

**Overview and Initial Issues Identification
SEATTLE CENTER**

Staff: Sara Belz

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Expenditures/Revenues

	2014 Endorsed Budget	2014 Proposed Budget	% Change Endorsed to Proposed
Expenditures by BCL			
Access	1,249,000	1,105,000	-11.5%
Administration	7,170,000	7,112,000	-0.8%
Campus Grounds	12,045,000	11,880,000	-1.4%
Commercial Events	946,000	929,000	-1.8%
Community Programs	2,078,000	2,044,000	-1.6%
Cultural Facilities	229,000	225,000	-1.7%
Debt	126,000	126,000	0.0%
Festivals	1,506,000	1,481,000	-1.7%
Judgment and Claims	703,000	703,000	0.0%
KeyArena	6,613,000	6,533,000	-1.2%
McCaw Hall	4,207,000	4,160,000	-1.1%
Total Expenditures	\$36,874,000	\$36,297,000	-1.6%
Total FTEs	241.62	240.66	-0.4%
Revenues			
General Subfund	13,464,000	13,178,000	-2.1%
Other Revenue Sources	23,410,000	23,119,000	-1.2%
Total Revenues	\$36,874,000	\$36,297,000	-1.6%

Introduction:

The 2014 Proposed Budget for Seattle Center is nearly \$36.3 million and reflects a 1.6% decrease (\$577,000) from the 2014 Endorsed Budget. These changes are largely due to standard citywide cost adjustments. Under the 2014 Proposed Budget, the General Subfund would provide about 36% of Seattle Center's operating budget. This is consistent with the annual level of General Subfund support Seattle Center has received in recent years.

A total of 0.96 FTE would be eliminated in 2014 as part of Seattle Center's budget proposal. The reduction would be achieved by eliminating a vacant Parking Coordinator position that had gone unstaffed for approximately two years. Eliminating this position is expected to produce 2014 cost savings of about \$81,000.

Seattle Center's 2014 budget proposal makes no assumptions about either the National Basketball Association (NBA) or the National Hockey League (NHL) expanding to Seattle and scheduling games at KeyArena while a new facility is developed in SoDo. Thus, if such a scenario does play out in 2014, any additional revenues or expenditures associated

with hosting an NBA team on the Seattle Center campus would be above and beyond the projections included in the Proposed Budget. KeyArena is currently expected to generate net revenues of about \$850,000 in 2014.

The Proposed Capital Improvement Program (CIP) would provide around \$7.2 million for Seattle Center facilities in 2014. This reflects an increase of 38% (about \$2 million) over the 2014 Endorsed Budget. The additional funding would be used to support the following short-term projects:

- Development of a digital media learning lab for high school and community college students in a portion of the Northwest Rooms – \$750,000
- Creation of a redevelopment action plan for Memorial Stadium – \$270,000
- High-priority access improvements identified pursuant to the Americans with Disabilities Act (ADA) – \$1.1 million.

More detail about each of these projects is provided in subsequent sections of this paper. The primary source of funding for Seattle Center's Proposed 2014 CIP is Real Estate Excise Tax I (REET I) revenues. Using the City's 2003 Asset Preservation Study as a baseline, Seattle Center estimates the current target CIP allocation for the campus at about \$9 million per year.

No legislation is associated with Seattle Center's 2014 budget proposal.

Identified Issues:

Central Staff have identified the following elements of Seattle Center's 2014 Proposed Budget for further review by Councilmembers:

1) Capital funding for the creation of an Innovation Lab in the Northwest Rooms

The 2014 Proposed CIP includes \$750,000 in REET I revenues to support the creation of an Innovation Lab in the Northwest Rooms. The mission of the facility would be to a) provide high school and community college students with credited training in digital media technologies and b) help connect them to further training and career opportunities. The Innovation Lab would occupy approximately 3,000 square feet of space and be co-located with KEXP, which is expected to begin an extensive renovation of the Northwest Rooms in early 2014. In addition to Seattle Center staff, the City's Office of Economic Development (OED) has also been involved in the development of the Innovation Lab proposal.

The Innovation Lab would be built and operated as a public-private partnership with KEXP serving as a key collaborator. The total cost of developing the facility is estimated at \$750,000, which would be fully funded by the City under the 2014 Proposed CIP. Microsoft has verbally agreed to provide \$25,000 to fund the creation of an operations plan and donations to support other aspects of the project continue to be sought from other private entities. Potential nonprofit partners include the Pacific Science Center, the EMP, the VERA Project, and Seattle Public Schools (SPS). An operating model, business plan, and estimates of the Innovation Lab's long-term funding needs are expected to be completed within the next few months. However, at

this point in time there is no expectation that the City would be asked to provide the Innovation Lab with ongoing operating support. According to OED, the facility's operating costs would be covered by a combination of State funds (pending the approval of the State Legislature) and contributions from private sector partners.

