



# Seattle City Council

## Major Negotiated Changes to the Arena Memorandum of Understanding

### 1. SODO Transportation Infrastructure Fund

The agreement creates a new, dedicated source of funding for transportation projects in the SODO area and beyond. The new SODO fund will give first priority to projects protecting the operations of the Port of Seattle and improving freight mobility and second priority to projects that improve pedestrian safety, enhance transit service and connectivity, and improve overall traffic flow in the SODO area. Funded initially with \$40 million of tax revenues and bond financing from the arena project, the City and County will seek to leverage additional funding from public and private partners, including the Port of Seattle and state and federal governments.

### 2. Area Planning

The agreement includes a new commitment from the City to undertake concurrent planning efforts with the County, Port of Seattle and SODO stakeholders that would:

- Identify and implement the necessary policies and land-use zoning enhancements, such as a potential Port Overlay District, to protect maritime and industrial uses in the Duwamish Manufacturing and Industrial Center; and
- Consider policy and regulatory changes that would better orient the Stadium Transition Area Overlay District to the needs and experience of stadium patrons and improve connections from the stadiums north to Pioneer Square and the downtown core and east to the Chinatown/International District.

### 3. Seattle Center and Key Arena

ArenaCo remains obligated to pay for all improvements needed to host an NBA team and an NHL team at the City's Key Arena facility during construction of the new facility. The agreement adds a new \$7 million Key Arena Fund and gives the City sole discretion for determining whether and how to use these funds. The agreement also adds a requirement that ArenaCo will provide \$150,000 to reimburse the City for costs to work with stakeholders on a study of options for the longer-term vitality of both Key Arena and the Seattle Center. The study of options, combined with the interim seasons of play at Key Arena, will focus attention on the future of the Seattle Center.

#### 4. **Environmental Review (SEPA)**

The agreement requires analysis of alternative arena sites and makes clear that the City Council will not make a final determination to proceed with the project until *after* the SEPA process is complete and any necessary mitigation is addressed.

#### 5. **Personal Guaranty and Other Financial Protections**

The new agreement increases the financial security provisions of the agreement, specifically including the following:

- **Personal Guaranty**

The principal owner of ArenaCo will provide a personal guaranty that protects the City from shortfalls in the revenues needed to pay debt service and ensures that all outstanding debt will be repaid should the Arena not prove to be financially successful.

- **Guaranteed Sale Price in the Future**

The City and County can, at their sole discretion, require ArenaCo to purchase the land and facility at the expiration of the arena use agreement for \$200 million.

- **Incentive for Arena Owners to Replace the Facility in the Future**

ArenaCo can, at its sole discretion, purchase the land and facility at the end of the arena use agreement for a price equal to the City and County's initial land purchase price, as increased annually by the consumer price index, but no less than \$200 million. If this transaction occurs, ArenaCo must construct a new arena on the site.

- **Protects the Public from Future Demolition Costs**

If ArenaCo does not extend the arena use agreement or exercise its purchase option, it will be responsible for paying the demolition and removal costs on the aging arena, leaving the City with valuable, unencumbered land.

- **Security Reserves and Debt Service Coverage**

The agreement better protects public entities by requiring ArenaCo to double the required Security Reserve if ArenaCo finances do not perform as expected. In the event of a default by ArenaCo, the City and County will have a first lien and first payment position on the assets in this account.

- **Operating Reserves**

As an extra layer of security, ArenaCo must keep cash on hand equivalent to three months of operating expenses in an Operations and Maintenance Fund.

- **Intercreditor Agreement**

The revised MOU sets the scope for an Intercreditor Agreement to be entered into by the City and County and private lenders to ArenaCo. This agreement will

determine which entities have access to which streams of revenue should ArenaCo default on its obligations.

- **Independent Review and Validation of Business Plan**

The new agreement gives the City and County the authority to conduct an independent, third party assessment of the financial assumptions underlying the planned construction and operations of the arena and the overall risks associated with both prior to the approval of the final Transaction Documents. The City and County will have access to the same information about ArenaCo and its business structure as the entity's private lenders.

## **6. Community Benefit Agreement**

The revised MOU language requires ArenaCo to negotiate and enter a new, binding Community Benefit Agreement to foster equity and social justice and provide benefit to the communities that will be affected by the Arena. The agreement will also provide the structure for meaningful ongoing community dialog and partnership with ArenaCo once the Arena is operational, including annual reporting on fulfillment of mitigating measures.

## **7. Scheduling Coordination and Enforcement**

The agreement adds requirements for ArenaCo to coordinate schedules with events at the existing stadiums to minimize the number of conflicting and overlapping events, including restricting the number and duration of such conflicts and giving the City oversight and enforcement authority over these schedules.

## **8. Debt Limit Under NBA-only Scenario**

If an NHL team has not agreed to play in the new arena by the Transfer Date (when the facility is on the property tax rolls and then transfers to public ownership), the total amount of public bonds issued to acquire the land and the facility from ArenaCo will not exceed \$120 million. In the event that taxes dedicated to the SODO Transportation Infrastructure Fund are not sufficient to bring it to \$40 million, additional bonds will be issued to fill this fund, up to an additional \$25 million (which means up to \$145 million total in public bonds will be issued). For example, if the SODO Transportation Infrastructure Fund contains \$25 million at the time of the Transfer Date, the Second Installment of public bonds will bring the total that is used to purchase the land and facility from ArenaCo to \$120 million AND will include an additional \$15 million in bonds for the SODO Fund, bringing it to the full \$40 million. ArenaCo will be responsible for ensuring that there are sufficient revenues to pay debt service on any additional bonds.