

FISCAL NOTE FOR NON-CAPITAL PROJECTS

Department:	Contact Person/Phone:	CBO Analyst/Phone:
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Legislation Title:

AN ORDINANCE relating to public art museum facilities; authorizing a restatement of a guarantee and reimbursement agreement with the Museum Development Authority and other parties that amends the first amended and restated guarantee and reimbursement agreement, as originally authorized by Ordinance 121950, as amended by Ordinance 122458.

Summary and Background of the Legislation:

In 2005, SAM undertook the simultaneous expansion of its downtown facilities and the Olympic Sculpture Park project. As part of this capital program, the City guaranteed \$61 million in bonds issued by the Museum Development Authority (MDA) for the redevelopment of the Seattle Art Museum. The annual \$4.5 million of debt service on these bonds was to be paid by rents from its original tenant, Washington Mutual. In the event that SAM is unable to pay, the City must pay the debt service. Although Washington Mutual failed, SAM continued paying debt service and eventually found Nordstrom as a replacement tenant. As a consequence, the City's guaranty was never called upon.

Currently, \$46.7 million of the bonds are still outstanding, and SAM would like to advance refund (refinance) them now for debt service savings. The refunding is very sensitive to market rates. Overall, it could generate as much as 7 percent savings in present value terms (\$3.5 million), but SAM plans to proceed even if it can only get 4 percent (which is below the City's 5 percent policy target for refinancing City debt). At 7 percent, the annual debt service savings is just under \$300,000 for the remaining 17 year term. SAM has agreed that the terms of the City's guaranty and security will remain the same under the refunding bonds as they were under the old bonds. The reduced debt service should not only benefit the SAM, but also slightly lower the City's exposure to this guaranty.

Please check one of the following:

 X **This legislation does not have any financial implications.**

Other Implications:

a) Does the legislation have indirect financial implications, or long-term implications?

This legislation could save SAM a \$3.5 million (present value). It has no direct financial implications for the City, but it does slightly reduce the City's risk of having to pay debt service on the MDA bonds.

b) What is the financial cost of not implementing the legislation?

For SAM, it could be up to \$3.5 million.

c) Does this legislation affect any departments besides the originating department?

No.

d) What are the possible alternatives to the legislation that could achieve the same or similar objectives? None.

e) Is a public hearing required for this legislation?

Not for the City.

f) Is publication of notice with *The Daily Journal of Commerce* and/or *The Seattle Times* required for this legislation?

Not for the City.

g) Does this legislation affect a piece of property?

No.

h) Other Issues:

List attachments to the fiscal note below: