

SODO ARENA FUNDING AND DEVELOPMENT

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INTRODUCTION

The following summarizes the agreements that control the funding and development of a new SODO Arena:

1. [Inter-local Agreement](#) (ILA) between the City of Seattle and King County
2. [Memorandum of Understanding](#) (MOU) between the City, King County, and ArenaCo

The ILA and the MOU were both executed in December of 2012. These agreements describe how ArenaCo would develop a multi-purpose arena that could serve as a venue for a professional basketball team, a professional hockey team, concerts and other events. The City and County would collectively provide up to \$200 million towards the cost of developing the new facility, assuming certain conditions are met.

The agreements in no way limit the City's discretion or deviate from its normal process with respect to the request to vacate a portion of Occidental Avenue South.

INTERLOCAL AGREEMENT (ILA)

The ILA governs how the bond funding (public financing) obligations would be split between the City and County. The two scenarios under the ILA are:

- NBA basketball team only:
 - Seattle pays up to \$130 million
 - King County to pay \$15 million
- NBA basketball team and an NHL hockey team:
 - Seattle pays \$120 million; and
 - King County to pay \$80 million

MEMORANDUM OF UNDERSTANDING (MOU)

The City Council made significant revisions to the MOU prior to authorizing approval in 2012. Those revisions are described in a September 13, 2012 Central Staff memo [link to [Council Central Staff Memo](#)] and in other materials presented to Council in 2012 [link to [Frequently Asked Questions and Answers](#)].

Public Financing

The MOU provides that the City and County would provide Public Financing towards ArenaCo's cost of developing a new multi-purpose sports arena. Public Financing is contingent upon ArenaCo securing either an NBA basketball team or both an NBA basketball team and an NHL hockey team (and other conditions). For each scenario, the maximum amount of Public Financing is as described below and as depicted in the [attachments](#) to the 2012 Central Staff Memo (Additional Funding and Public Financing).

- NBA basketball team only:
 - Up to \$145 million to be split between up to \$40 million for a SODO Transportation Infrastructure Fund (“SODO Fund” described below) and up to \$120 million for ArenaCo’s SODO arena.
 - The distribution to ArenaCo would be lower than \$120 million if the required SODO Fund contribution exceeds \$25 million.
- NBA basketball team *and* an NHL hockey team:
 - \$200M to be split between up to \$40 million for the SODO Fund and up to \$200 million for ArenaCo’s SODO arena.
 - ArenaCo would only receive \$200 million if there is no required SODO Fund contribution; the SODO Fund distribution reduces the ArenaCo distribution below \$200 million on a dollar for dollar basis.

The debt service for the Public Financing amount would be capitalized for up to four years. Capitalizing debt service payments effectively increases the amount of debt service owed in later years.

Installments

Assuming ArenaCo secures one or two professional sports teams as described above, Public Financing payments would be made in two installments:

- Installment 1:
 - Prior to starting construction, the City would make the first installment to purchase the land at the future SODO arena at fair market value up to \$100 million.
 - At this point, ArenaCo would begin making rent payments.
- Installment 2:
 - After construction is completed, the City and County would collectively make a second installment to purchase the completed SODO arena (“Transfer Date”).

Debt Service

The MOU provides that debt service on the Public Financing amounts would be repaid through base rent payments, designated tax revenues, and any additional rent.

- Arena Tax Revenues:
 - The MOU dedicates the flow of certain City and County taxes (collectively “Arena Tax Revenues”) from construction and operation of the SODO Arena to a variety of purposes.
 - Arena Tax Revenues are defined as sales tax (including but not limited to sales tax on construction), incremental property taxes, leasehold excise taxes, admissions tax, and the local share of business and occupation taxes.

- Rent and Additional Rent:
 - Once the SODO arena construction is complete, ArenaCo will pay \$1 million per year in rent (“Base Rent”) plus any additional rent (“Additional Rent”) that may be owed for the SODO arena.
 - Additional Rent is the amount required to pay for annual debt service on the Public Financing after applying Base Rent and Arena Tax Revenues.

Key Arena and Key Arena Fund

The MOU creates a new Key Arena Fund, and provides that ArenaCo may lease the KeyArena facility until the SODO facility construction is completed as a temporary venue for basketball and/or hockey events. Until construction of the SODO arena is completed, rent from the SODO arena and Arena Tax Revenues (including tax revenues flowing from activity at the KeyArena facility) would flow into the Key Arena Fund. Once the Key Arena Fund reaches \$7 million, the rent proceeds and the Arena Tax Revenues would flow into the SODO Fund.

SODO Fund

The MOU creates a new \$40 million SODO Fund to pay for transportation infrastructure in the vicinity of the SODO arena. During the period prior to Installment two of Public Financing (when the City and County would buy the completed SODO arena as described above), the SODO Fund would be seeded with ArenaCo rent payments and with Arena Tax Revenues (if any) that flow from KeyArena after the Key Arena Fund reaches \$7 million. Installment two of Public Financing will be used first to bring the SODO Fund up to \$40 million and then used to pay the difference of the overall Public Financing not paid by the first Installment.

Term

The MOU terminates after five years unless ArenaCo has secured an NBA basketball team (by December 2017). Assuming ArenaCo secures an NBA basketball team, the MOU provides that ArenaCo will lease the arena from the City and County for an initial term of 30 years with options for four 5-year extensions (a total of up to 50 years).