Form revised: February 26, 2014

FISCAL NOTE FOR NON-CAPITAL PROJECTS

Department:	Contact Person/Phone:	CBO Analyst/Phone:
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Legislation Title:
AN ORDINANCE authorizing the Superintendent of Parks and Recreation to execute an agreement with the Seattle Art Museum relating to the renovation of the Seattle Asian Art Museum in Volunteer Park.

Summary of the Legislation:
The proposed ordinance authorizes Superintendent of Parks and Recreation to execute an agreement between the City and the Seattle Art Museum concerning their roles in the planning, financing and constructing the renovation of the Seattle Asian Art Museum in Volunteer Park.

Background:
In 2007, the City Council approved the reprogramming of $2 million in City funds originally slated for improvements related to the Olympic Sculpture Park for use instead for design and planning work associated with basic improvements to the Seattle Asian Art Museum (the "2008 SAAM Project"), a facility owned by the City and operated by the Seattle Art Museum (SAM). The City and SAM entered into a Memorandum of Agreement dated July 24, 2008 and authorized by Ordinance 122590 (the "2008 Agreement"), pursuant to which SAM was to undertake the design and planning work, and to apply for development permits as the City's agent and was responsible for any design and planning costs in excess of the City's $2 million commitment. Somewhat less than half of the $2 million committed to the 2008 SAAM Project has been spent on initial design work, leaving just over $1 million still available.

SAM was supportive of the 2008 SAAM Project scope reflected in the 2008 Agreement which was estimated to cost in the neighborhood of a total of $24 million to complete, including the $2 million for initial design. The City and SAM came to an informal understanding that each party would contribute an additional $11 million toward completing the 2008 SAAM Project.

During 2008, the City Council began work on the renewal of the City's parks levy. The 2008 Parks and Green Spaces Levy (2008 Parks Levy) approved by the voters included $9 million "to provide renovations to the Seattle Asian Art Museum including seismic and HVAC upgrades to allow continued use of the facility as a home for the Museum at Volunteer Park." The remaining $2 million of the City's $11 million share of the $24 million project was to be identified from other sources.

Due to the recent recession and the Federal seizure of Washington Mutual (with the resulting loss of substantial revenue SAM needed to pay debt service on City-guaranteed debt incurred to

build the expansion of the downtown museum), work on the 2008 SAAM Project was suspended.

Now that SAM's financial situation and the philanthropic climate are both improving, SAM is again actively considering the SAAM renovation and has restarted the design and planning work initiated under the 2008 Agreement. However, SAM is now evaluating a somewhat expanded scope for a project that would be preferable to the 2008 SAAM Project originally conceived under the 2008 Agreement. While all of the basic structural and systems upgrades included in the 2008 SAAM Project would still be accomplished, SAM believes that other work to make the SAAM building more functional as a public museum should be done as well. The larger project ("Possible Alternate SAAM Project") would be more costly than the original project. The Parties wish to collaborate to determine the appropriate scope of a mutually acceptable SAAM renovation project that would yield a SAAM facility for which SAM could successfully secure funding and sustainably operate.

With the impending expiration of the 2008 Parks Levy, the City informed SAM that it intends to reprogram the $9 million reserved for the 2008 SAAM Project for alternate projects that can be accomplished sooner and confirmed its intent to provide $11 million (in 2008 dollars) from other available sources when SAM is prepared to proceed with the 2008 SAAM Project or such larger amount as may be agreed to by the Parties for a mutually acceptable Possible Alternate SAAM Project.

SAM concurs that reprogramming of the levy funds is appropriate under present circumstances and joins the City in wishing to memorialize their current mutual understandings with respect to the SAAM renovation through the agreement authorized by the proposed ordinance.

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

_X_ **This legislation has financial implications.**

Appropriations: N/A

Appropriations Notes: This ordinance provides no appropriation authority. The budget authority needed to implement a future agreed upon SAAM project would be considered as part of the Capital Improvement Program (CIP) or through other ordinances.

Anticipated Revenue/Reimbursement Resulting from this Legislation: N/A

Revenue/Reimbursement Notes: This ordinance creates no revenue.

Spending/Cash Flow: N/A

Spending/Cash Flow Notes: The annual Capital Improvement Program development process and a future SAAM Renovation Development Agreement will determine spending timelines.

Other Implications:

a) **Does the legislation have indirect financial implications, or long-term implications?**
Yes, approval of the ordinance and the proposed agreement establishes the parameters for a future CIP project at the Seattle Asian Art Museum with a City contribution of $11 million (in 2008 dollars adjusted by the application of the Engineering News-Record Construction Cost Index using the annual 12-month average of the 20-city monthly index for the years and portions of years elapsed).

The funding swap considered under separate legislation provided for the reprogramming of $9 million in Levy proceeds earmarked for the Seattle Asian Art Museum renovation to provide for scheduled major maintenance projects that otherwise would have been undertaken in 2015-2017 and funded by the Cumulative Reserve Subfund (CRS). In return, the City intends to set aside $9 million in CRS funds. The remaining funds have not been identified.

b) **What is the financial cost of not implementing the legislation?**
The City would not leverage SAM funds to improve the City facility currently used for the Seattle Asian Art Museum.

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?**
There are none.

e) **Is a public hearing required for this legislation?**
A public hearing is recommended in accordance with Resolution 31203 which established new hearing procedures for certain Capital Projects with private partners.

f) **Is publication of notice with *The Daily Journal of Commerce* and/or *The Seattle Times* required for this legislation?**
Yes, consistent with requirements set forth in Resolution 31203.

g) **Does this legislation affect a piece of property?**
Yes, as the City and SAM explore claiming federal historic rehabilitation tax credits for the SAAM renovation project, the parties may deem it appropriate for the City to convey ownership of the SAAM building to a tax credit entity and grant it a ground lease.

h) **Other Issues:** There are none.

List attachments to the fiscal note below: There are none.