced by the Arena renovations. We advise the Advisory Panel to find out whether AEG is planning to offer those organizations reduced rents as few of them have the resources to pay for work space in a new, Class A office building.

AEG is developing proprietary systems to aggregate information and data to inform decisions impacting traffic management, parking management, concessions inventory and staffing. Seattle Partners is focusing on high density mobility solutions which support Internet of Things devices, remote point of sales, advertising and customized patron interaction. The system will be cloud focused which will enhance interaction with the AEG corporate resources including their other arena operators.

Weaknesses: We are not convinced Seattle Partners efforts to design nice exterior spaces compensates for the shortcomings of its Arena design. It feels like OVG’s proposal could be expanded and enhanced to address exterior programming and community integration issues.

The current Seattle Center sponsorship program has been experiencing improved growth over the last few years and contributes an important financial resource to Seattle Center operations. It would be prudent to identify revenue share commitments beyond those currently offered by AEG should Seattle Center give up this revenue stream. AEG understands from experience the complex event scheduling dynamics at Seattle Center and commits to regular executive level communication (General Manager and Director of Content Development) to work through issues.