



King County

Metropolitan King County Council Budget and Fiscal Management Committee

Staff Report

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| Agenda item No.: | 5 | Date: | May 29, 2012 |
| Proposed No.: | 2012-0202 | Prepared by: | Wendy Soo Hoo Mark Melroy John Resha |

SUBJECT

Proposed Ordinance 2012-0202 would authorize the King County Executive to execute agreements related to a sports and entertainment arena in the SoDo neighborhood in Seattle. The agreements include a memorandum of understanding (MOU) with the City of Seattle and ArenaCo, and an interlocal agreement (ILA) with the City.

Today's briefing focuses on describing the proposal. The analysis of the proposal is ongoing and will be presented in upcoming meetings of the Budget and Fiscal Management Committee.

BACKGROUND

The Seattle Supersonics (Sonics) played in Seattle from 1967 to 2008. In 2006, the team was purchased by an Oklahoma-based ownership group, which moved the team to Oklahoma City before the 2008-2009 National Basketball Association (NBA) season.

On February 16, 2012, the Seattle Mayor and King County Executive announced that they were working with Chris Hansen, a private investor, (ArenaCo) on a proposal to develop an arena south of Safeco Field and Century Link Field. The proposed arena would have the ability to host a NBA and National Hockey League (NHL) team. According to transmittal documents, the 700,000 square foot arena would accommodate approximately 19,000 attendees for concerts, 18,500 for NBA games, and 17,500 for NHL games.

The Mayor, Executive and ArenaCo also announced in February that they were charging an Arena Review Panel with reviewing the proposal to determine whether: City and County general fund resources would be protected; the City and County would be significantly protected from financial risks; and the partnership would result in an

investment into the community and region. The panel's report was released April 4th and is contained in Attachment 4.

As traffic impacts were identified as a concern both by the Mayor's and Executive's Arena Review Panel and by stakeholders in the area around the stadiums, including the Mariners and the Port of Seattle, ArenaCo funded an expedited transportation study that was managed by the City. The Seattle Arena Multimodal Transportation Access and Parking Study was completed on May 23rd (Attachment 5). *Staff analysis of the study is ongoing.*

The timeline below gives an overview of the transaction, based on information provided by Executive staff.

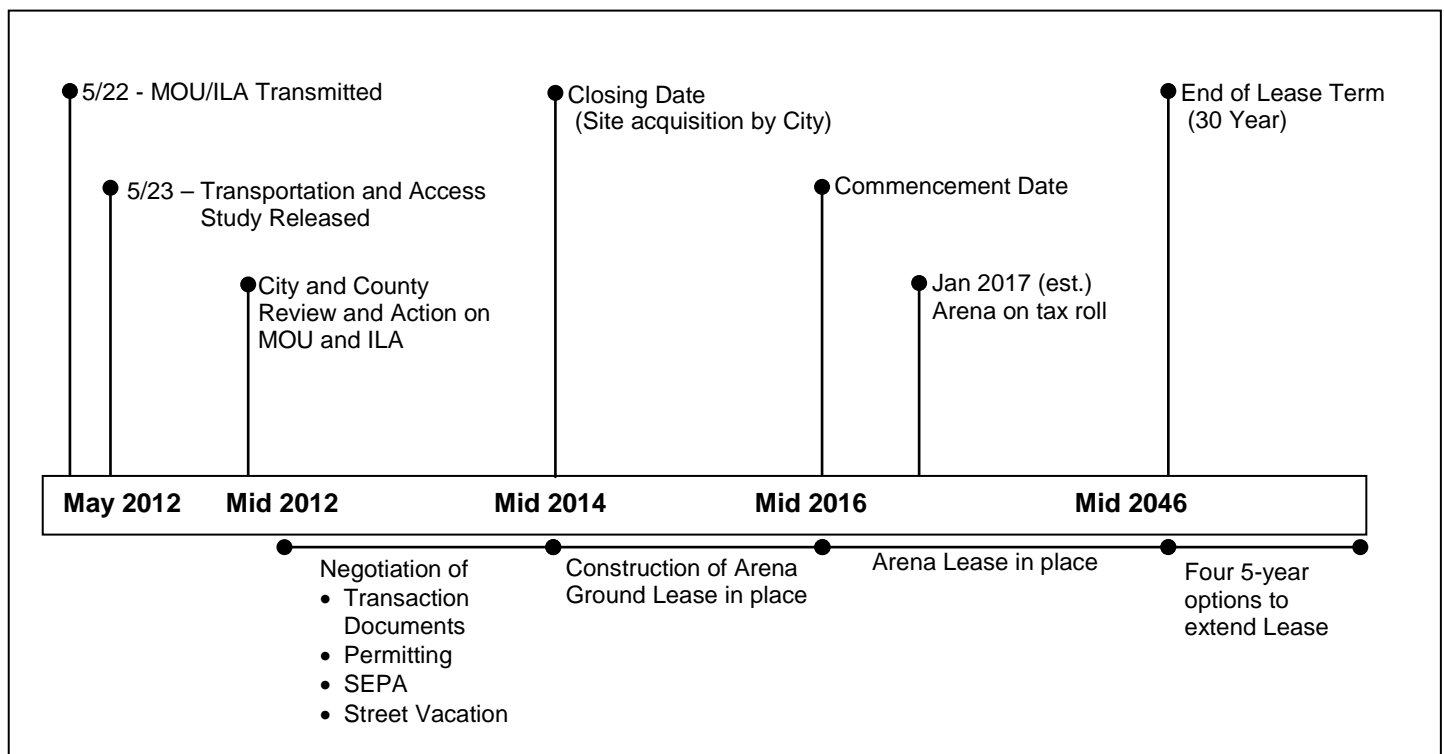
Key Actual and Projected Dates for the Project

- **May 22nd:** Executive transmitted Proposed Ordinance 2012-0202
 - **MOU** – agreement between the City and County and ArenaCo
 - **Interlocal Agreement** – agreement between the City and County that identifies the debt split and establishes the governance structure and process
- **May 23rd:** Transportation study released
- **To Be Determined – 2012:** Legislative action on the proposed agreements
- **Mid-2012 through Mid-2014:** ArenaCo works to get the site ready for construction (permitting, SEPA, etc.) and the City, County and ArenaCo would negotiate the final Transaction Documents, including an Umbrella Agreement, that will further define the details of the transaction. ArenaCo would concurrently work to acquire the NBA team.
- **Mid-2014:** Following approval of the Transaction Documents and acquisition of the NBA team, the City would acquire the site (on the "Closing Date"), making the first installment of public financing. The City would then ground lease the site to ArenaCo to begin construction.
- **Mid-2016:** Once construction is complete and the arena is ready for occupancy ("Commencement Date"), the City and County would carry out a lease-purchase and lease the arena back to ArenaCo. This marks the second installment of public financing.
 - **No County bonds would be issued until the construction is complete.**
Council action would be required to authorize the sale of bonds.

- **Public financing is reduced if NHL team is not secured.** The County's involvement would be limited to the amount that the County reasonably determines can be supported by its anticipated share of property taxes attributed to the arena, with a maximum of \$5 million.
- **Mid-2046:** End of arena lease term, which would be no earlier than the term for any public financing. MOU includes five-year options to extend the arena lease.

This timeline is also shown below in Exhibit 1.

Exhibit 1
Key Actual & Projected Dates for SODO Arena Project



Summary of the Proposal

Under the proposal, the first contribution of public funds to the project occurs when the City acquires the site from ArenaCo. This also represents the point at which the land would enter public ownership. *Note that the County would not be party to this transaction.*

The City would acquire the site only after:

- The permitting and SEPA review of the project is complete;

- A call for bids, consistent with the Municipal Leasing Act, is made and ArenaCo is the winning bidder;
- Transaction documents, including an Umbrella Agreement, are approved by the City and County;
- The NBA team is acquired with a non-relocation agreement in place;
- The City and County have been satisfied regarding the financial ability of ArenaCo and its investors to meet obligations specified in the MOU; and
- ArenaCo has funded a required reserve account with the first year's reimbursement amount.

It is worth highlighting that site acquisition would not occur until State Environmental Policy Act (SEPA) requirements are met. SEPA requires state and local agencies to consider the likely environmental consequences of a proposal before approving or denying the proposal. Elements of the environment identified in SEPA include both the natural environment and the built environment, including land use, transportation, and public services.

Then, the parties would use a Lease-Purchase method to construct the facility. The City would ground lease the site to ArenaCo for \$1 million annually during construction of the arena. ArenaCo would be responsible for all construction costs, including cost overruns. The arena would be required to meet any NBA and NHL requirements for arenas, and be substantially similar in quality to three mutually agreed-upon arenas.¹

Following completion of construction, the City and County would then lease the arena from ArenaCo with the option to purchase the arena within six months of when the facility is added to the property tax rolls. This date is the "Transfer Date." If the City and County exercise the option to purchase the facility, they would then lease the arena back to ArenaCo.² Note that, while the City and County would own the arena itself, ArenaCo would own all or a portion of the tenant improvements inside the arena (such as scoreboards, etc.) until the termination of the lease. The delineation of ownership of tenant improvements would be defined in the Transaction Documents.

Note that the Transfer Date would be the point at which the second installment of public financing occurs. *This would involve both the City and the County.* The amount of this installment is contingent on whether a NHL team has been secured.

¹The arena would also be required to comply with City requirements for sustainable construction and ArenaCo would commit to using the City of Seattle's Inclusion Plan.

²Alternatively, the City and County could exercise an option to have a trustee prepay the facility lease – in this case, the City and County would lease the facility for 30 years and sub-lease the facility to ArenaCo. This is a less likely scenario.

- **If the NHL team has been secured:** The second installment would be an amount that (along with the amount the City contributed for the purchase of the site) totals \$200 million, with the City contributing \$120 million in total and the County contributing \$80 million.
- **If the NHL team has not been secured:** The second installment would be an amount that (when combined with the amount the City contributed for the purchase of the site) is the lesser of the amount of debt that could be supported by the tax revenues and rent at the site or \$120 million. Notably, the County's contribution would be capped at \$5 million and would be limited to an amount of debt that the County reasonably determines can be supported by its anticipated share of property taxes attributed to the arena.

In the first scenario, the public contribution for both the City and County is capped at \$200 million. In the second scenario, the public contribution is capped at \$120 million with the County's participation being limited to up to \$5 million. The public financing would be in the form of Limited Tax General Obligation bonds or Certificates of Participation, with a duration of approximately 30 years. Under the proposal, the debt service would increase at one percent annually for the first 10 years, then level off for the remainder of the term.

Terms of the Arena Lease

The term of the lease would be at least 30 years and no less than the term of any public financing. The total annual debt service is referred to as the Annual Reimbursement Amount with the Annual Reimbursement Amount being paid by the following sources:

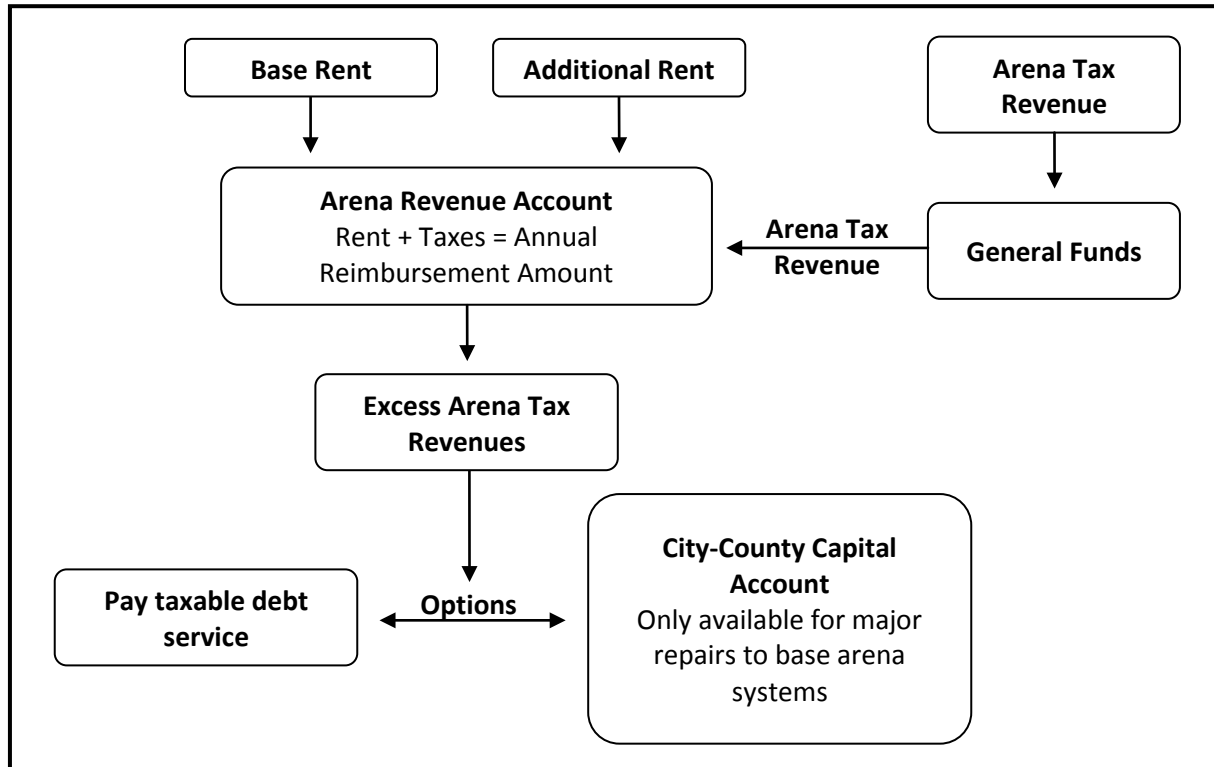
- **“Base Rent”** paid by ArenaCo in the amount of \$2 million annually;
- **“Arena Tax Revenues”**, which include the amount of property, sales, leasehold excise, admissions, business and occupation, and parking tax revenues attributable to the arena and arena tenant improvements (except that property taxes would not be included if tax-exempt debt is issued based on such revenue);
- **“Additional Rent”** paid by ArenaCo if the combination of Base Rent and Arena Tax Revenues described above do not meet the City and County's total debt service obligations (i.e., the Annual Reimbursement Amount).

Note that tax revenues generated for restricted purposes, such as dedicated sales taxes for Metro Transit or dedicated property taxes for Emergency Medical Services, would not count towards repaying the debt service.

In the event that the combination of Arena Tax Revenues and Base Rent exceeds the Annual Reimbursement Amount, then the City and County could apply the surplus to

defease the outstanding financing or deposit the surplus revenues into a City-County Capital Account.³ The flow of funds is shown in Exhibit 2 below.

Exhibit 2
Flow of Funds



Under the proposal, ArenaCo would be responsible to operate and maintain the facility, make all necessary capital improvements, and fund a Capital Account with \$2 million annually to provide for improvements, though ArenaCo's obligations to make capital improvements are not limited by how much funding is available in this account. ArenaCo would also commit to using reasonable efforts to use minority and low-income workers and businesses in the operations and maintenance of the arena.

The lease includes options for four five-year extensions, with base rent increasing to \$4 million during the first extension, and by inflation thereafter.

³The City-County Capital Account would have a cap of \$10 million during the first 10 years. The cap would grow by \$2 million annually until Year 15, when the cap would reach \$20 million. The City-County Capital Account is intended to be used only for major repairs to components of base arena systems, such as the roof, HVAC, lights, etc. Once the public financing is paid off, the cap on this account would be removed.

Payment and Security Provisions

ArenaCo would be required to fund a Reserve Account that totals at least the Annual Reimbursement Amount for the following year. ArenaCo would also be required to certify annually that the preceding fiscal year's Net Arena Revenues (or revenues less operating costs) are at least two times the Annual Reimbursement Amount for the following year. If the Net Arena Revenues fall short, ArenaCo must fund the Reserve Account such that the total of the Net Arena Revenues and the reserve account is three times the following year's Annual Reimbursement Amount.

The City's and County's right to receive rent payments would have a first priority payment position from arena revenues – before any private financing payment obligations. The City's and County's right to receive rent payments as well as the amounts in the Reserve Account and Capital Account would be secured by a lien on ArenaCo's revenues (such as facility naming rights, suite and premium seating sales, and other revenues), though not team revenues (such as ticket revenues). Note that the lien position would need to be agreed upon by ArenaCo's lenders, the City and the County. This is a change from the original proposal concept announced in February – at that time the City's and County's right to receive rent payments was anticipated to be secured by a first lien position.

However, to increase the security to the City and County, the parent company that owns the equity in both ArenaCo and the NBA team would provide a guaranty of the Arena Lease. Further, in the event of default, the City and County would have first rights to the proceeds of the sale of an NBA team, subject only to repayment of any NBA team obligations to the NBA. Debt obligations to the NBA by the NBA team owner would be capped to ensure that there is sufficient equity in the team to meet the City's and County's obligations in a default scenario.

In addition, the non-relocation agreements for the team(s) would include specific performance requirements, liquidated damages and injunctive relief provisions.

Notably, under the ILA, in the event of a payment default by ArenaCo, any Arena Tax Revenues and Base Rent received from ArenaCo would be divided between the City and County based on their proportionate share of the outstanding public financing. After Year 15 of the lease, up to 50 percent of the tax revenues would be allocated first to pay the County's debt service with the balance allocated to pay the City's debt service. Any additional rent and withdrawals from the Reserve Account, Capital Account, and City-Capital Account would be allocated first in any year to the support County debt service, then to support City debt service.

City and County Oversight

The City will appoint a joint City-County Representative (after consultation with the County) to represent the City and County during the regular course of business. This position will be funded by ArenaCo. The City will be responsible for day-to-day decision making, supervising the City-County Representative, and administering a fund for arena-related revenues and rent payments. The City will also be the lead party with respect to reviews and approvals related to design and construction.

The ILA would also establish an Arena Project City-County Advisory Board to act in an advisory role by providing oversight and making recommendations to City and County officials regarding the various agreements, the arena, and the arena fund. The Advisory Board would be comprised of an appointee for the Mayor, an appointee for the County Executive, an appointee for the City Council, and an appointee of the County Council. However, if the County's participation in the public financing does not exceed \$5 million (i.e., a NHL team has not been secured by the Transfer Date), the only County representative would be the County Executive's appointee.

Other Miscellaneous Provisions

- Under the proposal, ArenaCo would reimburse the City and County for up to \$5 million in costs associated with work leading to the opening of the arena. The first reimbursement would occur when the City acquires the site – i.e., when the first installment of public financing is made.
- ArenaCo would be required to contract with the City for traffic management and emergency medical staff during operation of the arena.
- Prior to completion of the project, the NBA and NHL franchises will have the option to play their home games at Key Arena – in this event, ArenaCo will make improvements to Key Arena. ArenaCo will also work with the City on developing a long-term operating plan for Key Arena.
- ArenaCo agrees to enter into labor peace or project labor agreements.
- ArenaCo commits to using the City's Inclusion Plan as guidance for use of Women and Minority business Enterprises on the Project.

Upcoming Hearings & Analysis

Analysis of this proposal is ongoing. At the direction of the Chair of the Budget and Fiscal Management Committee, staff has been working to organize a panel of experts in

the following areas: economics, public finance, public-private partnerships, labor, urban development, and transportation.

In addition, the Committee will have the opportunity to hear from the Prosecuting Attorney's Office and from consultants who assisted in developing the proposal – these consultants include outside legal counsel with experience working on other major arena projects and a consultant who has worked on the development, planning and operations of sports and entertainment facilities for more than 25 years.

Proposed Ordinance 2012-0202 will be on the agendas for the Budget and Fiscal Management Committee meetings on June 5th and June 19th. Special meetings will be scheduled as necessary. All Councilmembers will be invited to attend the committee's regular and special meetings.

Note that we are coordinating with the City Council's Government Performance and Finance Committee, as both Councils will need to take action on the agreements. We are also working to schedule a joint hearing, potentially in mid-July.

ATTACHMENTS

1. Proposed Ordinance 2012-0202
2. Fiscal Note
3. Transmittal Letter
4. Executive-transmitted Summary and Key Terms
5. Mayor/Executive Arena Review Panel Report
6. Seattle Arena Multimodal Transportation Access and Parking Study

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KING COUNTY

1200 King County Courthouse
516 Third Avenue
Seattle, WA 98104

Signature Report

May 29, 2012

Ordinance

Proposed No. 2012-0202.1

Sponsors McDermott

1 AN ORDINANCE related to a new multi-purpose sports
2 and entertainment facility authorizing the King County
3 executive to execute a memorandum of understanding with
4 the city of Seattle and ArenaCo and to execute an interlocal
5 agreement with the city.

6 STATEMENT OF FACTS:

- 7 1. WSA Properties III, a Delaware limited liability company,
8 ("ArenaCo") approached the city and the county with a proposal for the
9 two governments to participate in the development and ownership of a
10 multipurpose sports and entertainment facility ("arena") located in Seattle.
- 11 2. The city and the county formed an advisory panel to review the
12 proposal.
- 13 3. Having considered the recommendations of the advisory panel, the city
14 and the county have collaborated and negotiated with ArenaCo to develop
15 a structure for eventual public ownership of a new arena.
- 16 4. The structure includes the addition of National Basketball Association
17 and National Hockey League teams to Seattle to play in the arena.
- 18 5. The addition of professional basketball and hockey will contribute to
19 the social and economic environment of Seattle and King County by,

20 among other things, creating jobs, and by supporting a wide variety of
21 businesses that generate annual earnings and sales, property and business
22 and occupation tax revenues.

23 6. The agreement described in the Memorandum of Understanding -
24 Seattle Sports and Entertainment Facility provides the city and the county
25 with satisfactory security for the public investment.

26 7. The city and the county will not be responsible for costs or any cost
27 overruns for construction of the arena.

28 8. City and county investment will only occur once certain conditions
29 precedent are met, including environmental review and permitting,
30 financing and team acquisition for the arena.

31 9. The city and the county have negotiated an interlocal agreement that
32 describes and defines the mutual endeavor of pursuing public ownership
33 of the arena.

34 10. Through the interlocal agreement, the city and county aim to establish
35 investment, management, ownership, communication, oversight and
36 accountability mechanisms and principles for the governments to
37 cooperatively participate in the arena development and ownership.

38 BE IT ORDAINED BY THE COUNCIL OF KING COUNTY:

39 SECTION 1. The King County executive is hereby authorized to execute and
40 implement the interlocal agreement in substantially the form of the agreement attached to
41 this ordinance as Attachment A.

42 SECTION 2. The King County executive is hereby authorized to execute and
43 implement the memorandum of understanding in substantially the form of the
44 memorandum attached to this ordinance as Attachment B.
45

KING COUNTY COUNCIL
KING COUNTY, WASHINGTON

Larry Gossett, Chair

ATTEST:

Anne Noris, Clerk of the Council

APPROVED this ____ day of _____, ____.

Dow Constantine, County Executive

Attachments: A. Interlocal Agreement, B. Memorandum of Understanding

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INTERLOCAL AGREEMENT
ARENA DEVELOPMENT, FINANCING, ACQUISITION AND OPERATION

THE CITY OF SEATTLE and KING COUNTY

This Interlocal Agreement is entered into as of the _____ day of _____, 2012, by and between THE CITY OF SEATTLE (the "City") and KING COUNTY (the "County") (collectively, the "Parties" and each a "Party"). This Interlocal Agreement ("Interlocal Agreement") is made pursuant to chapter 39.34 RCW (the "Interlocal Cooperation Act") and has been authorized by the governing body of each Party. Each of the Parties is a "public agency" as defined in the Interlocal Cooperation Act.

1. Recitals.

A. A private entity known as "ArenaCo" has approached the Parties with a proposal for a new multi-purpose sports and entertainment facility (the "Arena") to be located on land currently owned by ArenaCo or its affiliates south of downtown Seattle (the "Project Site"). ArenaCo will sell the Project Site to the City and then ground lease it back from the City. ArenaCo will construct the Arena at its sole cost and expense and on completion, will lease it to the Parties with an option to purchase. The Parties will thereafter sublease or lease the Arena Facility to ArenaCo to operate pursuant to an "Arena Lease." The general provisions of the contemplated transaction between the Parties and ArenaCo are outlined in a Memorandum of Understanding—Seattle Sports and Entertainment Facility dated _____, 2012 (the "MOU").

B. Each of the Parties has authority to enter into interlocal agreements under the Interlocal Cooperation Act for joint and cooperative action, including actions consistent with Chapter 35.42 RCW, RCW 36.68.090, and other laws applicable to City and County development, financing and operation of multi-purpose sports and entertainment facilities and the provision of services to be provided by one government to another in connection with those facilities.

C. Subject to environmental and certain other review detailed in the MOU, the Parties have determined that, if developed, the Arena would provide general public benefits as well as specific direct and indirect benefits to both Parties and their residents. As more specifically described in the MOU, ArenaCo is responsible for development and construction of the Arena Facility, including all construction costs and overruns. Public financial investment in the Arena project (as further defined in the MOU, the "Public Financing") may occur only consistent with and upon the occurrence of specific actions described in the MOU. The MOU will be implemented through an Umbrella Agreement and Transaction Documents to be negotiated between the Parties and ArenaCo. The MOU, Umbrella Agreement and Transaction Documents are collectively referred to herein as the "Arena Facility Agreements."

D. The Parties have determined to enter into the MOU, and the purpose of this Interlocal Agreement is to establish their respective rights and responsibilities in the event the Arena is developed.

2. Definitions. Unless otherwise defined in this Interlocal Agreement, capitalized terms have the meanings given them in the MOU.

3. Duration. Subject to Paragraph 4.E(ii), this Interlocal Agreement will terminate upon the later of (a) the date when all Public Financing is retired or defeased, and (b) the termination of the Arena Lease and any extensions thereto.

4. Acquisition of Property; Development and Acquisition of Arena.

A. The City will make a call for bids for the Project consistent with RCW 35.42.080. Subject to the conditions described in the Arena Facility Agreements, the City will acquire the title to the Project Site by paying the first installment of the Public Financing (“Installment One”) and then ground lease the Project Site to ArenaCo. Concurrent with the Ground Lease, the Parties will enter into a Lease-Purchase Agreement with ArenaCo under which ArenaCo will have an obligation to build the entire Arena and the Parties will have the obligation to lease the Arena building structure (“Arena Facility”) with an option to purchase. On the Commencement Date, the Parties will become co-tenants in the leasehold estate in the Arena Facility with ownership percentages in proportion to their anticipated respective shares of the Public Financing.

B. On the Transfer Date, the Parties will either (i) exercise the option to purchase the Arena Facility, holding title as tenants in common, or (ii) cause a trustee to prepay the principal component of all remaining lease payments required under the Lease-Purchase Agreement (“Installment Two”).

C. If the Parties exercise the option to purchase the Arena Facility, as described in Paragraph 4.(B)(i) above, the Second Installment of the Public Financing may be structured as bonds issued by the City and the County. In that event the Ground Lease will terminate and the City and County will thereafter hold title to the Arena Facility as tenants in common (with ownership percentages in proportion to their respective shares of the Public Financing). If the Parties cause a trustee to prepay the principal component of all remaining lease payments required under the Lease-Purchase Agreement, as described in Paragraph 4.(B)(ii) above, the Public Financing will be structured as certificates of participation in a stream of lease revenues. In either case, the City will convey to the County an interest in the Project Site so that the Parties will be tenants in common in the Project Site (with ownership percentages in proportion to their respective shares of the Public Financing).

5. D. Notwithstanding the foregoing, if on the Transfer Date the total principal amount of the County’s participation in the Public Financing does not exceed \$5 million, the County may at its option determine not to hold any ownership or leasehold interest in the Arena Facility or the Project Site and may assign its rights to acquire ownership and leasehold interests to the City. In that case, all of the rights and obligations of the Parties under this Interlocal Agreement will remain in place, except that the County will not own an interest in either the Arena Facility or the Project Site.

6. E. If the County holds an ownership or leasehold interest in the Arena Facility or the Project Site, (i) neither Party may transfer its common interest without the express

written consent of the other Party and (ii) on and after the end of the initial 30-year term of the Arena Lease, the County may, upon two years' notice to the City, assign and transfer to the City all of the County's ownership or leasehold interests at no cost to the City, in which case this Interlocal Agreement will terminate.

F. Subject to Section 7 of this Interlocal Agreement, as between the Parties the City will be the lead with respect to reviews and approvals under the Arena Facility Agreements relating to the design and construction of the Arena. Subject to Section 7, the City-County Representative is authorized by the Parties to take the actions described with respect to that position in the Arena Facility Agreements.

G. Under the Arena Facility Agreements, ArenaCo will reimburse the City and the County for up to \$5 million for their pre-development costs incurred (exclusive of permit fees and other fees imposed by the City and the County in their regulatory capacities and exclusive of the costs incurred by the City in connection with the activities of the City-County Representative after the Commencement Date). If, on the Commencement Date, the total of those City and County costs exceeds \$5 million, each Party's respective reimbursement share will be adjusted to allocate each Party's reimbursement in a manner approximately proportional to its share of total costs reasonably incurred.

H. If the Arena Lease is terminated prior to the end of its initial term, and if the City and the County are tenants in common and become responsible for costs relating to the Arena, the City and County will contribute to those costs proportionately to their shares of the Public Financing. Arena Tax Revenues and any rental payments under any lease or other third-party obligation to the City or County that replaces the Arena Lease shall be applied as provided in Section 6 of this Interlocal Agreement.

7. Financing.

A. As reflected in MOU, the total amount to be paid to ArenaCo by the City and County for acquisition of the Project Site and the lease-purchase of the Arena Facility will not exceed \$200 million.

8. B. The City will finance the public acquisition of the Project Site (*i.e.*, Installment One), the cost of which is not known as of the date of this Agreement but which will be the fair market value of the Project Site, based on an independent appraisal. The amount expended by the City in connection with the acquisition of the Project Site will not exceed \$100 million. Between the Commencement Date and the Transfer Date, the City will be responsible for paying (nominal) rent to ArenaCo under the terms of the Lease-Purchase Agreement, and upon the Transfer Date those payments will be treated as a credit to the City's share of the Second Installment, consistent with RCW 35.42.040.

9. C. On the date of Installment Two, and in connection with the lease and/or purchase of the Arena on or after the Transfer Date, each Party will incur a share of Public Financing obligations, part of which is expected to be tax-exempt obligations representing amounts of obligations the Parties determine can be prudently retired from each Party's anticipated property taxes attributable to the Arena and the Arena Tenant Improvements during

the term of the Arena Lease. The total amount of Public Financing will not exceed a cumulative amount (*i.e.*, including Installment One), totaling \$200 million of City and County obligations, of which up to \$120,000,000 will be City obligations and of which up to \$80,000,000 will be County obligations; provided, however, that if, as set forth in Paragraph 10.ii of the MOU, all of the conditions related to an NHL Team have not been satisfied by the Transfer Date, the principal amount of the County's participation in the Public Financing will not exceed \$5,000,000 and will be limited to an amount that the County reasonably determines can be prudently retired from its anticipated property taxes attributable to the Arena and the Arena Tenant Improvements.

10. D. City and County obligations are expected to have the same basic structure, payment dates and final maturity dates, with appropriate differences for taxable and tax-exempt debt (if any). Neither Party may refinance its respective Arena obligations to change payment dates, extend the term or increase annual debt service, without the consent of the other Party. Each Party will be solely responsible for its obligations incurred in connection with the Arena Project, and neither the City nor the County will guarantee or be responsible in any way for the payment of the other Party's obligations.

11. Application of Arena Tax Revenue.

A. The City will establish and maintain for the benefit of the Parties a special fund designated as the "City-County Arena Project Fund" or such other designation that the City deems appropriate (the "Arena Fund"). The Arena Fund will be administered by the City. The Advisory Board (defined and described below) will provide advisory oversight of the maintenance and uses of the Arena Fund. The City will create, within the Arena Fund, an Arena Revenue Account, and a City-County Capital Account, and the City may create other accounts, subaccounts or subfunds within or associated with the Arena Fund, all consistent with the Arena Facility Agreements. Interest earnings on amounts held in each account will be retained in that account, except as otherwise permitted or required under the Arena Facility Agreements.

B. The City and the County will each dedicate to the Project all Arena Tax Revenues and Rent Revenues that each derives from the Arena and the Arena Tenant Improvements during the term of the Arena Lease, except for taxes that are subject to legal restrictions that preclude their use either for payment of Arena-related debt or expenses (other than City parking taxes attributable by contract to the Arena).

C. Except for an amount equal to property taxes derived from the Arena and Arena Tenant Improvements that each Party will apply to the payment of tax-exempt general obligation bonds (or general obligation lease payments allocable to tax exempt certificates of participation), each Party will deposit in the Arena Revenue Account, as received, all Arena Tax Revenues received by that Party and dedicated to the Project.

D. The City will receive from ArenaCo, and deposit in the Arena Revenue Account, all Base Rent and Additional Rent. The City will also receive and deposit in the Arena Revenue Account (or in such other funds or accounts established by the City after notice to the Advisory Board) all other payments received from or in respect of obligations to the Parties of ArenaCo, its affiliates, or others.

E. The City and County will each, in proportion to their respective debt issuances, be entitled to transfers from the Arena Revenue Account in amounts necessary to pay or provide for the payment of debt service (or lease payments in the case of certificates of participation) on the taxable portion of the Public Financing that Party incurs in connection with the Arena. If amounts in the Arena Fund exceed the amounts necessary to provide for each Party's current debt service, then unless the Parties mutually determine otherwise, the excess amounts in the Arena Fund will be applied to the retirement or defeasance of outstanding Public Financing on a pro rata basis (*i.e.*, based on the City's and County's pro rata shares of the outstanding Public Financing).

