## STAFF REPORT

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| **Agenda Item:** | 9 | **Name:** | Patrick Hamacher, Paul Carlson, Lauren Mathisen |
| **Proposed No**.: | 2016-B0064 | **Date:** | March 30, 2016 |

**SUBJECT**

An overview briefing of the proposal to sell Transit’s Convention Place Station (CPS) to the Washington State Convention Center Authority (WSCC) to allow for expansion of the convention center.

**SUMMARY**

In the next month, the Executive is expected to transmit a purchase and sale agreement to convey CPS to WSCC to allow for expansion of the convention center. The sale of this 4.1 acre parcel in downtown Seattle will provide WSCC with the necessary land to complete an expansion that will more than double the size of the state convention center.

The County is currently expected to vacate the downtown Seattle transit tunnel (the tunnel) in 2021. This deal would require Transit to vacate the parcel as early as 2018, but would allow for the convention center expansion to begin immediately. This staff report will provide a background and summary of the deal points publicly available at this time. Future analysis will be undertaken once transmittal of the purchase and sale agreement has occurred.

**BACKGROUND**

**The Convention Center**

In 1982 the State Legislature created a public non-profit corporation to acquire land, design, construct and manage a state convention center. The WSCC first opened in 1988. The WSCC has been expanded several times. The first expansion doubled the size of the venue and opened in 2001. In 2010, an additional 71,000 square feet were added to bring the convention center to its current total of 414,722 square feet. The proposed expansion would increase the convention center by 435,000 square feet, including: 250,000 square feet of exhibit space, 125,000 square feet of meeting rooms and 60,000 square feet of ballroom space.

Currently, the WSCC is operated as a Public Facilities District that was created by County Ordinance 16883. As a Public Facilities District, the WSCC is able to operate more independently from the State of Washington and make its own decisions about expansion. The WSCC is governed by a nine member board with thee appointees each from the State of Washington, King County and the City of Seattle. The WSCC has existing debt in the form of State of Washington General Obligation bonds (due to be retired in 2020) and certificates of participation (due to be retired in 2029).

**Convention Place Station**

The Transit property is a 4.1 acre parcel in the City of Seattle and has been used by Transit since 1990. Transit uses the property as a bus station and as bus layover space when buses are not in service. It also serves as the northern entrance to the downtown Seattle tunnel for buses. The County-Sound Transit-City of Seattle agreement for joint bus and light rail use of the tunnel provides that increased train volumes may result in removal of buses from the tunnel. The County is expected to lose access to the tunnel with the opening of light rail to Northgate, which is expected in 2021. At that point the tunnel would be solely used for train service.

**The Term Sheet**

The County Council does not yet have the purchase and sale agreement for this property. However, a term sheet has been made public. This section will outline the term sheet for the transaction. Further analysis will be conducted once the Executive has transmitted the sale for Council consideration.

Key Terms:

* Price - $146m. Full appraised value (fee simple interest) as of April 2015 appraisal from McKee & Schalka
* Financing - $15 million at close, Interest only payments until 2022 (3% interest) and principal and interest payments from 2023 until 2045 (5% interest plus 3% inflator). The total of all payments to King County will be $285 million.
* County debt is subordinated to bond holders of WSCC debt, but the WSCC has to pass stress tests before issuing future debt.
* Parties will share the cost of “interim” access to I-5 with the County paying 80% of those costs. This will allow Transit to stay in the tunnel until at least 2018.
* WSCC will provide bus layover space during construction. County will need to find permanent bus layover space at its cost.
* The County will pay the costs of relocating a trolleybus substation and removing equipment from the site, with Sound Transit paying a share, now under negotiation, of the equipment removal costs.
* The project will use a Project Labor Agreement (PLA) similar to the County’s PLA on the Brightwater project. This PLA will encourage the use of apprentices and local hiring.
* WSCC will construct affordable housing on or adjacent to the site or make a $5 million contribution to County affordable housing programs.

**Next Steps**

The Executive is working with WSCC and Sound Transit to finalize the agreements necessary for Council transmittal. Upon receipt, staff will begin our analysis of the Purchase and Sale Agreement. We are aware that there are significant impacts to transit, affordable housing, public art and a number of other key areas and will have our analysis prepared for consideration by Council after transmittal. The analysis will be staffed as follows:

* Project Lead – Patrick Hamacher
* Transit Analysis – Paul Carlson
* Affordable Housing Impacts – Lauren Mathisen
* Land Use Issues – Erin Auzins
* Financial Analysis – Patrick Hamacher
* Public Art – Patrick Hamacher

Please feel free to direct any questions to the entire team, or specific analyst assigned to your area of concern.