



City of Seattle
Department of Finance and Administrative Services

December 6, 2012

SODO Arena Economic Impact Study:
Call for Consultant Qualifications and Study Approach

The City of Seattle and King County seek a consultant to conduct an economic impacts analysis that examines the net economic impacts of the construction and operation of a proposed NBA/NHL Arena in the SODO neighborhood of Seattle, just south of Safeco Field.

This study is a requirement from the Memorandum of Understanding (MOU), a three-party agreement signed on December 3, 2012, by the City of Seattle, King County, and by the project proponent, Chris Hansen (ArenaCo). The MOU was approved by the Seattle City Council and the King County Council on October 15, 2012.

The City is inviting a limited number of consultants to submit their qualifications and a study approach **by close of business (Pacific Standard Time) on December 20, 2012 and should be emailed to Nathan Torgelson at the City of Seattle at Nathan.torgelson@seattle.gov. Consultants who are not on the City's consultant roster who wish to be considered must start the process immediately by contacting Steven Larsen at the City's Finance and Administrative Services (FAS) Department at (206) 684-4529 or steven.larson@seattle.gov**

The following sections from the MOU spell out the scope, budget and process for the study:

23. Additional Provisions.

g. Economic Impact Analysis.

(i) ArenaCo shall reimburse the City and County for the cost (not to exceed \$200,000) to conduct an economic impacts analysis ("Analysis") that examines the net economic impacts of the construction and operation of the Arena. The Analysis shall study the net economic costs and benefits of the construction and operation of the Arena in the geographical areas that would be affected by the construction and operation of the Arena and shall consider all relevant segments of the economy that would be affected by the construction and operation of the Arena, including without limitation retail, commercial,

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industrial and freight transportation. The Analysis shall include, without limitation, study of (a) the net changes in employment, wages, economic activity and tax revenues; (b) the net effects on Port of Seattle economic activity; (c) the net effects on the overall regional economy and the Arena's compatibility with regional economic development plans; and (d) the net effects on women-owned and minority-owned businesses.

(ii) The Analysis shall be prepared by an independent consultant fully qualified to prepare the Analysis ("Consultant") selected by the City and County with the approval of ArenaCo, which approval shall not be unreasonably withheld, conditioned or delayed. The scope of the Analysis shall be determined by the City and County based on the reasonable recommendations of the Consultant consistent with the requirements of this Section 23.g and with the approval of ArenaCo, which approval shall not be unreasonably withheld, conditioned, or delayed. Upon selection of the Consultant, the City shall enter into a written contract with the Consultant ("Consultant Contract") with the County identified as a third party beneficiary regarding the preparation of the Analysis. The Consultant Contract shall require (a) that unless otherwise agreed to in writing by the City and County, the Consultant shall not act as an advocate for or otherwise be retained by ArenaCo or an ArenaCo affiliate until after the Closing Date and the Consultant shall not act as an advocate for or otherwise be retained by any other entity (except City and County) with regard to any of the issues that are addressed in the Analysis until after the Closing Date, and (b) that any preliminary drafts of the Analysis be made available for review by ArenaCo at the same time as they are made available for review by the City and County. The City and County shall supervise the Analysis preparation process and will have sole authority to approve the final Analysis.

(iii) The Analysis shall be completed according to the following timeline: (a) The City and County will select the Consultant and inform ArenaCo of the selection within twenty-five (25) days of the Effective Date and ArenaCo shall respond within five (5) days thereafter (and if ArenaCo reasonably disapproves the selection the City and County will select a different Consultant consistent with the timeline and process set forth in this Section) and (b) the Analysis shall be completed within ninety (90) days following execution of the Consultant Contract. The Parties may agree to modify these timelines and a failure to meet these timelines shall not interfere with the ability of the City and County to exercise their rights under the condition precedent in Section 24.g of this MOU.