F. In the event of a Payment Default by ArenaCo, and so long as that Payment Default continues: (a) Arena Tax Revenues and Base Rent (if any) received from ArenaCo will be divided between the Parties based on each Party's proportionate share of the outstanding taxable Public Financing, except that after year 15 of the Arena Lease, to the extent necessary to provide for the County's current debt service on its Public Financing, up to 50% of Arena Tax Revenues will be allocated first to the County, with the balance allocated to the City, and (b) Additional Rent payments and withdrawals of balances in the Reserve Account, the Capital Account and the City-County Capital Account, will be allocated first to current debt service on the County's taxable Public Financing (to the extent not provided for by Arena Tax Revenues and Base Rent), and next to current debt service on the City's taxable Public Financing. Further amounts received by the Parties from or in respect of obligations to the Parties from ArenaCo, its affiliates, or others (*e.g.*, amounts received from the Parties' security interest (as described in Paragraph 12.f of the MOU and any corresponding terms in the Arena Facilities Agreements)) will be allocated to the Parties in proportion to their respective shares of outstanding taxable Public Financing.

G. In connection with security provided by ArenaCo for its financial obligations to the Parties, the City will make and maintain the appropriate UCC filings necessary to perfect security interests, as described in the Arena Facility Agreements, with each Party named as a "secured party" in those UCC filings.

12. Governance.

A. The City will serve as administrator of the joint and cooperative undertaking established in this Interlocal Agreement and will be responsible for day-to-day decision-making with respect to the Arena and for supervising the City-County Representative. The City will appoint the City-County Representative after consultation with the County. The City may also remove and/or replace the City-County Representative after consultation with the County. The County Executive will designate a County employee to serve as a liaison with the City-County Representative. The City-County Representative will regularly report to and consult with that liaison concerning day-to-day decision-making and other matters and decisions concerning the Arena Facility Agreements, the Arena and the Arena Fund.

13. B. There is established the Arena Project City-County Advisory Board ("Advisory Board") to act in an advisory role by providing oversight of, and recommendations to City and County officials concerning the Arena Facility Agreements, the Arena and the administration of the Arena Fund. The Advisory Board will consist of one appointee from each

of the following, which appointee will be an elected official or other employee of the City or the County, as applicable:

- o The Mayor of the City (and if the Mayor fails to appoint someone, the City's Budget Director)
- o The County Executive (and if the Executive fails to appoint someone, the County's Budget Director)
- o The City Council (and if the Council fails to appoint someone, the chair of the City Council's primary budget and finance committee, currently the Government Performance and Finance Committee)
- o The County Council (and if the Council fails to appoint someone, the chair of the County Council's primary budget and finance committee, currently the Budget and Fiscal Management Committee).

C. Notwithstanding the foregoing, if the principal amount of the County's participation in the Public Financing does not exceed \$5,000,000, the only County representative on the Advisory Board will be the appointee of the County Executive (as described above).

D. The Advisory Board will make recommendations to City and County officials on Milestone Decisions (defined in Section 12.H(iii) below) or other significant decisions the Advisory Board may identify concerning the Arena Facility Agreements, the Arena and the Arena Fund. The Advisory Board will attempt to reach consensus agreement on any issue before it. If consensus is not reached, members of the Advisory Board may make separate recommendations on an issue.

E. The City-County Representative will provide the Advisory Board with at least quarterly reports detailing the status of all revenues of, expenditures from and balances in the Arena Fund and associated accounts, describing the status of activities and decisions that have occurred regarding the Arena Facility Agreements, the Arena and the Arena Fund, and providing other information that the City-County Representative may deem appropriate to provide or that the Advisory Board may request. The City-County Representative will report to the Advisory Board regarding proposed Milestone Decisions (as defined below) and any other significant decisions that the Advisory Board may identify. The City-County Representative will provide the Advisory Board with sufficient advance notice of such decisions so that it may meaningfully evaluate and recommend a decision based on the City-County Representative's Report.

F. The City-County Representative will promptly provide a copy of the reports described in Paragraph 12.E to the City Council and the County Council, together with such other reports as either council may from time to time request.

G. The City-County Representative will report immediately to the Advisory Board, the City's Mayor, the County Executive and the County Liaison upon the occurrence of an event of default under the Arena Facility Agreements.

H. The process for making decisions with regard to the Arena Facility Agreements, the Arena and the Arena Fund will vary depending on the nature and scope of the decision as follows:

(i) The City will make decisions on day-to-day operations ("Day-to-Day Decisions").

(ii) The City and the County will agree on important decisions that could materially affect the interests of the Parties ("Material Decisions"). If they are unable to agree, either Party may reasonably promptly thereafter invoke Dispute Resolution. Subject to Section 12.H(v), such decision may not be acted upon until resolved through Dispute Resolution.

(iii) The City and the County will agree on milestone decisions that could significantly affect the interests of the Parties ("Milestone Decisions") after obtaining a recommendation from the Advisory Board. If they are unable to agree, either Party may reasonably promptly thereafter invoke Dispute Resolution. Subject to Section 12.H(v), such decision may not be acted upon until resolved through Dispute Resolution.

(iv) Either Party may at any time invoke Dispute Resolution to address any issue that materially adversely affects that Parties interests or to address a breach of this Interlocal Agreement by the other Party.

(v) If in an emergency an immediate decision must be made (a) in order to avoid direct, significant and material negative or irreparable impacts on the interests of the Parties related to the Arena Facility Agreements, the Arena or the Arena Fund, or (b) in order to avoid missing a deadline in the Arena Facility Agreements, the City (in close consultation with the County) may act, with prompt notice given to the Advisory Board. In such case the City may act even if the Parties have invoked Dispute Resolution concerning the issue.

(vi) The table in Exhibit A attached hereto and incorporated herein sets forth the types of decisions that fit into the separate categories set forth in this Section 12. The table does not list all decisions, but rather lists examples of the types of decisions expected. If a decision is not listed, it may be classified using the terms set forth in this Section 7 and by comparing the decision to the examples in the Table.

(vii) The Parties intend to act primarily through the City-County Representative and the County Liaison. Either Party may, however, designate a different person within that Party's organization to act on behalf of that Party. The Parties also acknowledge and agree that the collaborative decision-making required herein will require each to provide the other with reasonable advance notice of matters requiring decisions and reasonably prompt resolution of such matters in order to assure effective, efficient and timely interactions with ArenaCo.

14. Dispute Resolution.

A. Whenever any dispute arises between the Parties under this Agreement which is not resolved by routine meetings or communications, the Parties agree to seek resolution of such dispute by the process described in this Section 8 ("Dispute Resolution").

15. B. The Parties will seek in good faith to resolve any such dispute or concern by arranging a meeting between City and County officials with authority to resolve the matter (including without limitation a meeting between the Mayor and the County Executive) within five business days after either Party receives notice of a dispute. If the Parties are unable to resolve the dispute informally within 10 working days, either Party may request the assistance of a mediator.

16. C. If it proves impossible to arrive at a mutually satisfactory solution through mediation within 30 working days of the request for the mediator, the Parties may refer the dispute to an arbitrator, who will be authorized to make a decision regarding the dispute, and that decision will be final and binding on the Parties. The Parties will share equally the costs of mediation and/or arbitration, and each Party will assume its own costs.

D. This provision does not prevent the Parties, upon mutual agreement, from engaging in any other alternative dispute resolution process of their choosing and, anything else in this Section notwithstanding, if either Party, at any time, believes that there is the need to maintain the status quo pending resolution by one or more of the methods set forth in this Section 14, that Party may seek a temporary restraining order, preliminary injunction or other equitable relief from any court of competent jurisdiction.

17. KeyArena. As between the Parties, the City (and not the County) will be solely responsible for any activities, decisions and costs associated with KeyArena under the Arena Facility Agreements.

10. Risk Provisions.

A. Each Party shall defend, indemnify and hold harmless the other party, and all of its officials and employees, from any and all claims, demands, suits, actions, fines, penalties, and liability of any kind, including injuries to persons or damages to property (collectively "Claims"), which arise out of or are related to any negligent acts or omissions or any breach of this Agreement by the indemnifying party or its employees, contractors or agents. Provided, that if any such Claims are caused by or result from the concurrent negligence or breach of this Interlocal Agreement by the City or its employees, contractors or agents and the County or its employees, contractors or agents, each party's obligation hereunder applies only to the extent of the negligence or breach of such party or its employee, contractor or agent.

B. The foregoing indemnity is specifically and expressly intended to constitute a waiver of each party's immunity under industrial insurance, Title 51 RCW, as respects the other party only, and only to the extent necessary to provide the indemnified party with a full and complete indemnity of claims made by the indemnitor's employees. This waiver has been mutually negotiated.

C. As between the Parties and ArenaCo under the Arena Facility Agreements, ArenaCo will bear all costs and responsibility for investigating, responding to and remediating Hazardous Materials associated with the Project Site. As between the City and the County, the City will bear all costs and responsibility for investigating, responding to and remediating Hazardous Materials associated with the Project Site, and shall indemnify, defend and hold harmless the County and all

of its officials and employees from all liability arising out of the discovery of such Hazardous Materials. "Hazardous Materials" as used herein shall mean any hazardous, dangerous or toxic wastes, materials, or substances as defined in state or federal statutes or regulations as currently adopted or hereafter amended.

18. 11. Binding Effect. This Agreement shall inure to the benefit of the Parties and shall be binding upon the Parties and their successors. This Agreement may not be assigned.

19. 12. No Rights Created in Third Parties. The terms of this Agreement are not intended to establish or to create any rights in any persons or entities other than the Parties and the respective successors of each.

20. 13. Force Majeure. Neither Party shall be liable to the other or deemed in breach or default hereunder if and to the extent its performance hereunder is prevented by reason of force majeure. The term "force majeure" means an occurrence that is beyond the control of such Party and could not have been avoided by exercising due care. Force majeure shall include acts of God, terrorism, war, riots, strikes, fire, floods, earthquakes, epidemics or other similar occurrences.

21. 14. Severability. In the event any provision of this Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

22. 15. Amendments. This Agreement may be amended, changed, modified or altered by an instrument in writing duly executed by the Parties (or the successors in title of each). The Parties anticipate that this Agreement will be adjusted to conform to the provisions of the Umbrella Agreement and the Transaction Documents.

23. 16. Effective Date. This Agreement shall become effective upon its full execution. All acts performed by any Party prior to the effective date of this Agreement and consistent with its terms, are ratified and confirmed.

24. 17. Recording. This Agreement may be recorded or made otherwise available consistent with applicable law

25. 18. Applicable Law and Venue. This Agreement shall be construed and interpreted in accordance with Washington law. Venue will be in the Superior Court for the State of Washington in and for King County.

26. 19. Notices. All notices provided for herein may be delivered in person, sent by Federal Express or other overnight courier service or mailed in the United States mail postage prepaid and, if mailed, shall be considered delivered three (3) business days after deposit in such mail. The addresses to be used in connection with such correspondence and notices are the following, or such other address as a Party shall from time to time direct:

City:

Copies to:

County:

Copies to:

27. 20. Execution. This Agreement may be executed in one or more counterparts.

IN WITNESS WHEREOF, the City and the County have caused this Agreement to be executed in their respective names by their duly authorized officers, and have caused this Agreement to be dated as of the date set forth on the first page hereof.

| | |
|--------------------------------|------------------------|
| KING COUNTY, WASHINGTON | CITY OF SEATTLE |
| By: _____ County Executive | By: _____ Mayor |
| Date: _____ | Date: _____ |

EXHIBIT A

Material and Milestone Decisions

(* Denotes Milestone Decisions)

Pre-Development and Planning Phase

Agreement on terms of Umbrella Agreement and Transaction Documents (MOU ¶ 7)
Agreement on allocation of reimbursable development costs (MOU ¶ 3.b)

Design and Construction Phase

Agreement on three NBA/NHL arenas for Design Standards (MOU ¶ 15.b)
Agreement on Schematic Design Package (MOU ¶ 15.f)
Agreement on approval of material deviations from Design Standards (MOU ¶ 15.h)
Agreement on approval of material deviations from Schematic Design (MOU ¶ 15.h)
Agreement to intervene and join as a party in action between ArenaCo and specified construction and design-related entities (MOU ¶ 15.l)
Agreement on naming rights (MOU ¶ 20.a)

Conditions Precedent/Public Financing

Agreement that all City-County conditions precedent have been satisfied prior to Public Financing (MOU ¶ 21)
Agreement on structure of Public Financing for First Installment (MOU ¶ 10)
Agreement on exercising option or causing lease prepayment on Transfer Date (MOU ¶ 9)
Agreement on structure of Public Financing for Second Installment (MOU ¶ 10)
Agreement on use of excess Tax Revenue to apply excess amounts to pay down Public Financing or to deposit in City-County Capital Account (MOU ¶ 12.h.(iv))
Agreement to refinance, redeem or defease outstanding Public Financing principal (MOU ¶¶ 10 and 12.h.(iv))

Operations Phase

Agreement on three NBA/NHL arenas for Operating Standards (MOU ¶ 14.a)
Agreement on approval of material changes to Operating Standards (MOU ¶ 14.b)
Agreement on approval of investment of Reserve Account money (MOU ¶ 12.e.(ii))
Agreement to draw on Reserve Account (MOU ¶ 12.e.(iii))
Agreement on responses to default, enforcement of security interests/guarantees, and draws on Capital Account and City-County Capital Account (MOU ¶¶ 12.f, 12.d and 12.e)
Agreement on Five-Year CIP (MOU ¶ 13.c)
Agreement on repairs, replacements or maintenance for Arena (MOU ¶ 13.c)
Agreement on use funds in City-County Capital Account (MOU ¶ 12.e)
Agreement on use of the Arena for City-County Events (MOU ¶ 14.c)
Agreement on sale of ArenaCo or assignment of Arena contracts (MOU ¶ 20.c.)
Agreement on Dispute Resolution decisions (MOU ¶ 25)

Day-to-Day Decisions

Pre-Development and Planning Phase

Issue call for bids for the Project (MOU ¶ 6)

Agreement on Fair Market Value of Project Site (MOU ¶ 8)

Design and Construction Phase

Attend meetings with and provide input to ArenaCo on development, design and construction (MOU ¶ 15)

Object to material deviations from approved Schematic Design (MOU ¶ 15.f)

Review ArenaCo selection of and contracts with construction/design entities (MOU ¶ 15.i)

Review construction and design contracts for compliance with Other Provisions, Insurance, Indemnification, and Labor Peace Agreement requirements (MOU ¶¶ 15.j, 15.k and 15.n)

Conditions Precedent/Public Financing

Prepare and update schedule of estimated Annual Reimbursement Amount (MOU ¶ 12.c)

Operations Phase

Monitor Rent and Additional Rent Payments (MOU ¶ 12.c)

Monitor Coverage Ratio and Reserve Account Requirements (MOU ¶ 12.e)

Make/maintain filings to perfect security interests (MOU ¶ 12.f)

Prepare monthly accounting on Arena Tax Revenues (MOU ¶ 12.h)

Inspect Arena and retain professional to assist with development of schedule of major maintenance (MOU ¶ 13.c)

Monitor marketing efforts (MOU ¶14.d)

MEMORANDUM OF UNDERSTANDING SEATTLE SPORTS AND ENTERTAINMENT FACILITY

THIS MEMORANDUM OF UNDERSTANDING (“MOU”), dated this ____ day of _____, 2012 (“Effective Date”) is entered into among the following parties: The City of Seattle, a Washington municipal corporation (“City”), King County, a political subdivision of the State of Washington (“County”), and WSA Properties III, a Delaware limited liability company (“ArenaCo”). The City, the County and ArenaCo are referred to jointly as the “Parties.”

RECITALS

A. ArenaCo or its affiliate has acquired land (“Project Site”) south of downtown Seattle, Washington, adjacent to First Avenue South between South Massachusetts Street and South Holgate Street, on which it proposes to develop and operate a new multi-purpose sports and entertainment facility (“Arena”). The Arena will be designed to host a National Basketball Association (“NBA”) team (“NBA Team”) and a National Hockey League (“NHL”) team (“NHL Team”) and other events.

B. ArenaCo has approached the City and the County with a proposal for the two governments to participate in the development and ownership of the Arena on the Project Site.

C. An advisory panel (“Panel”) formed by the Mayor for the City and the King County Executive reviewed the ArenaCo proposal. The Panel conducted four public meetings and considered the comments and reports from experts and other members of the community. The Panel has recommended that the City and the County pursue development of the Arena and has identified a number of important issues that should be addressed in any agreements for the development and operation of the Arena.

D. This MOU is intended to be a binding and enforceable agreement of the Parties, subject to the fulfillment and occurrence of the conditions precedent set forth herein. It reflects the mutual understandings of the Parties regarding those actions, permits, approvals and/or agreements lawful and necessary to accomplish the location, financing, acquisition, design, development, construction, lease, management, operation, use and occupancy of the Arena (collectively, the “Project”). The Parties intend to actively participate and to work together collaboratively, in good faith and with due diligence, to negotiate the terms of the Transaction Documents (as defined below) and undertake the Project. These undertakings are personal to the Parties and this MOU shall not be assigned to any other person or entity unless all Parties agree.

UNDERSTANDINGS

1. Purpose and Term of Agreement. This MOU sets forth the basic terms of proposed agreements among the Parties with respect to the Project, which terms will be memorialized in future agreements and other documents (“Transaction Documents”). The Arena will be designed to host an NBA Team and an NHL Team, and is expected to host other sporting events, family shows, concerts, graduations, and civic and other events. This Agreement will

terminate upon the earlier of the effective date of the Umbrella Agreement (defined in paragraph 7) or five (5) years from the Effective Date of this MOU.

2. Location. The Arena will be located on the Project Site, which is south of downtown Seattle.

3. Description; Cost Reimbursement.

a. Description. The Arena will be designed and constructed with approximately 700,000 square feet of usable space and sufficient improvements to have a total approximate capacity of 19,000 attendees for concerts, 18,500 attendees for NBA games, and 17,500 attendees for NHL games. It is not currently possible to estimate the cost of the design, development, and construction of the Arena since the design is not complete and costs will be incurred in the future, and subject to unknown inflation in the costs of materials and labor. The Parties believe that construction and equipping of the Arena, including the cost of acquiring the Project Site, will be accomplished for an aggregate Project cost of approximately \$500 million. The Parties will work to agree upon Plans and Specifications for the Arena that, together with the Project Site acquisition costs, will result in a final Project cost in that approximate amount.

b. Cost Reimbursement. “Development Costs” means reasonable and documented out-of-pocket expenses actually incurred by the City and County directly in connection with this MOU and the transactions contemplated herein through the Commencement Date (defined in paragraph 9) including, but not limited to, all reasonable and documented expenses of engineers and legal, financial and other required consultants paid by the City or County (but excluding the expenses described in paragraph 4 and any financing or other costs paid out of bond proceeds). ArenaCo shall reimburse the City and County for all reasonable and documented Development Costs up to a maximum amount of \$5 million, with each payment being due within thirty (30) days following ArenaCo’s receipt of an invoice from the City and County as provided herein, with the first payment of any such reimbursable Development Costs to be billed by the City and County at least thirty (30) days prior to the Closing Date, and becoming due and payable on the Closing Date (defined in paragraph 8). Following the Closing Date, any reimbursable Development Costs that become due and payable as provided in this paragraph 3.b through the Commencement Date will be billed by the City and County on a monthly basis and paid by ArenaCo within thirty (30) days following receipt by ArenaCo of any invoice from the City and County. The reimbursement of Development Costs is in addition to expenses payable by ArenaCo in connection with paragraph 4 below.

4. Initial Site Acquisition and Permitting. ArenaCo has acquired or will acquire the property that comprises the Project Site. At its sole cost and expense, ArenaCo will seek a master use permit and all other permits or approvals required for the Project. At ArenaCo’s expense, the City will provide dedicated planning staff to facilitate the review and processing of permit applications relating to the Project, with planning staff time to be billed at the then applicable rate schedules of the City.

5. SEPA. The Parties acknowledge that the Project is subject to review and potential mitigation under various laws, including the State Environmental Policy Act, Chapter 43.21C of the Revised Code of Washington (“RCW”), and the state and local implementing rules

promulgated thereunder (collectively, “SEPA”). The City or County may not take any "action" within the meaning of SEPA except as authorized by law, and nothing in this MOU is intended to limit the City’s or County’s exercise of substantive SEPA authority.

6. Call for Bids. The City and County will make a call for bids for the Project. The call for bids will be made by publication in the *Puget Sound Daily Journal of Commerce* for two consecutive weeks before the date fixed for opening the bids as required by RCW 35.42.080.

7. Umbrella Agreement. If ArenaCo is the successful bidder for the Project, or if no bid is received on the call and the City and County determine to proceed with the Project without any further call for bids, then as soon as reasonably practicable the Parties intend to enter into a comprehensive agreement that will include the Transaction Documents in substantially final form as exhibits thereto (the “Umbrella Agreement”). The Umbrella Agreement will incorporate conditions precedent substantially in the form set forth in paragraphs 21 and 22 below, except to the extent that such conditions precedent shall have been met or waived at the time of the execution of the Umbrella Agreement.

8. Site Conveyance. Following execution of the Umbrella Agreement and satisfaction of the applicable conditions precedent, the City will fund the First Installment of the initial Public Financing, as defined and provided in paragraph 10, to purchase the Project Site from ArenaCo, and ArenaCo will sell and convey a fee simple interest in the Project Site to the City by statutory warranty deed, free and clear of all liens and encumbrances other than “permitted exceptions” (as hereinafter defined) contained in title reports for the Project Site as of the Closing Date that are reasonably approved by the City. The date on which the City acquires the Project Site from ArenaCo is referred to in this MOU as the “Closing Date.” Permitted exceptions will be agreed to by the Parties no later than the end of the due diligence period under paragraph 21.c below, subject to updating to account for the time period between the end of the due diligence period and the Closing Date. The purchase price for the Project Site will be paid by the City to ArenaCo in cash on the Closing Date. The purchase price will be the then fair market value of the Project Site, as permitted for construction of a facility for use as a multipurpose sports and entertainment arena, based on an appraisal by a mutually agreed-upon MAI- (Member of the Appraisal Institute) certified independent appraiser as of the date the master use permit is issued.

9. Ground Lease, Lease-Purchase Agreement and Arena Lease. The City will ground lease the Project Site to ArenaCo for a period of at least 30 years (the “Ground Lease”), commencing on the Closing Date. The Ground Lease will require ArenaCo to pay ground rent in the amount of \$1 million annually, which annual rent will be paid by ArenaCo in equal semi-annual installments, and will be pro-rated for any partial year on a monthly basis. This annual Ground Lease rent obligation will terminate on the Commencement Date as defined below. Also on the Closing Date, the City and County will enter into an agreement (“Lease-Purchase Agreement”) pursuant to which ArenaCo will construct the Arena building structure (“Arena Facility”) in accordance with the Design Standards as defined in paragraph 15, for lease (with an option to purchase as described in this MOU) to the City and County. The term of the Lease-Purchase Agreement will be co-extensive with the original term of the Ground Lease and the payments to be made by the City and County under the Lease-Purchase Agreement will not exceed the prevailing rates for comparable space.

When the Arena Facility is ready for occupancy (“Commencement Date”), the City and County will commence paying rent, initially for a nominal amount, under the Lease-Purchase Agreement. The City and County will have the right to prepay or cause a trustee to prepay all or a portion of the principal component of all remaining lease payments required under the Lease-Purchase Agreement and will also have the right to exercise the option to purchase the Arena Facility at a price equal to the principal component of all remaining lease payments required under the Lease-Purchase Agreement, as those lease payments may be adjusted consistent with paragraph 10 below. The date that title to the Arena Facility transfers to the City and County is referred to as the “Transfer Date.” The Transfer Date will occur on the day following the date when the Arena Facility is added to the property tax rolls or such later date, not to exceed 180 days thereafter, that ArenaCo may request. ArenaCo will lease the Arena Facility from the City and County or sublease from the City and County or trustee, as the case may be (“Arena Lease”), on the Commencement Date.

On the Transfer Date, the City and County will pay ArenaCo an amount equal to the principal component of all lease payments due under the Lease-Purchase Agreement, as they may be adjusted, or if the City and County have appointed a trustee with respect to certificates of participation in lease payments, then the City and County will cause the trustee to pay to ArenaCo an amount equal to the principal component of all lease payments under the Lease-Purchase Agreement. In either event, the City and County (or a trustee on behalf of the City and County) will purchase the Arena Facility from ArenaCo as provided in this MOU.

10. City-County Public Financing. The total amount to be paid to ArenaCo by the City and County for acquisition of the Project Site and the lease-purchase of the Arena Facility will be \$200 million; provided, however that the actual amount to be paid to ArenaCo will be subject to reduction as provided below. The structure of the Public Financing (as hereinafter defined) will be determined through a collaborative process among the City, the County and ArenaCo, recognizing that the Public Financing will be consistent with the City’s and County’s debt management policies, including policies related to debt capacity and risk profile. The Public Financing will include two installments of approximately thirty (30) year bonds or certificates of participation that have an effective cost of capital similar to general obligation bonds with debt service payments escalating at a rate of 1% per annum for the first ten (10) years of each installment (the “Public Financing”), and each installment will include consideration of: (i) financing obligations at market rates, including only usual and customary financing charges; (ii) utilizing tax-exempt debt; and (iii) utilizing various structuring techniques, including, but not limited to, non-callable bonds, premium bonds and discount bonds, as deemed appropriate by the City and County. The City and the County, in their discretion, may later refinance such obligations to improve borrowing terms. Further, at ArenaCo’s request, the City and County will consider refinancing such obligations if market conditions allow for improved borrowing terms, provided that ArenaCo reimburses the City and County for the reasonable and necessary costs of such refinancing. Any refinancing of the Public Financing will endeavor to lower debt service costs each year as opposed to redeeming bonds only in late maturity years.

The Parties anticipate that an NHL Team will be committed to play in the Arena after the date on which the NBA Team is acquired and committed to play in the Arena. ArenaCo anticipates that it will proceed with the Project and, if necessary, operate the Arena during the period between the acquisition of the NBA Team and the NHL Team. The Parties recognize that

the value of the Arena to the City and the County will be greater upon the commitment of an NHL Team to play in the Arena. In connection with the foregoing, the Public Financing shall only be committed in accordance with the following installments:

(i) First Installment: On the Closing Date, in an amount equal to the fair market value of the Project Site (as determined and provided for in paragraph 8, but in no event to exceed \$100 million) paid to ArenaCo.

(ii) Second Installment: On the Transfer Date (a) if all of the conditions related to an NHL Team set forth in (b) of this subparagraph (ii) have not been satisfied by the Transfer Date, an additional amount supported by the Base Rent and the stabilized level of Arena Tax Revenues to be determined as provided in the Umbrella Agreement and Transaction Documents, up to \$120 million (paid to ArenaCo as provided in paragraph 9) less the amount paid to ArenaCo in the First Installment, or (b) if by the Transfer Date an NHL Team license agreement committing the NHL Team to play its home games in the Arena has been executed, together with a non-relocation agreement as described in paragraph 17 and any other necessary agreements with the City and the County related to the NHL Team, and the NHL has acknowledged the Arena Lease and the non-relocation agreement and has approved locating the NHL Team in Seattle, an amount equal to \$200 million, paid to ArenaCo as provided in paragraph 9, less the amount paid to ArenaCo in the First Installment.

11. Ownership of Arena Facility and Improvements. ArenaCo will install all tenant improvements and furnishings, including without limitation the seating, suite furnishings, offices, locker rooms, press areas, basketball floor, ice-making systems and equipment, dasher board systems, sound systems, scoreboards, ribbons, concession equipment, training equipment, and other items ("Arena Tenant Improvements"). For federal income tax purposes, ArenaCo will own all or a portion of those Arena Tenant Improvements, to be set forth in the Transaction Documents. The initial Arena Tenant Improvements will be commensurate with the construction of a first-class arena as set forth in the Design Standards and Operating Standards. The Arena Tenant Improvements (but not any NBA Team- or NHL Team-owned equipment or fixtures) will become the property of the City and County upon the termination of the Arena Lease without any further obligation on the part of the City or County. Upon termination of the Arena Lease, ArenaCo will be obligated to surrender the Arena Facility and Arena Tenant Improvements to the City and County in a condition consistent with the program of capital repairs, replacements and improvements required pursuant to paragraph 13 and in a state of repair comparable to facilities of a similar age and suitable for continued uninterrupted use by NBA and NHL teams and as a major entertainment facility.

12. Arena Lease. The Arena Lease will provide for the following terms:

a. Term. The initial term of the Arena Lease will be at least thirty (30) years, but in no event shall the initial term be less than the maturity of any Public Financing obligations. The Arena Lease will provide for four options of five (5) years each for ArenaCo to extend the term of the Arena Lease. Subject to applicable law, the annual rental rate will be \$4 million during the first extension term. Beginning with the second extension term, rent will increase by the change in the Consumer Price Index between the first and last years of the preceding extension period, if any. During each of the extension terms that are exercised by

ArenaCo, the City and County will deposit 100% of all annual rent payments under the Arena Lease into the City-County Capital Account defined in paragraph 12.h(iv). If ArenaCo exercises the option to extend the term of the Arena Lease, the obligations of the NBA Team and (if applicable) the NHL Team to play at the Arena will be similarly extended.

b. ArenaCo Revenues. For the initial term of the Arena Lease, ArenaCo will be entitled to all cash and in-kind revenues associated with the operation, use and enjoyment of the Arena (other than for any City-County Events, as hereinafter defined) (the “Arena Revenues”), subject to the payments and reserves required as described in this paragraph 12, and not including any taxes, fees or charges ArenaCo may be obligated to collect and submit to a taxing or other government authority on behalf of others. Subject to the foregoing, Arena Revenues means all revenues, determined on a cash basis, of whatever kind or nature received or obtained by ArenaCo or a third-party, within the scope of ArenaCo’s authority or responsibility under the Umbrella Agreement or the Transaction Documents for the management, operation or maintenance of the Arena, in all cases subject to all revenues reserved to the NBA Team or the NHL Team pursuant to applicable license agreements as required by the NBA and NHL. Arena Revenues include, but are not limited to, box office fees (excluding ticket revenue for the NBA Team and NHL Team), facility fees, parking revenues, revenues from consumable and non-consumable concessions, all other licensing and rent revenues, forfeited security deposits, ticket commission and convenience fees, and other fees actually received by ArenaCo, for or from the following: (1) the use or operation of, or admission to, the Arena or any portion thereof, (2) all rents, royalties, and concession payments from tenants, concessionaires and licensees, (3) interest on or proceeds of investment of any accounts (except the Reserve Account and Capital Account, as described in paragraphs 12.e(ii) and 13.a respectively), (4) rental or use of Arena equipment, (5) services rendered at or related to the Arena, (6) the amounts received from seat use charges and parking use fees, (7) the amounts generated from the use and operation of any Arena internet website and other similar media, (8) the right to sell, or the sale of permanent and ArenaCo temporary signage (but not temporary signage that is reserved or provided to the NBA Team and the NHL Team under their respective license agreements) and Arena sponsorships (including, without limitation, naming rights and founding partner sponsorships), (9) the non-ticket amounts generated from the sale or license of luxury suites and premium seating, and (10) club membership fees, but expressly excluding (notwithstanding the provisions above), in all events, sums received or collected by ArenaCo for and on behalf of and actually paid to a user of the Arena.

c. Rent Payments. Each year during the term of the Arena Lease, ArenaCo will pay annual rent to the City and County in the amount of \$2 million (“Base Rent”) at least thirty (30) days prior to the date of the City’s first designated semi-annual debt service payment for the Public Financing. In addition, at least thirty (30) days prior to the date of the City’s second designated semi-annual debt-service payment for the Public Financing during each year of the Arena Lease, ArenaCo will pay the City and County the amount (the “Additional Rent”) that is sufficient, when combined with Base Rent and Arena Tax Revenues (described below) received by the City and County for use in that year, to equal the total annual debt service obligations of the City and the County for the Public Financing. “Annual Reimbursement Amount” means the total annual debt-service obligations of the City and County for the Public Financing. A schedule of the estimated Annual Reimbursement Amount will be prepared as an

attachment to the Transaction Documents and will be updated and delivered to ArenaCo on the Closing Date and further updated on the Transfer Date.

d. Arena Tax Revenues. “Arena Tax Revenues” means the dollar amount of: (i) all sales tax, property tax, leasehold excise tax, and admission tax revenues, as well as other tax revenues attributable to the Arena and Arena Tenant Improvements that have been received by the City or the County on and from the Project Site and Arena, and from all uses and activities conducted thereon, except for those tax revenues that are subject to legal restrictions that preclude their use either for payment of Arena-related debt or expenses hereunder (other than parking taxes attributable by contract to the Arena) plus (ii) City business tax revenues imposed under Chapter 5.45 SMC or any successor provision that the City has reasonably determined it received from ArenaCo and from other business activities engaged in, at, or from the Arena (including without limitation revenues from the business activities that have a substantial nexus with the City). In the event the City or the County issue tax-exempt bonds in connection with the Public Financing, then the underlying tax stream utilized to pay the debt service on such bonds shall be excluded from the definition of “Arena Tax Revenues.”

e. Security for Rent. ArenaCo will secure payment of Base Rent and Additional Rent as described in subparagraphs 12.e through 12.g.

(i) Coverage Ratio. ArenaCo will be required to certify annually that the Net Arena Revenues for the preceding fiscal year at fiscal year end are equal to at least two times (2.0x) the Annual Reimbursement Amount for the following year in which debt service is paid (the “Coverage Ratio”). “Net Arena Revenues” means the Arena Revenues less Arena Operating Expenses. ArenaCo will, on a date set forth in the Transaction Documents, provide the City and County with an annual accounting and any reasonably requested documentation to confirm the Coverage Ratio. If Net Arena Revenues are insufficient and fail to meet the Coverage Ratio, ArenaCo promptly (and in no event later than 30 days after the annual accounting is provided to the City and County) will increase the Reserve Account by an amount such that the balance of the Reserve Account plus Net Arena Revenues equal three times (3.0x) the Annual Reimbursement Amount for the following year. To the extent the amount held in the Reserve Account ever exceeds the Annual Reimbursement Amount for the following year, any amount over the Coverage Ratio in future years will be used to reduce the Reserve Account requirement back to the applicable ratio, provided that in no event will the amount held in the Reserve Account be less than the Annual Reimbursement Amount for the following year.