With no operating model or business plan currently in place to guide the development of the Innovation Lab, and very few non-City contributions in place, the timing of this funding request may be premature. It is also unclear how the proposed Innovation Lab would significantly differ from the Academy of Interactive Entertainment, which is an existing nonprofit educational organization located in the Seattle Center Armory that provides credited training in digital animation and video game design to SPS students. Additionally, with capital funding for Seattle Center having fallen below target levels for several years and many aspects of Seattle Center's Century 21 Master Plan (adopted by the Council in 2008) remaining unfunded, there may be other projects on the campus that Councilmembers would prefer to support with the \$750,000 in REET I that is set aside for the Innovation Lab in the 2014 Proposed CIP.

Options (not all are mutually exclusive):

- a) Amend the 2014 Proposed CIP to eliminate or reduce funding for the creation of an Innovation Lab in the Northwest Rooms.
- b) Restrict Seattle Center's ability to spend 2014 CIP funds on the Innovation Lab until additional planning and fundraising work has been completed and reviewed by the Council.
- c) Ask Seattle Center staff to work with the Seattle Center Advisory Commission to identify \$750,000 in alternative, high-priority capital projects that could be initiated on the campus in 2014 and use the proposed CIP funding for the Innovation Lab to support those projects instead.
- d) Approve funding for the Innovation Lab as requested in the 2014 Proposed CIP.

2) Capital funding for the development of a Memorial Stadium Action Plan

Memorial Stadium occupies nine acres near the eastern edge of the Seattle Center campus. Both the Stadium and the land below it are owned by SPS. SPS also owns an existing parking lot that separates the Stadium from 5th Avenue North. In its current configuration, the Stadium is surrounded by high walls that physically separate it from the rest of Seattle Center.

Seattle Center's Century 21 Master Plan imagines a transformed Stadium site that is orientated along a north-south axis and, in addition to serving as an athletic field and amphitheater, functions as a green lid over a new underground garage and transit center with 1,300 parking spaces. The estimated construction costs associated with that element of the Century 21 Mater Plan total \$188.4 million (2007 dollars). The combination of the economic downturn, stalled negotiations about the future ownership of the Stadium site (including the adjacent SPS-owned parking lot), and the high cost of redeveloping the facility pursuant to the Century 21 Master Plan have led Seattle

Center staff to consider other options for opening up and activating the Stadium. Most recently, Seattle Center has been exploring renovation alternatives in the \$50 million range that do not include the construction of an underground parking garage (see illustrations attached to this memorandum).

Seattle Center's 2014 CIP proposal provides \$270,000 in REET I revenues to support the creation of a Memorial Stadium Action Plan. This includes \$189,000 that would be used to hire a consultant team and \$81,000 for Seattle Center staff support. It is expected that the final Action Plan developed by the selected consultants would include the following components:

- An architectural program;
- A market analysis and feasibility study; and
- A public engagement strategy.

Both the vision for Memorial Stadium described in the Century 21 Master Plan and the scaled-down design alternatives Seattle Center has considered more recently have only been explored at a high, conceptual level. The completion of a Memorial Stadium Action Plan is anticipated to provide Seattle Center staff and elected officials with the detailed information they would need to make future recommendations and decisions regarding the potential redevelopment of the Stadium site. Because a Memorial Stadium Action Plan would likely analyze only a very small number of design alternatives, Councilmembers may want to consider restricting 2014 CIP spending on the project until the Council's Libraries, Utilities, and Center Committee has reviewed and approved a proposed Scope of Work and had an opportunity to receive associated input from the public.

Options (not all are mutually exclusive):

- a) Amend the 2014 Proposed CIP to eliminate or reduce funding for the creation of a Memorial Stadium Action Plan.
- b) Restrict Seattle Center's ability to spend 2014 CIP funds on the development of a Memorial Stadium Action Plan until the Council's Libraries, Utilities, and Center Committee approves a Scope of Work for the project, which may include the analysis of more than one design alternative.
- a) Approve funding for the development of a Memorial Stadium Action Plan as requested in the 2014 Proposed CIP.

3) Food court operations and management costs

In 2011 and 2012, Seattle Center oversaw a renovation of the Armory food court. A total of \$3.4 million in City funds (2011 Limited Term General Obligation Bonds) and \$1.2 million in private contributions were combined to support a variety of improvements, including mechanical and utility system upgrades, food service space enhancements, a renewal of the facility's public open spaces and stage area, and the creation of a more transparent exterior wall and new outside patio on the west side of

the building. The City's debt service payments associated with this project currently total \$384,000 per year and will continue through 2021.

