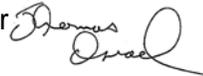




MEMORANDUM

TO: Parks and Seattle Center Committee Members

FROM: Tom Israel, Director Finance and Administration, Seattle Center 

DATE: December 9, 2011

RE: **Rental Authority Agreement**

Introduction

The proposed Council Bill 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.

Background and Highlights

Seattle Center is currently underway with the first phase of renovation of the Center House atrium. 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 currently being sought for the newly renovated spaces. 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 by April 2012 in time for The Next 50.

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. The Next Fifty presents a unique opportunity to change perceptions and rebrand the Center's food service offerings beginning in April 2012.

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 The 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 in Center House.

cc: Robert Nellams, Director, Seattle Center
Greg Shiring, City Budget Office