(ii) Reserve Account. As collateral, ArenaCo will fund an account at a financial institution reasonably acceptable to the City and County (the “Reserve Account”). The Reserve Account shall be for the benefit of the City and County as provided in this MOU, the Umbrella Agreement and the applicable Transaction Documents, and will be governed/managed in accordance with an “account control agreement” the terms of which will be consistent with this MOU and that are mutually agreed upon in good faith by ArenaCo, and the City and County. The initial deposit into the Reserve Account will be due on the Closing Date and will equal the Annual Reimbursement Amount for the following year for the City and County. Thereafter, ArenaCo will make annual deposits into the Reserve Account by June 1 of each year during the term of the Arena Lease that will cause the balance to equal the then next year’s actual Annual Reimbursement Amount. All money held in the Reserve Account shall only be invested

pursuant to the terms of the account control agreement and such money shall only be invested in investments reasonably acceptable to the City and County. To the extent that the Annual Reimbursement Amount declines due to a restructuring, principal pay-down, or other reduction of the debt service for the Public Financing, then the amount to be held in the Reserve Account will be similarly reduced (provided that the Coverage Ratio is still maintained).

(iii) Withdrawals and Replenishing Deposit. If the City or County draws on the Reserve Account or if the value of securities held in the Reserve Account decreases and the balance in the Reserve Account is less than the Annual Reimbursement Amount for the following year, ArenaCo will replenish the Reserve Account within 30 days.

f. Payment Default; First Priority Payment and Lien Position; Parent Guaranty

(i) Payment Default; First Priority Payment and Lien. If ArenaCo fails to pay all or any portion of the Base Rent or Additional Rent when due or to make any required deposit into the Reserve Account or the Capital Account when required, then the City and County may draw on the Reserve Account. The City's and County's right to receive required payments of Base Rent and Additional Rent and ArenaCo's obligation to fund the Reserve Account and the Capital Account will have a first-priority payment position on all revenue and receivables of ArenaCo. As the payment obligations of ArenaCo to the City and County hereunder constitute operating expenses, (e.g., including but not limited to rent) such payment obligations will be senior to all debt service payments on any Arena-related financing and intercompany debt. The City's and County's right to receive the required payments of Base Rent and Additional Rent as well as the amounts in the Reserve Account and the Capital Account will be secured by a lien on revenues and receivables of ArenaCo with such lien and its priority to be as agreed upon by lenders to ArenaCo, the City and the County and further secured as provided in subsection 12f(ii) below. In the event of a "Payment Default", which for the purposes of this MOU will be defined as ArenaCo's failure to replenish the Reserve Account to the required amount within thirty (30) days of receipt of notice from the City and County of any draw on the Reserve Account, the City and County may exercise any and all remedies at law or equity or under or pursuant to this MOU, the Umbrella Agreement and the Transaction Documents.

(ii) Parent Guaranty. ArenaCo hereby agrees that the direct equity owner of ArenaCo (the "ArenaCo Parent") will also be the direct equity owner of the entity that owns and operates the NBA Team unless there is a sale, transfer or assignment in accordance with paragraph 20.c(ii). In addition to the security provided for in paragraph 12.f(i) above, ArenaCo shall deliver, on the Transfer Date, an unsecured and unconditional guaranty of ArenaCo Parent (the form of which shall be included in the Transaction Documents) guarantying ArenaCo's obligations under the Arena Lease. Further, the City and County will also be entitled to receive the first distributions of any proceeds from any sale of the NBA Team, subject only to repayment of any obligations of the NBA Team related to any debt of the NBA Team to the NBA or other lenders approved by the NBA that are secured by the NBA franchise and other assets of the NBA Team up to the \$125 million cap on such debt currently allowed under applicable NBA rules ("NBA Team Secured Debt Obligations"). Notwithstanding the foregoing, however, if the NBA revises its rules to allow NBA teams to borrow in excess of the current

limit of \$125 million that may be secured by the NBA franchise and other assets of NBA teams, then the NBA Team will be entitled to increase the amount of the NBA Team Secured Debt Obligations; provided, however, that the NBA Team will limit the amount of the NBA Team Secured Debt Obligations that will be senior to the right of the City and County to receive distributions of any proceeds from any sale of the NBA Team to the lesser of: (A) the maximum amount of NBA Team Secured Debt Obligations that is then allowed under NBA rules, or (B) 40% of the then "fair market value" ("FMV") of the NBA Team. The FMV of the NBA Team will be as mutually agreed upon in good faith by the Parties at that time; provided, however that if the Parties are unable to agree upon the FMV of the NBA Team at that time, then the FMV of the NBA Team will be determined by a sports industry recognized appraiser with experience in valuing NBA teams selected by the mutual agreement of the Parties pursuant to a customary valuation process to be specified in the Umbrella Agreement; but provided further, however, that if the NBA Team Secured Debt increase of the NBA Team is being sought in connection with the acquisition of the NBA Team on an arm's-length basis by an unrelated party, then the FMV will be equal to the actual all-in acquisition price of the NBA Team.

g. Insolvency. If ArenaCo is determined to be bankrupt or insolvent as defined in the Umbrella Agreement or the Transaction Documents; if any receiver, trustee or other similar official of all or any part of the business of ArenaCo is appointed and is not discharged within 60 days after appointment; if ArenaCo makes any general assignment of its property for the benefit of creditors; if ArenaCo files a voluntary petition in bankruptcy or a state court receivership proceeding, or applies for reorganization or arrangement with its creditors, under federal, state or other laws now in force or hereafter enacted; if an involuntary petition of bankruptcy or insolvency is filed against ArenaCo and is not dismissed within 60 days after the filing; and if ArenaCo is in Payment Default then the City and County, at their election and unless prohibited by law may (i) first - draw on the Reserve Account, and (ii) then - foreclose on their security interests in the revenues and receivables from ArenaCo or the Arena, and/or (iii) replace ArenaCo as operator of the Arena, and/or (iv) terminate the Umbrella Agreement and the Arena Lease. These remedies are not exclusive and will be in addition to all other remedies available to the City and County.

h. Flow of Arena Tax Revenues.

(i) Tax-Exempt Debt. The structure of the transactions may be modified in a manner that results in more positive financial effects to the Parties, including the ability of the City and County to issue tax-exempt debt.

(ii) Arena Tax Revenues. Arena Tax Revenues will be deposited in the Arena Revenue Account. The City and the County will provide ArenaCo with a monthly accounting detailing Arena Tax Revenues collected and distributed.

(iii) Arena Revenue Account. The City will create an "Arena Fund" (and accounts and subaccounts associated therewith) (collectively, "Arena Revenue Account") into which the City and County will deposit any Arena Tax Revenues plus Base Rent and Additional Rent payments received by the City and County.

(iv) **City-County Capital Account.** On an annual basis, after payment of the Annual Reimbursement Amount has been made and only to the extent of any excess Arena Tax Revenue, the City and County, at their option, but in consultation with ArenaCo, and in the manner established in the Transaction Documents, will either (a) reserve and apply the excess to redeem or defease other outstanding principal of the Public Financing or, (b) to deposit all or part of such excess into a separate account to be used for the below-described capital improvements (“City-County Capital Account”). The City-County Capital Account shall at all times be the property of the City and County. If, at any time during the first ten (10) years of the Arena Lease, the City-County Capital Account has a balance of \$10 million, no additional deposits will be made into the City-County Capital Account. After the tenth (10th) year of the Arena Lease, the allowed balance of the City-County Capital Account will increase by \$2 million annually, until the fifteenth (15th) year, and thereafter the maximum balance of the City-County Capital Account will be \$20 million. Any excess Arena Tax Revenues not required to be deposited to the City-County Capital Account as provided in this MOU shall be used only to redeem outstanding principal of the Public Financing, in consultation with ArenaCo and for no other purpose until such time as all outstanding principal of the Public Financing has been fully retired or defeased. The deposits described in this paragraph will not in any way limit ArenaCo’s obligation to make its annual payment into the Capital Account and to make all capital repairs, replacements and improvements to the Arena as provided in this MOU.

(v) **Termination.** Following the defeasance or redemption of all bonds or certificates of participation issued as part of the Public Financing, the City and County will notify ArenaCo that it may withdraw all amounts remaining in the Reserve Account not otherwise required to satisfy ArenaCo’s obligations under the Arena Lease. From and after the date the Arena Lease is terminated, the City and County may withdraw all amounts remaining in the City-County Capital Account.

13. Capital Improvements.

a. **Capital Account.** ArenaCo will be required to make semi-annual cash deposits into an account (“Capital Account”) in an amount equal to \$2 million annually (“Capital Account Requirement”). Funds in the Capital Account shall be used to make capital repairs, replacements or improvements to the Arena in accordance with this paragraph 13. The initial Capital Account deposit will be made on the first anniversary of the Commencement Date and payments will be made semi-annually thereafter on the dates that Base Rent and Additional Rent are due.

b. **Capital Improvements.** ArenaCo will, at its sole cost and expense, make all capital repairs, replacements and improvements relating to the Arena or its use. Capital repairs, replacements and improvements means the purchase, installation, repair or replacement of items with a life expectancy of at least three years, at a cost of five thousand dollars (\$5,000.00) per item or system, including labor costs, and that are necessary or appropriate to maintain the Arena throughout the term of the Arena Lease in good repair in accordance with the Schematic Design Package, Design Standards and Operating Standards (as defined below) or which may be required by applicable law, including but not limited to, all capital improvements necessary to maintain the structural integrity of the Arena (“Capital Expenditures”).

c. Procedure for Making and Approving Capital Improvements.

ArenaCo will, on an annual basis, prepare a proposed five-year capital budget (“Five-Year CIP”) for anticipated Capital Expenditures to be funded by the Capital Account and the City-County Capital Account; provided, however, that nothing herein shall relieve ArenaCo of its obligations set forth in paragraph 13.b above, regardless of whether a Capital Expenditure is contemplated by the Five-Year CIP. Within sixty (60) days of the submission, the City and County will either accept the Five-Year CIP or provide comments. The Parties will undertake best efforts to come to a mutually acceptable agreement on the Five-Year CIP within sixty (60) days thereafter, and if the Parties are unable to reach an agreement within said 60-day period, then the issue will be submitted to the dispute resolution provisions of this MOU. In addition, the Parties will develop a procedure for periodic joint inspections and a schedule of major maintenance activities which shall be prepared or reviewed by professionals knowledgeable about life-cycle cost analysis for comparable public facilities. This procedure will include the right of the City and County to enter upon the Arena for the purposes of performing inspections of the Arena and Tenant Improvements. An ArenaCo representative will, at the request of the City and County, accompany the City and County Representative on the inspections. Within 30 days after such inspection, the City and County may provide ArenaCo with a list of any repairs, replacements or maintenance that the City-County Representative determines are necessary to maintain the Arena and Tenant Improvements in accordance with the Operating Standards. If ArenaCo disputes the City-County Representative’s determination, the ArenaCo representative and the City-County Representative will promptly meet to attempt to resolve the dispute. If they fail to resolve the dispute, the parties will attempt to mediate the dispute. If the parties fail to resolve the dispute through mediation, the Parties will submit their dispute the dispute resolution provisions of this MOU.

d. Capital Account Availability.

Upon Payment Default, the Capital Account will be available as additional security to the City and County to meet their payment obligations under the Public Financing. ArenaCo may draw on the Capital Account to make any Capital Expenditures consistent with the Five-Year CIP and to fund any other obligations of ArenaCo to make any other capital repairs, replacements and improvements relating to the Arena provided for in this MOU. Subject to the rights of ArenaCo under the Arena Lease, all such capital repairs, replacements and improvements will become the property of the City and County upon completion unless such repairs, replacements or improvements are Tenant Improvements and owned by ArenaCo or the NBA Team or the NHL Team.

e. City-County Capital Account Availability.

Provided there is no Payment Default, and subject to any other mutually agreed-upon expenditures to be paid from funds in the City-County Capital Account that are covered in any Five-Year CIP, the funds in the City-County Capital Account shall be utilized only for major repairs to components of the base systems of the Arena and other major improvements (e.g., major repairs to the (i) roof, (ii) HVAC system, (iii) primary sound system, (iv) primary lighting system, (v) ice sheet refrigeration system, (vi) primary scoreboards, (vii) plumbing improvements and replacements, and (viii) primary electrical systems). Any City and County-owned repairs, replacements or improvements are subject to the rights of ArenaCo under the Arena Lease. Notwithstanding the foregoing and in the event of a Payment Default, the City and County may, at their discretion, use any money in the City-County Capital Account for the payment, redemption or defeasance of the Public Financing.

14. Management, Operations and Use.

a. Operating Expenses. ArenaCo will control and will be solely responsible for all day-to-day operations, expenses, and costs for routine maintenance of and repairs to the Arena (“Arena Operating Expenses”) to maintain it to a standard comparable to three mutually agreeable professional basketball and ice hockey arenas suitable for NBA and NHL teams and recently constructed, serving as the home facility for NHL and NBA Teams or under construction (“Operating Standards”). For the avoidance of doubt, the City and County will have no responsibility for any Arena Operating Expenses (except for incremental out-of-pocket expenses associated with City-County Events).

(i) Arena Operating Expenses. Arena Operating Expenses means all expenses or obligations, as determined on a cash basis, of whatever kind or nature made or incurred by ArenaCo or any third-party management company that may be engaged by ArenaCo, within the scope of ArenaCo’s authority or responsibility under this MOU or the Transaction Documents for the management, operation or maintenance of the Arena, including, but not limited to, all reasonable costs of the City and County related to the City-County Representative and ArenaCo’s expenses (to the extent not duplicative of other expenses enumerated herein); all payments to be made by ArenaCo or its affiliates under the terms of this MOU, the Umbrella Agreement or the Transaction Documents, including but not limited to: rent payments; Impositions (as defined below); expenses related to parking areas (if applicable); box office expenses for third-party events; all expenses incurred to obtain Arena Revenues (pro-rated where appropriate to reflect an appropriate allocation of revenues between ArenaCo and either the NBA Team or NHL Team); salaries, wages and benefits of personnel working at the Arena including personnel employed by ArenaCo or through its affiliates or service contractors; human resource support services and training and development expenses; contract labor expenses; maintenance and repairs; utilities; deposits for utilities; telephone expenses; management fees paid to any third-party management company; expenses incurred under use or license agreements with licensees or other users of the Arena; telescreen, video and/or scoreboard operation expenses, dues, memberships and subscriptions; security expenses; police, fire, emergency services and other public safety expenses related to the Arena (the estimate and pro ration of which in the event of multiple venue events shall be set forth in the Transaction Documents or as otherwise mutually agreed upon by the Parties); other event-handling activities at the Arena; all expenses payable by ArenaCo under any license agreements with the NBA and NHL teams; audit fees; legal fees; other professional fees; fees payable to concessionaires or other subcontractors; refuse removal expenses; cleaning expenses; taxes (but excluding any taxes, fees or charges ArenaCo may be obligated to collect and submit to a taxing or other government authority on behalf of others); building maintenance supplies; ticket commissions for third-party events; insurance premiums; data processing expenses; advertising expenses relating to Arena advertising and sponsorships; maintenance of advertising and signage relating to all permanent advertising, sponsorships and naming rights; marketing; public relations expenses; expenses and losses (to the extent not duplicative of other expenses enumerated herein) incurred in the production and promotion of events at the Arena; pest control; office supplies; employment fees; freight and delivery expenses; expenses for leasing of equipment; credit and debit facilities and telecheck fees and expenses; Arena-related travel, lodging and related out-of-pocket expenses for officers and directors of ArenaCo or an affiliate; and all damages, losses or expenses incurred by the ArenaCo, its affiliates or any third-party management company as the result of any and all

claims, demands, suits, causes of action, proceedings, judgments and liabilities, including reasonable attorneys' fees incurred in litigation or otherwise, assessed, incurred or sustained by or against any of them (to the extent not covered by insurance proceeds actually received). Operating Expenses do not include any payments to third party lenders.

(ii) Impositions. As used herein, the term "Impositions" means (without duplication of any expense set forth above) all governmental assessments, franchise fees, excises, license and permit fees, levies, charges and taxes, general and special, ordinary and extraordinary, of every kind and nature whatsoever which at any time may be assessed, levied, confirmed, imposed upon, or grow or become due and payable out of or in respect of, or become a lien on: (a) all or any part of the Arena; (b) any payments received by ArenaCo or its affiliates from any holders of a leasehold interest or license in or to the Arena, from ticketholders (including, without limitation, suite licensees and premium seat ticketholders) attending events at the Arena; or (c) the transactions contemplated hereby or any agreement or document to which ArenaCo or its affiliates are a party which creates or transfers rights with respect to all or part of the Arena.

b. Operations. ArenaCo will operate and manage the Arena in accordance with the Operating Standards, as they may change from time to time by the mutual agreement of the Parties. ArenaCo will not enter into any multi-year contracts or grant any rights with respect to the operation of the Arena that would extend beyond ArenaCo's term of occupancy under the Arena Lease unless such agreements contain provisions acceptable to the City and County regarding termination and assignment. ArenaCo will provide the City and County with a copy of any such contract upon request. Failure of ArenaCo to operate and manage the Arena in accordance with the Operating Standards or to pay Arena Operating Expenses shall be a default under the Arena Lease and, in addition to other remedies, and subject to reasonable notice and cure provisions mutually agreed upon by the parties, shall entitle the City and County to replace ArenaCo as the operator and manager of the Arena; provided, however, that in the event that ArenaCo disagrees with the City and County that such a default under the Arena Lease has occurred, then such dispute will be submitted and resolved by the parties in accordance with the dispute resolution provisions specified in this MOU.

c. City-County Events. The City and County will be permitted to use the Arena or portions thereof to host no fewer than 12 events per year that do not conflict with previously scheduled events or hold dates ("City-County Events"). The City and County will have the right to schedule City-County Events in advance based on Arena availability. For City-County Events, the City and/or County will (i) pay no rent or use or license fees, and (ii) be required to pay only the incremental operating costs incurred by ArenaCo with respect to such City-County Events and any applicable taxes. Incremental costs shall not include the costs of foregoing alternative events or attributed overhead operational costs.

d. Marketing. ArenaCo will use commercially reasonable efforts to market the Arena in a manner that promotes and encourages economic development in the area.

e. Team License and Related Agreements. ArenaCo shall enter into license agreements, or other similar agreements, regarding the use of the Arena with the NBA Team and the NHL Team (the "Team License Agreements."). The Team License Agreements shall be

subject to the approval of the City and County as being consistent with the terms of this MOU and the Transaction Documents, and shall recognize the City and the County as third-party beneficiaries. In connection with such approval right, each Team License Agreement shall provide (i) that the team shall play its preseason, regular season and playoff home games at the Arena in accordance with paragraph 17; (ii) that the team shall acknowledge and accept, in a separate agreement in the form that will be one of the Transaction Documents, that the Team agrees to the non-relocation provisions in accordance with paragraph 17; (iii) that there is scheduling priority for the team (but if there is both an NBA Team and an NHL Team then playing in the Arena, subject to reasonable accommodation for any scheduling priority granted to either such team); (iv) for a term of at least 30 years; (v) for payment of rent; (vi) for allocation of the payment of game day expenses; (vii) for allocation of other expenses including maintenance; (viii) for an acknowledgment that ArenaCo shall retain all revenues related to naming rights, Arena founding partner sponsorships and other primary sponsorships related to the Arena; (ix) that ArenaCo shall retain all revenues related to suite sales; (x) that ArenaCo shall retain all revenues not retained by or payable to the teams or leagues for other premium and club seats; (xi) for allocation of revenues from parking, concessions, merchandise, and ticket surcharges (if any); (xii) for marketing of the Arena and the teams; (xiii) for insurance; and (xiv) for indemnification, including indemnification of the City and the County.

15. Arena Design, Development and Construction. ArenaCo will develop, design and construct the Arena as a first-class arena as set forth in the agreed-upon Schematic Design Package and related Design Standards (all as defined below). The City and County will have reasonable ongoing input through a designated representative (the “City-County Representative”) in addition to whatever regulatory design procedures and requirements apply. Within ten (10) business days after execution of the Umbrella Agreement, ArenaCo shall designate an individual who shall serve as the ArenaCo representative for the purposes of communicating with the City-County Representative and decision-making regarding any and all matters related to the construction of the Arena and its operation (“ArenaCo Representative”). The ArenaCo Representative shall have the authority to legally commit ArenaCo regarding any matter relating to Arena construction. ArenaCo will use all reasonable efforts to involve and keep the City-County Representative fully informed on a timely basis of all significant aspects and decisions for design and construction of the Arena. In order to enable the City-County Representative to attend, become informed about the status of the Project, participate in discussions and present the City’s and the County’s position with respect to matters being discussed, the ArenaCo Representative will schedule regular meetings of senior design and construction staff of ArenaCo and other design and construction principals to discuss major issues related to the development and construction of the Project. The City-County Representative will also be notified of weekly design meetings. The City-County Representative will be notified of the time and place of such meetings and of any special meetings held by senior ArenaCo development staff to address similar development issues. The ArenaCo Representative will also participate in such separate meetings with the City-County Representative as the City-County Representative may reasonably request with at least three (3) days’ prior notice. The ArenaCo Representative will also timely provide the City-County Representative with copies of significant construction-related documents including schedule updates, meeting minutes, requests for information (RFIs), responses to the RFIs, change order proposals and design changes. The City-County Representative will be entitled to full disclosure of all material matters relating to the Project as more fully described in paragraph 15.m below and will have the rights to specific prior review and approval as set forth in this paragraph 15.m

including, without limitation, reasonable approval on the acceptability of the exterior design program. ArenaCo will fully and fairly review and make good faith efforts to address satisfactorily the City-County Representative's reasonable concerns prior to making a final decision in any matters concerning the Arena exterior design, so long as such input is timely received. However, the City-County Representative's review and recommendations, or other actions performed by the City-County Representative as described herein, will not in any manner cause the City or the County to bear any responsibility for the design or construction of the Arena or any defects related thereto.

a. Cost Allocation. As between ArenaCo, on the one hand, and the City and County, on the other hand, ArenaCo (i) will be solely responsible for the cost of design, permitting and construction of the Arena, including any cost overruns and any remediation of any hazardous materials on the Project Site (to the extent any such hazardous materials are required to be remediated by a state or federal agency with jurisdiction in connection with the construction of the Arena on the Project Site), and (ii) will be solely responsible for any defects related thereto. Nothing herein shall create any obligations on the part of ArenaCo to any third parties. On the Closing Date, ArenaCo will furnish a payment and performance bond issued by a surety reasonably satisfactory to the City and the County naming the City and County as dual obligees in compliance with Chapter 35.42 RCW. As required by RCW 35.42.060, no part of the cost of the construction of the Arena Facility shall ever become an obligation of the City and the County under the Lease-Purchase Agreement.

b. Design Standards. The Arena will, among other things,

(i) conform to the size, configuration and description of the Project Site and conform to the Design Standards and Operating Standards;

(ii) enable ArenaCo to maximize returns generated within the Arena from sources including, without limitation, ticket sales, lease or license of suites and club seats, sales of food, beverages and merchandise, license of intellectual property and advertising, promotional activities and sponsorship;

(iii) be in compliance with the then applicable NBA and NHL requirement standards for arenas and be substantially similar in the quality of the design, construction and capabilities to three (3) mutually agreeable NBA/NHL arenas; and

(iv) meet the requirements of all applicable City and County codes and ordinances.

c. Sustainability. The Arena will be designed and constructed to comply with applicable City requirements for sustainable construction and will strive to utilize the most modern practices of sustainable design and construction available at the time of construction in accordance with ArenaCo's business interests.

d. NBA and NHL Approvals. ArenaCo will obtain advance acknowledgements from both the NBA and NHL indicating that the Arena has been designed in a manner sufficient to permit the NBA Team and NHL Team to play their home games at the Arena.

e. Design Process. ArenaCo, with ongoing input from the City-County Representative, will work with the architect to develop a “Schematic Design Package.” The Schematic Design Package will conform to the Design Standards and will, at a minimum, consist of a master plan, drawings, plans and specifications and a development program in sufficient detail to describe all material design elements of the Arena. The Parties will continue this collaborative process through the preparation of design development plans and outline specifications.

f. City-County Design Approval. The City-County Representative will have the right to approve the Schematic Design Package for the Arena, which approval shall not be unreasonably withheld or delayed. The City-County Representative shall have the right to object to any material deviations from the approved Schematic Design Package or to the extent there is a violation of federal or state law or validly enacted or existing local ordinance.

g. Construction. ArenaCo will cause the Arena to be constructed in all material respects in accordance with the Design Standards and Schematic Design Package.

h. Construction Decisions. It is the intent of the Parties to cause the Arena to be constructed and open for events as soon as reasonably practicable. Consistent with the foregoing, any material deviation from the approved Design Standards or the Schematic Design Package will require the approval of the City-County Representative, which approval shall not be unreasonably withheld or delayed. Nothing in the Transaction Documents will limit the City’s or County’s right to seek injunctive or other relief if ArenaCo fails to comply with the provisions of this paragraph.

i. Contracting. Contracts for construction of the Arena (“Arena Contracts”) will be put out for bid to a group of potential contractors who have had extensive experience constructing significant sports and entertainment facilities and are otherwise acceptable to ArenaCo. Arena Contracts will provide for substantial liquidated damages in case of late completion and require payment and performance bonds in favor of ArenaCo and the City and County consistent with industry standards. Arena Contracts will provide for the payment of prevailing wages in accordance with applicable laws and regulations, and include contingency allowances and other appropriate cost overrun and completion protections as reasonably determined by ArenaCo, it being understood that, as between ArenaCo, on the one hand, and the City and County, on the other, any cost overruns will be the sole responsibility of ArenaCo. The selection of and contracts with principal subcontractors, principal engineers, architects, design and other consultants and significant suppliers will be subject to review by the City-County Representative, but ArenaCo will have the final decision-making authority with respect to such matters.

j. Other Provisions. The Project should promote and include the racial and ethnic communities of the City of Seattle and King County. Part of this Project’s economic and community contribution is to engage local minority workers and businesses who are historically disenfranchised, as well as low-income workers and businesses. All Parties agree upon the importance of effective strategies and programs to include local minority and woman workers and firms in Project design and construction, with an ongoing commitment by ArenaCo to use reasonable efforts to use such local workers in the operations and maintenance aspects of the

Arena. To that end, ArenaCo commits to using the City of Seattle's Inclusion Plan as guidance for use of Women and Minority Business Enterprises (WMBEs) on the Project. This includes using specific strategies such as the use of the "Worksheet of Possibilities" that helps bidders analyze what work or supply could be subcontracted to WMBE firms, the use of the "Contract Commitment Log" that documents WMBE firms the prime contractor commits to subcontract with, and the minimum guaranteed contract amount to be awarded to WMBE firms.

k. Insurance and Indemnification. All contracts for the design and construction of the Arena will include typical provisions for insurance covering, among other things, errors and omissions, general liability, workers' compensation, business interruption, and builder's risk. Upon completion of construction of the Arena and during the term of the Arena Lease, ArenaCo will continuously maintain general liability insurance, and property insurance for the full replacement value of the Arena, including casualty due to earthquakes and flood, and other insurance the City and County deem reasonable and applicable to the Arena. The City and County will be additional insureds or loss payees on all insurance policies and will approve the forms and limits of liability of all policies. ArenaCo will defend, hold harmless, and indemnify the City and the County for any costs, expenses or losses arising from the design, construction and operation of the Arena.

l. Disputes with Architects, General Contractors and Other Project Parties. The City and County may, at the sole discretion of each, intervene and join as a party in any action at law or equity or in any arbitration between ArenaCo any one or more of the architects, and any Arena contractor, subcontractor, consultants or suppliers relating to design or construction of the Arena.

m. Access to Information and Personnel. In addition to the access provided to the City-County Representative as set forth in this paragraph 15, all material non-privileged written and electronic communications from or to ArenaCo will include the City-County Representative on the distribution list and will promptly be furnished to the City-County Representative. All material non-privileged documents and other information in all media generated by any of the Key Project Personnel in connection with the Project will be made available to the City-County Representative on a timely basis upon the City-County Representative's request.

n. Labor Peace Agreement. Following the execution of the Umbrella Agreement, ArenaCo will enter into a "labor peace agreement" providing for the matters specified in the draft agreement set forth in Exhibit A attached hereto and incorporated herein.

16. KeyArena. Prior to completion of the Arena, any NBA and NHL franchise owned by ArenaCo or by an affiliate of or major investor in ArenaCo, or that has committed to play its home games in the Arena, will have the option to play their home games in KeyArena. During the tenancy of any such NBA or NHL teams at KeyArena, ArenaCo will cause certain improvements to be made to KeyArena, and those improvements which are of a permanent nature, which may include modernization of the telephone, data and broadcast "backbones" of the arena, as well as refurbishment and minor renovation to the event-level locker rooms and other spaces, will remain behind after the Arena is completed and opens and will become the property of the City. Any City taxes generated during the tenancy at KeyArena of either the

NBA team or the NHL team over the base amount of taxes that is currently received from activities at KeyArena will be used to benefit the Arena Project or KeyArena, as mutually agreed. Prior to execution of the Transaction Documents, ArenaCo will also provide to and discuss with the City multiple options for re-purposing of KeyArena once the Arena is completed and opens and a long-term operating plan for KeyArena.

17. Non-Relocation. ArenaCo will cause the NBA and NHL franchises committed to play home games in the Arena to enter into binding and enforceable non-relocation agreements with the City and County that will include specific performance, liquidated damages and injunctive relief provisions, pursuant to which the teams will irrevocably and unconditionally commit and guarantee to be domiciled in Seattle and to play at least two (2) pre-season and all their home regular season and post-season games at the Arena for a term of at least 30 years (subject to a limited number of league-approved neutral site games and other agreed upon customary exceptions). The non-relocation agreements will contain terms that require the NBA and NHL franchises to maintain their NBA or NHL membership in good standing during the term of the Arena Lease. Under those non-relocation agreements, the NBA and NHL teams will not relocate from the City of Seattle, will not apply to the NBA or the NHL to transfer to another location outside of the City of Seattle, will not enter into or participate in any negotiations or discussions with, or apply for, or seek approval from, third-parties with respect to any agreement, legislation or financing that contemplates or would be reasonably likely to result in any breach of the non-relocation agreement, and will have no right to terminate the non-relocation agreement during the term of the agreement, in each case except as provided in the definitive non-relocation agreement. The non-relocation agreements will expressly provide that specific performance requiring the NBA franchise and the NHL franchise to play pre-season, regular season and post-season games at the Arena is an appropriate remedy for breach.

18. Governing Law. This MOU is, and the Umbrella Agreement and the Transaction Documents will be, governed by the laws of the State of Washington. Venue for any action under the Transaction Documents, including any bankruptcy proceeding, will be in King County, Washington.

19. Tax Matters. The Parties will mutually endeavor to preserve and/or maximize, as applicable, the tax benefits accruing to each of them. Specifically, the federal tax benefits for ArenaCo and the state and local tax benefits to the City and the County will be maximized to the extent permitted by law. The structure of the transactions as set forth herein may be modified in a manner that results in more positive tax effects to the Parties.

20. Additional Provisions.

a. Naming Rights. ArenaCo will have the right to designate the name of the Arena, subject to approval by the City-County Representative as hereinafter provided, and to name other areas of within the Arena. The City-County Representative will not withhold his or her approval of any name of the Arena, so long as it does not, in the City-County Representative's reasonable judgment, violate the standards of good taste existing in the Seattle-King County area and will not otherwise be an embarrassment to the City or County. Unless the City and County agree otherwise, which agreement will not be unreasonably withheld, the name

given to the Arena will not include reference to any state, local or other municipality name unless such reference is to “Seattle” or “King County.”

b. Team Name. Subject to NBA approval and applicable rules, regulations and requirements of the NBA, and subject to the ability of ArenaCo or an affiliate of ArenaCo to obtain the rights to the name and trademarks under from the current owner thereof, any NBA Team domiciled in Seattle, Washington and operated by ArenaCo or an affiliate of ArenaCo that owns such NBA team will use the name “Seattle Supersonics.” The City will use its best efforts to assist ArenaCo or an affiliate of ArenaCo that owns such NBA Team to: (i) acquire the unrestricted rights to use the name trademarks, any logos, symbols, designs, trade dress (including, but not limited to, team colors) or other indicia associated with the Seattle SuperSonics/Supersonics for purposes of identifying such NBA Team, at no cost to ArenaCo or such affiliate, and (ii) obtain the right to use and refer to the Seattle SuperSonics history (e.g., statistics, player histories and records) from prior NBA seasons during which the NBA Team formerly known as the Seattle SuperSonics played their NBA home games in Seattle, at no cost to ArenaCo or such affiliate, and (iii) obtain a transfer of the trophies, banners, and retired jerseys and other related memorabilia from the current owner thereof, at no cost to ArenaCo or such affiliate. When appropriate, ArenaCo or an affiliate will prominently include “Seattle” as part of the team name in public references for marketing, advertising, promotional and other business purposes, subject to the requirements and restrictions of the NBA; provided, however, that it is understood and agreed that the names “SuperSonics” and “Sonics” may be used without the name “Seattle” to market, advertise and promote the team and for other business purposes when deemed appropriate by ArenaCo or an affiliate of ArenaCo that owns the NBA Team.

c. Arena Agreements. The Umbrella Agreement and the Transaction Documents associated with design, development, construction, operation, and maintenance of the Arena will contain such other provisions, representations, warranties, covenants and indemnities as the Parties may agree or as are customarily included in similar documents related to the lease, design, development, construction, operation, and maintenance of NBA and NHL arenas in the United States or of other major public facilities within the City of Seattle. The Umbrella Agreement and the Transaction Documents will not be assignable without the written consent of all Parties, which consent will not be unreasonably withheld, hindered or delayed; provided, however, that the City and County agree that ArenaCo may assign the Transaction Documents: (i) to an affiliate or subsidiary of ArenaCo that is owned or controlled by ArenaCo or ArenaCo's majority or controlling owners, or (ii) in connection with a sale, transfer or assignment by ArenaCo or such affiliate or subsidiary of a controlling interest in ArenaCo or such an affiliate or subsidiary, or a transfer by ArenaCo or such an affiliate or subsidiary of substantially all of the assets of ArenaCo if (x) the purchaser, transferee or assignee assumes all obligations and liabilities of ArenaCo, or its assignee, under the Transaction Documents, including provision of a guaranty satisfying the requirements of paragraph 12.f.(ii), (y) ArenaCo demonstrates to the reasonable satisfaction of the City and County that such purchaser, transferee or assignee has sufficient financial capability to meet all such obligations and liabilities of ArenaCo and its affiliates under the applicable Transaction Documents, and (z) the purchaser, transferee or assignee together with the individual persons that own, directly or indirectly, such purchaser, transferee or assignee, are of a moral character reasonably acceptable to the City and County.

d. Seattle Domicile. ArenaCo and any affiliate entity of ArenaCo that owns the NBA Team or the NHL Team will be domiciled in Seattle, Washington, and will maintain their headquarters, offices and substantially all of their employees in Seattle, Washington.

