

October 25, 2016



Honorable Edward Murray
Mayor, City of Seattle
Seattle City Hall
600 Fourth Avenue
Seattle, WA 98104

Honorable Dow Constantine
King County Executive
401 5th Avenue, Suite 800
Seattle, WA 98104

RE: Seattle Arena

Mayor Murray and Executive Constantine:

On December 3, 2012, the City of Seattle, King County and WSA Holdings II, LLC entered into a Memorandum of Understanding (MOU) to support the construction of a new professional sports arena in the Seattle's Stadium District. Since that time WSA has undertaken a draft and final Environmental Impact Statement, completed the review process before the City's Design Review Board, and obtained a unanimous recommendation of approval for the vacation of Occidental Avenue South from the Seattle Design Commission and the Department of Transportation. We also negotiated a scheduling agreement with the Seattle Mariners and Seattle Seahawks. Last May, the Seattle City Council chose not to approve the current street vacation petition.

The MOU has more than a year remaining in its term and we have been refining our proposal with the intention of returning the vacation petition to the City Council for another review. In response to concerns expressed by some Councilmembers about potential impacts on freight mobility, we have identified a set of additional public benefits that would address this issue. It is our plan to re-initiate the street vacation petition soon.

In the five years since we began working with the City and the County on the Arena funding package the economic landscape has changed. The recession is behind us and we are deep into this new economic cycle. Interest rates have declined and the NBA has completed its new national television contract, creating more financial certainty in the industry.

These considerations lead us to suggest a new proposal. Our goal has always been to return the NBA to Seattle and to build a new arena to make that possible. Our partnership with the City and County started five years ago and was based on a recognition that private financing of a new arena in the prevailing economic conditions was not economically feasible. The goal of this partnership was to build the Arena and bring an NBA team to Seattle. Public financing was simply a mechanism that made that possible at the time.

We have concluded that a changed economic climate makes possible the private financing of the arena. For that reason, and to address concerns expressed by city council members, we would consider revising the street vacation petition to eliminate public financing of the arena. In such a



case the MOU would be terminated and the rights and obligations of the parties under the MOU would end. The City and County would recoup the \$200 million in debt capacity, and tax revenue streams generated by the arena would cease to be encumbered for arena debt service.

For our part, we have very few requests to make this possible:

- Approval of the street vacation
- Granting of a waiver of the City's admissions tax for the arena, just as similar waivers have been granted for the other sports venues
- Adjustment of the City's B&O tax rate for revenue generated out-of-town

We have identified other traffic and freight mobility improvements in SODO to which we will direct contributions. Further, we will agree, following street vacation approval, to commit the future payment of compensation for the vacated street to the City's financing package for the Lander Street Overpass.

We look forward to your consideration of this proposal and to the opportunity to work with you and your offices on its implementation. We believe this represents the best opportunity to bring a state-of-the-art new professional sports venue to Seattle, and at no cost to the City or the County.

Sincerely,

Handwritten signature of Chris Hansen in black ink.

Chris Hansen

Handwritten signature of Wally Walker in black ink.

Wally Walker

Handwritten signature of Erik Nordstrom in black ink.

Erik Nordstrom

Handwritten signature of Pete Nordstrom in black ink.

Pete Nordstrom

cc: Seattle City Council members