**FUNDING AGREEMENT BETWEEN KING COUNTY AND THE**

**WASHINGTON STATE MAJOR LEAGUE BASEBALL STADIUM**

**PUBLIC FACILITIES DISTRICT**

This Funding Agreement (the “Agreement”) is made and entered into as of the date of the last authorized signature ("Effective Date"), by and between King County (the “County”) and the Washington State Major League Baseball Stadium Public Facilities District (the “District”), collectively referred to as the “Parties.”

**STATEMENTS OF FACT**

The Washington State Major League Baseball Stadium Public Facilities District, established pursuant to RCW 36.100 and King County Ordinance 12000, successfully developed a Major League Baseball ballpark in the City of Seattle (the “Ballpark”) and entered into a lease with The Baseball Club of Seattle, L.L.L.P. (the “Club”) for the Ballpark as the home venue of a Major League Baseball team for the benefit of the citizens of the County and visitors to the Ballpark.

The Ballpark attracts tourists to the King County region, who attend arts, heritage and culture events and/or recreational, professional, and amateur sports events, and some of whom stay overnight.

The existing lease with the Club expires at the end of 2018. The District and the Club have executed the “Lease Renewal Term Sheet May 23, 2018” (“Term Sheet“) for a new long-term lease (the “Lease”). The Lease duration will be for an initial term of 25 years, starting in 2019, and the Lease requires significant investment in the publicly owned Ballpark over the duration of the Lease to assure that it will remain an attractive and competitive venue for Major League Baseball and for fans.

The Club has confirmed that the Club’s agreement to a binding Lease consistent with the Term Sheet is contingent upon the County allocating a portion of available proceeds from its lodging tax authorized pursuant to RCW 67.28.180.

While the District takes no position on an allocation of the lodging tax revenue out of respect for the County’s decision-making process, the Term Sheet provides that the District will accept an allocation of such funds were the County to provide it.

The County Council, the County Executive concurring, enacted its Ordinance 2018-0374 authorizing the County Executive to sign this Agreement between the County and the District providing for the transfer of such funding to the District and specifying the manner in which such funding must be used by the District.

NOW, THEREFORE, in consideration of the statements of fact, promises, covenants and consideration set forth herein, the County and the District hereby agree, as follows.

**AGREEMENT**

1. **Provision of Funds by the County.**

Pursuant to the terms and conditions set forth in this Agreement, if the District and the Club have executed both a lease consistent with the Term Sheet and a nonrelocation agreement that obligates the Club and any successor-in-interest to retain the Ballpark as a home venue of a Major League Baseball team for the term of the Lease, the County agrees that it will annually transfer County lodging tax proceeds to the District (“Yearly Transfers”) pursuant to the following formula: forty three and eight tenths of one percent (43.8%) of the share of County lodging tax proceeds available pursuant to RCW 67.28.180(3)(d)(iii) that is remaining after such share is reduced each year by the amounts provided in Exhibit A (“Annual Reductions”); provided however, no annual transfer may exceed the estimated annual amount for that year as set forth in Exhibit B (“Estimated Annual Transfers”). The estimated annual amounts listed in Exhibit B are based on the August 2018 OEFA Estimated Annual Lodging Tax Revenue, set forth in Exhibit C. If in any year lodging tax revenues are less than the forecasted Total Lodging Tax Revenues, the District agrees that it is only entitled to and will except the Yearly Transfer for that year. If in any given year lodging tax revenues exceed the 2018 forecasted Total Lodging Tax Revenues, then the County agrees to also transfer to the District ten percent of any amount of revenue that exceeds the 2018 forecasted Total Lodging Tax Revenues for that year (“Additional Transfers”). Yearly Transfers shall commence in calendar year 2021 after final payment or defeasance of the CenturyLink Field and Exhibition Center bonds and continue for the remainder of the initial term of the Lease. The County will make such Yearly Transfers on a quarterly basis in arrears, unless the Parties approve by separate agreement the transfer of advances of amounts against which subsequent lodging tax proceeds will be credited. Additional Transfers, if any, will be paid on the first business day of April in the year following that for which the Additional Transfer is generated.

By executing this Agreement, the District agrees that the provision of funds contemplated by this Section 1 is acceptable.

The County’s obligation to make such transfers of lodging tax proceeds shall continue for twenty-three years; provided, that the County may cease to make such transfers in the event that: (1) the Ballpark is no longer used as the home venue for a Major League Baseball team and the County finds, after good faith consultation with the District, that continued investment in the Ballpark is neither necessary nor useful to attract a new team to the region; or (2) the use of the Ballpark is terminated or interrupted due to a catastrophic event and the County finds, after good faith consultation with the District, that continued transfers are not necessary unless and until plans for its replacement and/or continued use as a venue for Major League Baseball have been approved by the District and the County. The District shall provide notice to the County if events have occurred which could give rise to such cessation of transfers.

The County’s obligation to make such transfers of lodging tax proceeds is contingent upon the District and the Club executing an agreement, before or at the same time that the Lease is executed, that contains requirements sufficient to prevent labor disputes that would impose costs and burdens upon the County, including but not limited to the likelihood of boycotts or strikes affecting the Ballpark’s operations and visitor spending.

1. **Expenditure of Funds.**

The District shall use, or cause to be used, the funds transferred by the County in accordance with Section 1 solely to provide a portion of the funding, in addition to the other available funds identified in the Lease, for capital improvements to the existing infrastructure of the Ballpark including replacements and major repairs as determined by the District in a manner consistent with the Lease and RCW 67.28.180. Such existing infrastructure includes basic building systems, such as plumbing, electrical and HVAC, as well as building structural elements and essential building components, such as the retractable roof and its support system and other uses related to the basic functioning of the Ballpark, but does not include expenditures related to baseball operations or facility upgrades with direct revenue generation potential, such as suites, restaurants, or so-called Club spaces. Funds transferred by the County under this Agreement shall not be used for operation or maintenance of the Ballpark.