21. City/County Conditions Precedent. The obligations of the City and County under this MOU to commit Public Financing are expressly conditioned on the following conditions precedent:

a. Financing and Delivery of Initial Deposit to Reserve Account. ArenaCo has arranged for all financing or other funding necessary to fully finance or fund the Project; the City and County are satisfied that ArenaCo and its investors have the resources to meet their financial obligations under this MOU and the applicable Transaction Documents; and ArenaCo has arranged for delivery of the required initial deposit into the Reserve Account.

b. SEPA and Permitting. (i) SEPA review associated with any City or County actions as contemplated by paragraph 5 of this MOU has been completed; (ii) the master use permit and all other permits required for construction of the Project have been obtained; (iii) the City and County have considered the SEPA review in connection with their respective actions and have waived this condition precedent, which waiver may be withheld only on the basis of an exercise of SEPA substantive authority; and (iv) any challenges to the Project have been resolved in a manner reasonably acceptable to the Parties.

c. Due Diligence for Site Acquisition. The City and County shall have determined, in their reasonable discretion, that the condition of title to, and the environmental condition of, the Property is suitable for acquisition and subsequent development for the Arena Facility consistent with this MOU. The City and County shall complete their review and determination no later than October 1, 2012, or such later date as may be mutually agreed upon by the Parties. The City-County Representative may give written notice on or prior to October 1, 2012 or such mutually agreed upon later date that the condition of title to or the environmental condition of the Property are not suitable for acquisition and subsequent development for the Arena Facility consistent with this MOU, specifying the reasons therefor, in which case, unless the Parties otherwise mutually agree in good faith upon a reasonably satisfactory method for ArenaCo to resolve the City's and County's objections to the condition of title to and environmental condition of the Property, this MOU shall terminate. If the City and County do not timely provide such written notice, then the due diligence condition of this paragraph 21.c shall be deemed to have been waived. Within ten days of the Effective Date, ArenaCo shall provide the City-County Representative with copies of all documents in the possession of ArenaCo that relate to the condition of the Property, including a preliminary commitment for title insurance and any documents relating to the environmental condition of the Property, but excluding any documents that are privileged or proprietary. Such documents shall be provided without warranty. ArenaCo shall also provide the City-County Representative, and other designated employees and consultants of City and County as may be reasonably requested by the City-County Representative, with access to the Property for purposes of conducting due diligence review provided for in this paragraph 21.c, subject to any required consents from current owners and occupants and subject to the City's and County's agreement to indemnify ArenaCo for any costs or damages arising in connection with or relating to such entry ("Right of Entry Agreement". Such entry, and such due diligence testing or investigations to be conducted

as provided for in this paragraph 21.c, shall also be subject to the further terms and conditions of such Right of Entry Agreement. If any land is acquired or proposed to be acquired and added to the Project Site after the Effective Date for which ArenaCo has not previously provided the City and County with the documents and access described above for the purposes of enabling the City and County to determine that the condition of title to, and the environmental condition of such additional property is suitable for acquisition and subsequent development of the Arena Facility consistent with this MOU, then the City and County will have up to an additional one-hundred fifty (150) days after receiving written notice of such acquisition or proposed acquisition from ArenaCo and after receiving such documents and access to complete due diligence review of such additional land consistent with this paragraph 21.c.

d. NBA Team, Lease and Non-Relocation Agreement. ArenaCo or a third party under contract with ArenaCo has secured ownership rights to an NBA franchise, the Parties have entered into a non-relocation agreement as described in paragraph 17, the NBA has acknowledged the Arena Lease, the NBA has approved locating the NBA Team in Seattle and the NBA has acknowledged the non-relocation agreement and ArenaCo has entered into a Team License Agreement with the NBA Team as required by and consistent with paragraph 14.e.

e. Transaction Documents. The Umbrella Agreement and the Transaction Documents have been negotiated and the City and County are authorized to execute the documents.

f. Material Adverse Conditions. As of the date of this MOU, the Parties acknowledge that the City and County have sufficient debt capacity and access to financial markets to meet their obligations under this MOU. However, in the case of a natural disaster, a significant change in state or federal law, or a substantive change in financial markets or conditions such that the City and County are unable to issue debt on reasonable terms consistent with paragraph 10 and the Parties are unable to agree in good faith on viable alternatives, the Public Financing will not occur and the City and County will not be required to make any further financial investment or to provide for the payments to ArenaCo under paragraph 10 or otherwise.

22. ArenaCo Conditions Precedent. The obligations of ArenaCo under this MOU are expressly conditioned on the following conditions precedent:

a. Permitting. All permits necessary for construction, use and operation of the Arena, and all parking and other facilities accessory to the Arena, shall have been issued and shall be in form and substance satisfactory to ArenaCo in its sole discretion, and the costs and expenses required to remediate any hazardous materials or conditions in connection with the design and construction of the Arena Facility that ArenaCo is required to remediate as provided in paragraph 15.a are reasonably acceptable to ArenaCo.

b. Financing. ArenaCo shall have obtained financing in an amount adequate to construct the Arena and upon rates, terms and conditions satisfactory to ArenaCo in its sole discretion. In connection therewith the Parties understand that ArenaCo may be required by its lenders to request an amendment to the terms hereof in order to facilitate such financing. The City and County shall consider such request, but any amendments hereto shall be (i) in the sole

and absolute discretion of each of the City and the County and (ii) subject to all required approvals of each of the City and the County.

23. City and County Cooperation. The City and County may elect to apportion between themselves any of the rights or obligations described herein as rights or obligations of both the City and County, including that the City and the County may elect to apportion all of their rights and obligations to the City. At the option of the City and County, any right obtained by one of them in a contract with ArenaCo, under any of the Transaction Documents may be conferred on the other as a third-party beneficiary. As to any KeyArena issue addressed by the MOU, the Umbrella Agreement or the Transaction Documents, such agreement is only between ArenaCo and the City, and the County shall have no rights or obligations with regard to such agreement.

24. Counterparts. This MOU may be executed in one or more counterparts, each of which will be deemed an original, but all of which, when taken together, will constitute one and the same instrument.

25. Dispute Resolution.

a. In the event any dispute, disagreement, claim or controversy arises between the Parties concerning this Agreement or any of the provisions hereof (each, a "Disputed Matter"), the City-County Representative and the ArenaCo Representative will meet and attempt to resolve the Disputed Matter through negotiations. If the representatives are unable to reach agreement, the Disputed Matter shall be referred jointly to the City's Director of Finance and ArenaCo's chief executive officer. If such executives do not agree upon a decision, then the City's Mayor, the County Executive and ArenaCo's owners or managing members shall meet and attempt to resolve the matter. If such individuals are unable to resolve the Disputed Matter within ten (10) days, then either the City and County, collectively, or ArenaCo may, upon written notice, submit the matter to mediation.

b. Either party may commence mediation by providing to the other party a written request for mediation, setting forth the subject of the Disputed Matter and the relief requested. The parties will cooperate with one another in selecting a mediator and in scheduling the mediation proceedings. Following compliance with the provisions of paragraph 25.a, the parties each covenant that they will participate in the mediation in good faith, and that they will share equally in the costs of such mediation. Either party may seek equitable relief prior to the mediation to preserve the status quo pending the completion of that process. Except for such an action to obtain equitable relief, neither party may commence a civil action with respect to any Disputed Matter submitted to mediation until after the completion of the initial mediation session provided for in this paragraph 25.b, or 45 days after the date of filing the written request for mediation, whichever occurs first. Mediation may continue after the commencement of a civil action, if the parties so desire.

26. Oral Agreements and Commitments. The Parties acknowledge that oral agreements or oral commitments to lend money, extend credit, or forbear from enforcing repayment of a debt are not enforceable under Washington law.

27. Notice Provisions. All notices provided for herein may be delivered in person, sent by Federal Express or other overnight courier service or mailed in the United States mail postage prepaid and, if mailed, shall be considered delivered three (3) business days after deposit in such mail. The addresses to be used in connection with such correspondence and notices are the following, or such other address as a Party shall from time to time direct:

City:

Copies to:

County:

Copies to:

ArenaCo:

Copies to:

Executed as of the date first written above

THE CITY OF SEATTLE
a Washington municipal corporation

By: _____
Its: _____

KING COUNTY, WASHINGTON
a political subdivision of the State of Washington

By: _____
Its: _____

WSA Properties III, LLC, a Delaware limited liability company:

By: Horton Street, LLC, a Delaware limited liability company
Its: Manager

By: _____
Christopher Hansen
Its: Manager

EXHIBIT A

LABOR PEACE AGREEMENT

In order to protect the City of Seattle's, King County's, and the Developer's investment in the Arena from the financial risks of labor disputes, the Developer (ArenaCo) will enter into labor peace or project labor agreements with the following labor organizations which represent workers in King County and have indicated or may indicate their intent to organize workers at the Arena as well as in restaurants and hotels that are part of the project:

Seattle Building & Construction Trades Council (project construction), Unite Here Local 8 (food & beverage concessions, restaurant, and hotel employees), Teamsters Local 117 (operations employees), SEIU Local 6 (janitorial employees), and IATSE Local 15 (staging and audiovisual employees).

The labor peace agreements will include a promise by the labor organizations limiting their rights to engage in concerted economic action at the Arena aimed at bringing economic pressure to bear against the Developer, including such activities as striking, picketing and boycotting. The Developer has agreed to require the same labor peace guarantee from any successor or replacement contractor, sub-contractor, operator, or developer acquiring the right to develop or operate business opportunities covered by this agreement during the term of the Arena Lease between ArenaCo and the City of Seattle and King County.

The Developer shall maintain such labor peace or project labor agreements with such labor organizations for the duration of the proprietary interest of the City and County or other public agencies in uninterrupted revenues from the operation of the Arena which agreements will limit the rights of such union and its members to engage in economic activity against the operation.

Copies of the labor peace and project labor agreements will be submitted to the City and County promptly following the execution and delivery thereof by Developer and the above-referenced labor organizations.

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FISCAL NOTE

| |
|--|
| Ordinance/Motion No. 00- |
| Title: Memorandum of Understanding between King County, the City of Seattle and ArenaCo regarding the development of a multi-purpose arena |
| Affected Agency and/or Agencies: |
| Note Prepared By: Aaron Rubardt, Dave Reich |
| Note Reviewed By: Jonathan Swift, Dwight Dively |

Impact of the above legislation on the fiscal affairs of King County is estimated to be:

Revenue to:

| Fund/Agency | Fund | Revenue | Current Year ¹ | 3rd Year | 4th Year | 5th Year |
|---|------|-------------|---------------------------|-------------------|------------------|------------------|
| | Code | Source | | | | |
| City/County Partnership Entity ² | TBD | LTGO Bonds | 0 | 80,000,000 | | |
| LTGO Fund ⁴ | 8400 | Partnership | 0 | 5,200,000 | 5,300,000 | 5,300,000 |
| | | | | | | |
| TOTAL | | | 0 | 85,200,000 | 5,300,000 | 5,300,000 |

Expenditures from:

| Fund/Agency | Fund | Department | Current Year | 3rd Year | 4th Year | 5th Year |
|---------------------------------------|------|------------|--------------|-------------------|------------------|------------------|
| | Code | | | | | |
| King County LTGO Bonds | 8400 | A46500 | 0 | 80,000,000 | | |
| King County Debt Service ³ | 8400 | A46500 | 0 | 5,200,000 | 5,300,000 | 5,300,000 |
| | | | | | | |
| TOTAL | | | 0 | 85,200,000 | 5,300,000 | 5,300,000 |

Expenditures by Categories

| | Current Year | 3rd Year | 4th Year | 5th Year |
|--|--------------|-------------------|------------------|------------------|
| Contribution to City/County Entity for Capital | 0 | 80,000,000 | | |
| Debt Service ³ | 0 | 5,200,000 | 5,300,000 | 5,300,000 |
| | | | | |
| TOTAL | 0 | 85,200,000 | 5,300,000 | 5,300,000 |

Assumptions:

¹ There is no fiscal impact related to debt in the "Current Year". It is not anticipated there will be any fiscal impacts until the third year after construction begins, at which time the County will issue debt. Fiscal note assumes county bonds will be sold in the third year, with debt service also beginning in third year. In addition to the construction period, design and permitting will likely take one to two years, so the County's debt likely won't be issued until 2016 or 2017.

² City/County Partnership Entity will conduct financial transactions with ArenaCo on behalf of Seattle and King County. This includes disbursing bond proceeds and collecting revenue generated as a result of the arena.

³ Debt service is based on the following assumptions: \$80,000,000 in taxable bonds issued in 2016, 30-year term, 5.5% interest. Debt Service payments will escalate from \$5,200,000 to \$5,800,000 in the first 10 years and will be level thereafter.

⁴ King County will transfer money from the pool to cover annual debt service payments. The revenue sources include property tax, sales tax, admissions tax, B&O tax, leasehold excise tax, and rental payments from ArenaCo. Average annual forecast collections from each revenue source for the entire pool are listed below.

| | |
|----------------------|-------------|
| City Property Tax | \$900,000 |
| City Sales Tax | \$300,000 |
| City Admission Tax | \$5,800,000 |
| City B&O Tax | \$1,300,000 |
| City Leasehold Tax | \$200,000 |
| County Property Tax | \$250,000 |
| County Sales Tax | \$50,000 |
| County Leasehold Tax | \$100,000 |
| ArenaCo Rent | \$5,700,000 |

Debt service funding for County debt will be approximately \$400,000 annually from County taxes and the rest from City taxes and rent payments from ArenaCo.

Additional Notes:

1. Per the Inter-local Agreement (ILA), King County's obligation will be \$80 million if the conditions related to the NHL franchise are satisfied as of the transfer date of the property. If conditions are not satisfied, the County is limited to the lesser of an amount supported by the County's portion of anticipated property tax revenues related to the arena and arena improvements or \$5 million.
2. Per the Memorandum of Agreement (MOU), debt service payments will be funded by base rent, arena tax revenues, and additional rent sufficient to pay county financing obligations.
3. Per the MOU, security provisions will be put in place to decrease the likelihood of default. These include a reserve account set at a minimum of one year's debt service obligation, annual certification that Net Arena Revenues for the preceding fiscal year are at least two times the amount required for the following year's total City and County debt service, first priority payment position senior to any private debt service, and a guarantee of ArenaCo's obligations by the parent company that owns both ArenaCo and the teams. Agreements with the team(s) will include non-relocation provisions and rights to a portion of the revenues from the sale of the team if required.
4. The MOU provides up to \$5M in reimbursement for costs associated with development of the MOU and other work. It is not known at this time how much, if any, of this amount will be available to the county.

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May 22, 2011

Honorable Larry Gossett
Chair, King County Council
Room 1200
C O U R T H O U S E

Dear Councilmember Gossett:

I am pleased to submit for consideration by the County Council a Memorandum of Understanding (“MOU”) between King County (“County”), the City of Seattle (“City”), and ArenaCo regarding the development of a state-of-the-art multi-purpose arena in the Stadium District of Seattle’s SoDo neighborhood that could be home to National Basketball Association (NBA) and National Hockey League (NHL) franchise teams. Also attached is the Interlocal Agreement between the City and County that identifies the relative obligations between the City and County as they relate to the MOU with ArenaCo.

The same legislative package, under a similar cover letter jointly prepared by our offices, is also simultaneously being submitted by Mayor Mike McGinn for consideration by the Seattle City Council.

This proposal meets our commitment to protect existing resources in the County and City General Funds, substantially mitigate the risk for the County and City, and create a partnership that will result in a valuable investment into our community and region.

The Memorandum of Understanding is the product of a great deal of hard work by the County, City, the Arena Review Panel, and Mr. Hansen’s team. It includes many important taxpayer protections, such as:

- No new taxes are being sought for construction or operations;
- The project will be self-financed by using revenue that would not otherwise exist but for the operations of the arena;
- Binding non-relocation agreements for the NBA and NHL teams will be in place covering the full term of any public financing;

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- A security reserve fund will be established to provide an additional layer of taxpayer protection for the duration of the public debt;
- Revenue sufficient to support annual debt service is guaranteed by the investors;
- The private investors will be solely responsible for any cost overruns and operating revenue shortfalls over the life of the facility, including funding a capitol improvement fund; and
- No public funds will be committed until franchise acquisition and all environmental review and permitting processes are completed.

The County and City will be in a first priority payment position from Arena revenues, and in the unlikely event of a financial default, will have a security guarantee in the equity of the parent company for the teams and the Arena operator.

The commitment to invest upward of \$800 million of private capital in the arena and the purchase of two teams represents a strong vote of confidence in the future of our County and City, especially in this challenging economic climate. It is one of the largest commitments of private capital ever made for a project like this in North America.

This proposal also represents a unique opportunity in our region's history. The existing football and baseball stadiums in the Stadium District were developed as part of a community effort to keep our sports teams from relocating to a different region. With this proposal we have a positive opportunity to embrace new professional sports teams and a significant new private investment into our community.

Even though the proposed site is zoned for sports facilities, we know that with or without this private investment traffic challenges do and will persist. A transportation study currently underway, as well as future environmental review, will help us better understand the magnitude of those challenges and identify solutions that will enable local governments, as well as beneficiaries, to address future opportunities this area holds.

And while there are challenges in the SoDo neighborhood, including freight mobility issues, let us not forget that it is the largest transportation hub in the region. Link light rail, a Sounder train line, three bus rapid transit lines, 21 Metro bus lines, nine Sound Transit Express bus lines, four ferry routes, two interstate freeways and a future deep bore tunnel converge in this neighborhood. There is no other site in the region that possesses the transportation assets that are unique to this area, which is a major reason the existing sports facilities are located there.

This proposal also offers the City opportunity to proactively address challenges Key Arena will face whether a new arena is built in Seattle or elsewhere in the region. It includes a number of potential options to keep Key Arena a thriving and dynamic part of the Seattle Center for the City to consider. Because any sports franchises acquired after the Memorandum of Understanding is approved would play in Key Arena for two seasons as the

The Honorable Larry Gossett
May 22, 2012
Page 3

new arena is being constructed, the City will have several years to fully explore these and other options by working with the Seattle Center Advisory Committee and other stakeholders.

Mr. Hansen and his investment group are committed to bringing an NBA franchise back to Seattle and attracting a new NHL franchise. This Memorandum of Understanding is the foundation upon which an exciting public-private relationship can be built that will make that possible.

I look forward to working with the County Council as you consider this unique opportunity.

Sincerely,

Dow Constantine
King County Executive

Enclosures

cc: King County Councilmembers
 ATTN: Michael Woywod, Chief of Staff
 Mark Melroy, Senior Principal Legislative Analyst, BFM Committee
 Anne Noris, Clerk of the Council
Fred Jarrett, Deputy County Executive, King County Executive Office (KCEO)
Sung Yang, Chief of Staff, KCEO
Carrie S. Cihak, Chief Advisor, Policy and Strategic Initiatives, KCEO
Dwight Dively, Director, Office of Performance, Strategy and Budget (PSB)
Jonathan Swift, Deputy Budget Director, PSB

Summary and Key Terms

Memorandum of Understanding (MOU)

Overview

- Parties to the Memorandum of Understanding (MOU) are the City of Seattle (City), King County (County), and ArenaCo. ArenaCo is the company that will construct, operate and maintain the arena.
- Binding agreement, except does not impact ability of City or County to perform their regulatory roles, including SEPA review, and is subject to each Party successfully fulfilling obligations.
- All parties agree to work and negotiate in good faith.
- This MOU document, while detailed, is the first of many documents that would be developed and executed. The set of future documents is referred to as the “Transaction Documents”. One of the key future transaction documents is the “Umbrella Agreement”, which will further define details.
- Following the execution of this MOU, the City, County and ArenaCo have up to 5 years to execute the more detailed Umbrella Agreement; otherwise the MOU expires.

Description of Project

- The project is to develop, build and operate a multi-purpose sports and entertainment arena.
- Approximately: 700,000 sq.ft.
- Will accommodate approximately 19,000 attendees for concerts, 18,500 attendees for NBA games, 17,500 attendees for NHL games.
- Location is adjacent to First Avenue South between South Massachusetts Street and South Holgate Street.

Construction and Delivery Method

- The City and County will use the Lease-Purchase method to call for bids to construct the facility. Under this approach, the winning bidder constructs the facility and the City and County agree to lease or purchase the facility following completion.
- ArenaCo is a bidder in this process.
- All public financing and most obligations contained in the MOU are contingent upon ArenaCo being selected through the bid process.
- If awarded the contract, ArenaCo would be responsible to build the facility, with the City and County obligated to lease or purchase it following completion.
- Prior to the completed arena being added to the new construction property tax rolls ArenaCo will own the facility. The City and County will lease the Arena for a nominal rent and then lease it back to ArenaCo.
- Within 6 months of when the facility is added to the property tax rolls, the City and County are obligated to either purchase the facility or to have a trustee prepay the 30 year facility lease. This date is the “Transfer Date”.
 - If the City and County exercise the option to purchase the facility from ArenaCo, ArenaCo would then lease the facility from the City and County and operate and maintain it. This is the option most commonly discussed.

Key Terminology

ArenaCo

Transaction Documents

Umbrella Agreement

Project

Lease-Purchase

Transfer Date

- If the City and County instead exercise the option to have a trustee prepay the facility lease, the City and County would then lease the facility for 30 years, and ArenaCo would sub-lease the facility and operate and maintain it.

First Installment of Public Financing

- Prior to any public financing occurring, ArenaCo must meet these requirements:
 - Acquisition of ownership rights to an National Basketball Association (NBA) franchise with NBA acknowledgment of the Arena Lease and a non-relocation agreement in place.
 - Satisfy the City and County as to the financial ability of ArenaCo and its investors to meet obligations under the MOU.
 - Acquisition of all land required for the Arena and facilitation of the City's and County's due diligence on the land as to its environmental condition.
 - Successfully complete land use processes and secure any required permits, including a master use permit.
 - Completion of SEPA review.
 - Secure required financing to complete construction of arena facility.
 - Funded the City/County Reserve Account (described below).
 - ArenaCo and NBA team are domiciled in Seattle for tax purposes.
 - Successfully complete any transaction documents required.
 - Be the successful bidder of the City and County's call for proposals to construct the arena.
- Once these criteria are met, the City will purchase the land from ArenaCo. The value will be based on an independent appraisal, but is capped at \$100 million. This is the first installment of public financing and does not involve the County. This date is referred to as the "Closing Date".
- In the case of a significant natural disaster or other material adverse condition that may occur prior to financing, the City and County are not obligated to make any financial contribution.

**First
Installment
Closing Date**

**Second
Installment**

Second Installment of Public Financing

- The second installment of public financing occurs on the Transfer Date and will involve both the City and the County.
- The amount of the second installment of public financing is dependent upon whether a National Hockey League (NHL) team has been secured and all conditions met, including a non-relocation agreement for the term of the Arena Lease.
 - If these NHL conditions have been satisfied, the second installment will be an amount that, when combined with the first installment, will total \$200 million.
 - If these NHL conditions have not been satisfied, the second installment will be an amount that, when combined with the first installment, is the lesser of:
 - The amount of debt that could be supported by stabilized Arena Tax Revenues and base rent (the exact method of calculating stabilized revenue will be established in the Umbrella Agreement and will be based upon experience); or
 - \$120 million.

Structure of Public Financing

- Public financing will include two installments of Limited Tax General Obligation bonds or Certificates of Participation, with durations of approximately 30 years.
- The MOU contemplates debt service amounts rising at one percent annually for the first 10 years and level debt service from Year 11 on for each installment. Debt service during the period of

construction will be structured to accommodate limited revenue flows until operations begin.

- The MOU acknowledges that most of the public financing obligations will be taxable. If the City and County determine that tax-exempt debt can be issued, the revenue streams supporting those debt service payments would be excluded from Arena Tax Revenues and would not be guaranteed by ArenaCo. The City and County would use this strategy only with otherwise secure revenue streams, such as property taxes.
- The MOU leaves flexibility for the City and County, in consultation with ArenaCo, to work collaboratively to structure debt in the most cost-effective manner available at the time financing occurs. Public financing will be consistent with City and County debt management policies.

Ground Lease and Arena Lease

- The City will lease the site to ArenaCo for \$1 million annually during construction. This ground lease will continue until the arena is ready for occupancy (“Commencement Date”).
- On the Commencement Date, the Arena Lease begins. Provisions of the Arena Lease include:
 - Term of at least 30 years, and no less than the term of any public financing.
 - ArenaCo will pay Base Rent in the amount \$2 million annually. ArenaCo will also pay Additional Rent if required such that the combination of Base Rent, Arena Tax Revenues, and Additional Rent are sufficient pay City and County public financing obligations. The total annual debt service obligations of the City and County public financing are referred to as the “Annual Reimbursement Amount”.
 - “Arena Tax Revenues” means the amount of property tax, sales tax, leasehold excise tax, admissions tax, business and occupation tax, and parking tax revenues attributable to the arena and arena tenant improvements that have been received by the City and County on and from the project site and arena. Arena Tax Revenues excludes taxes that are restricted in their use, such as dedicated sales taxes for Metro Transit and criminal justice purposes, and dedicated property taxes, such as those that support Emergency Medical Services. Only parking taxes collected directly by ArenaCo or an affiliate that can be directly tied to activity at the arena are included. Business taxes paid by the NHL and NBA teams are included in Arena Tax Revenues.
 - The Arena Lease includes options for four 5-year extensions, with base rent increasing to \$4 million during the first extension, and by inflation thereafter. Lease extensions are contingent upon extensions of NHL and NBA non-relocation agreements.

City and County Oversight

- The City and County will appoint a “City-County Representative” who will represent the City and County during the regular course of business.
- The City-County Representative will have access to all non-privileged major meetings involving ArenaCo and project managers during all phases of the project and will also have access to all written and electronic non-privileged information.

Arena Design, Development and Construction

- ArenaCo is solely responsible for the cost of design, permitting and construction, including any cost overruns, and any cost of remediation of any hazardous materials on the project site.
- The City and County will have reasonable ongoing input during design and will have the right to approve the schematic design and design standards. Approval will not be unreasonably

Ground Lease

**Commencement
Date**

Arena Lease

Base Rent

Additional Rent

**Annual
Reimbursement
Amount**

**Arena Tax
Revenues**

**City-County
Representative**

withheld.

- ArenaCo will make good faith efforts to address concerns raised by the City-County Representative. The City and County do not have any responsibility for the design or construction of the arena.
- The design will conform to any applicable City and County codes, any NBA and NHL requirements for arenas, and be substantially similar in quality to three mutually agreeable NBA/NHL arenas. The design will also will be in conformance with applicable City requirements for sustainable construction and will strive to utilize the most modern practices of sustainable design.
- The City and County have the right to object to material deviations during construction from the approved design schematics or to the extent there is a violation of federal or state law.
- The City and County will be a beneficiary of a performance bond guaranteeing timely completion of the facility and securing appropriate insurance.
- All parties agree upon the importance of inclusion of minority workers who are traditionally disenfranchised and low-income workers and businesses in project design and construction.

Operations and Management

- ArenaCo is solely responsible to operate and maintain the facility in a standard comparable to three mutually agreeable professional basketball and ice hockey arenas.
- Failure to operate the facility in accordance with standards constitutes a default, and enables the City and County to replace ArenaCo as the operator, among other remedies.
- The City and County will have the right to use the facility for at least 12 events each year rent free. The City and County would pay direct operating costs for these events
- ArenaCo will market the arena in a manner that promotes economic development in the area.
- ArenaCo will enter into license agreements with the NBA and NHL teams for terms consistent with the public financing. The City and County have the right to review and approve these agreements to ensure they include non-relation agreements and definitions of arena and team revenue streams.
- ArenaCo will maintain ongoing general liability insurance and property insurance for the full replacement value of the arena.
- ArenaCo makes an ongoing commitment to use reasonable efforts to use minority and low-income workers and businesses in the operations and maintenance of the arena.

Security Provisions and Default

- ArenaCo will fund a Reserve Account held in escrow that totals at least the amount required for City and County debt service obligations for the following year.
- ArenaCo will be required to certify annually that Net Arena Revenues for the preceding fiscal year are at least two times the amount required for the following year's total City and County debt service. This amount is referred to as the "Coverage Ratio". Net Arena Revenues are the total amount of revenues received by ArenaCo, less operating costs, which includes rent obligation to the City and County. If Net Arena Revenues are less than the Coverage Ratio, ArenaCo must fund the reserve account such that the total amount of net arena revenues and the reserve account is three times debt service for the following year.
- The City's and County's right to receive rent payments are secured by a first priority payment position from Arena Revenues, senior to any private debt service. This includes revenues from facility naming rights, suite and premium seating sales, concession payments, box office fees,

**City/County
Events**

**City/County
Approval of
Team Leases**

**Reserve
Account**

**Coverage
Ratio**

**First Priority
Payment**

and other arena-related revenues. This excludes revenues reserved by the NBA and NHL to the teams themselves, such as ticket revenues. The City and County will be further secured by a lien on revenues and receivables of ArenaCo, the terms of which are to be agreed upon between the City, County and private lenders to ArenaCo.

**Guaranty
from Equity
Parent
Company**

- Should the City or County need to draw down the Reserve Account, ArenaCo has 30 days to refill the account. A default occurs if ArenaCo fails to refill the Reserve Account within 30 days.
- The company that owns the equity in both ArenaCo and the NBA team will provide a guaranty of the Arena Lease. Further, in the event of default and the team(s) ceasing to play in the Arena, the City and County will have first rights to the proceeds of the sale of an NBA team, subject only to repayment of any NBA team obligations to the NBA. Debt obligations to the NBA by the NBA team owner are capped (initially at \$125 million) to ensure that the team owner has sufficient equity in the team to meet obligations of the City and County in a default scenario.
- The NBA and NHL teams each will be subject to a non-relocation agreement with specific performance requirements, including the playing of home games in the arena, liquidated damages and injunctive relief provisions.
- Assignment of the Arena Lease to another party is subject to the written consent of all parties, and in particular subject to the City and County being satisfied of the financial capacity of the assignee to meet all ArenaCo obligations. In such event, the assignee must assume all obligations of ArenaCo.
- Both the Capital Account and the City-County Capital Account also serve as security for debt service payments.

**Non-
Relocation
Agreement**

**Surplus
Revenues**

Debt Prepaid

**City/County
Capital
Account**

Surplus Arena Tax Revenues

- If the combination of Arena Tax Revenues and Base Rent exceeds debt service levels, then the City and County may either apply surplus revenues to redeem or defease outstanding principal amounts for the public financing, or may deposit the surplus revenues into the City-County Capital Account subject to the cap. The City-County Capital Account has a cap of \$10 million during the first 10 years. This cap grows by \$2 million annually until year 15, when the cap is \$20 million. Surplus revenues that would cause the City-County Capital Account to exceed the cap must be used to redeem or defease outstanding principal of the public financing.
- If the total public financing is retired, then the City-County Capital Account cap is removed.

Capital Improvements

- ArenaCo will annually prepare and submit a five-year capital plan for anticipated expenditures that will be subject to review by the City and County.
- Regular independent inspections for compliance with standards will be performed.
- ArenaCo is required to deposit \$2 million annually into the Capital Account. The Capital Account will hold funds from ArenaCo designated for capital improvements. This account is distinct from the City-County Capital Account, in which surplus Arena Tax Revenues will be placed by the City and County, which are also designated for capital improvements.
- The Capital Account is designated for repairs, replacements and improvements, defined as relating to items with a lifespan of at least three years and costing at least \$5,000 per item, or other systems required for the functioning and maintenance of the arena in accordance with agreed upon standards or laws.

**Capital
Account**

**Capital
Account
Contribution**

- The City-County Capital Account is designated for repairs identified in the five-year capital plan, or for major repairs to components of base systems or the facility.
- ArenaCo is required to fund all capital work relating to the arena. ArenaCo's obligation does not depend on available funds in the Capital Account or City-County Capital Account. If funds are not available from those sources, ArenaCo must fund the required work with other funds.

City and County Costs and Reimbursements

- ArenaCo will pay for dedicated staff in the Department of Planning and Development to facilitate the processing of permit applications.
- ArenaCo will pay for the City-County Representative.
- ArenaCo will also reimburse the City and County for up to \$5 million in costs associated with development of the MOU, Transaction Documents, and other work leading to the opening of the Arena. The first reimbursement occurs at the time of the first public financing and monthly thereafter through the opening of the arena.
- During operation of the arena, ArenaCo is required to contract with City departments for any services provided by departments, such as traffic management and emergency medical staff that may be required.

Ownership of Arena Facility Improvements

- ArenaCo will install all tenant improvements.
- During the Arena Lease, ArenaCo will own all or a portion of tenant improvements, as to be defined in the Transaction Documents.
- Upon the termination of the Arena Lease or its extensions, all tenant improvements (excluding NBA or NHL team owned equipment) will become the property of the City and County. The condition of these improvements must be consistent with the operating standards and in a condition suitable for uninterrupted use.

KeyArena

- Prior to completion of the project, the NBA and NHL franchises will have the option to play their home games at KeyArena.
- In this event, ArenaCo will make improvements to KeyArena related to this interim use. Improvements that are permanent in nature become the property of the City. These may include modernization of telephone, data and broadcast backbones of the arena, in addition to renovation of some spaces in KeyArena.
- Any taxes generated during the tenancy at KeyArena by NBA or NHL franchise teams above current tax levels would be used to benefit the arena project.
- ArenaCo will provide and discuss multiple options for the future use of Key Arena.

