

ORDINANCE _____

AN ORDINANCE relating to the use of Seattle Center Department property; amending Section 17.16.030 of the Seattle Municipal Code to authorize the Seattle Center Director to enter into leases with terms of up to ten years for food and beverage services in the Seattle Center House; establishing an oversight committee to review such leases; and ratifying and confirming certain prior acts.

WHEREAS, the City desires to maximize the revenues generated by Seattle Center grounds, facilities and properties to support the operation of Seattle Center; and

WHEREAS, the Seattle Center Director is responsible for negotiating rental agreements for Seattle Center facilities and grounds; and

WHEREAS, to provide Center House Food service tenants with the necessary time to amortize tenant investments in Center House, rental agreements of up to ten years in length are required; and

WHEREAS, current provisions of the Seattle Municipal Code limit the Seattle Center Director's authority to agreements of less than five years in length; NOW, THEREFORE,

BE IT ORDAINED BY THE CITY OF SEATTLE AS FOLLOWS:

Section 1. Subsection B of Section 17.16.030 of the Seattle Municipal Code, which section was last amended by Ordinance 123446, is amended as follows:

17.16.030 Seattle Center Rental Agreements

The Seattle Center Director is hereby authorized to negotiate and to execute, for and on the behalf of The City of Seattle, rental agreements and to modify existing rental agreements for the use and occupancy of spaces within or on Seattle Center grounds or under the management of the Seattle Center for uses that are not Events, as defined in Attachment B to the Ordinance introduced as Council Bill 117022, and to execute all other necessary documents in connection therewith;

Provided, that:

* * *



1 B. (~~No such agreement~~) Rental agreements for food and beverage services in the Center
2 House shall be for a term of no more than ten years and rental agreements for all other locations
3 on the Seattle Center grounds shall be for a term of no more than five years without prior
4 approval of the City Council by ordinance, provided, however, that the Seattle Center Director
5 may enter into new leases for the same property with the same tenant upon different terms and
6 conditions from a previous lease for the same property; and

7 * * *

8
9 Section 2. There is hereby established an internal oversight committee to review and
10 make recommendations regarding food service leases which are longer than five years in
11 duration. The oversight committee shall include at least one representative of the City Council's
12 Central Staff and at least one representative of the City Budget Office. The oversight committee
13 shall review and make recommendations regarding proposed lease terms and financial
14 projections, and shall review the actual financial performance of leases which are longer than
15 five years in duration and are entered into under the Director's authority in SMC 17.16.030.

16 Section 3. Any act consistent with the authority in the ordinance taken after its passage
17 and prior to its effective date is hereby ratified and confirmed.

18 Section 4. This ordinance shall take effect and be in force 30 days after its approval by
19 the Mayor, but if not approved and returned by the Mayor within ten days after presentation, it
20 shall take effect as provided by Seattle Municipal Code Section 1.04.020.



1 Passed by the City Council the ____ day of _____, 2011, and
2 signed by me in open session in authentication of its passage this
3 ____ day of _____, 2011.

4 _____
5 _____
6 President _____ of the City Council

7 _____
8 Approved by me this ____ day of _____, 2011.

9 _____
10 _____
11 Michael McGinn, Mayor

12 _____
13 Filed by me this ____ day of _____, 2011.

14 _____
15 _____
16 Monica Martinez Simmons, City Clerk

17 (Seal)



FISCAL NOTE FOR NON-CAPITAL PROJECTS

Department:	Contact Person/Phone:	CBO Analyst/Phone:
Seattle Center	Robert Nellams, 684-7334 Thomas Israel, 684-7298 Rebecca Keith, Law 684-8239	Greg Shiring, 386-4085

Legislation Title:

AN ORDINANCE relating to the use of Seattle Center Department property; amending Section 17.16.030 of the Seattle Municipal Code to authorize the Seattle Center Director to enter into leases with terms of up to ten years for food and beverage services in the Seattle Center House; establishing an oversight committee to review such leases; and ratifying and confirming certain prior acts.

Summary of the Legislation:

Currently the Seattle Center Director may enter into rental agreements for use and occupancy of non-event spaces within or on Seattle Center grounds for a maximum term of five years. This legislation increases the Director's authority to enter into such agreements to a maximum term length of ten years for food service rental agreements. This legislation applies only to Center House rental agreements for food and beverage service, all other non-event space rental agreements continue to be limited to five year terms.

Background:

Seattle Center is currently underway with the first phase of renovation of the second floor atrium in the Center House. The renovation project will provide infrastructure improvements and reconfigure the food service areas with the intent of leveraging private investment to revitalize the food and beverage services, increase Seattle Center's revenue, and provide better food service offerings for the public. Earlier this year existing agreements with a number of Center House merchants were terminated and new tenants are being sought for the newly renovated space. The first phase Center House atrium renovation, primarily funded with \$3.4M of City issued LTGO bonds, addresses a number of Seattle Center's priorities – asset preservation, implementation of the Century 21 Master Plan, preparation for our 50th anniversary celebration ("The Next 50"), and revenue generation. The project will be complete in time for the beginning of The Next 50 in April 2012.

A key element of the Center House upgrade is to attract new food kiosk and full service restaurants to the facility. Because the City's capital funds are limited, tenants will be required to make some or all of their tenant improvements for their locations. The need for significant tenant investment is especially true for the new full service restaurants. These restaurants will be a key element in helping to transform the Center House into a dining destination. Given the level of private investment required to create the new food service spaces, longer lease terms are required for tenants to amortize their investment in physical improvements. In conversations with potential tenants, full service restaurant owners have indicated the need for a 10-year lease



term if they are to secure capital financing. While it might be possible to secure tenants willing to make a significant capital investment for a shorter lease term, to date, prospective tenants have said they would only consider this option if the rent was substantially reduced because they would need to amortize their investment over a shorter period of time.

