



WASHINGTON STATE
MAJOR LEAGUE BASEBALL STADIUM
PUBLIC FACILITIES DISTRICT

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August 15, 2018

Metropolitan King County Council Members
516 Third Avenue, Suite 1200
Seattle, WA 98104

Re: Safeco Field/Proposed Legislation

Dear Honorable Council Members:

As you consider legislation to allocate funding from the lodging tax to the Washington State Major League Baseball Public Facilities District (the "PFD") for capital maintenance of Safeco Field, we want to provide you with information about the PFD, our role, and our responsibilities. Importantly, we want to clarify our position on several issues that have been raised regarding our work and the work of others. In particular:

- The PFD believes the lease terms, negotiated over a period of nearly two years and adopted by the PFD on May 23, 2018, include strong protections of the public investment in the baseball stadium and represent a very substantial improvement over the current lease.
- The PFD has no role or Board position on the specific question of whether and how much lodging tax revenue should be committed to Safeco Field.
- The PFD believes that the term sheet that the PFD and Seattle Mariners have executed is a strong basis for a final lease, regardless of whether lodging tax revenue is provided by the County.
- In the fall of 2015, the PFD and the Seattle Mariners partnered to produce a long-term capital needs assessment, which concluded that \$385M in necessary improvements would be required to extend the useful physical life of the ballpark for another 25 years (through 2043).
- There has been no discussion, and there are no automatic rights/responsibilities, between the PFD and the Seattle Mariners for a short-term lease extension, should the Club decide not to proceed on the existing terms. Any such extension would be subject to new negotiations and mutual agreement on terms.

Role of the PFD:

The PFD was created in 1995 to build and oversee maintenance of a new, publicly-owned stadium, which ensured Major League Baseball remained in Seattle. The PFD is governed by a seven-member board, with four members appointed by the County Executive and confirmed by the Metropolitan King

BOARD OF DIRECTORS

Virginia Anderson, Chair
Dale Sperling, Vice-Chair
Stacy Graven
Craig Kinzer
Paul Mar
Charley Royer
Jesus Sanchez

County Council and with three members appointed by the Governor. In addition to real estate and development experience, the PFD Board includes members who have deep leadership experience managing significant public facilities, including major league sports venues such as the Kingdome and Key Arena. Many of the Board members are experienced in complex negotiations and have provided leadership on substantial public policy issues over the years.

Since its creation, the PFD has worked closely with the Seattle Mariners to ensure that baseball continues to be played in Seattle in a first-class facility. Twenty years later, Safeco Field remains a testament to the work done by the PFD, the management by the Mariners and the strength of PFD lease oversight. All public bonds for cost of construction have been retired and Safeco Field remains one of the finest ballparks in Major League Baseball (MLB).

For the past 19 years we have overseen the maintenance of the public's asset, currently known as Safeco Field. Each year we do an annual review of the Seattle Mariners' maintenance operations, and every three years we review the Club's compliance with the "Applicable Standard." The Applicable Standard under the current lease compares Safeco Field with a cohort of ballparks first opened for play between 1990-1999. In each of the past reviews, Safeco Field has come out on top. Safeco Field also continues to be recognized as one of the best ballparks in all of baseball, by both fans and players.

The current mission of the PFD is "[t]o maintain and enhance our iconic baseball park in order to promote the success of Major League Baseball in the State of Washington, enhance fan enjoyment and contribute to an economically successful, safe, desirable, innovative and walkable stadium neighborhood." In addition to what happens inside the ballpark, the PFD works both to protect and to leverage the value of this publicly-owned asset on public spaces, transportation, zoning and development issues in neighborhoods adjacent to the ballpark.

While a number of different sources funded construction of the ballpark, most of those taxes were retired when the construction bonds were paid off in 2011. Currently the PFD collects (via King County, our treasurer) a 5% admissions tax on all ticketed events at Safeco Field, as well as a 10% parking tax on vehicles parking in the Safeco Field garage. Both of these tax sources are primarily related to ballpark attendance, and they are required by state law to be used "exclusively to fund repair, reequipping, and capital improvements" of the ballpark. These funds, along with the contributions from the Seattle Mariners required under the current lease, are used to maintain the capital assets at the ballpark. Separately, under the lease, the Seattle Mariners are solely and exclusively responsible for the daily operations and maintenance costs of running the ballpark, estimated at approximately \$7-10M/year.

Negotiated New Lease Terms:

Beginning in 2015, the PFD began focusing on the renewal of the lease between the PFD and the Seattle Mariners, recognizing that the existing lease expires on December 31, 2018. In the fall of 2015, the PFD and the Seattle Mariners partnered to engage the services of a national consulting team to investigate the extent, cost, and timing of potential capital improvements that could reasonably be anticipated to be required for the ballpark over the next 25 years. That long-term capital needs assessment concluded that \$385M in necessary improvements would be required to extend the useful physical life of the ballpark for another 25 years (through 2043)(including 3% annual escalation and a 15% contingency). Separately, the Seattle Mariners determined that the estimated capital cost of potential "upgrade" improvements (i.e., those improvements designed to prolong the economic life of the ballpark) would be an additional \$160M.

For the past 23 months, the PFD has been negotiating the terms for a new lease between the Seattle Mariners and the PFD. Our negotiating team was led by a nationally recognized sports facility consultant, supported by lawyers with highly regarded national and local sports facility experience. In May, we approved by Resolution the terms for a new lease (see attached), which term sheet was subsequently signed by the team. The PFD is confident that these terms will ensure that the publicly owned asset that we steward will remain a top-tier venue for professional baseball long into the future. As noted, in many material respects, the new lease improves on the current lease and would appropriately strengthen the PFD's role in ensuring that the Club meets its obligations.