Other Provisions

- City-County Representative can deny names for the facility that violate the standard of good taste or references to other states or municipalities other than Seattle or King County.
- Subject to its ability to obtain applicable rights and approvals, the NBA franchise will use the name "Seattle Supersonics".
- Terms may be mutually modified in the future to take advantage of tax benefits.
- ArenaCo and affiliated NHL and NBA teams must be domiciled in Seattle for tax purposes.
- ArenaCo agrees to enter into labor peace or project labor agreements.
- ArenaCo commits to using the City's Inclusion Plan as guidance for use of Women and

Interlocal Agreement (ILA)

Overview

- Binding agreement between the City and County.
- Identifies relative obligations between the City and County as they relate to the MOU with ArenaCo.
- Terminates upon the latter of the Arena Lease or when all public financing is retired or defeased.

City Responsibilities

- The City will be responsible to appoint and supervise the City-County Representative in consultation with the County and will be responsible for the day-to-day decision making with respect to the arena. The City can also replace the City-County Representative.
- The City is responsible to issue the call for bids for the project.
- The City will acquire title to the land and ground lease the land to ArenaCo as provided for in the MOU.
- The City will be the lead party with respect to reviews and approvals relating to design and construction.
- The City is responsible to pay nominal rent to ArenaCo under the terms of the lease-purchase between the Commencement Date and the Transfer Date. Those payments are credited against the City's share of the second installment of public financing.
- The City will administer a common fund that will hold City and County revenues attributable to the project and rent payments from ArenaCo. This is the "Arena Revenue Account".

**Arena
Revenue
Account**

City and County Joint Responsibilities

- The City and County will both enter into a lease-purchase agreement with ArenaCo, assuming they are the winning bidder in the call for bids. On the Commencement Date, the City and the County become tenants in common in the leasehold estate in the arena with ownership in proportion to their anticipated shares of public financing.
- On the Transfer Date, the City and County will jointly exercise the option to purchase the facility or will cause a trustee to prepay the full lease amount. Ownership shares under both scenarios are in proportion to the share of public financing.
- In the event that the Arena Lease is terminated prior to the end of the initial term, the City and County become responsible for costs and will contribute proportionately based on their relative shares of public financing.
- The City and the County both dedicate all Arena Tax Revenues to the benefit of the project for the duration of the Arena Lease, except for those legally restricted as to their use (other than parking taxes attributable by contract to the arena). These taxes will be deposited into the Arena Revenue Account. Funds in the Arena Revenue Account are used to pay taxable debt service by the City and the County.

**Proportional
Ownership
Interest**

Public Financing

- The City will finance the public acquisition of the project site for the fair market value of the site, but not to exceed \$100 million. This is the First Installment of public financing.

- The Second Installment of public financing will consist of financing from both the City and the County and it is anticipated to involve both taxable and tax-exempt financing from each party.
 - If conditions related to an NHL franchise are not yet satisfied as of the Transfer Date, then the relative shares of City and County for the Second Installment of public financing are:
 - The County is limited to the lesser of:
 - An amount supported by the County's portion of anticipated property tax revenues related to the Arena and arena improvements; or
 - \$5 million.
 - The City in an amount that, in combination with the First Installment and the County's contribution, satisfies the requirements of the MOU (the lesser of \$120 million and the amount that can be supported by base rent and Arena Tax Revenues).
 - If conditions related to an NHL franchise are satisfied as of the Transfer Date, then the County Obligation will be \$80 million and the City obligation will be the amount that, in combination with the first installment, totals \$120 million.
- In the event that the County's participation in the public financing does not exceed \$5 million, the County may determine not to hold an ownership interest in the arena site, facility, or leasehold and may instead assign its rights to the City.
- City and County debt structures will have the same basic structure and neither structure can be modified without the consent of the other party.
- It is anticipated that debt supported by property taxes will be issued as tax-exempt debt, and in that event those revenues are not deposited into the Arena Revenue Account.
- Neither party guarantees the debt of the other party.

**County
Financial
Obligation**

**City Financial
Obligation**

City-County Advisory Board

- The City and County will appoint members to an Advisory Board that will provide oversight of the administration of the Arena Fund and will make recommendations to the City and County officials on arena-related matters.
- The City-County Representative will provide reports to the Advisory Board at least quarterly on the status of all expenditures and fund balances. Monthly updates of related revenues are also called for.
- The Advisory Board will consist of four representatives, one from the executive and legislative branches of the City and County. Representatives will be elected officials or employees of the City or County.
- If the County financial contribution is limited to \$5 million, then the County will have only one representative on the Advisory Board, appointed by the County Executive.
- The Mayor of the City may take action or direct the City-County Representative to take action on unforeseen issues if an immediate decision is required and notice is promptly given to Advisory Board representatives.

**City-County
Advisory
Board**

Cost Reimbursement

- The City and County will be reimbursed by ArenaCo for up to \$5 million for pre-development costs, exclusive of fee associated with permit review and costs for the City-County Representative. If the total of related costs exceeds \$5 million, each party's respective share is reduced proportionately.

Default

- In the event of default, the City and County are entitled to amounts of Arena Tax Revenues and Base Rent proportionate to current debt service. Except that after year 15 of the Arena Lease, to the extent necessary to pay current debt service, the County is entitled to up to half of these revenue streams, and the City is entitled to at least half of these revenues streams.
- Additional rent and withdrawals from the Reserve Account, Capital Account and City-Capital Account are allocated first in any year to support County current debt service as needed, and then to support City current debt service as needed.
- Amounts received in connection with other security interests from ArenaCo or its affiliates are distributed between the City and County in proportion to the their outstanding public obligations.

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Arena Review Panel

**Report to City of Seattle Mayor and King County Executive
April 4, 2012**

Executive Summary

The City of Seattle and King County received a proposal from Chris Hansen to construct a sports and entertainment arena in SODO and bring NBA and NHL teams to Seattle. Before advancing the proposal to the City and County Councils for their consideration, the Mayor and County Executive named an Arena Review Panel to evaluate the proposal for three criteria:

- **Existing General Fund resources are protected;**
- **The City and County should be significantly protected from any financial risks; and**
- **The partnership should result in an investment into the community and region.**

The Panel consists of community members with extensive experience in finance, development, community services, and the sports industry. These community leaders reviewed financial information, spoke with experts, and heard from the public.

Based on their review, the Panel believes that the proposal is favorable, has promise, and is generally consistent with the principles set forth by the Mayor and County Executive; however, there are many important issues to be worked through to ensure these principles are met and to address other issues of importance to the community. The proposal warrants the serious consideration of the City and County policy makers.

The Panel recommends that the City and County continue to work with Chris Hansen to further refine details for the potential public/private partnership, begin the processes that are required to address the multitude of issues at play with a project of this nature, and begin to engage with other community members to broaden the perspectives on the proposal and work through issues identified.

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Section 1: Introduction

On February 16th, 2012, the Mayor and County Executive received a proposal from an investor outlining the development of a multisport and cultural event arena in Seattle's SODO neighborhood. The proposal requested a public investment of \$200 million and included a number of provisions to ensure repayment of the public funds.

Following receipt of the proposal, the Mayor and County Executive named an Arena Review Panel and charged them with ensuring that the City and County General Funds were protected, that the public faced no significant financial risk, and that City and County participation would leverage an investment into the community.

The Arena Panel includes members with a broad background, including experts in finance, development, public services, employment, and the sports industry.

Panel members include:

| | |
|---------------------------|---|
| Jan Drago | Former City and County Councilwoman – Co-Chair |
| Lenny Wilkens | Former NBA player and Coach – Co-Chair |
| David Freiboth | Executive Secretary, ML King County Labor Council |
| Doris Koo | Former President & CEO, Enterprise Community Partners |
| Karen Lee | CEO, Pioneer Human Services |
| Estela Ortega | Executive Director, El Centro de la Raza |
| Greg Smith | CEO, Urban Visions |
| Dr. Jill Wakefield | Chancellor, Seattle Community Colleges |

Financial Adviser to the Panel:

| | |
|--------------------|--|
| Maud Daudon | President & CEO, Seattle Northwest Securities, & Interim President & CEO, Seattle Metropolitan Chamber of Commerce |
|--------------------|--|

The Panel convened on February 29, 2012, and held several public meetings. The Panel considered information from City and County staff and experts with a variety of relevant background, heard from Chris Hansen, and also received public comments and questions submitted both in writing and verbally.

Video archives of these meetings can be found here:

[February 29, 2012](#)

[March 8, 2012](#)

[March 12, 2012](#)

April 4, 2012*

* Link to be added once available

Materials considered by the Panel can be found online at:
www.seattle.gov/arena/materials.htm

The Panel's short time frame for review limited their scope to the specific areas described in the subsequent sections of this report. Additional issues which arose during the Panel's review have been noted in the report for further consideration by the City and County.

Section 2: Proposal

This section provides a high-level summary of the proposal from Chris Hansen. The Panel recognizes that the proposal received by the City and County on February 16th, 2012, was at a high level, with many details that still need to be worked through.

The proposal requests up to \$200 million in public funds (combined from the City of Seattle and King County) towards the development of an approximately \$500 million multipurpose arena (sports and cultural events) to be located in Seattle's SODO neighborhood. The investor group would also be responsible for acquiring NHL and NBA franchises.

The public investment would be repaid by team rent and tax revenue directly attributable to the arena. No new taxes would be created or levied for the development of the arena. In addition, the proposal includes a number of provisions that are intended to provide financial security and mitigate risk for the City and County, as further discussed below.

The site for the proposed arena is directly south of Safeco Field in an area zoned for sports facilities. Chris Hansen's proposal is for his investor group to acquire all property required for the project through market transactions, which the Panel understands has largely occurred already. Beyond the public investment described above, all other arena costs, including potential construction cost overruns, are a responsibility of the investor group.

The investor group would construct the facility, built to pre-determined and agreed upon standards.

As proposed, there are two points in time at which public funds would be contributed to the project. *Prior* to the first contribution, several things need to have occurred, including:

- All land use processes are successfully completed;
- Both NBA and NHL teams are secured, with 30-year non-relocation agreements;
- Initial investor group financial obligations satisfied, including private funding of a security reserve; and
- Disclosure of members of the investor group and appropriate due diligence on their financial wherewithal would be completed.

With the above conditions and other requirements met, the first investment of public funds would occur and be used to purchase land for the arena site from the investment group at the properties' appraised value. At that point, the land becomes public.

Following this, the investor group would lease the site and begin constructing the arena facility. A rough estimate for this process is two years of construction. No additional public funding is required during construction of the facility.

Upon completion of the facility, including final permits, and satisfaction of pre-agreed upon construction standards and other conditions, the City and County would purchase the facility. The amount of this investment, combined with the prior land purchase, would not exceed \$200 million.

With the land and facility publically owned, the teams would enter into a 30-year lease to use the facility. The proposal includes a binding non-relocation clause that would be linked to term of the lease and guaranteed by a monetary damages provision. The NBA and NHL would recognize these agreements as well.

The investor group would operate the arena at their sole cost. Operating costs would include payments to the City and County of base rent, ensuring sufficient funding of the security reserve, annual contributions to a capital account, and payments to the City and County to cover any shortfalls in tax revenues. Visual depictions of these flows can be found online at: www.seattle.gov/arena/materials.htm

Section 3: Evaluation of Panel Charge

The Mayor and County Executive charged the Arena Review Panel with evaluating the proposal in relation to three specific criteria. The specific criteria are:

- **Existing General Fund resources are protected.**
- **The City and County should be significantly protected from any financial risks.**
- **The partnership should result in an investment into the community and region.**

For each criterion, the Panel identified the aspects of the proposal that related directly to that criterion, and also concepts or issues that require additional consideration or investigation.

A - Existing General Fund resources are protected.

The City and the County provide critical public safety, health, educational, human services and other quality of life core services to the public. Any public-private partnership should not impair the provision of those services directly or indirectly, by creating financial pressure on general resources.

Arena Panel Findings

The Arena Review Panel found that the intent of Chris Hansen's proposal is to provide financial protections for both the County and City's General Fund resources. Some of these protections include limiting the public's obligation to rent from the arena and taxes derived from arena activity, as well as eliminating the public risk of cost overruns during construction. The proposal also puts the burden to cover revenue shortfalls on the investor group. Ultimately, the public investment will likely involve General Obligation bonds; in the event that all other protections are insufficient, the City and County are pledging General Fund resources and the full faith and credit of taxpayers to repay the City and County portion of any debt issued for the project.

Responsive Components of Proposal

- **Direct and Incremental Taxes Only.** Public dollars are invested based only on incremental existing taxes directly attributable to the new arena and rent directly from the investor group. Identified taxes include property tax, admissions tax, sales tax, business and occupation tax, and leasehold excise tax.
- **Agreement of Intent to Protect General Resources.** The terms of the proposal make clear that the intent is to protect the City and County general funds – this is an important common understanding in the partnership. As discussions continue, it will be important for all parties to continue working collaboratively to keep this key principle at the forefront and to memorialize it as irrevocably as legally possible in the detail documents.

Additional Considerations

- **General Obligations.** Repayment of public investment is ultimately a liability against the City's and County's general funds, should all other recourses be exhausted. The proposal includes several financial protections for the City and County as described under the next principle to mitigate this risk.
- **Unknown Costs.** There may be additional capital and operating costs required in the area or costs for the City and County in oversight of the project. These costs and the source of funding should be examined and considered as they become known. The Panel understands that the investment group is proposing to cover direct operational costs, but as specific cost drivers are identified through the various review processes that lay ahead, it will be important to be clear about specific funding sources and expectations around these costs. Examples of such costs would be traffic and transportation improvements and mitigation, transit improvements, etc.
- **Substitution.** It is likely there will be some substitution effect with existing tax dollars, although this impact is likely to be modest. Substitution occurs when spending and resulting tax revenues that would have occurred elsewhere in the City and/or County occur instead at the arena. Shifting of spending would also occur should an arena be developed elsewhere in the region. This is something to continue to examine.
- **Key Arena.** Key Arena will need to adapt as additional entertainment venues come into existence in the region. While the solution for Key Arena has not yet been identified, all parties involved have committed to work together to explore potential options and find the best path ahead. This is demonstrated in part through Chris Hansen's proposal to fund a study that examines potential options moving ahead. As these options are considered, the City will need to evaluate the impact to Seattle Center's operations and its financial sustainability, and also any potential impacts on the City's General Fund.
- **Debt Rating.** City and County officials should evaluate potential impacts on municipal debt ratings given overall bonding plans. This evaluation was beyond the scope of the Panel. Changes in ratings could have an impact of the cost of borrowing for both entities.

B - The City and County should be significantly protected from any financial risks.

The public should not bear any significant financial risk from the public-private partnership.

Arena Panel Findings

The Arena Review Panel found that the intent of Chris Hansen's proposal is to provide substantial safeguards and protections for the City and County from financial risk. Based on the review, many of the safeguards are unprecedented in arena public – private partnerships or are in sharp contrast to the arrangement between the City of Seattle and the Sonics. Some of these

protections include a multi-year security reserve, additional rent in the event of tax shortfalls, a non-relocation agreement covering the full term of any public financing, and capital expenditure reserves. The impact of many of these provisions is to shift risk from the City and County to the private investors. One primary area that needs additional scrutiny and attention is “What would happen in the case of bankruptcy or default by the investment group?”.

Responsive Components of Proposal

- **Additional Rent.** The proposal includes an “Additional Rent” guarantee to cover any potential gaps between City and County annual financial obligations and the revenues received from base rent and direct taxes. This aspect of the proposal shifts forecast error risk from the public to private investors.
- **Security Reserve.** The proposal includes a “Security Reserve” that would initially provide a full year coverage for city and county financial obligations. The reserve grows by year 10 to reach 3 years annual average debt service. This reserve provides immediate cash flow for the City and County to pay financial obligations should the teams be delinquent in any payments. This cash flow will supplement continued tax revenues that are collected from activities that continue to occur in the arena during any financial challenges. Any excess funds in the security reserve will be used to prepay the public investment in the arena.
- **First Tier Lender.** The investors have offered the City and County a “First Tier” lender position. A “First Tier” lending position is meant to give the City and County first priority, ahead of other potential financial lenders, to take position of assets or revenues in the event of a default. The specific details of this still need to be determined. The panel understands that this may include first rights to assets and/or revenue streams. The City and County will want to ensure that these resources are sufficient to cover the public financial obligations should they be needed.
- **Non-Relocation Agreement.** The proposal states that the investors/team owners will sign a binding non-relocation agreement, ensuring the teams will not leave during the term of the facility lease. Should an ownership transfer of the teams occur, this agreement would be assigned to the new ownership group. This agreement would also be acknowledged by the NBA and NHL.
- **Conservative Financial Projections.** According to consultant Carl Hirsh and research conducted independently by staff, assumptions incorporated into the financial model are conservative and reasonable. The financial models allow for sensitivity testing to these inputs. Given the terms of the proposal, any shortfall in revenues relative to projections will be covered by the private investor group (the importance of assessing the financial strength of the group and its business model is discussed in later sections of this report).

Additional Considerations

- **Unknown Team Operational Costs.** As the proposal shifts risk from the public to the private investors, there is an increased reliance on the financial performance of the teams and the leagues. City and County officials have not reviewed the overall business plan for the teams or leagues, and this creates uncertainty around the ability of the teams to meet obligations without risking financial hardship. This risk can be mitigated through strong security provisions and a financially strong ownership group.
- **Ramp Up of Security Reserve.** It would be prudent to include specific and regular “Security Reserve” minimum target levels to provide a regular ramp up of this reserve, avoiding the need for a larger lump sum payment in year 10. Clarity about the disposition of the security reserve at the end of the 30 years is also important.
- **Team Retention.** “Liquidated damages” is a financial penalty that is paid by the teams to the City and County in the event that the 30-year lease is prematurely terminated by a judge for some unforeseen reason. As proposed, the liquidated damages for noncompliance with the lease (such as team relocation) are sufficient to cover the outstanding public debt on the arena. Consequently, in later years of the lease, the amount of the liquidated damages declines and will prove a smaller disincentive to relocation. The City and County may consider an approach to liquidated damages that results in additional financial incentive for the teams to remain in Seattle, particularly towards the end of the end of the lease term. Considerations here could include payments for adverse impacts to the local community and businesses resulting from a premature departure of the teams.
- **Casualty Insurance.** The City and County are making a considerable investment in a valuable long term asset. It should be insured to the highest level, including broad casualty insurance as well as business interruption insurance. This should be a cost of the investor group.
- **Evaluate Strength of Ownership Group.** Much of the financial security of the proposal is tied to the performance of the arena. However, in the event that the arena does not perform as well as expected, the ownership group may be forced to contribute funds towards the additional rent payment. To ensure that the investors are able to meet this responsibility the City/County should ask Chris Hansen and the ownership group to agree to a third party evaluation of the financial strength of the ownership group.
- **Review Investor Business Model.** Similar to the above, the ability for the City and County to meet their debt obligations is ultimately dependent on the success of the arena and the NBA and NHL franchises. The City/County should ask Chris Hansen to agree to a third party evaluation of the investors’ business model to ensure that there will be sufficient revenue for the investors to meet their public obligations.

- **Strengthen Security to Backstop Rent Guarantee.** The proposal states that the investors will make additional rent payments equal to any shortfall in tax revenue sufficient to pay the City/County debt obligations. Security for this additional rent includes security reserve (equal to up to three years average debt service) as well as a first priority position on revenues from the arena. The City and County should consider other forms of additional security, including for example:
 - Pledged stake in specific assets, such as local TV revenues,
 - Letters of credit or collateral in allowable investments from the investors (investments that could be legally held by Washington cities and counties),
 - The right to the leasehold improvements in the event of bankruptcy, and
 - Define the role of the NBA and NHL in the event of team bankruptcy.
- **Consider Whether Local Market is Large Enough to Support Additional Teams.** Repayment of the public funds is largely dependent on the performance of the arena and teams (excluding security provisions). The City and County are likely unable to determine the extent to which the local market can support additional professional sports franchises. Ultimately, the NBA and NHL will provide their opinion on this through approval (or not) of locating franchises here for a minimum of 30 years. Regardless, accurately foreseeing the future over 30 years is impossible for any party, so the City and County should ensure that the final detailed form of security and risk mitigation provisions continue to protect both public partners.
- **Ensure that Investors will not Return to City/County for Additional Funds in the Future.** The public is making a large one time investment in the new arena based on assurances by the investors that there will be no additional public financing required in the future. The City and County should consider including in the transaction documents a covenant by the investors stating they will not request additional public financing in the future.
- **Potential for Risk Reduction in Later Years.** As the details on the disposition of surplus revenues are refined, consider opportunities to reduce public risk in later years, through pledging a portion of surplus revenues to additional security mechanisms or pre-payment of debt.

C - The partnership should result in an investment into the community and region.

The City and County each target its limited resources on providing core public services. The arena proposal should offer the City and County with a potential opportunity to leverage outside resources to further enhance the community and region, by creating a new entertainment venue and spurring job growth and economic activity in the process.

Arena Panel Findings

The Arena Review Panel found that Chris Hansen’s proposal offers a significant investment in

the community and the region. Bringing NBA and NHL franchises to the region have significant intangible benefits that make the region more vibrant and attractive. Thousands of jobs will be created in the construction and operation of the facility that might not otherwise happen. Unlike many development projects, this proposal's financing does not rely on economic multipliers or other external impacts (such as those that may result from induced or indirect job creation).

This type of project will have externalities associated with it, bringing both opportunities and challenges. Traffic and parking issues, particularly as they impact existing businesses and industry, will need to be carefully examined. The panel recognizes the proposal as an opportunity for both the community and the existing maritime and industrial uses to benefit from the arena and for a renewed focus on development in the area. The City and County have a variety of processes ahead to further evaluate the potential need for mitigation to protect existing investment in the area, and also should consider opportunities to bolster other important objectives including equity and social justice. The Panel felt that this proposal, in the context of a collaborative approach with stakeholders through future processes, could result in a best-practice example for the development of public/private partnerships and new sports facilities.

Responsive Components of the Proposal

- **Intangible Benefits.** Bringing NBA and NHL teams to the region represent an intangible benefit. Sports teams can bring communities together, add cultural vibrancy, and can make the region more attractive for people to live, work and visit. These benefits are not easily quantifiable, but do have a value.
- **Counter-Cyclical with MLB.** Significant activity related to Safeco field primarily occurs between April and October, depending on playoff status of the Mariners. NBA and NHL seasons offer regular activity during the other half of the year, typically between October and April. Having said this, there is some potential for overlapping schedules should the teams continue into playoff seasons, and with other major events, so careful coordination with existing teams will be critical to achieving the community benefit.
- **Other Tax Revenues.** While City and County general tax revenues generated directly as a result of this project are utilized for financing, tax revenues restricted for specific purposes and all tax revenues for other jurisdictions will accrue to support those purposes and jurisdictions. This includes the State of Washington, Seattle Public Schools, Port of Seattle, Sound Transit, King County Flood and Ferry Districts, as well as specific taxes received by the County and City for specific purposes including Metro Transit, Automated Fingerprint Identification Systems (AFIS), King County Parks, Seattle Emergency Medical Services, and County and City criminal justice and mental health programs.

Additional Considerations

- **Jobs.** Construction and operation of the arena will create jobs locally. Consideration should be given to the kind of jobs that will be created both directly and indirectly as a result of the project, and also potential impacts to existing employment in the area.
- **Social Justice and Equity.** Opportunities for incorporating social justice and equity issues should be embraced, as well as opportunities for apprenticeships and job training that lead to family wage jobs.
- **Community Benefits.** The City and the County have an opportunity to guide additional benefits to achieve important objectives including equity and social justice. Consideration of these issues should be given in defining both how the arena will be constructed and operated, as well as how the arena will impact the local community.
- **Protection and Enhancement of Maritime and Industrial Activities.** Further study and assessment of State and City transportation infrastructure and parking availability is necessary to determine the ability of the system to adequately support both maritime/industrial uses and the new arena. Future studies should identify improvements to transportation infrastructure that could enhance access and operation of the Port of Seattle's cargo operations and other maritime and industrial uses.
- **Land Use Regulation.** Further study and assessment is needed of effective buffers and other regulatory tools to protect and enhance industrial uses on adjacent land.
- **Recognition of Pending Transit Investments.** Consideration should be given to pending improvements to the light rail system, including connection to Northgate and the eastside. There may be some disconnect between the opening of the arena and the completion of this linkage, so that will need to be considered as well in the traffic and parking analysis.
- **Impact to Local Community.** Development in any area results in changes. It is important to work collaboratively with the local community to evaluate and guide those changes in a positive way. This includes stakeholders in Chinatown/International District, SODO, Pioneer Square, the Port, the other two stadiums, and other neighbors.
- **Collaboration with Other Teams.** In order to foster a successful long-term working relationship, it will be important for the new teams to interact cooperatively with the existing teams, particularly when it comes to scheduling events, but also to ensure that all parties contribute constructively to making the area more vibrant over time. Some initial thinking on a longer-term vision for the area has been done by the two existing

public oversight boards for the stadium districts, and can be found online here:
www.stadiumdistrict.org

Section 4: Due Diligence Checklist

The following checklist summarizes the issues identified during the Panel's review that have arisen and warrant additional consideration by the City and County. Some of these include:

- Continued work to identify **unknown costs** such as impact on police or fire services
- Additional research on the **substitution effect**
- Review **investor business model**
- Review **financial strength of investor group**
- Increase **security reserve** deposits in earlier years to avoid large deposit at Year 10
- Include a **supplemental amount in the liquidated damages** provision to ensure lease compliance in later years
- Include the **disposition of tenant improvements** in the event of a default
- Provide broad range of **casualty insurance**
- Evaluate **Key Arena** operations to ensure long term viability
- Strengthen **security that serves as backstop to rent guarantee**
- Ensure City and County **retain first tier lending position** as investment group finalizes private lending agreements
- Be specific about **to which assets and revenues the first tier status applies**
- Seek investor assurance to **not request additional public funds** in the future
- **Evaluate the impact on Port activities**, traffic in particular
- Evaluate impact of additional **parking demand and traffic** in the vicinity
- Develop an approach to governance and decision-making that **encourages continued cooperation** between all parties, especially in later years when individuals involved on all sides may be different than those currently involved
- The City and County will need to evaluate their respective **capacities to issue councilmanic debt** for the project and **appropriately structure intergovernmental agreements**, should revenue be transferred from one jurisdiction to the other.

Section 5: Future Public Review Processes

In addition to the work of the Panel, the arena proposal will go through the following public processes:

1. **Memorandum of Understanding (MOU) Consideration:** The Mayor and County Executive anticipate transmitting a nonbinding agreement between the City, County and Investor group providing a more detailed outline of the arena proposal and the public/private partnership. The MOU will be considered by both the City and County Councils and would be endorsed by resolution.
2. **Master Use Permit (MUP):** The land use permit process including State Environmental Policy Act (SEPA) review of the proposal for construction of an arena at the proposed site. The SEPA review will include an analysis of all environmental impacts of the arena, including impacts on traffic and parking. The MUP process also includes Design Review.
3. **Building Permits:** City review of the arena plans and construction, ensuring that construction complies with all building codes.
4. **Street Vacation:** A process ensuring the public receives adequate benefit when a street or alley is lost due to development. The proposed arena would result in the permanent closure of Occidental Ave S between Massachusetts St. and S Holgate St. This must be approved by City Council ordinance.
5. **Transaction Agreements:** The detailed documents outlining the public investment in the arena and the security and other guarantees provided by the investor. The agreements will need to be approved by City and County Councils.
6. **Land Acquisition and Initial Debt Issuance:** The City and County Councils would approve the public acquisition of the land for the arena site. The Councils must also approve issuing debt for the acquisition.
7. **Final Debt Issuance:** The City and County Councils would approve issuance of debt for the acquisition of the completed arena. Under the proposal the City and County would purchase the arena from the investor once the building is complete.

Section 6: Conclusions

Based on their review, the Panel believes that the proposal is favorable, has promise and is generally consistent with the principles set forth by the Mayor and County Executive; however, there are many important elements to be worked through to ensure these principles are met and to address other issues of importance to the community. The proposal warrants the serious consideration of the City and County policy makers.

The Panel recommends that the City and County continue to work with Chris Hansen to further refine details for the potential public-private partnership, begin the processes that are required to address the multitude of issues at play with a project of this nature, and begin to engage with other community members to broaden the perspectives on the proposal and work through issues identified.

Based on information presented to the Panel during its review, there are additional considerations that will increase the chance of a successful outcome of the proposed public-private partnership.

A key determinant of success is that all parties continue to approach the partnership through trust and cooperation. The initial proposal embraced key principles for the City and County and as details get worked through, all parties will be well served to ensure open and honest communication. This becomes important also down the road when unanticipated issues arise, as they always do.

Another recommendation is to finalize as many details as possible well in advance of final deadlines. This lesson-learned applies in particular to major deadlines, where expectations are high. Sorting through details and issues in advance where possible can serve to improve outcomes.

Additional information can be found online at: www.seattle.gov/arena/

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SEATTLE ARENA MULTIMODAL TRANSPORTATION ACCESS AND PARKING STUDY

ARENA ONLY EVENTS

- Sold-out arena event (20,000 attendees) adds approximately 6,000 vehicles
- 52 weeknights with Arena events only are well within the existing parking / traffic / transit capacity
- Link light rail and First Hill Streetcar projects will substantially increase transit capacity in the next 10 years
- Same-day same-time events are the primary focus of the study

MULTIPLE EVENT SCHEDULES AND ATTENDANCE

- Weeknights with 40,000+ event patrons increases from 3 to 9
- 40,000+ attendee events could increase by up to 15 on weeknights if one or more teams make the playoffs
- For comparison, there were 40 weeknight games in the Mariners season (2002) with 40,000+ event patrons
- With similar 2002 Mariners attendance levels the 40,000+ weeknight events would increase from 44 to 46 with the arena
- Most same-day same-time events would be 40,000 - 50,000 event patrons; lower than a weeknight Seahawks game at 67,000

MULTIMODAL TRANSPORTATION ACCESS

- More transportation options exist today compared to the Mariners peak attendance year.
- More transportation options will be available before the arena opens.
 - Link Light Rail extensions
 - First Hill Streetcar
 - East Marginal Way Grade Separation
 - Spokane Street Viaduct Widening Project.
 - Alaskan Way Viaduct Tunnel replacement
 - South tunnel portal interchange
 - South Atlantic Street overcrossing
- 35,000+ parking spaces exist at Snohomish, King and Pierce County park and ride lots
- Link light rail extensions would provide access from over 13,000 park and ride spaces



SEATTLE ARENA MULTIMODAL TRANSPORTATION ACCESS AND PARKING STUDY

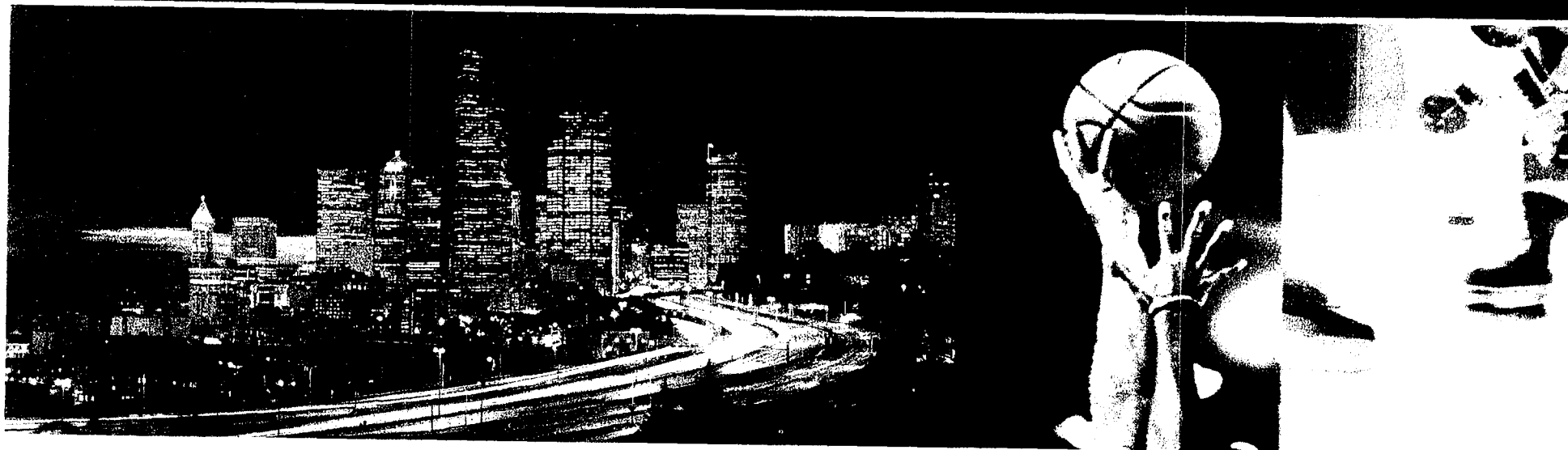
PARKING

- Parking supply within a 15-minute walk of arena would be sufficient to accommodate 60,000+ attendance same-day events
- This assumes 3,500 new spaces
- Approximately 1,500 spaces new to the arena and 2,000 potential spaces from other projects

FREIGHT AND PORT

- Arena event times generally do not coincide with the regular Port of Seattle container terminal operations
- Day-time arena events would be rare
- Most Port of Seattle operations close at 4:30 pm – this could be extended if growth in container volume occurs
- Arena events start at 7-7:30 pm
- Majority of event traffic would be on 1st Avenue and roadways to the east
- Majority of Port of Seattle operations are west of 1st Avenue S – Port of Seattle operations are effectively separated from event traffic
- Planned and funded infrastructure improvements would improve Port of Seattle operations
- Atlantic Street overpass provides a new direct connection between the container terminals and rail yards

SEATTLE ARENA MULTIMODAL TRANSPORTATION ACCESS AND PARKING STUDY



HORTON STREET, LLC

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Executive Summary

Days with arena events only would add approximately 6,000 vehicles to the area, which is well within the existing parking, traffic, and transit capacity in the area.

Same-day same-time events at the arena combined with an event at Safeco Field or CenturyLink Field are manageable with the existing and funded transit investments in the area.