The District shall retain the County lodging tax proceeds transferred from the County separate and apart from other funds in its possession and shall not comingle such amounts with other funds of the District. The amounts received pursuant to this Agreement shall be deposited in and accounted for in a separate fund of the District (and not the Capital Expenditure Fund of the District established under the Lease). County lodging tax proceeds must be applied only to eligible capital improvements, including major repairs and replacements and improvements identified in the annual Management Plans (“Plan” or “Plans”) developed by the Club and approved by the District as provided in the Lease. Such Plans shall specifically identify expenditures for which County lodging tax proceeds may be used consistent with the requirements of this Agreement and RCW 67.28.180.

Annually and prior to allocating County lodging tax proceeds for any Ballpark improvements, the District shall inform the County of any proposed improvements in the current Plan for which it has determined it may apply County lodging tax proceeds consistent with the requirements of this Agreement. The District also shall annually report to the County on its application of County lodging tax proceeds as reflected in the Plans and as previously reported to the County. Such reports shall include information regarding the status of the work funded in whole or in part by County lodging tax proceeds.

1. **Amendments.**

The Agreement may be amended at any time. To be effective, the amendment must be in writing and signed by the District's Board Chair and the King County Executive or their designees; provided however, before the Executive may sign any amendment purporting to either change the duration of this Agreement or change the amount of lodging tax revenues to be transferred to the District, the proposed amendment shall first be transmitted to the King County Council. The Council shall have thirty days, from the date the Executive transmits the amendment to the clerk of the Council ("review period"), to review the proposed amendment; and unless the Council passes a motion objecting to the amendment within that review period, at the conclusion of the review period, the Executive may sign the amendment.

1. **Entire Agreement.**

This Agreement is the complete expression of the terms hereto and any oral representations or understandings not incorporated here are excluded.

1. **Administration.**

All tasks and services undertaken pursuant to this Agreement shall be administered on behalf of the County by its Budget Director, who will represent the County in administering tasks covered by the Agreement, and on behalf of the District by the District Executive Director who will represent the District in administering tasks covered by the Agreement.

Any problem that cannot be resolved by the County’s Budget Director and the District’s Executive Director shall be referred to the Chair of the District Board and the County Executive, who may resolve the issue with or without using the dispute resolution provisions of Section 7 of this Agreement.

1. **Establishment and Maintenance of Records.**

Each Party shall maintain records which accurately reflect all actions taken pursuant to this Agreement.

1. **Dispute Resolution.**

The Parties shall use good faith efforts to resolve all claims, disputes and other matters in question between the Parties arising out of or relating to this Agreement, through nonbinding arbitration or mediation. If the Parties cannot resolve their dispute pursuant to nonbinding arbitration or mediation as aforementioned, jurisdiction and venue for resolving any dispute arising out of or in in connection with this Agreement shall be in the Superior Court for the State of Washington in King County.

1. **Assignment.**

Neither Party shall assign this Agreement without the written consent of the other. This Agreement shall inure to the benefit of and be binding upon the Parties hereto and their successors and permitted assigns.

1. **Governing Law.**

This Agreement shall be governed and construed in accordance with the laws of the State of Washington, without giving effect to any choice of law or conflict of law provision or rule (whether of the State of Washington or any other jurisdictions) that would cause the application of the laws of any jurisdictions other than the State of Washington.

1. **Severability.**

If any provision of this Agreement is held by a court of competent jurisdiction to be unenforceable, the remaining terms and provisions unaffected thereby shall remain in full force and effect.

1. **Third Party Beneficiaries.**

This Agreement is solely for the benefit of the District and the County, and no other person may acquire or have any right hereunder by virtue hereof.

1. **Indemnification.**

The District shall indemnify, defend and hold the County, its officers, officials, agents and employees harmless from and against any and all suits, actions, losses, liabilities, claims, agency findings, orders or requirements, penalties, expenses (including reasonable attorney fees), and damages of whatsoever kind or nature (collectively "Claims") relating to, in connection with, or arising out of, directly or indirectly, the District’s use of funds transferred to it by the County or the exercise of its obligations, rights or privileges under this Agreement. The District's obligations under this section shall include: (a) indemnification for Claims regardless of negligence or fault of the District or a third party; (b) the duty to promptly accept tender of defense and provide defense to the County at the District's expense; (c) indemnification of Claims made by District employees, agents or lessees; and (d) waiver of the District's immunity under the industrial insurance provisions of Title 51 RCW, which waiver has been mutually negotiated by the Parties.

The District further agrees that it is financially responsible for and shall repay the County all indicated amounts following an audit exception that occurs due to the negligence, intentional act, and/or failure to comply with the terms of this Agreement by the District, its officers, employees, agents, and/or representatives. The County agrees that it is financially responsible for and shall repay the District those amounts of lodging tax proceeds that an audit exception or finding determines are due to the District resulting from the negligence, intentional act and/or failure to comply with the terms of this Agreement by the County, its officers, employees, agents, and/or representatives.

The District's and the County’s obligations under this Section 12 shall survive any termination of this Agreement.

1. **Duration.**

This Agreement shall terminate on December 31, 2043.

In witness whereof, the Parties hereto have accepted this Agreement.

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| KING COUNTYBy Dow Constantine, County Executive DateApproved as to form: King County Prosecuting Attorney Date | WASHINGTON STATE MAJOR LEAGUEBASEBALL STADIUM PUBLICFACILITIES DISTRICTBy Virginia Anderson, Board Chair DateApproved as to form: Thomas Eli Backer, PFD Attorney Date |