24. 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:*

g. Economic Impact Analysis Findings. *The Analysis required by Section 23.g of this MOU has been completed and the City and County and their respective*

councils have considered the Analysis and have determined whether it is appropriate to proceed with or without additional or revised conditions based on the Analysis. The City and County councils shall make this determination by vote within forty-five (45) calendar days following the completion of the Analysis. Calculation of this forty-five (45) day period shall include weekends but shall exclude any City or County holidays and any City Council or County Council recesses.

Selection Process

A team of staff from the City of Seattle (both Executive branch and City Council) and King County (both Executive's Office and the County Council) will review the qualifications and study approach. The submittals will be reviewed as follows:

Qualifications (50 points)

Submittals will be reviewed according to the qualifications of the firm and the proposed project manager, and the firm's past experience working on similar projects, and the firm's past experience working on analyses surrounding highly controversial and political projects.

Study Approach (50 points)

Submittals will be reviewed based on the consultant's approach to the analysis.

It is possible that a consulting firm will be asked to interview in January either in person or via video or phone conferencing. If this occurs, an additional 50 points will be given to the interview process.

Additional points may be given based on the consultant's proposed budget and the ability to do the project for under \$200,000.

Other Process Notes

Seattle's SEPA Ordinance (SMC 25.05.440 E(6)(a) provides that Environmental Impact Statements (EISs) shall include economic analysis unless eliminated by the scoping process. The SODO Economic Impact Analysis is expected to become an appendix to the SODO Arena Draft EIS (SMC 25.05.635). Based on comments on the Draft EIS, additional work may need to be completed on the study for the Final EIS.

Notes for consultant when preparing study approach:

The City has a detailed model outlining projected City and County tax revenues and projected arena revenues that the selected consultant can use when preparing the analysis.

This is a City and County study and the consultant will need to consider both the City and the County context when looking at impacts. The consultant will need to analyze the impact of the arena on Seattle assuming that if an arena is not built in Seattle, one would eventually be constructed elsewhere in King County. This would shift many of the tax revenues away from Key Arena in Seattle (currently home to numerous concerts and events and the WNBA Storm games).

When studying the economic impacts, the consultant will need to segregate out tax revenues generated at the arena site and by the teams directly except for some Commercial Parking Tax revenues as noted below. Generally, tax revenues directly attributed to the arena will be used to pay the debt service for bonds issued by the City and County to buy the land and the arena (see MOU for more details).

The consultant also needs to consider the substitution effect on consumer entertainment spending within Seattle and/or King County. In particular, the consultant's report should include analysis of what share of such spending is new to the local economy. This would also likely be different from a City context compared to a County context.

Other examples of issues the consultant may study (not an exhaustive list):

Impact of Arena on direct spending (retail, food, etc)

- Need assumptions: number of events, type of events, number of attendees, user origin, attendee spending, participant origin, production expenses, tickets/admissions, local transportation, entertainment, retail and food before and after Arena events
- Arena construction: materials, supplies, labor, professional fees
- Money spent by people attending, participating in and producing events and taxable sales (ticket sales, sales of suites, food, retail, media, advertising, sponsorship, naming rights)
- Commercial parking tax increases not directly linked with arena (any parking lots that DO NOT have a contract with ArenaCo for event parking)
- Money spent on private transportation getting to and from event
- Lodging as a result of people attending events; lodging tax dollars
- Net effect on Port of Seattle economic activity
- Net effect on minority and women owned businesses—look at ArenaCo labor agreements

Arena impacts on local commercial and industrial property outside of arena net of assumed trajectory without the arena

- Commercial market conditions; vacancy rates
- Expected new spin-off commercial development and activity because of arena

Arena Job Creation and Wages

- From Arena itself: how many jobs created from construction and operations and total wages
- How many jobs created by spin-off development: construction, occupancy, etc.
- Net of displaced jobs and wages
- Lost jobs from redevelopment, increased congestion

- Consultant will need to clearly document assumptions for analysis and conclusions regarding future operation of Key Arena.

Indirect and Induced Impacts:

- Purchases of goods and services by the enterprises that receive the direct spending. Results of spending by employees (new jobs) and their households. (Multiplier effect)