Enhanced use of technologies such as an e-park system, changeable freeway and arterial street sign directions, and game day mobile apps would benefit all of the venues, including Safeco Field and CenturyLink Field, enhance the fan experience, and reduce congestion in the area.

ARENA ONLY EVENTS

- A sold-out arena event will add approximately 6,000 vehicles to the area.
- There would be approximately 52 weeknights with Arena events only and these are well within the existing parking / traffic / transit capacity in the area.
- Link light rail and First Hill Streetcar projects will substantially increase transit capacity in the next 10 years, and provide new highly reliable frequent service late into the evening from Redmond, Bellevue, Mercer Island, Capitol Hill, the University District, North Seattle, Shoreline, Mountlake Terrace, Lynnwood, Kent and Des Moines.
- Same-day same-time events at the arena combined with an event at Safeco Field or CenturyLink Field are a concern—this was the primary focus of the study.

MULTIPLE EVENT SCHEDULES AND ATTENDANCE

- The number of events with 40,000+ event attendees per year increases from 3 to 9 on weeknights. This assumes Mariners draw 30,000+ per game. This could increase by up to 15 weeknights if one or more teams make the playoffs.
- For comparison, during the peak attendance Mariners season (2002) there were approximately 40 weeknight events with 40,000+ event patrons. The number of weeknight events with 40,000+ event patrons with 2002 Mariners attendance levels would increase from 44 to 46.
- Most same-day same-time events would be in the 40,000 to 50,000 attendance range, which is lower than a weeknight Seahawks game at 67,000.
- Same-day same-time Seahawks/arena events were not assumed in the study.

MULTIMODAL TRANSPORTATION ACCESS

- There are more transportation options today compared to the Mariners peak attendance year such as Link Light Rail and SR 519. There will be even more transportation options when the arena opens such as Link Light Rail extensions, Alaskan Way Viaduct Tunnel replacement including the south tunnel portal interchange and South Atlantic Street overcrossing, First Hill Streetcar, East Marginal Way Grade Separation, and Spokane Street Viaduct Widening Project.
- There are currently over 35,000 parking spaces at Snohomish, King and Pierce County park and ride lots accessible to the arena study area by bus and/or rail. Link light rail extensions will provide direct rail access from over 13,000 park and ride spaces.

PARKING

- Parking supply within a 15-minute walk of the arena would be sufficient to accommodate same-day events of up to 60,000 people. This assumes 3,500 new spaces: approximately 1,500 spaces new to the arena and 2,000 potential spaces from other projects.

FREIGHT/PORT

- Arena event times generally do not coincide with the regular time of Port of Seattle container terminal operations. Day-time arena events would be rare.
- Most Port of Seattle operations close at 4:30 pm, although this could be extended if the growth in container volume occurs.
- Nearly all arena event patrons would arrive after 4:30 pm because events would start at 7:00 pm to 7:30 pm.
- The majority of event traffic would be on 1st Avenue and roadways to the east. The majority of Port of Seattle operations involve moving freight between container terminals and rail yards, which are located west of 1st Avenue S. Therefore, Port of Seattle operations are effectively separated from event traffic.
- Currently, planned and funded infrastructure improvements would improve Port of Seattle operations, including the new Atlantic Street overpass which provides a new direct connection between the container terminals and rail yards. This would be complete prior to the arena opening.

Introduction

The purpose of this study is to evaluate the multimodal transportation access and parking infrastructure in the vicinity of the proposed Seattle Arena (see Exhibit 1). Findings from this initial transportation plan will inform the Seattle City Council and King County Council process to review the Arena proposal and a Memorandum of Understanding (MOU) in June 2012.

The multimodal transportation and parking plan is an initial effort to examine the potential transportation impacts created by the Arena proposal. An expanded transportation and parking impact analysis would be required as part of a more detailed project review to comply with the State Environmental Policy Act (SEPA). This phase of work will assess the degree to which the existing and planned transportation and parking infrastructure in the area would accommodate the new sports arena.

ARENA LOCATION

The proposed arena site is located between S. Holgate Street and S. Massachusetts Street and between the Sounder rail maintenance facility and First Avenue S. as shown on the adjacent map. The property is within the City of Seattle's Stadium Transition Area Overlay district and is zoned for a multi-purpose arena use.

The project proposes the vacation of Occidental Avenue S. between S. Massachusetts Street and S. Holgate Street. This segment would be needed to construct the new arena. The segment between Edgar Martinez Drive S. and S. Massachusetts Street would become a pedestrian-only street for arena events. To replace the function of the southern portion of Occidental Avenue S. for providing access to and from the Safeco Field garage south entrance, the arena would include construction of a private access roadway on the east side of the facility open for events only.

ARENA SIZE AND TENANTS

Seating capacity for the arena was assumed to be 20,000, which is a conservative assumption because the arena could have fewer seats. Major tenants would include National Basketball Association (NBA), National Hockey League (NHL), and Women's National Basketball Association (WNBA) franchises, plus additional concerts, shows and other special events throughout the year. A total of 1500-2000 new parking spaces would be provided for event patrons near the arena, plus Horton Street, LLC would secure use agreements for an additional 500 - 1,000 spaces, increasing the total arena parking supply to 2,500 spaces. The year of opening for the arena was assumed to be 2016 in time for the 2016-2017 NBA and NHL seasons. On weeknights, nearly all events would be scheduled during the evening, except for a rare special event such as a civic gathering or other meeting. Daytime events could occur on Saturdays and Sundays.

STAKEHOLDER OUTREACH

Seattle Department of Transportation (SDOT) staff participated in the outreach efforts and provided guidance on the study process.

Meetings were held with several groups concerned with the arena impacts on freight transportation in the area including: City of Seattle, Port of Seattle, the International Longshore and Warehouse Union (ILWU), Seattle Freight Advisory Board, the Duwamish Transportation Management Association (TMA). Meetings were also held with representatives from the other two sports venues in the area, Safeco Field and Century Link Field, including: Seattle Mariners, Public Facilities District (PFD), First and Goal, and the Public Stadium Authority (PSA).

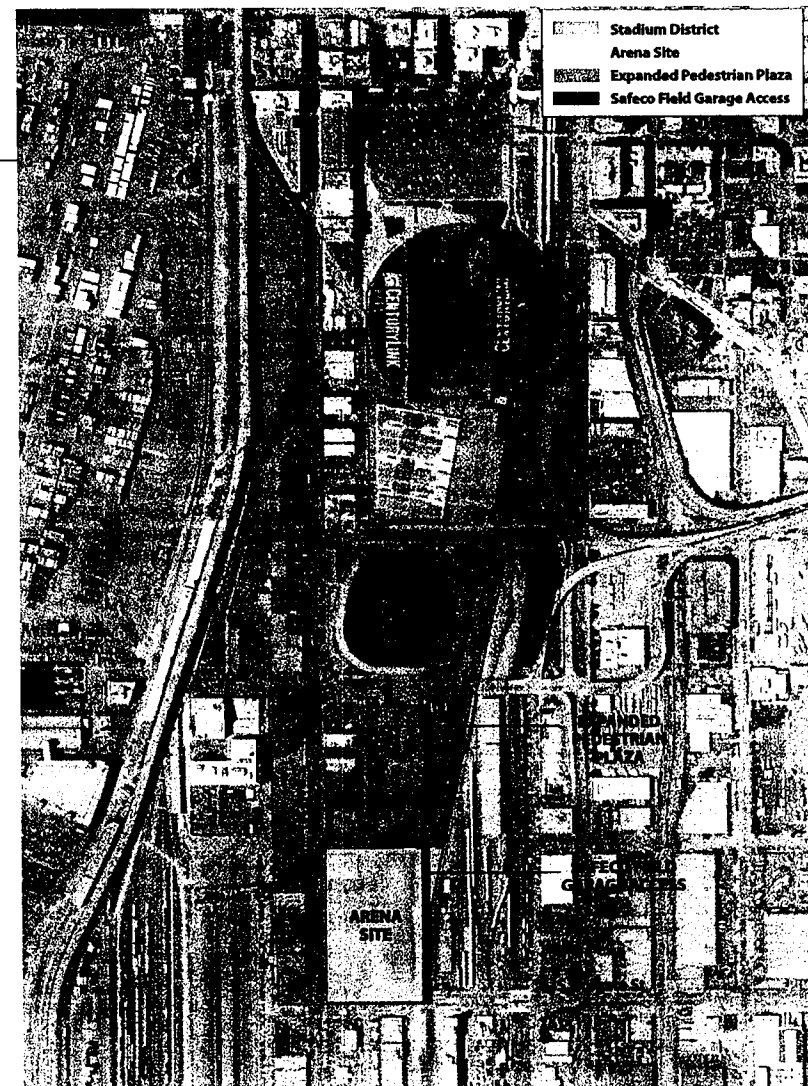


Exhibit 1. Project Overview Map

Event Schedule with the New Arena

This section answers how many additional events would occur at the new arena and the number of times these events would occur on the same-day or same-time as existing events at Safeco Field and CenturyLink Field.

The development of a new arena would bring more people to the area, which will increase the number of people driving, using transit, walking, bicycling, and goods and services deliveries. The new arena would have the capacity to seat up to 20,000 sports fans. In perspective, this is slightly less than the 2011 average Mariners attendance (23,500), about half of the Sounders FC attendance (38,500), and less than one-third of the Seahawks (67,000).

To examine the transportation impacts that the event venues have, three scenarios with various attendance levels for all types of events were developed (see Exhibit 2). A summary of the three scenarios with assumed average attendance levels for sports events and season duration is provided in the adjacent table.

| SCENARIOS | ASSUMED ATTENDANCE LEVELS | ASSUMED SEASON DURATION | WHAT THE SCENARIO DESCRIBES |
|--|--|--|--|
| Base | NHL – 20,000 NBA – 20,000 WNBA – 8,000 NFL – 67,000 MLB – 30,000 to 37,000 MLS – 38,500 | Pre- and Regular season for all teams | The anticipated attendance levels and same-day same-time events during the first year of the new arena |
| Base plus Mariners high regular season attendance (2002) | MLB increased to 41,000 on weeknights and 47,000 on weekends | Same as base | Potential for higher event attendance throughout the Mariners regular season |
| Banner Years | Increases Mariners attendance to 47,000 during playoffs (sell out) | All six teams make playoffs through championship games | Maximum frequency of high attendance events (This is a highly unlikely scenario but was developed for illustrative purposes) |

Exhibit 2. Summary of Event Scenarios

Estimated Mode of Access to New Arena

Exhibit 3 summarizes the estimated mode of access for a single event at the new arena. The estimated mode-splits are based on a sold-out arena event, which would add approximately 6,000 vehicles to the area. An average vehicle occupancy of 2.69 and a performance threshold of 300 vehicles per 1,000 event attendees was used, which is discussed further in the Multimodal Transportation Access section. Both of these assumptions are reasonable and conservative compared to survey information from the Mariners and Seahawks.

Although the number of events in the stadium district would increase with the new arena, weeknights with arena events only would add approximately 6,000 vehicles. This number of vehicles could be accommodated within the existing roadway, parking, and transit capacity in the area.

Because same-day same-time events have a greater potential to create traffic and parking concerns in the area, they are the primary focus of the study.

| TRAVEL MODE | MODE SPLIT (%) | NUMBER OF EVENT ATTENDEES | |
|---------------|----------------|---------------------------|---|
| Auto | 81 | 16200 | Using an average vehicle occupancy of 2.69 results in 6,000 vehicles. |
| Rail Transit | 6 | 1200 | |
| Bus Transit | 3 | 600 | |
| Ferry Transit | 4 | 800 | |
| Walk | 4 | 800 | |
| Bicycle/Other | 2 | 400 | |
| Total | 100 | 20,000 | |

Exhibit 3. Estimated Arena Mode-Split

ASSUMED SCHEDULE OF EVENTS

Exhibit 4 illustrates the duration of professional sport team seasons, including playoffs, and major recurrent events and other events with over 5,000 event patrons.

The professional sports and special events schedules for a typical calendar year were developed based on existing Mariners, Sounders FC, Seahawks, and Storm season schedules. Other events at CenturyLink Field and Safeco Field were also included.

The estimated schedule for arena events was developed based on other west coast professional teams for their respective sports and other events at Key Arena. This event schedule illustrated in Exhibit 4 was used to determine the number of events by event patron size.

PROFESSIONAL SPORTS AND SPECIAL EVENT SCHEDULES FOR A TYPICAL CALENDAR YEAR

| LEAGUE/EVENT | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|---|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| Baseball (MLB) 81 Regular Season Home Games Up to 11 Playoff Home Games | | | | | | | | | | | | |
| Football (NFL) 10 Regular Season* Home Games Up to 3 Playoff Home Games | | | | | | | | | | | | |
| Soccer (MLS) 20 Regular Season* Home Games Up to 5 Playoff Home Games | | | | | | | | | | | | |
| Hockey (NHL) 45 Regular Season* Home Games Up to 16 Playoff Home Games | | | | | | | | | | | | |
| Men's Basketball (NBA) 45 Regular Season* Home Games Up to 16 Playoff Home Games | | | | | | | | | | | | |
| Women's Basketball (WNBA) 20 Regular Season* Home Games Up to 7 Playoff Home Games | | | | | | | | | | | | |
| Major Recurrent Events | | | | | | | | | | | | |
| Other Events With Attendance Over 5,000 | | | | | | | | | | | | |

- Regular Season Home Games
- Playoff Home Games
- Major/Other Events
- * Regular season includes pre-season games

Exhibit 4. Assumed Schedule for Professional Sports Teams

EVENT SCHEDULE WITH THE NEW ARENA

BASE SCENARIO

This scenario examines the estimated number of people traveling to the stadiums based on current attendance trends at CenturyLink and Safeco Field. It includes both weeknight and weekend events. This scenario was developed to provide an understanding of the anticipated impact of the proposed arena while the two other scenarios were developed to examine higher transportation impact scenarios (see Exhibit 5).

Base Scenario Assumptions

- NFL, MLS and MLB scheduled game days are based on the 2011-2012 pre- and regular season schedules for the Seahawks, Sounders and Mariners (see Exhibit 6).
- The CenturyLink Field schedule includes non NFL and MLS events from the 2011 event schedule such as international soccer games, Supercross, concerts, and a Washington State University football game.
- The CenturyLink Exhibition Center schedule is based on the 2011 event schedule and includes concerts, consumer shows, and other public and private events.
- The Safeco Field schedule includes non MLB games from the 2011 event schedule and other events such as Fanfest, graduations, and the annual Microsoft meeting.
- Attendance assumptions for all non-sporting events are based on the venue event schedule attendance assumptions.
- Seahawks and Sounders FC games are assumed to have 67,000 and 38,500 people in attendance for each game, respectively.
- Mariners attendance peaked at an average of nearly 44,000 attendees per game during the 2002 season. This attendance level has gradually declined to an average of just over 23,000 attendees per game during the 2011 season. For the base scenario, the average attendance since 2000 (33,500) was used for the base scenario and adjusted to reflect an average weeknight attendance of 30,000 people and average weekend attendance of 37,000.
- The proposed arena would be home to an NBA, NHL and WNBA team (Seattle Storm).
- A representative schedule for the proposed arena was developed using schedules from the Portland Trailblazers (NBA), Vancouver Canucks (NHL), and Seattle Storm (WNBA).
- NBA and NHL games were assumed to be at capacity with 20,000 attendees, and WNBA games were assumed to draw 8,000 attendees (the average since the Storm's 2000 season).
- Concerts, family events and other public and private events at the proposed arena were based on the average number of events at Key Arena during the last 7 years, excluding some events that were assumed to remain at Key Arena such as Seattle University men's basketball games. These events range from 10,000 to 20,000 attendees.

Key Findings | Base Scenario

- The number of events with less than 20,000 patrons would increase from 62 to 127 because most arena events occur on days without events at Safeco Field or CenturyLink Field.
- A sold-out arena event would add approximately 6,000 vehicles to the area.
- The number of days with no events decreases from 193 to 101 with the new arena.
- The number of days with events between 40,000 and 60,000 event patrons increases from 8 to 25 (6 on weeknights and 11 on weekends). This is because there are a few days where the Mariners or Sounders FC would play on the same day as an event at the new arena. However, the start times on most of these days would be offset to reduce parking and traffic impacts.
- The number of days with events over 60,000 event patrons does not increase.

BASE SCENARIO

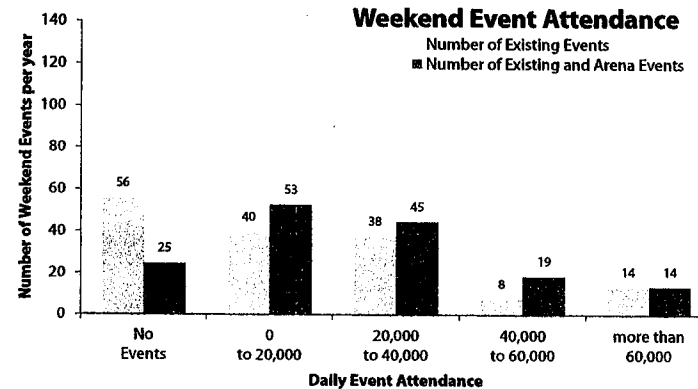
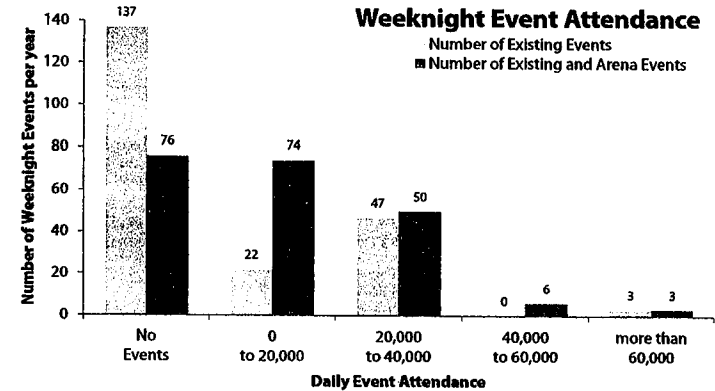


Exhibit 5. Base Scenario Estimated Attendance

BASE SCENARIO EVENTS WITH OVER 40,000 PATRONS

CenturyLink and Safeco Field management associations have conducted surveys to summarize how people travel to games. These surveys are part of their efforts to manage transportation in the area during games. First and Goal is responsible for CenturyLink and the Seattle Mariners for Safeco Field. Working with the City of Seattle, each of these transportation management associations have established goals for reducing the number of people traveling by car. Reducing the number of people traveling by auto is especially important during large attendance event days (assumed to be greater than 40,000 people at one or both venues).

Today, the largest possible combined events are Sounders FC and Mariners weekend games with the potential for 85,500 event patrons (see Exhibit 6). The traffic impact of these events is lessened by staggered game start times unlike Seahawks games and large CenturyLink concerts where all attendees are arriving for the same event start time. Seahawks games cannot be scheduled concurrently with a baseball game at Safeco Field.

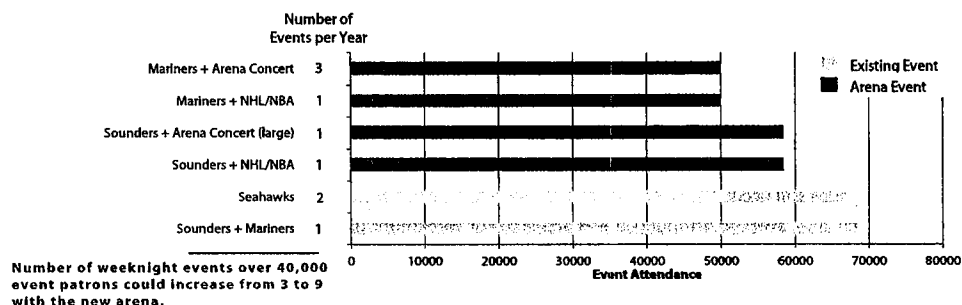
The number of events with attendees over 40,000 is anticipated to increase with the proposed arena. Today, there are approximately 25 events with 40,000 or more event patrons (under assumed baseline conditions). This number of events could increase to 42 events with the proposed arena; however, these additional same-day arena related events would likely have lower attendance than a same-day Sounders FC and Mariners combined event day or a Seahawks event.

Same-Day Event Scheduling

Today, Mariners and Sounders FC games occur on the same day approximately 6 times per year. The end of the first event and start of the second event is typically separated by approximately 3-4 hours. When the starting times of these events have been scheduled close together, traffic impacts are increased and parking becomes more difficult to find. The Mariners reported traffic and parking challenges with these closely scheduled events.

Similar to today, it was assumed that events at the proposed arena would not be scheduled at the same time as Seahawks (NFL) games. Exhibit 6 illustrates the number of event patrons during overlapping events with the arena is still less than Seahawks (NFL) or overlapping Mariners and Sounders FC games. Even with the Base Plus Mariners at 2002 Attendance Levels Scenario, the overlapping events are still not projected to have as many people traveling to the stadium district as compared to Seahawks games.

Base Scenario: Estimated Frequency of Weeknight Events with more than 40,000 event patrons



Base Scenario: Estimated Frequency of Weekend Events with more than 40,000 event patrons

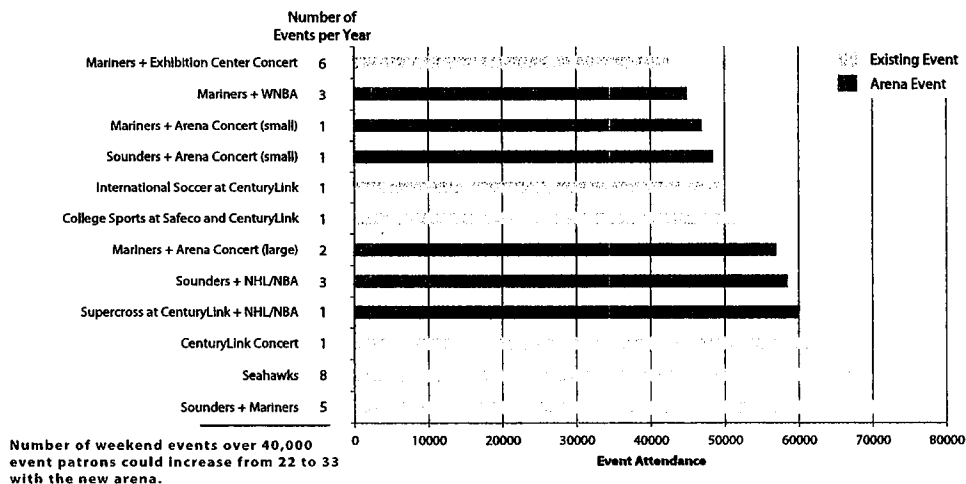


Exhibit 6. Number of Events with over 40,000 Patrons

EVENT SCHEDULE WITH THE NEW ARENA

BASE PLUS MARINERS HIGH REGULAR SEASON ATTENDANCE (2002)

This scenario was developed to examine the transportation impact of a significant increase in Mariners attendance. The highest season for Mariners attendance was 2002, when an average of 44,000 people attended each game (see Exhibit 7). Because the other scenarios assume near sell-out conditions for Seahawks, Sounders FC, and the proposed NHL and NBA teams, only the Mariners attendance level was increased.

Base Plus Mariners High Regular Season Attendance (2002) Assumptions

- All pre-season and regular season games from the Base Scenario, and the non-sporting events at the various venues still occur.
- The Mariners attendance 2002 average attendance was adjusted for weeknight games at 41,000 attendees and weekend games at 47,000 attendees.

Key Findings | Base plus Mariners High Regular Season Attendance (2002)

- The number of events with up to 20,000 patrons would increase from 62 to 127 because many arena events would occur on days without events at Safeco Field or CenturyLink Field.
- The number of days with no events decreases from 193 to 101 with the new arena.
- The number of days with events between 40,000 and 60,000 event patrons decreases from 77 to 76. This is because there are a few days where the Mariners or Sounders FC would play on the same day as an event at the new arena. However, the start times on most of these days would be offset to reduce parking and traffic impacts.
- The existing 77 events shown in the 40,000 to 60,000 event patron range represents the Mariners 2002 attendance levels. This compares to 25 events with the new arena plus average Mariners attendance levels shown in the Base Scenario.
- The number of days with events over 60,000 event patrons increases from 17 to 25 with the new arena. This is because the Mariners are assumed to have very high attendance levels.

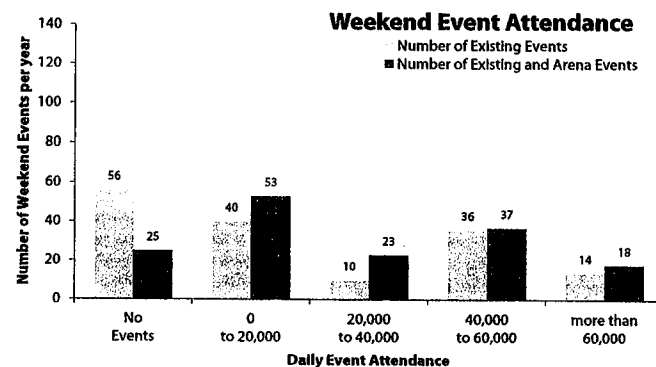
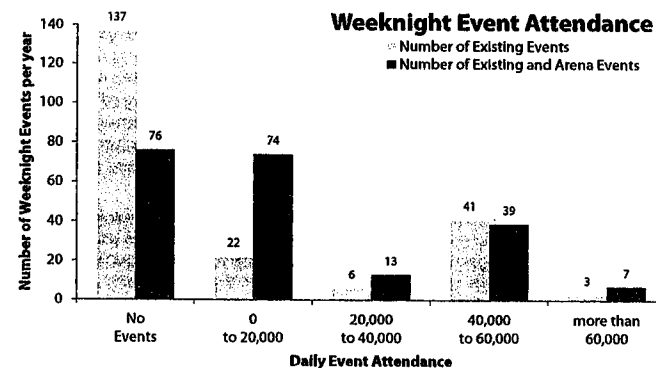


Exhibit 7. Base Scenario plus high Mariners Regular Season Estimated Attendance

BANNER YEAR SCENARIO

This scenario was developed to examine the transportation impact of six professional sports teams in Seattle (Seahawks, Sounders FC, Mariners, Storm, an NHL team, and an NBA team) making it through the regular season and into the final playoff series. This scenario includes both weeknight and weekend events (see Exhibit 8). This is a **highly unlikely scenario** but was developed for illustrative purposes only.

Banner Year Scenario Assumptions

- Mariners are assumed to have an average attendance of approximately 47,000 during playoff games. The regular season attendance is the same as the Base plus High Regular Season Attendance (2002) Scenario.
- No additional attendance was added to Seahawks or Sounders FC because they are already at or near sell-out levels. Also, the base scenario assumes the NFL, NHL, and NBA regular season games would sell-out.

Key Findings | Banner Year Scenario

- The number of events with up to 20,000 patrons would increase from 61 to 128 because many arena events occur on days without events at Safeco Field or CenturyLink Field.
- The number of days with no events decreases from 175 to 76 with the new arena.
- The number of days with events between 40,000 and 60,000 event patrons decreases from 88 to 64. This is because there are a few days where the Mariners or Sounders FC would play on the same day as an event at the new arena. However, the start times on most of these days would be offset to reduce parking and traffic impacts.
- The number of days with events over 60,000 event patrons increases from 20 to 49 with the new arena because all teams were assumed to be in the playoffs.

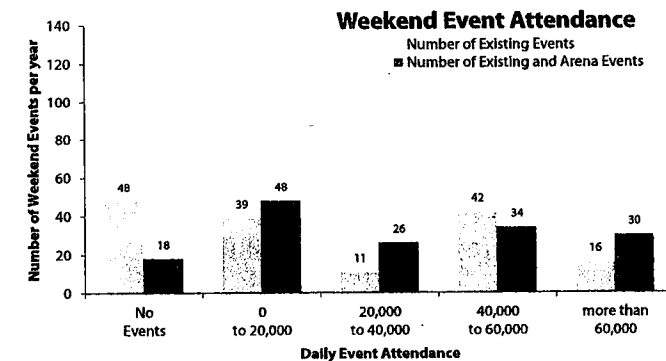
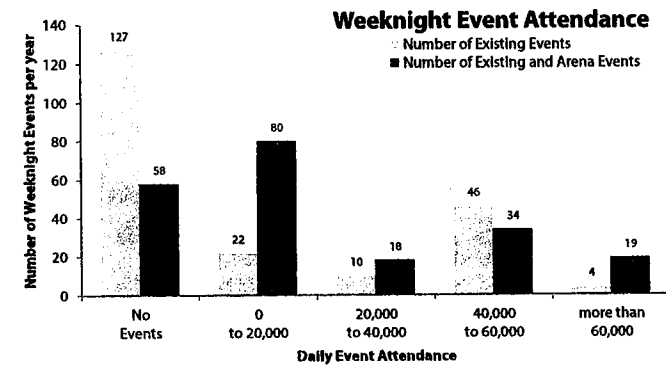


Exhibit 8. Banner Year Scenario Estimated Attendance

Multimodal Transportation Access

A comprehensive transportation access plan to the event venues in the Stadium District for all modes—auto/parking, rail transit, bus transit, ferry, pedestrians, and bicycles—addresses the need for reliable and timely access to the event venues while minimizing impacts to the Port of Seattle and other freight operations in the area. The goal of the multimodal access plan is to promote mobility options that maximize use of alternative transportation modes.

This section includes:

- A description of the existing Transportation Management Plans at CenturyLink Field and Safeco Field, which establish the base performance standard for the maximum number of event patrons traveling by auto. This performance standard also establishes the number of event patrons that must choose other transportation modes to travel to events.
- Identification of vehicle access routes, parking supply, and transit system capacity to assess whether the same-time/same-day event attendance can be accommodated within the existing and planned transportation system capacity.
- A summary of the estimated number of event patrons traveling to the area by mode, and the overall capacity of each modal system (with planned and funded improvements) for an anticipated opening day and same-day same-time event scenarios.

SAME-DAY/SAME-TIME EVENTS IMPACTS

The vast majority of events at the new arena would not occur on the same day as events at Safeco Field or CenturyLink Field. The majority of events occurring on the same-day would not occur at the same time, even with the addition of the new arena. The probability of same-day events is slightly higher in the Spring when the Mariners and Sounders FC seasons are starting and provided the NHL and/or NBA teams are in the playoffs.

This study evaluated the impact of overlapping events, which presents a worst-case assessment of traffic and parking impacts in the stadium district. Because the Mariners have more weeknight games, the probability for an arena playoff game coinciding with a Mariners game is higher than for a Sounders FC game.

Century Link Multimodal Access

In 2009 and 2010, the Seahawks management association reported slightly more than half of their attendees traveled by personal auto to games with average vehicle occupancies of 2.81 in 2009 and 2.69 in 2010. Almost 28 percent of attendees chose to take public rail or bus transit (not including ferry) in the 2010 survey.

| | 2009 Performance with TMP | | | 2010 Performance with TMP | | |
|--------------------|---------------------------|---------|----------|---------------------------|---------|----------|
| | Mode Split | Persons | Vehicles | Mode Split | Persons | Vehicles |
| Auto | 55.0% | 39,255 | 13,964 | 57.1% | 34,217 | 12,720 |
| Transit - Sounder | X ² | | | 12.7% | 7,610 | |
| Transit - Bus | 14.8% ⁴ | 10,563 | | 10.9% | 6,530 | |
| Transit - Link | X ² | | | 4.0% | 2,390 | |
| Charter Bus | 0.7% | 500 | | 1.1% | 670 | |
| Rail | 10.9% ¹ | 7,780 | | 0.5% ³ | 280 | |
| Ferry/Charter Boat | 3.4% | 2,427 | | 3.6% | 2,185 | |
| Pedestrian/Bicycle | 4.8% | 3,426 | | 6.0% | 3,600 | |
| Drop-off/Taxi/Limo | 4.3% | 3,069 | | 3.6% | 2,390 | |
| Other | 0.7% | 500 | | 0.4% | 260 | |
| Total | 100% | 71,373 | | 99% | 60,132 | |

1. Includes Sounder Train
2. Amtrak Only
3. Not explicitly recorded
4. Appears to include Light Link Rail

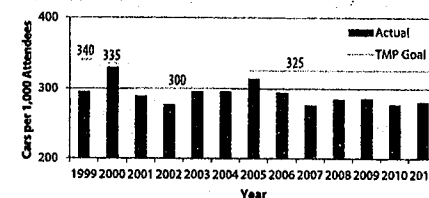
The 2009 mode split does not sum to 100%, as indicated in the table.
The 2009 AVO is 2.81
The 2010 AVO is 2.69

Safeco Field Multimodal Access

As shown in the 2001 Mariners survey (bottom left chart), 82 percent of attendees travelled by auto to games with an average auto occupancy of 3.16. The remaining 18 percent chose to take public transit, to walk, or to bike. Since 2001, the Mariners have established a goal for the number of vehicles per 1,000 event attendees. This measure is one method for determining the impact of attendees driving to events. As the ratio of vehicles to event attendees becomes lower, the number of event patrons who choose to take public transit, walk, or bike increases. As illustrated below, the Mariners have exceeded their goal for auto trips every year.

| Mariners | |
|---------------------------|--------|
| Travel Mode | Survey |
| Auto | 82% |
| Transit Bus/Train | 8% |
| Ferry | 4% |
| Walk | 4% |
| Bicycle/Other | 3% |
| Charter Bus | 0% |
| Totals | 100% |
| Average Vehicle Occupancy | 3.16 |

Average Number of Cars per Thousand Attendees at Mariners Games



MODE OF ACCESS PERFORMANCE THRESHOLD

The recent information on how people travel to Safeco Field and CenturyLink Field was used to derive estimates of how event patrons would travel to the proposed arena. Because of the higher probability described earlier of same-day same-time Mariners and Arena events, these were evaluated: 1) Arena overlap with average Mariners attendance; and 2) Arena overlap with 2002 Mariners attendance. For determining the number of auto trips, the 280 vehicles per 1,000 event patrons performance threshold was used. This performance threshold is for the 65,000 to 75,000 attendance range from the CenturyLink Field Transportation Management Plan. Safeco Field has been at or near this threshold for the previous 5 year as illustrated on the previous page.