As part of its strategy for refurbishing the food court, Seattle Center entered into a contract with Levy Restaurants to help manage and bring new vendors into the space. Under the terms of their agreement, Seattle Center agreed to pay Levy \$150,000 in 2011, \$240,000 in 2012, and \$150,000 per year in both 2013 and 2014. In addition, Seattle Center currently spends about \$400,000 per year on permanent food court management and maintenance staffing. Seattle Center's contract with Levy will expire in early 2015.

Although food court revenues are expected to exceed pre-renovation levels for the first time in 2014, the net income the facility generates is projected to be just \$5,500. In 2010, the last full calendar year before the food court was remodeled, the facility's net revenues were nearly \$473,000. There are two reasons for this decline: 1) increased operating expenses, largely resulting from Seattle Center's ongoing contract with Levy Restaurants; and 2) debt service payments. With existing food service spaces expected to be fully leased by early 2014, it is unclear what opportunities for revenue growth might be available for Seattle Center. A summary of food court revenues and expenses since 2009 is provided in the following table.

Armory Food Court Operations, 2009-2014

	<i>Pre-Renovation</i>		<i>Renovation</i>		<i>Post-Renovation</i>	
	2009 Actual	2010 Actual	2011 Actual	2012 Actual	2013 Projected	2014 Proposed
Revenue						
Food Revenue	840,343	841,119	678,477	604,429	801,697	953,944
Closure Offset	0	0	335,000	165,000	0	0
Subtotal Revenue	840,343	841,119	1,013,477	769,429	801,697	953,944
Expense						
Staff Expense	388,451	368,294	358,078	371,260	406,673	414,432
Levy Fee	0	0	150,000	240,000	150,000	150,000
Subtotal Expenses	388,451	368,294	508,078	611,260	556,673	564,432
Net	451,892	472,825	505,399	158,169	245,024	389,512
Debt Service - Renovation	0	0	62,000	381,000	384,000	384,000
Net After Debt Service Payment	\$451,892	\$472,825	\$443,399	-\$222,831	-\$138,976	\$5,512

Given the amount of resources the City has invested in the Armory food court in recent years, Councilmembers may want task to Seattle Center with finding ways to increase the facility's net revenues in the future.

Options:

- a) Develop a Statement of Legislative Intent (SLI) that would call on Seattle Center to submit a response to the Council, prior to the delivery of the 2015 Proposed Budget, that includes the following components:
 - Identification and analysis of options for decreasing food court operating expenses. Such options could include, but need not be limited to, restructuring or discontinuing Seattle Center's contract with Levy Restaurants, reducing permanent food court staffing, and implementing operating efficiencies that have the potential to generate significant cost savings.
 - Identification and analysis of options for increasing food court revenues, such as bringing in additional vendors, developing new income streams, and increasing the rental and service fees charged to new short- and long-term tenants.

- b) Approve funding for the Armory food court as requested in the 2014 Proposed Budget.

Other Changes that Do Not Warrant Analysis as “Issues”:

The following element of Seattle Center’s capital funding proposal may also be of interest to Councilmembers in the event that an NBA or NHL team becomes a tenant of KeyArena in 2014:

ADA improvements – \$1.1 million

The 2014 Proposed CIP for Seattle Center includes \$1.1 million in REET I for high priority access improvements identified pursuant to ADA. Last fall, \$2.1 million was set aside in Seattle Center’s 2013 CIP for the same purpose. About 68% of the 2014 funds (\$743,000) would be used to support access improvements in KeyArena; the remainder would be used to address ADA deficiencies in the Armory, Exhibition Hall, and in the restrooms adjacent to Fisher Pavilion and the skateboard park.

The proposed access improvements to KeyArena fall under three general categories: 1) creating more accessible seating on the facility’s 100 Level; 2) bringing the ramp that serves KeyArena’s east entrance into compliance with current ADA standards; and 3) addressing other access deficiencies in the facility’s public areas (e.g., protruding objects, inadequate signage, unmet spatial requirements). These projects were selected for 2014 CIP funding because they are considered high priority and need to be completed in the near-term regardless of whether an NBA or NHL becomes an interim anchor tenant of KeyArena. The 2014 Proposed CIP does not include funding for ADA improvement projects at KeyArena that Seattle Center expects it could reasonably expect a major tenant, such as an NBA or NHL team, to make as a condition of their lease agreement. This includes improvements to concessions spaces, suites, and premium areas.