Among other things, the new lease terms provide for the following:

- The Seattle Mariners and MLB stay in Seattle for another 25 years, five years longer than the expiring 20-year current lease. Further, the new lease terms contain financial incentives for continuance of local ownership and penalties for sale of a controlling interest in the team to any non-local buyer who does not extend the lease that could amount to 100's of millions of dollars.
- With an aging facility, ensuring adequate investment in routine and major maintenance; capital repair and replacement and upgrades is critical. These obligations are significantly more expensive as the facility ages and can seem staggering. As a partnership with the Seattle Mariners, the PFD contributes to these capital costs from its revenues but, as the new lease clarifies and expands, the Seattle Mariners' have the full obligation to make improvements that maintain the higher standard required by the lease and overseen by the PFD. In short, the Seattle Mariners assume the major share of these costs and the full risk associated with potential increases in these costs.
- The new lease terms require that the ballpark be operated, maintained, repaired, re-equipped and improved in a first-class manner measured against similar efforts at the other top 1/3 of all MLB ballparks, not the cohort of aging ballparks under the existing lease (new "Applicable Standard").
- In addition, the Seattle Mariners annual rent payment is more than doubled, generating \$50 million over the life of the lease.
- The PFD's oversight role in ensuring the Applicable Standard is met has been materially strengthened. Unlike the current lease, the Club in the future must produce annual maintenance plan and ten-year rolling capital expenditure plan that will meet the requirements of the Applicable Standard and will be subject to the PFD's review and approval. Such approval is not required under the existing lease. The Club must fund all costs of the PFD-approved plans in excess of the funds specifically committed under the new lease, even if there is a shortfall in available funds.
- In lieu of the profit sharing under the current lease (a revenue stream that reimbursed the Club for its accumulated losses and construction cost overruns), the new lease creates a revenue sharing mechanism (from ticketed admissions) that is certain to produce a revenue stream for the PFD for its share of ballpark capital maintenance and improvements. All capital costs associated with the initial construction of Safeco Field, more than \$517 million, have been paid and new revenue, based on a percentage of ticket revenues, provides the PFD the resources it needs to meet its share of the long-term capital needs of the ballpark.
- In addition, a new Ballpark Neighborhood Improvement Fund will be created. This will be funded by the PFD from a portion of the increased rent and will be used to pay for improvements outside of the ballpark that contribute to improving the fan experience as well as the neighborhood.

The PFD is prepared to proceed to finalize a new lease based on these terms. The “precondition” that some portion of available lodging taxes be allocated toward ballpark capital needs before a lease is executed is a condition stated by the Club, not the PFD, and is not included in the Term Sheet signed by both parties. For that reason, and out of respect for the role of the County Executive and Council in determining whether to commit lodging taxes for that purpose, the PFD Board has agreed to accept any lodging tax funds you determine to allocate to the PFD for that purpose.

The terms of the prospective new lease were approved by majority vote of the Board on May 23, 2018 without reference to or negotiation of any preconditions. As a body, we have no position on the specific questions of whether and how much lodging tax revenue should be so committed by King County.

Concerning the proposed agreement between the County and the PFD you have before you that would transfer lodging tax revenues to the PFD, we have reviewed it, and it generally seems appropriate and workable as drafted, should the Council choose to appropriate funds for this purpose. We respect the County’s right to specify how any revenues appropriated to the ballpark be applied toward ballpark stewardship and, in accepting such revenue, the PFD would accept the County’s requirements in that regard. If the County chooses to make any such funds available to us, the agreement and amendment, at least as currently proposed, seem appropriate and we appreciate the County’s foresight in bringing them forward in conjunction with your consideration of the more fundamental question of whether to provide any such funding.

In summary, the PFD believes the negotiated terms for a new 25-year lease with the Club would substantially increase the Club’s obligation to invest in the long-term stewardship of the ballpark and give the PFD an even stronger hand in ensuring compliance with that obligation. The club has done an excellent job of maintaining and operating Safeco Field for the entire 20 years of their first lease. We look forward to another 25 years of this partnership and providing the best possible experience for the fans and citizens of the state of Washington. If, however, the Club is not prepared to proceed with the terms stated in the Lease Renewal Term Sheet following the County’s decision regarding lodging tax funding for Safeco Field, the enforceability and duration of the commitments of the first lease, together with the Club’s obligations to invest in the ballpark over the next 25 years and the PFD’s role going forward, would all be reopened for negotiation.

We are very pleased that the Seattle Mariners have stated that the Club has no plans to relocate the team, regardless of the County’s decision on the allocation of lodging taxes and note there has been no discussion between the PFD and the Seattle Mariners about a short-term lease extension, should the Club decide not to proceed on the existing terms. Any such extension would be subject to negotiation and mutual agreement on terms.

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We appreciate your careful work and consideration on this matter. If you have additional questions, please let us know.

Sincerely,

WASHINGTON STATE MAJOR LEAGUE BASEBALL STADIUM
PUBLIC FACILITIES DISTRICT

By: 

Virginia Anderson
Board Chair

Attachments

PFD Resolution adopting Term Sheet
May 23, 2018 Term Sheet

Cc (w/ attachments)

King County Executive Dow Constantine
Fred Rivera, Seattle Mariners