Mode Split

Exhibit 9 summarizes the estimated mode split for three scenarios based on different performance thresholds for a worst-case same-day same-time event. It provides an understanding of the likely demand for each mode of access (discussed in the following sections).

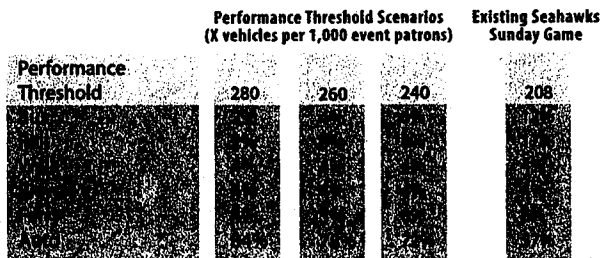


Exhibit 9. Projected Mode-Split for New Arena Scenarios

KEY FINDINGS

- When there are more people traveling to events in the stadium district, transit demand increases. This is because parking availability in the stadium district is limited, parking costs increase, and localized traffic congestion causes delay. Transit offers a relatively congestion free trip to and from the game, especially Sounder and Link Light Rail.
- Mariners 2001 to 2011 attendance plus arena event is similar to a present-day Seahawks game.
- In a historical study from 1982 Urban Land Institute Transportation and Parking Issues, the average vehicle occupancy, or average number of people in each car, was reported as 2.30. However, the average vehicle occupancy for CenturyLink Field event patrons has ranged from 2.69 to 2.81 and Safeco Field reported a 3.16 average vehicle occupancy. A conservative estimate for average vehicle occupancy of 2.69 was assumed for the proposed arena event patrons to evaluate demand for parking and other modes.
- Some of the event patrons surveyed walking to games are local area residents, but others are likely walking from areas outside of the parking survey area (Downtown Seattle north of Pioneer Square) or plan to take an alternative mode such as transit when leaving the game.

Auto Access

Event patrons who choose to drive typically park in or near the stadium district. The willingness of people to pay for convenient parking (the more expensive parking is located closer to the stadiums), their ability to walk longer distances, and their familiarity with the area, influences their decision for where to park. Typically, event patrons don't drive alone to sporting events—the average number of people in vehicles to stadium district events ranges from 2.69 to 3.16.

Regional and local roadways provide a number of access points to parking in the stadium district (see Exhibit 10). Regional routes such as I-5, I-90, and SR-99 are heavily used by people driving to the stadium and become congested during larger events. These routes access the parking facilities that most directly serve CenturyLink Field, Safeco Field, and the proposed arena parking. These routes experience higher than normal congestion during weekday evening commute times between 3 PM and 7 PM. Because available parking is spread throughout the stadium district and north into downtown, some of the congestion around the stadium is associated with people searching for available parking. This is especially true nearing the start of well-attended events.

Some of the regional route congestion could be reduced by distributing auto access to other local and lesser used routes such as 1st Avenue S., 6th Avenue S., Airport Way S. and S. Forest Street. SR 99 from areas south and west of Downtown Seattle also becomes a more viable route into the Stadium District in the future with direct access to the new Dearborn Street ramp connection west of CenturyLink Field. These shifts in traffic would likely require making additional information to drivers to guide their route decision choices and help alleviate congestion at bottlenecks such as Edgar Martinez Way S. and the 4th Avenue S. ramps from I-90 and I-5.

Access Routes to Stadium District

I-5 Southbound

- James Street to 2nd Avenue S
- 6th Avenue S
- Dearborn Street
- 4th Avenue / Edgar Martinez Way
- Airport Way / Massachusetts Street / Holgate Street
- Forest Street

I-5 Northbound

- 6th Avenue S
- 1st Avenue S
- Dearborn Street

I-90 Westbound

- 4th Avenue S / Edgar Martinez Way
- Rainier Avenue to Dearborn Street
- James Street to 2nd Avenue S

West Seattle Access

- SR 99 / Alaskan Way
- 4th Ave S

SR-99 and Local Access

- Dearborn Street
- SR 99 / Alaskan Way
- 1st Avenue S
- Airport Way

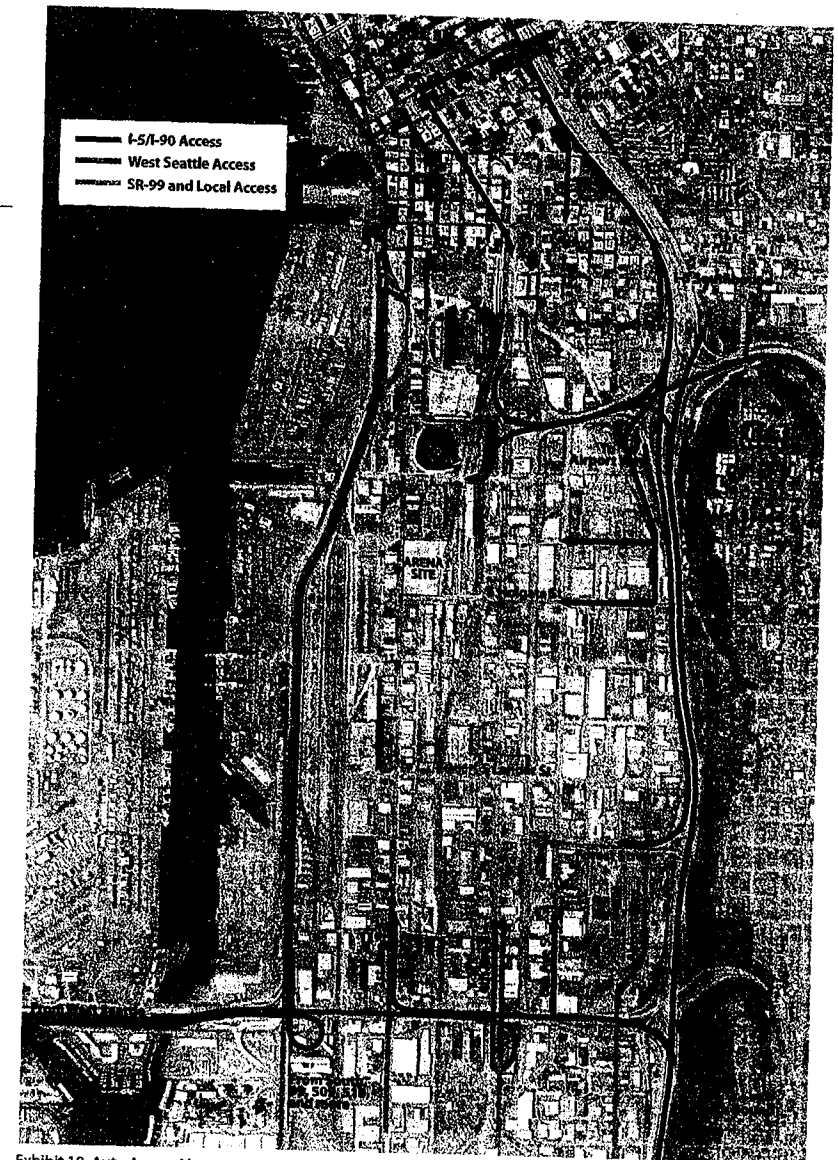


Exhibit 10. Auto Access Map

Parking

There will be a range of parking needs depending on the type of events, the potential for event overlap, and attendance levels. Exhibit 11 illustrates existing and potential future parking within a 15-minute walk distance (approximately ¼-mile radius) of the new arena.

The range of parking needs is 6,000 for an arena only event and 17,100 for a same-day same-time weeknight event at Safeco Field (41,000 attendance) and the proposed arena (20,000 attendance). The high end of the range is an extremely rare event that would not occur if teams did not make the playoffs, or could occur up to 5-6 times at the very most if all teams made extended runs in the playoffs.

A total of 20,100 existing, planned, and dedicated arena parking would be available for a same-day same-time event. This does not include the number of stalls made available by private businesses on event days. The table below and adjacent text summarizes the parking supply information.

| LOCATION | PARKING STALLS |
|---|----------------|
| A. Existing Off-Street Parking | 12,400 |
| B. Existing On-Street Parking | 1,000 |
| C. Arena Parking | 1,500 |
| D. Potential Parking | 2,000 |
| E. Expanded ¼-mile area North of Safeco Field | 3,200 |
| TOTAL | 20,100 |

DATA

Parking data sources include the City of Seattle, the Puget Sound Regional Council year 2010 Seattle parking inventory data, the Washington State Public Stadium Authority.



Over 57,000 parking spaces are also available in the downtown Seattle area

A. Existing Off-Street Parking

Both surface parking and structured parking lots are available for use within the study area. The number of parking stalls for each facility ranges from 10 to 2,000. The larger structure and surface lots that provide over 200 stalls are highlighted on the map. These parking areas account for over 85% of the total parking in the study area.

B. Existing On-Street Parking

There are approximately 1,500 existing on-street parking spaces within a 15-minute walk of the arena. Existing utilization during a non-event evening was approximately 25%. This leaves slightly more than 1,000 existing on-street parking space available during arena events.

C. Arena Parking

The arena management team is evaluating the provision of additional parking that could total 1,500 new stalls. An agreement to use an additional 1,000 existing off-street parking spaces would also be required, and was assumed to be part of the 2,000 potential parking spaces listed below.

D. Potential Parking

The City of Seattle has identified the potential for an addition of up to 2,000 off-street parking stalls that are currently under consideration for construction within the ¼-mile walking radius of the arena.

E. Expanded ¼-mile area North of Safeco Field

The highest same-day attendance event includes the arena and Safeco Field. Safeco Field is located about ½ of a mile north of the arena; therefore, additional parking facilities are available within an expanded ¼-mile ring north of Safeco Field. A preliminary investigation found the number of additional off-street parking stalls associated with events at Safeco Field within an expanded ¼-mile ring is in excess of 3,200 stalls.



Exhibit 11. Available Parking within ¼-mile of the New Arena

Transit Access

Regional public transit providers offer a number of ways for event patrons to access the stadium district including bus, ferries, light rail, and commuter rail (see Exhibit 12). The capacity of the public transit services to transport people to events varies by time of day (peak commuter period or evening services) and weekday or weekend service. Many of these regional transit services connect to park-and-ride facilities (see Exhibit 14). The estimated future capacity for each transit mode is summarized in Exhibit 13.

BUS TRANSIT

As illustrated in Exhibit 10, bus transit is concentrated on SR 99/Alaskan Way, 4th Avenue S., 3rd Avenue S., SODO busway (5th Avenue S.) and I-90. Bus service is currently provided by Metro Transit, Sound Transit, and Community Transit. The primary bus stop serving the stadium district is on 4th Avenue S. The future surface Alaskan Way has a proposed bus stop near Dearborn Street, which would provide closer access to the stadiums for bus riders from West Seattle and areas to the south. Previously, these bus riders would have to connect to downtown Seattle to the north along Seneca Street.

There are a significantly higher number of buses leaving the downtown Seattle core during the weekday afternoon commuter periods than entering the downtown. The number of buses in service on routes in the stadium district is lower during evening and weekend service and headways (time between buses at a bus stop) are longer. Late evening and weekend service typically have 30 to 60 minute headways; whereas peak commute periods (between 3 PM and 7 PM) operate on 10 to 30 minute headways.

Previously, Metro provided special park-and-ride lot service for Seahawks weekend games between Northgate Transit Center, South Kirkland Park and Ride, and the Eastgate Park and Ride—this special service was not provided for weeknight games. For Sounders FC, a special bus service was cancelled in May 2012 due to low demand. Instead of the special service, extra coaches were added on regular Metro service to downtown Seattle, as needed, to accommodate Sounders FC fans (source: Metro Transit website).

Estimated Bus Transit after Events

Buses into downtown and the stadium district are less used and have capacity to accommodate people traveling to the stadiums; however, this transit service generally operates on 30 to 60 minute headways, which is similar to weekend bus service. After 10 PM, there are approximately 48 buses passing through the stadium district for patrons to use, including buses currently traveling on the Alaskan Way Viaduct. This provides capacity for approximately 3,800 people.

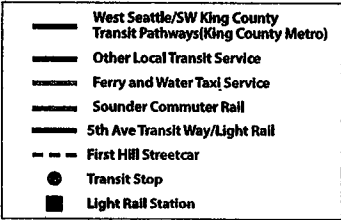


Exhibit 13. Summary of Estimated Transit Capacity

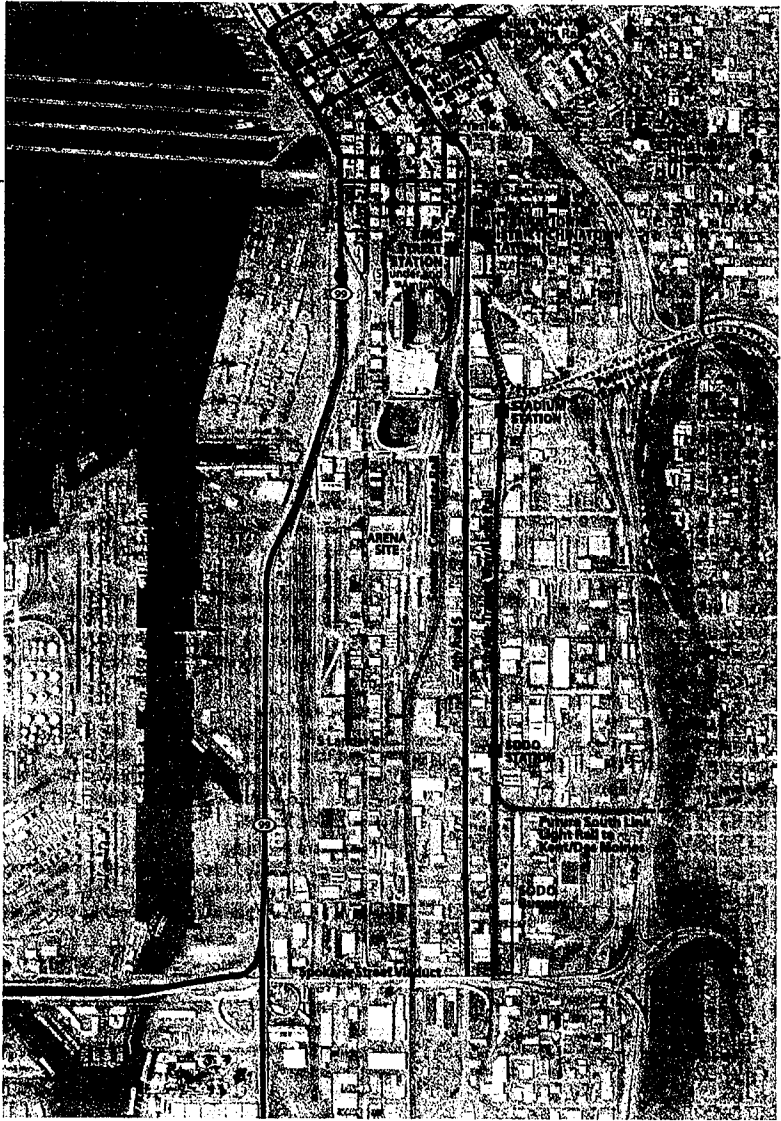


Exhibit 12. Transit Access Map

LIGHT RAIL TRANSIT

Sound Transit currently provides Link light rail service from downtown Seattle to the SeaTac Airport. Funded system expansions include light rail service along I-90 through Bellevue to Overlake Transit Center in Redmond, along I-5 north to Lynnwood, and between SeaTac Airport and Kent-Des Moines Road. All of these rail extensions are scheduled to be completed by 2023, with portions of the service opening sooner. This transit service connects to regional park and ride facilities that can accommodate up to 13,000 vehicles (see Exhibit 14).

Light rail transit provides riders with a reliable and uncongested trip into and out of downtown because routes are entirely in dedicated right of ways. Also, light rail will operate at frequent headways (no longer than 15 minutes between trains) in the evening. The nearest light rail station for North and South Link is Stadium Station located on 5th Avenue S at Royal Brougham Way. This station is a 10-minute walk to the new Arena. The nearest light rail station for East Link is the International District Station, which is located near King Street and 5th Avenue (approximately $\frac{3}{4}$ -mile from the proposed Arena and $\frac{1}{2}$ -mile from CenturyLink Field).

Estimated Light Rail Transit after Events

The current planned service would operate 2 car trains (approximately 160 people per car or 320 per train). Headways are anticipated to be 7.5 minutes on North Link, and 15 minutes on Airport Link and East Link after 10 PM. This is important because weeknight events are typically ending later in the evening when transit service levels are reduced. These anticipated service levels provide one-way capacity for approximately 5,100 passengers.

WASHINGTON STATE FERRIES TRANSIT

Washington State Ferries (WSF) and King County provide ferry service at Colman Dock, which is located near Alaskan Way and Yesler Way. Colman Dock is less than 1 mile from the proposed Arena and $\frac{1}{2}$ -mile from CenturyLink Field.

Estimated Ferry Service after Events

WSF provides a combined vehicle and passenger service to Bainbridge Island and Bremerton. Service is provided approximately every 50 minutes during weekdays and weekends to Bainbridge Island and approximately 70 minutes to Bremerton. The ferries serving these routes are some of the largest ferries in WSF's fleet and capable of transporting over 4,200 walk-on passengers (in addition to vehicle passengers) following a stadium event.

PASSENGER FERRY TRANSIT

King County provides passenger only ferry service between West Seattle and Vashon Island. Ferries leave to West Seattle approximately every 30 minutes during the evening commute period until the last sailing at 6:45 PM. During Fridays and evening weekday Mariners and Sounders FC events, ferry service is extended to 10:30 PM with ferries departing hourly from Waterfront Pier 50. Saturday and Sunday has hourly departures from 8:30 AM to 7:30 PM with service extended to 10:30 PM on Saturdays only. Passenger only service to Vashon Island departs hourly from Seattle between 4:30 PM and 6:30 PM for weekdays only.

Estimated Passenger Ferry Service after Events

These vessels have a capacity of 150 passengers and 18 bicycles and have only one sailing for weekend late night games.

SOUNDER COMMUTER RAIL

Sound Transit Sounder commuter rail service provides service between Tacoma and Seattle's King Street Station (with stops in Puyallup, Sumner, Auburn, Kent, and Tukwila) and between Everett and Seattle (with stops in Mukilteo and Edmonds). Sounder has regular weekday morning and afternoon service only. Trains leave Seattle approximately every 30 minutes in the evening commute period. Only one train comes to downtown from the north during the late evening and two trains from the south in the evening commuter period.

Estimated Sounder Service after Events

Select major weekend events for Mariners, Seahawks, and Sounders FC games are also served. Only one inbound train is scheduled for weekend day games to Seattle and from Tacoma and Everett and one outbound train departs approximately 30 minutes after the last out or end of match. Sounder BiLevel coaches have a capacity for approximately 360 passengers in each coach. The estimated capacity of Sounder commuter rail to serve events is approximately 3,000 people.

CHARTER BUS

In 2009 and 2010, the CenturyLink Transportation Management Association reported that between 0.7% and 1.1% of attendees used a charter bus to travel CenturyLink Field. This accounts for between 500 and 670 attendees. Historical limitations of this type of service have been that coaches couldn't accommodate disabled fans and were expensive. Because of low use by attendees, this mode of access was not assumed as part of the proposed arena analysis.

REGIONAL TRANSIT CONNECTIONS AT PARK AND RIDE LOTS

KEY EXISTING AND PLANNED PARK AND RIDE LOCATIONS (>200 SPACES) ON PRIMARY TRANSIT CORRIDORS

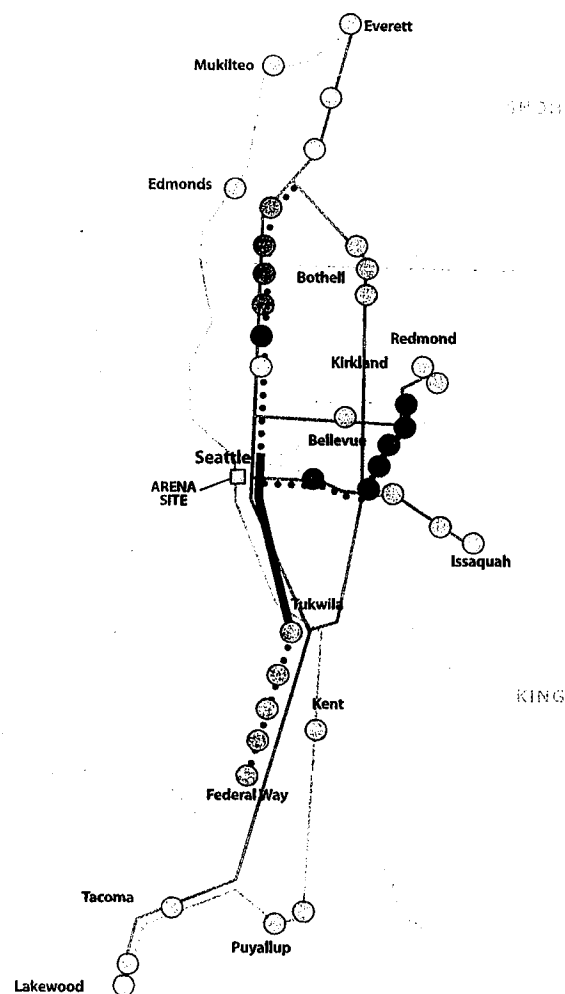
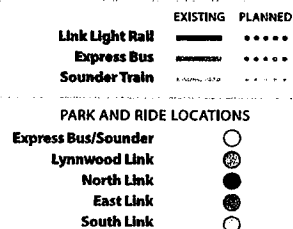
There are currently over 35,000 parking spaces at Snohomish, King and Pierce County park and ride lots accessible to the arena study area by bus and/or rail (see Exhibit 14).

The park and ride lots shown to the right account for approximately 23,000 of the existing spaces. The remaining 12,000 existing spaces exist at smaller lots (<200 spaces) with transit connections to the major trunk lines shown in the figure.

Planned Link Light Rail Stations are expected to add over 5,000 park and ride spaces, bringing the total number of park and ride spaces in the 3-county region to about 40,000.

Including planned park and ride spaces, there are expected to be over 13,000 parking spaces at Link Light Rail Stations.

In addition to the Park and Ride Lots listed, the parking lot north of Husky Stadium has approximately 3,000 spaces that people may use to park and connect with light rail at the Husky Stadium station.



| | EXISTING | PLANNED | TOTAL | |
|--|------------------------------------|--------------|---------------|---------------|
| PARKING SUPPLY AT LINK LIGHT RAIL STATIONS | Lynnwood Transit Center | 1,400 | +500 | 1,900 |
| | Mountlake Terrace Park and Ride | 900 | | 900 |
| | 185th Station | 0 | +500 | 500 |
| | 145th Station | 0 | +500 | 500 |
| | Northgate | 1,500 | | 1,500 |
| | Mercer Island Park and Ride | 450 | | 450 |
| | South Bellevue Park and Ride | 500 | +900 | 1,400 |
| | 120th Station | 0 | +300 | 300 |
| | 130th Station | 0 | +300 | 300 |
| | Overlake Park and Ride | 200 | | 200 |
| PARKING SUPPLY AT SOUNDER STATIONS | Overlake Transit Center | 200 | +100 | 300 |
| | Tukwila International Blvd Station | 600 | | 600 |
| | South 200th St Station | 0 | +1,100 | 1,100 |
| | Kent - Des Moines Park and Ride | 350 | +700 | 1,050 |
| | Star Lake Park and Ride | 500 | | 500 |
| | Federal Way Transit Center | 1,200 | +700 | 1,900 |
| | Total | 7,800 | +5,600 | 13,400 |
| PARKING SUPPLY AT EXPRESS BUS PARK&RIDES | Everett Station | (see below) | | |
| | Edmonds / Mukilteo Station | 200 | | |
| | Tukwila Station | 200 | | |
| | Kent Station Transit Center | 1,100 | | |
| | Auburn | 1,000 | | |
| | Sumner Station | 400 | | |
| | Puyallup Station | 350 | | |
| | Tacoma Dome Station | 2,400 | | |
| | Lakewood Station | 600 | | |
| | Total | 6,250 | | |
| | Everett Station | 1,100 | | |
| | South Everett Freeway Station | 400 | | |
| | Ash Way Park and Ride | 1,000 | | |
| | Greenlake Park and Ride | 400 | | |
| | Bothell Park and Ride | 200 | | |
| | Brickyard Road | 450 | | |
| | Kingsgate Park and Ride | 500 | | |
| | South Kirkland Park and Ride | 600 | | |
| | Bear Creek Park and Ride | 250 | | |
| | Redmond Park and Ride | 350 | | |
| | Eastgate Park and Ride | 1,600 | | |
| | Issaquah Transit Center | 800 | | |
| | Issaquah Highlands Park and Ride | 1,000 | | |
| | I-5/SR 512 Park and Ride | 500 | | |
| | Total | 9,150 | | |

Exhibit 14. Regional Transit Connection at Park and Ride Lots

Multimodal Transportation Plan Summary

A rare same-day same-time Mariners game with high regular season attendance (2002 levels) and a sold-out arena event could be accommodated with the future funded roadway improvements, added parking supply, and major expansion of the Link light rail transit system.

Same-day events with event start times separated by a couple of hours are not included in this section because their demand on parking and transit services is less and spread out over time.

In comparison to an existing Seahawks game, this worst-case scenario would result in approximately the same number of event patrons traveling to the stadium district. However, there would be transportation improvement projects to increase parking supply and public transit service levels as follows:

Parking Supply Increase

Parking supply is anticipated to increase from today by approximately 3,500 spaces. This includes dedicated arena parking plus potential future parking areas within ¼-mile walking distance of the new Arena.

Light Rail System Expansion

The addition of major regional transportation projects, such as Link light rail extensions to Lynnwood (North Link), Redmond (East Link), and Kent/Des Moines (South Link extension) improve regional transit service. In the future, it is estimated that light rail would be able to accommodate 5,000 people or more after a weeknight event with proposed service levels.

Exhibit 15 illustrates a range of possible outcomes for event patrons traveling to and from the event venues.

These charts show:

- Parking supply approaches capacity using the current Transportation Management Plan performance threshold of 280 vehicles per 1,000 event attendees.
- The estimated number of people traveling to a same-day same-time event could be accommodated.
- The proposed public transit service has the ability to accommodate a larger percent share of event patrons, which reduces the number of parking spaces needed.

Over time, the number of people choosing to drive would likely decrease and transit use would increase as the light rail system expands. This is because light rail provides a convenient and reliable choice for traveling to events.

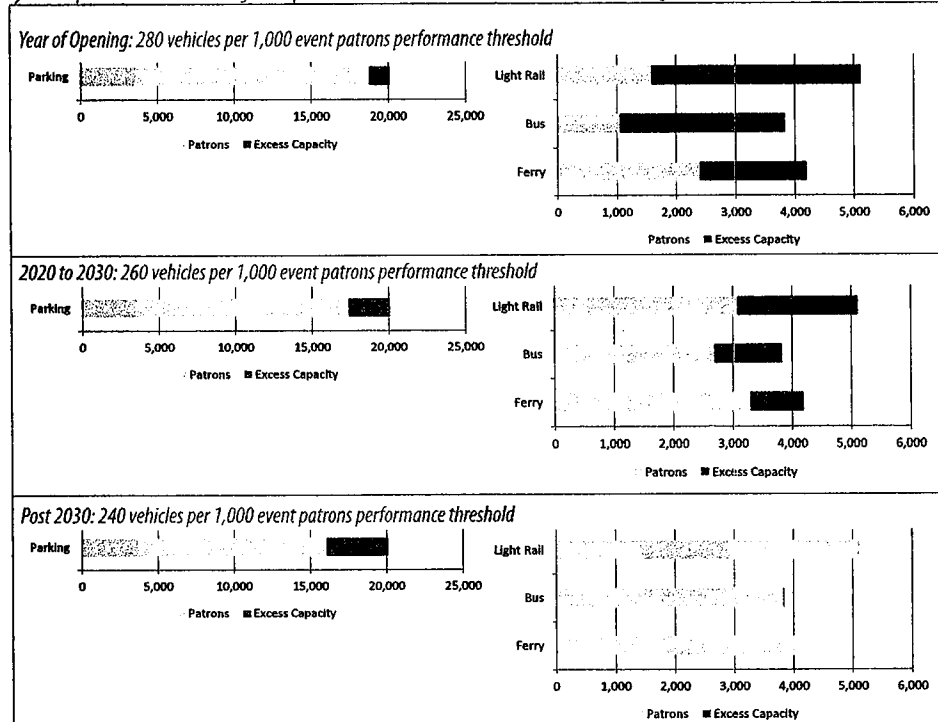


Exhibit 15. Range of Patron Travel Choices

PEDESTRIAN ACCESS

The number of event patrons walking and bicycling was not evaluated. Today, the number of event patrons who bike to Mariners and Seahawks events is low, especially for evening games. It is anticipated that arena events would be similar, although there would likely be some secure parking for bicycles at the new arena. Bicycle use to Sounders FC events is higher and there are adequate existing routes to access the stadium using major corridors such as S. Dearborn Street, S. Jackson Street, and Alaskan Way.

The number of pedestrians on roadways dissipates as the distance away from the arena increases. Close to the arena, this project proposes to designate Occidental Avenue S. between Edgar Martinez Way S. and Massachusetts Street S as a pedestrian only street before and after events. This would accommodate the areas with the highest volume of pedestrians. North of Edgar Martinez Way S, sidewalk widths are adequate to accommodate the high number of pedestrians as they begin to fan out to reach their parking location or transit station/stop.

FREIGHT TRANSPORTATION

The Sodo district is the home of Port of Seattle container terminals 46 and 30, intermodal rail transfer yards, major rail lines and truck routes (see Exhibit 16). All of the arterial and local access streets in Sodo have a high percentage and volume of truck traffic from the Port of Seattle and other industrial, manufacturing, and warehousing business in the area.

The Port of Seattle is the 6th largest U.S. port in 2011 based on the Twenty-foot Equivalent Units (TEUs) volume. Exhibit 17 illustrates the ten-year history of TEUs and projections to the year 2037 at the Port of Seattle container terminals. The highest TEU volume occurred in 2010, at 2.1 million TEUs.

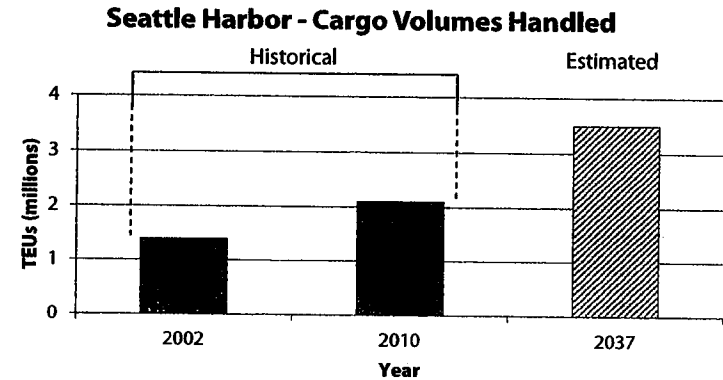


Exhibit 17. Cargo Volumes Handled at Seattle Harbor

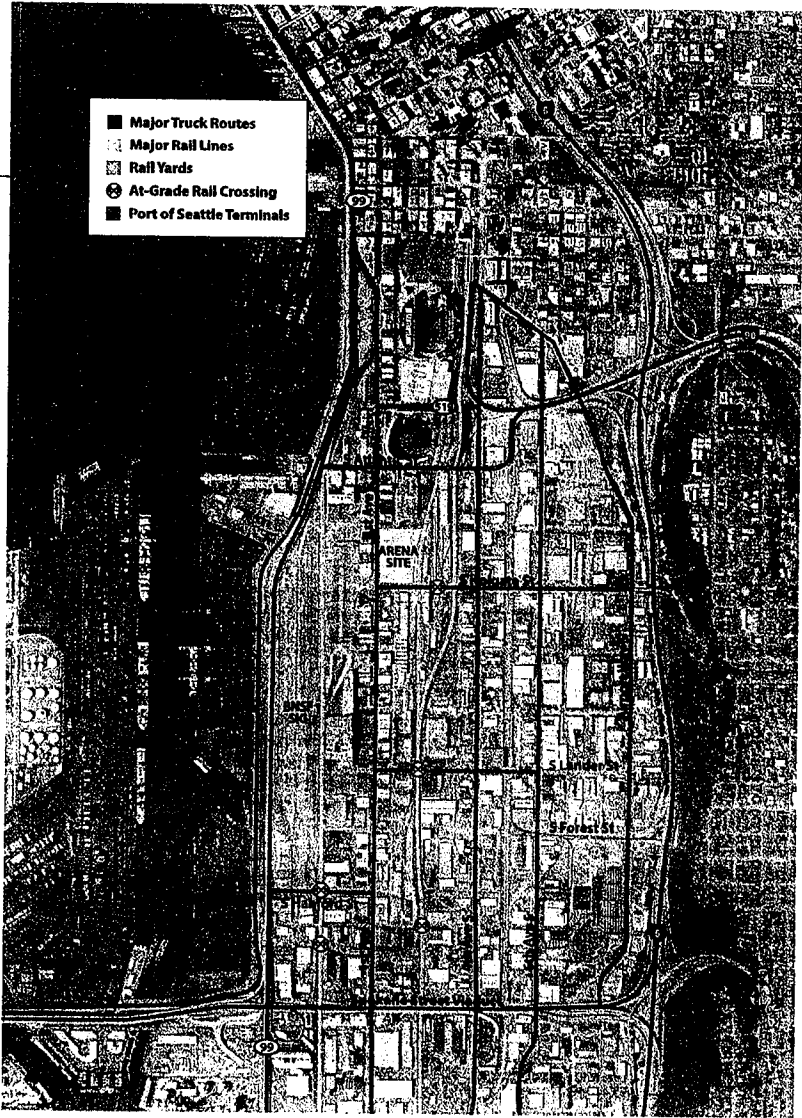
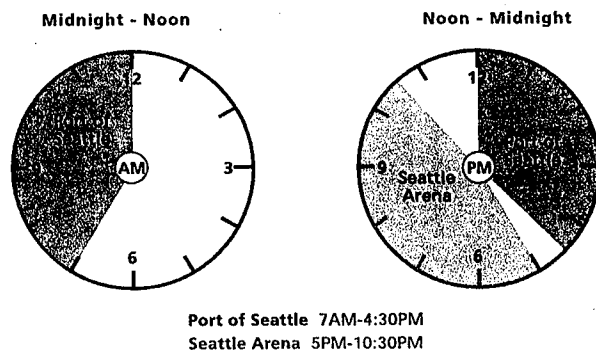


Exhibit 16. Freight Transportation Access

PORT OPERATIONS

Peak activity at the container terminals generally occurs during fall months, September through November. When container ships are in port, dray activity (transfer of containers from ship to rail intermodal yard by truck) often extends into the evening. The dray movements between Terminal 46 and 30 and the BNSF SIG intermodal transfer facility occur on E. Marginal Way, S. Hanford Street, and S. Massachusetts Street. Regular hours for container terminal operations are 7 am to 4:30 pm at Terminal 46 (see illustration below), and 8 am to 4:30 pm at Terminal 30, Monday through Friday. The terminals are closed on weekday evenings and on weekends when the majority of sports and other events take place at the new arena. Weeknight start times for NBA, NHL, and WNBA games would likely be 7:35 pm. Since most arena event attendees would arrive at the facility no earlier than 2 hours prior to game time, conflicts between Port of Seattle container terminal traffic and arena traffic would be minimal.