Seattle Center is trying to act expeditiously so that new food service tenants can arrange their financing and begin design and construction in time to be open for the Next 50 celebration. The celebration presents a unique opportunity to change perceptions and rebrand the Center's food service offerings beginning in April, 2012.

Through Ordinance 123171, the Seattle Center Director has authority to enter into rental agreements for Seattle Center's non-event facilities for terms of up to 5 years. Long term rental agreements for non-event facilities are generally proposed to the Council through individual legislation. Authority to enter into agreements for single events is delegated to the Director through a facility rates and fees ordinance that is typically submitted as part of the budget process. In the rates and fees ordinance the Council establishes parameters under which the Director may rent commercial facilities to promoters and other clientele.

This legislation will allow the Seattle Center Director to enter into rental agreements for space in Center House for food and beverage service for up to a 10-year lease term. This is an increase of 5 years over the current 5-year lease term limit. The legislation applies only to Center House and only to tenants providing food and beverage service. This legislation also establishes an Oversight Committee comprised of representatives of City Council staff and the City Budget Office to review proposed food service agreements which are 10 years in duration. The Seattle Center Director's authority to enter into leases in all other non-event facilities will continue to be limited to 5-year terms. The facility rates and fees ordinances submitted with the budget will continue to establish the parameters for rental of commercial facilities to promoters and other clientele.

The Center will experience a large increase in visitors during the summer of 2012. The opening of the King Tut exhibit, the Chihuly Garden and Glass Exhibit, and the Bill and Melinda Gates Foundation Visitor's Center, together with six months of Next 50 activities, will ensure that campus attendance will be high. It is important that the Center be able to capitalize on these new visitors to establish the campus as a dining destination for tourists and neighbors alike. The proposed legislation will provide the Director with the needed authority to execute agreements which will enable the City to attract high quality food service operators to locate in the Center House.

X This legislation has financial implications.



Anticipated Revenue/Reimbursement Resulting from this Legislation:

Fund Name and Number	Department	Revenue Source	2011 Revenue	2012 Revenue
TOTAL				

Revenue/Reimbursement Notes:

This legislation will enable Seattle Center to attract tenants with the resources to invest in Center House. Currently the Center earns approximately \$850,000 annually from Center House and on-grounds food service. Upgrading of food service in Center House will allow the department to ensure that this important revenue stream will remain strong and grow.

Other Implications:

- a) **Does the legislation have indirect financial implications, or long-term implications?**
 This legislation will enable Seattle Center to attract new food service providers and capital investment in Center House and help us in achieving a significant piece of the vision for Center House in the Seattle Center Century 21 Master Plan in time for The Next 50 celebration.
- b) **What is the financial cost of not implementing the legislation?**
 Without the requested authority Seattle Center will be hampered in its ability to upgrade food and beverage service in Center House in time for the 50th Anniversary celebration beginning in April 2012. The financial cost of not implementing the legislation is the loss of opportunity in attracting new food service providers to the Center, and the loss of revenue that new food service providers can generate.
- c) **Does this legislation affect any departments besides the originating department?**
 This legislation does not impact other departments.
- d) **What are the possible alternatives to the legislation that could achieve the same or similar objectives?**
 The Center could attempt to offer steep rebates on rent in order to allow tenants to amortize their investment over a shorter timeframe (five years). It is not clear that there would be sufficient cash flow to fully enable an offset to happen within a shorter time frame. Such a rebate would severely impact the Center's revenue streams on an annual basis.
- e) **Is a public hearing required for this legislation?**
 No.
- f) **Is publication of notice with *The Daily Journal of Commerce* and/or *The Seattle Times* required for this legislation?**
 No.



g) Does this legislation affect a piece of property?

No.

h) Other Issues:

None.

List attachments to the fiscal note below:

Not applicable





City of Seattle
Office of the Mayor

November 29, 2011

Honorable Richard Conlin
President
Seattle City Council
City Hall, 2nd Floor

Dear Council President Conlin:

I am pleased to transmit the attached proposed Council Bill that amends the Seattle Municipal Code to authorize the Seattle Center Director to enter into rental agreements for terms of up to ten years for food and beverage services in the Center House at Seattle Center. The Seattle Center Director currently has the authority to enter into rental agreements for non-event facilities at Seattle Center for terms of up to five years. This amendment increases the Director's authority to enter into non-event rental agreements from a maximum term length of five to ten years for only Center House food and beverage service agreements. All other non-event rental agreements continue to be limited to five year terms.

As one step toward implementing the Century 21 Master Plan and in preparation for the Center's 50th anniversary celebration, the second floor atrium of Center House is currently being renovated. Changes include providing infrastructure improvements and reconfiguring the food service areas with the intent of leveraging private investment, improving food service offerings for the public and increasing revenue to the City. While a number of the current food service providers in Center House will remain, new tenants are also being sought for the renovated spaces. These new tenants will be making capital investments in the site. Potential tenants have indicated that longer lease terms, especially for full service restaurants, are needed to secure capital financing and amortize their investment in the physical improvements. This Council Bill makes it possible for Seattle Center to enter into agreements with a term that is sufficient to attract tenants that will help to transform the dining experience at Center House.

Seattle Center strives to delight and inspire the human spirit in each person and bring together our rich and varied community and this change will help to make that possible. Thank you for your consideration of this legislation. Should you have questions, please contact Tom Israel at 684-7298.

Sincerely,

Michael McGinn
Mayor of Seattle

cc: Honorable Members of the Seattle City Council

Michael McGinn, Mayor
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