Burlington Northern Santa Fe (BNSF) operates major rail lines through the area for both passenger and freight rail service. At-grade crossings of the BNSF mainline exist at S. Horton Street, S. Lander Street, and S. Holgate Street. The SR-519 project recently provided a new grade-separated overpass over the BNSF mainline for both vehicular traffic and pedestrians.

Several funded roadway infrastructure projects will benefit freight movements in the region as shown in Exhibit 18. These projects include the Alaskan Way Viaduct Replacement, Spokane Street improvements, Atlantic Street Overpass, and East Marginal Way Grade Separation project. All of these projects will be completed and operational by the year 2016, the earliest possible year of opening for the new arena.

Stakeholder transportation concerns in the area include:

- Congestion at the S. Atlantic Street/1st Avenue S. intersection—Truck traffic accessing Terminal 46 and Terminal 30 and other vehicles accessing I-90 in both directions travel through this intersection causing congested conditions during morning and midday hours. Event traffic to CenturyLink Field and Safeco Field also contribute to traffic congestion at this intersection, mostly on weekday evenings and weekends when events are scheduled.
- Lack of reliable east-west access routes—Most of the east-west streets are discontinuous due to rail lines or other uses. S. Lander Street and S. Holgate Street are the only east-west streets extending from Airport Way S. to 1st Avenue S.
- Access to the BNSF SIG Yard—Existing access to the North and South SIG yards are constrained at times by at-grade rail crossing delays on S. Atlantic Street and S. Horton Street.
- Completion of the S. Lander Street overpass—An overpass between 1st Avenue S. and 4th Avenue S. over the BNSF main line would provide an unimpeded east-west access route for trucks to access the Port of Seattle container terminals and other Sodo businesses. Traffic is currently delayed by the significant number of passenger and freight rail trains using this at-grade crossing. While the project would reduce delay for freight movements in Sodo, the project cost is estimated at \$180 million. The project has been placed on hold as of March 2008 due to funding limitations, the future schedule of this project is unknown at this time, though the project remains a priority for SDOT.
- Impacts from sports venue traffic on high-use freight corridors such as East Marginal Way and Alaskan Way, especially during the occasional weekday daytime event that may occur at the new arena.
- Increased traffic from the Eastside using I-90 due to tolling on SR-520, worsening traffic congestion at the S. Atlantic Street/1st Avenue S. intersection and in the overall area.

FREIGHT TRANSPORTATION

The adjacent map illustrates funded roadway capital improvement projects near the new arena that would benefit transit, freight, and the traveling public.

TRANSIT CAPITAL IMPROVEMENT PROJECTS

(A)

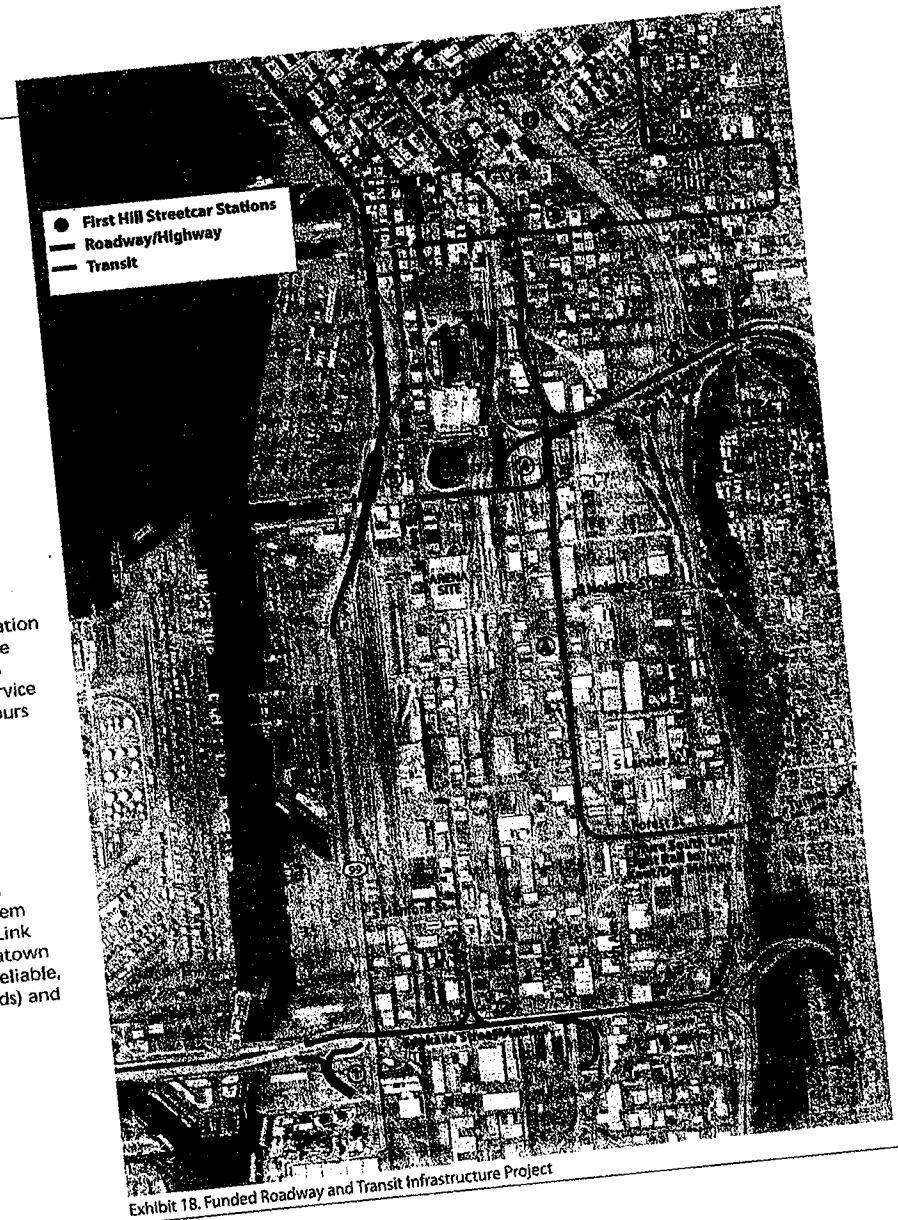
Sound Transit East Link Light Rail

This project will connect to the existing light rail system in downtown Seattle at the International District/Chinatown Station and extend the system east to Mercer Island, Bellevue and the Redmond Overlake Transit Center Station. It is anticipated to provide frequent and reliable High Capacity Transit (HCT) service between downtown Seattle and eastside communities 20 hours per day, six days of the week (18 hours per day on Sundays). Service is scheduled to begin in 2023.

(B)

First Hill Streetcar

This project is anticipated to be substantially completed in early 2014. It constructs a modern, low-floor streetcar system connecting First Hill employment centers to the regional Link light rail system, including the International District/Chinatown Station and Capitol Hill Station. The system will provide reliable, frequent service (10 minute headways during peak periods) and operate the same hours as the light rail system.



FREIGHT AND ROADWAY CAPITAL IMPROVEMENT PROJECTS

- 1 East Marginal Way Grade Separation**

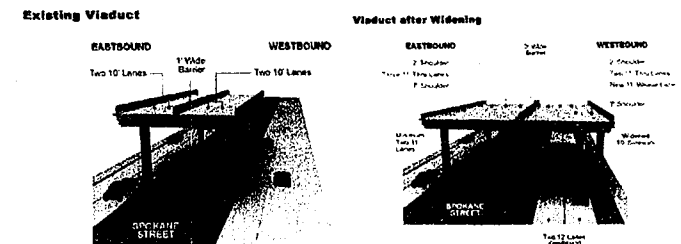
This project will provide a north and south-bound grade separation on Duwamish Avenue South, relocating East Marginal Way through this corridor to improve access among Port terminals, UPRR and BNSF rail yards, and local manufacturers' and distribution warehouses.
- 2 Spokane Street Viaduct Widening Project**

This project would impact both the lower and upper roadways of Spokane Street, 1st Avenue, 4th Avenue, 6th Avenue and other adjacent streets. The project creates a new two-lane eastbound off-ramp leading to 4th Avenue South, relocates the westbound on- and off- ramps to a new 1st Avenue South ramp, widens the upper roadway between 6th Avenue S and East Marginal Way and rebuilds the lower roadway with new curbs, sidewalks and improved pedestrian and bicycle access. This project is anticipated to be completed in 2012
- 3 Surface Alaskan Way and SR 99 Tunnel**

This project includes the SR 99 South Holgate Street to South King Street Project (anticipated to open in 2013) and the SR 99 Tunnel Project (anticipated opening in 2015). The estimated cost of the two projects is \$3.1 billion. Improvements to SR 99, city streets and transit will provide capacity in the transportation system for today and the future and improve access and mobility to and through downtown Seattle.
- 4 SR 519**

This project built a bridge over the railroad tracks on S. Royal Brougham Way and an off-ramp connecting I-5 and I-90 to Edgar Martinez Drive S. It also created pedestrian plazas on and under the new bridge and rebuilt 3rd Avenue S. This project improved safety for drivers, pedestrians and bicyclists, and moves freight, daily commuters, sports and event attendees, and ferry traffic faster through the corridor. This project was completed in 2010.
- 5 South Atlantic Street Overcrossing**

This project would be built as part of the SR 99 – S. Holgate Street to S. King Street Viaduct Replacement project. The southern mile of the Alaskan Way Viaduct is being replaced to meet current earthquake standards, have wider lanes and improve mobility. The South Atlantic Street overpass will help keep freight and other traffic moving when trains are blocking the intersection with Alaskan Way South, improving connections between the Port of Seattle and major freeways. This project is anticipated to be completed in 2013.



Findings

SAME-DAY SAME-TIME EVENT FREQUENCY

The new arena would increase the number of same-day events with more than 40,000 event patrons from 3 to 9 on weeknights, and from 22 to 33 on weekend days. This assumes a sold-out arena (20,000 event patrons), average attendance at Safeco Field (30,000 on weeknights and 37,000 on weekends), and well attended CenturyLink Field events (38,500 for Sounders FC and 67,000 for Seahawks). By comparison, there were 44 weeknight and 50 weekend events with more than 40,000 event patrons in 2002 with peak Seattle Mariners attendance.

The vast majority of events at the new arena would not occur on the same day as other events at Safeco Field or CenturyLink Field. The majority of events occurring on the same day would not occur at the same time, even with the addition of the new arena. The probability of same-day events is slightly higher in the Spring when the Mariners and Sounders FC seasons are starting and NHL and/or NBA teams could be in the playoffs.

Because most arena events (NBA and NHL) coincide with the off-season for the Seattle Mariners, the majority of arena events (52 weeknights and 13 weekend days) would not occur with events at CenturyLink Field or Safeco Field.

MULTIMODAL TRANSPORTATION ACCESS

A rare same-day same-time Mariners game with high regular season attendance (2002 levels) and a sold-out arena event can be accommodated with the future funded roadway improvements, added parking supply, and major expansion of the Link light rail transit system to the north, east, and south. The combined attendance for these events would be approximately 67,000, similar to a Seahawks game. The area accommodates events with a similar total attendance level today—the new arena would increase the frequency.

The time before and after events would be manageable with a Transportation Management Plan which focuses on providing enhanced information directing event patrons to alternate travel routes and available parking. This would reduce the added congestion created from vehicles searching for available parking prior to an event.

Pedestrian access to the new arena would be enhanced by the proposed pedestrian plaza on Occidental Avenue S. between Edgar Martinez Way and S. Massachusetts Street.

Pedestrian improvements focusing on safety at the at-grade rail crossings on S. Holgate Street may be needed due to the expected increase in pedestrians in this area.

AUTO ACCESS AND PARKING

The parking supply within a 15-minute walk (¾-mile radius) of the new arena, including 1,500 new spaces for the arena, would be sufficient to accommodate the demand from most of the multiple event scenarios (less than 60,000 combined event patrons). For same-time multiple events or large single events (such as Seahawks games) exceeding 60,000 event patrons, the available parking supply area could extend beyond the ¾-mile ring into Downtown Seattle and/or a higher percentage of event patrons would need to use other travel modes such as transit or walking.

Completion of the major planned roadway improvements—Alaskan Way Viaduct Replacement, Spokane Street Viaduct, and S. Atlantic Street Overcrossing would improve vehicular access to the area.

The Safeco Field and CenturyLink Field parking garages could be used by arena patrons on an additional 75 or more days per year due to single events at the arena. Parking agreements to address parking restrictions and management for same-day events would need to be established among the Seattle Mariners, First and Goal, and the arena owners.

Transit Access

Light rail system extensions to Lynnwood, Redmond, and Kent/Des Moines completed between 2020 and 2025 would provide a reliable and frequent transit option for event patrons that does not exist today. This would reduce traffic congestion and parking demand in the Stadium district vicinity.

Additional light rail trains could be staged at the pocket track south of the Stadium Station to transport event patrons to areas north and south of Seattle.

Freight Transportation

Conflicts with Port of Seattle freight traffic are expected to be minimal because Terminal 30 and 46 operations typically end at 4:30 pm on weekdays. This is approximately 3 hours prior to the start time for events at the new arena.

Planned improvements such as the Spokane Street Viaduct, Alaskan Way Viaduct Replacement, and S. Atlantic Street Overcrossing will improve freight mobility in the area and be complete prior to the opening of the new arena scheduled for 2016.

Some impacts would occur to existing Sodo businesses with nighttime and weekend operations due to the increased frequency of events in the area. These impacts would be analyzed in more detail during subsequent environmental review.

TRANSPORTATION MANAGEMENT PLAN

The Seattle Arena TMP would likely contain similar elements to the existing Safeco Field and CenturyLink Field TMPs, with key additions for enhanced use of technology such as an e-park system, changeable freeway and arterial street sign directions, and game day mobile apps. These additions would benefit all of the venues, including Safeco Field and CenturyLink Field, enhance the fan experience, and reduce congestion in the area. Transit shuttles between the new arena and the light rail stations, streetcar stations, and downtown Seattle could be implemented for high attendance same-day same-time events.

SEATTLE ARENA TRANSPORTATION MANAGEMENT PLAN – CONCEPTUAL FRAMEWORK

- Purpose, objectives and functional goals;
- Plan year single event and multiple event TMP goals;
- Measures to be utilized during the plan year;
- Evaluation techniques to be utilized to monitor process and success;
- Development of coordination plans between major event venues; and
- Discussion of roles and responsibilities.

- **Variable, Dynamic and Changeable Message Signs** – Variable message signs were mentioned in the Safeco Field TMP as a measure for improving traffic flow, though they have only been used for one event at Safeco Field to date. WSDOT and SDOT should continue to be encouraged to use congestion messaging to alert other travelers of conditions around the stadiums during event periods. Messages could include information regarding traffic congestion, detours, and projected travel times.

- **Game Day Phone Apps** – Phone apps should also be considered for assisting event attendees in choosing their travel mode and/or access route, reserving parking in advance, accessing real-time parking availability information and cost, and estimating travel time.
- **Local Transit Options** - Transit shuttles between the new arena and the light rail stations, streetcar stations, and downtown Seattle could be implemented for high attendance same-day same-time events.

Enhanced Mobile Applications

In addition, some municipalities are beginning to develop their own mobile apps that provide information on sports events and traffic conditions. For example, Colorado's Own Channel 2 mobile app (<http://kwgn.com/2012/05/03/download-fox31-denver-mobile-apps-for-iphone-ipad-android/>) features Denver Broncos, Colorado Rockies, Denver Nuggets and Colorado Avalanche news, in addition to an interactive traffic map with accidents and up to date road conditions.

Game Day Mobile Apps

Mobile apps should also be considered for assisting event attendees in choosing their travel mode and/or access route, reserving parking in advance, accessing real-time parking availability information and cost, and estimating travel time.



Appendix A. Comparative Event Venues

Information from three similar size cities with multiple sports event venues and professional sports teams—Minneapolis, Denver, and Cleveland—is summarized in Appendix A. All three cities are comparable to Seattle in terms of metropolitan area population and market size. Three sports event venues with similar attendance capacities exist adjacent to the Downtown in each of the cities. Information summarized in Appendix A includes: sports teams, event venue capacity, access routes, and parking locations.

EXISTING EVENT VENUE

Minneapolis

| | Metrodome (Mall of America Field) | Target Field | Target Center |
|-----------------------------------|--|---|--|
| Primary Tenants | Minnesota Vikings (NFL) 8 home games U of M Gopher Baseball 38 home games | Minnesota Twins (MLB) 81 home games | Minnesota Timberwolves (NBA) 41 home games Minnesota Lynx (WNBA) 17 home games |
| Seating Capacity (No. seats) | Football - 64,111 Baseball - 45,423 Basketball - 50,000 Concerts - 60,000 | 39,504 + 2,500 standing room only | Most events - 20,500 Theater events 2,500-7,500 |
| Highway and Transit Accessibility | Charter and regional bus Light rail Auto – see key routes on map | Charter and regional bus Light rail Auto – see key routes on map | Charter and regional bus Light rail Auto – see key routes on map |
| Parking Availability | Heavily used lots are shown on map. Additional parking capacity provided in other lots through downtown. | Heavily used lots are shown on map. Additional parking capacity provided in other lots through downtown. Dynamic messaging signs throughout downtown for the most up-to-date parking information | Heavily used lots are shown on map. Additional parking capacity provided in other lots through downtown. |



EXISTING EVENT VENUE

Denver

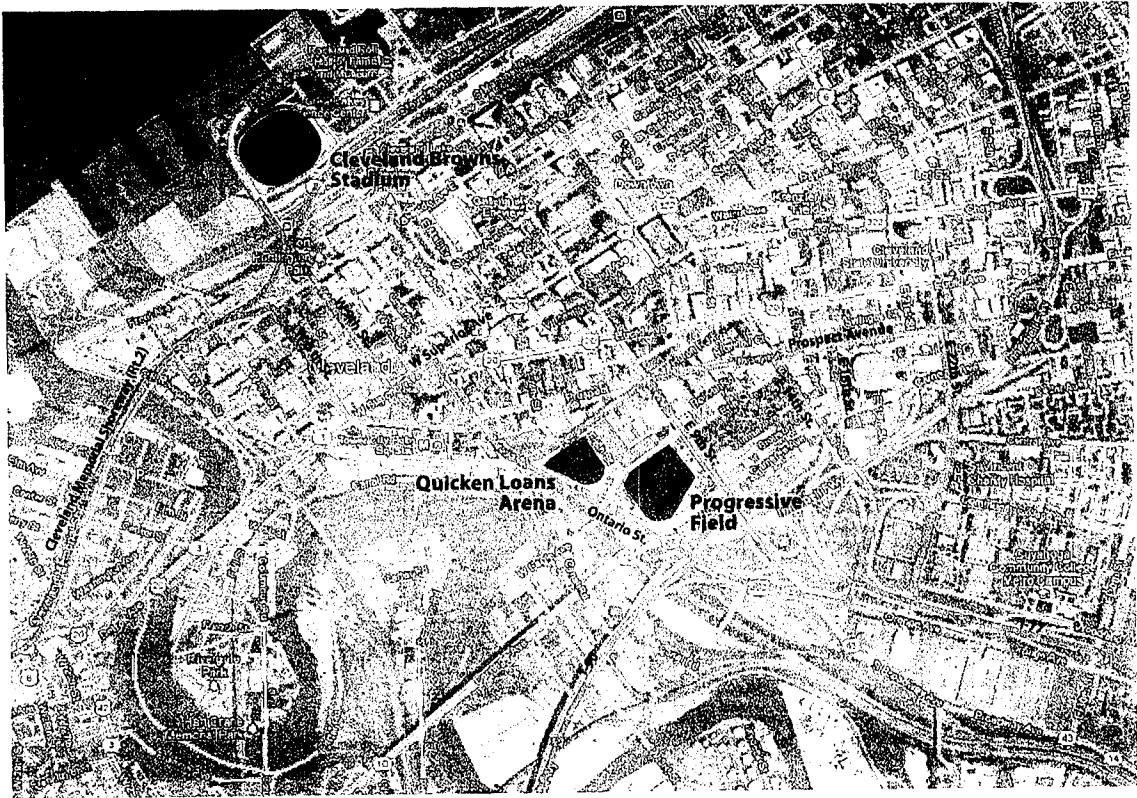
| | Sports Authority Pepsi Center | Coors Field | Pepsi Center |
|-----------------------------------|---|--|--|
| Home Games | Denver Broncos (NFL) 8 home games Denver Outlaws (MLL) 14 home games | Colorado Rockies (MLB) 81 home games | Denver Nuggets (NBA) 41 home games Colorado Avalanche (NHL) 41 home games Colorado Mammoth (NLL) 8 home games |
| Capacity | 76,125 | Baseball - 50,490 | Basketball - 19,155 Hockey/lacrosse - 18,007 Arena football - 17,417 Concerts - 20,000+ Other special events - 21,000 |
| Highway and Transit Accessibility | Regional bus and light rail service provided by Regional Transportation District (RTD). BroncosRide provides direct bus service from many park and rides and bus stops throughout the metro area. BroncosRide also operates the Federal Shuttle and Market Street Station Shuttle, as well as light rail to and from the games. Auto - see key routes on map | Regional bus and light rail service provided by Regional Transportation District (RTD). Auto - see key routes on map | Regional bus and light rail service provided by Regional Transportation District (RTD). Auto - see key routes on map |
| Parking Availability | Pay lots for Sports Authority Field at Mile High are shown on map. Additional pay lots are located nearby. | Pay lots for Coors Field are shown on map. Additional pay lots are located nearby. | Pay lots for Pepsi Center are shown on map. Additional pay lots are located nearby. |



EXISTING EVENT VENUE

Cleveland

| Primary Events | Cleveland Browns (NFL) 8 Home Games | Cleveland Indians (MLB) 81 Home Games | Cleveland Cavaliers (NBA) 41 Home Games |
|-----------------------------------|--|--|--|
| Seating Capacity (No. seats) | Football 73,200 | Baseball 43,429 | Lake Erie Monsters (AHL) 38 Home Games Cleveland Gladiators (AFL) 9 Home Games Basketball and Ice Hockey 20,562 |
| Highway and Transit Accessibility | Bus and light rail service provided by Regional Transit Authority Auto – see key routes on map | Bus and light rail service provided by Regional Transit Authority Auto – see key routes on map | Bus and light rail service provided by Regional Transit Authority Auto – see key routes on map |
| Parking Availability | Heavily used lots are shown on map. Additional parking capacity provided in other lots through downtown. | Heavily used lots are shown on map. Additional parking capacity provided in other lots through downtown. Available spaces within a 15-minute walk are more than enough to accommodate all fans attending simultaneous sellout events at Progressive Field and Quicken Loans Arena. | Heavily used lots are shown on map. Additional parking capacity provided in other lots through downtown. |



Appendix B. Safeco Field and CenturyLink Field TMPs

This appendix summarizes the existing Transportation Management Plans for Safeco Field and CenturyLink Field.

Transportation Management Plan Summaries

TRANSPORTATION MANAGEMENT PLAN

A transportation management plan (TMP) will be required for the proposed Seattle Arena and will likely include elements similar to the Safeco Field Transportation Management Plan and CenturyLink Field Transportation Management Program. A brief description of TMP elements for Safeco Field and CenturyLink Field are provided, followed by additional components that should be considered in a TMP for the Seattle Arena.

Safeco Field Transportation Management Plan -- Plan Year: March 1, 2012 to March 1, 2013

The Safeco Field Transportation Management Plan (TMP) was developed as a tool to accomplish specific goals for the 2012 baseball season and to affect the long-term behavior of fans over the coming years. It is a reflection of comments and observations received from the Parking and Access Committee (PARC), the City of Seattle, individual fans and event attendees, and Seattle Mariners management and staff.

This annual plan is required for Safeco Field as a condition of the Master Use Permit, and is intended to influence the behavior of event participants in their selection of transportation mode, travel route or parking location. The goal is to manage the traffic and parking demand associated with Safeco Field, while continuing to acknowledge the transportation needs and preferences of event participants coming from a very large geographic market.

2012 Single Event and Dual Event TMP Goals

Day-specific TMP measures are required for single events other than Major League Baseball with attendance of 15,000 or more, as well as for concurrent time specific dual events. Measures in day specific TMPs will be tailored to achieve the same overall objectives as those for a baseball game. The single event goals shown in the adjacent table that apply to major league regular season baseball games are averaged annually, however goals for individual non-baseball events are calculated individually. Meeting the goal for individual events requires working closely with individual event planners.

CURRENT SINGLE EVENT TMP - SAFECO FIELD

| ATTENDANCE LEVEL (No. Persons) | TMP Goal (Vehicles per 1,000 Attendees) |
|--|---|
| Regular season baseball only - up to 38,500 average annual attendance | No more than 325 vehicles per 1,000 attendees |
| Regular season baseball only - 38,500 to 44,000 average annual attendance | No more than 300 vehicles per 1,000 attendees |
| Regular season baseball only - over 44,000 average annual attendance (sell-out season) | No more than 275 vehicles per 1,000 attendees |
| Single events other than Major League Baseball - attendance greater than 15,000 but less than 38,500 | No more than 325 vehicles per 1,000 attendees |
| Single events other than Major League Baseball - attendance greater than 38,500 | No more than 300 vehicles per 1,000 attendees |

Source: Ballpark Master Use Permit #9600329

While it is not in the best interests of the Mariners for there to be concurrent large-scale events at Safeco Field and CenturyLink Field and Event Center, dual events (defined as events occurring with less than four hours from the projected end time of one event to the scheduled start time of the next) do occur, particularly during the overlapping baseball and soccer seasons. Goals and definitions that would apply to any such dual events are listed in the adjacent table.

CURRENT DUAL EVENT TMP GOALS- SAFECO FIELD AND CENTURYLINK FIELD

| ATTENDANCE LEVEL (No. Persons) | TMP Goal (Vehicles per 1,000 Attendees) |
|---|--|
| General Dual Event Goal | |
| Events occurring within 4 hours of each other with attendance of 15,000 or less | No more than 150 vehicles per 1,000 attendees at both venues |
| Time Specific Dual Events | |
| Weekday - 65,000 to 85,000 Weekend - 75,000 to 95,000 | No more than 240 vehicles per 1,000 attendees at both venues |
| Weekday Evening - 65,000 to 85,000 Weekend - 75,000 to 95,000 | No more than 240 vehicles per 1,000 attendees at both venues |
| Weekday - greater than 95,000 | No more than 200 vehicles per 1,000 attendees at both venues |

Source: Ballpark Master Use Permit #9600329

As required by the Master Use Permit, compliance with the single event and dual event TMP goals will be measured by attendee surveys. The survey gathers data from fans to determine the number of vehicles per 1,000 attendees arriving at the ballpark during the peak two hours prior to the start of randomly selected games. Individual event surveys may also be conducted for single, non-baseball events where attendance is anticipated to exceed 15,000. The results of the survey are submitted in an annual report to the City of Seattle and Parking Access Review Committee as required by the Master Use Permit.

Measures to be Utilized During the 2012 Season

The following measure categories comprise the TMP for Safeco Field for the period between March 1, 2012 and March 1, 2013. The measures are intended to work together to influence the overall travel behavior of people attending events at Safeco Field.

- **Information and Attendee Education** – Measures included in this category include making available a Transportation Guide containing event access and parking information; providing information via a call center, web pages, e-mail, and other publicity such as Metro Transit and Sound Transit schedules, printed and broadcast media, periodic mailings to season ticket holders, postings on the outfield video board and ballpark matrix board, and game announcements.
- **Pedestrian Improvements** – The TMP includes measures for managing pedestrian flows, and describes how pedestrian travel patterns will continue to shift as Link service increases and parking availability changes. **HOV Incentives** – The Mariners continue to encourage adjacent parking operators to offer HOV discounts. In addition, HOV discounts and commuter subsidies (HOV and transit) are offered to day of game employees.
- **Transit Service** – The current challenges and benefits associated with providing transit service, including Metro bus service, ACCESS transit service, charter buses, Sound Transit's Sounder commuter rail service, and Link light rail service are highlighted in the discussion of this measure

category.

- **Bicycles** – The ballpark access plan includes identifying a network of bicycle routes linking Safeco Field with existing bicycle paths in the south downtown area. Bicycle parking locations, and bicycling trends for baseball games are described.
- **Parking** – The TMP provides information on and measures for managing on-site and off-site parking for baseball games. **Traffic Flow Improvements** – A description of when and how attendees arrive and depart the ballpark by vehicle and pedestrian modes is included in this measure category. Primary ingress and egress routes are provided and reflect recent street changes to account for construction activities for area projects such as, but not limited to, the SR 99 and Spokane Street projects. The Mariners work with the Seattle Police Department, SDOT, First and Goal, the Port of Seattle and the affected neighborhoods to review traffic control measures, consider traffic signal modifications, and identify signage improvements where needed to maintain traffic flow during events.
- **Event Management** – The Seattle Mariners have a Director of Transportation and Neighborhood relations who has been assigned to work with CenturyLink Field and Event Center staff to manage and coordinate event scheduling, dual-events and transportation management to prevent significant disruption to the traffic system and adjacent neighborhoods. The Director works with SDOT, Seattle Police Department, City of Seattle Special Events, Department of Planning and Development, WSDOT, the Port of Seattle, neighborhood representatives and ballpark event staff to ensure that event information is fully communicated and potential conflicts and impacts are minimized. For dual event dates, the Mariners work with CenturyLink Field and Event Center to develop day-specific TMPs that are submitted to the City and PARC for review.

CenturyLink Field Transportation Management Program – Plan Year 2011

The purpose of the CenturyLink TMP is to minimize the impact of vehicle and pedestrian circulation and parking and the secondary effects of circulation and parking management controls on the neighborhoods and streets surrounding CenturyLink Field. The TMP was reviewed by the Parking and Access Review Committee (PARC), and development of the implementation plan occurs concurrently with a review of the TMP by the Department of Planning and Development.

Construction of CenturyLink Field was approved with the condition of establishing a Transportation management Program (TMP) to mitigate potential adverse impacts related to vehicle and pedestrian circulation. This programmatic approach was selected because major events occur intermittently and generally do not conflict with traditional peak traffic conditions. CenturyLink Field event travel conditions vary depending on crowd size and character.

The TMP primarily addresses professional football and professional soccer. As other tenants and events are identified, it is modified to address the expected attendance levels and the conditions that exist at the times and days when these other events occur.

2011 Single Event and Dual Event TMP Goals

The CenturyLink Field TMP also strives for numerical goals to measure TMP performance. An index was developed for private automobile traffic and parking, defined in terms of cars per 1,000 attendees, to measure the reduction in cars traveling to and from events. The index is affected by: 1) use of transit and other non-automobile modes of travel, and 2) average vehicle occupancy for the cars that travel to the event. The current goals for a single event at CenturyLink Field are listed in the adjacent table.

TMP goals were also developed for dual event circumstances when there are simultaneous major events at CenturyLink Field and Safeco Field, or when the projected end time of one event and the scheduled start time of the next event are less than four hours apart. Specific goals for these circumstances are also included in the Safeco Field TMP and summarized in the adjacent table.

To monitor TMP goals, an attendee survey has been conducted during the regular football season. The survey gathers information from attendees to determine the number of vehicles per 1,000 attendees arriving at the stadium during the two hours prior to kick-off at a selected game. A 2010 evaluation of the TMP performance indicated that the TMP effectively reduced and managed impacts in the immediate vicinity of CenturyLink Field.

CURRENT SINGLE EVENT TMP - CENTURYLINK FIELD

| Event Type and Timing | TMP Goal (Vehicles per 1,000 Attendees) |
|---------------------------|---|
| Weekend CenturyLink Field | 277 cars per 1,000 attendees |

| | |
|-------------------|-------------------|
| CenturyLink Field | CenturyLink Field |
|-------------------|-------------------|

MEASURES TO BE UTILIZED DURING THE 2011 SEASON

The individual TMP elements include the following strategic program groups:

- **Event Management and Public Education** – This program concentrates on event and facility management techniques to eliminate and/or reduce transportation demand. Most important, public and attendee information programs have been developed to share information regarding ways to make effective transportation mode and routing choices, and take advantage of opportunities that complement the event experience and minimize impacts on the surrounding community.
- **Traffic and Parking Demand Reduction** – The programs in this group encourage non-automobile modes of travel including King County Metro transit, charter bus, rail (Sounder, Link Light Rail and Amtrak), ferry, and non-motorized modes. Management of Resultant Vehicle and Pedestrian Demand – Programs included in this group focus on parking, traffic and pedestrian management, and improvement options to direct and control traffic flows. These measures manage local traffic congestion on event days by efficiently directing drivers to available transportation and parking facilities and minimizing pedestrian conflicts.
- **Implementation and Monitoring** – These programs are targeted at the effective management, monitoring, and refinement of the effectiveness of the TMP to respond to planned and unplanned event characteristic and transportation system modifications.