



Briefing:

Proposed Seattle Arena Economic Impact Analysis Seattle, King County, Washington

Prepared for: City of Seattle and King County
Prepared by: Pro Forma Advisors LLC





Briefing Agenda

Agenda for Briefing: Seattle Arena Economic Impact

- Company Overview
- Engagement Overview
- Engagement Methodology
- Summary of Impacts
- Q & A

Pro Forma Advisors formed in 2008 by experienced land-use professionals

- Founding principals from Economics Research Associates (ERA)/AECOM.
- Our partners have worked on over 1000 projects with a combined seventy five years of cumulative principal experience.
- Unique industry specialization in:

entertainment+resort



real estate+economic planning



Pro Forma Advisor team includes The Tioga Group

- Freight transportation consulting firm
- Provided expertise in the port and non-port impact analysis
- Extensive qualifications and experience in strategic planning, public policy analysis, economics, trucking, rail, ports, intermodal, logistics and project implementation for both the public and private sectors.



Engagement Overview: Seattle Arena Economic Impact

- Pro Forma Advisors team was retained by the City of Seattle and King County to evaluate the economic and fiscal impact of a proposed basketball and hockey arena in Seattle, Washington.
- The City of Seattle and King County are considering potential investments of \$120M and \$80M (\$5M if no NHL team commits to play in the arena), respectively.
- The City of Seattle is conducting a full SEPA Environmental Impact Study (“EIS”) which will review the proposed SoDo site as well as the alternative Key Arena and Memorial Stadium sites.
- Pro Forma Advisors evaluated four scenarios:
 - Scenario A - SoDo Site, 18,000 Seat Arena
 - Scenario B - SoDo Site, 20,000 Seat Arena
 - Scenario C - Key Arena, 18,000 Seat Arena
 - Scenario D - Memorial Stadium, 18,000 Seat Arena

Engagement Methodology: Seattle Arena Economic Impact

- Market Analysis - Comparative review of markets
- Arena Projections - Independent arena operating projections
- Fiscal Impacts - Tax impacts
- Arena Economic Impacts
 - Economic activity directly related to arena operations
 - Indirect and induced activity from multiplier effects
- Impacts to SoDo Economic Activity, Relating to:
 - Port and non-Port industrial business impacts
 - Substitution (potential spending shifts)
- Real Estate and Land Use

Operating Projections

- Pro Forma Advisors developed operating projections based on:
 - Anticipated market demand
 - Financial data from similar arenas
 - Comparable market economics
 - Multiple team market results
- Events/Tenants:
 - NBA team
 - NHL team
 - Eighty-two other events (e.g. concerts, family shows, other sporting events).

| Operating Projections | SoDo Site (18,000 Seats) | SoDo Site (20,000 Seats) | Key Arena Site | Memorial Stadium Site |
|--|--------------------------------|--------------------------------|----------------------|-----------------------------|
| <i>Millions</i> | | | | |
| Revenues | \$221.3 | \$228.7 | \$221.3 | \$221.3 |
| Expenses | \$191.0 | \$194.7 | \$191.0 | \$191.0 |
| Net Operating Income/(Loss) | \$30.3 | \$34.0 | \$30.3 | \$30.3 |
| Less: Net Playoff Revenue | \$3.5 | \$3.6 | \$3.5 | \$3.5 |
| Operating Income/(Loss) Before Playoffs | \$26.8 | \$30.4 | \$26.8 | \$26.8 |



Impacts

Impacts

- Fiscal Impacts
- Economic Impacts

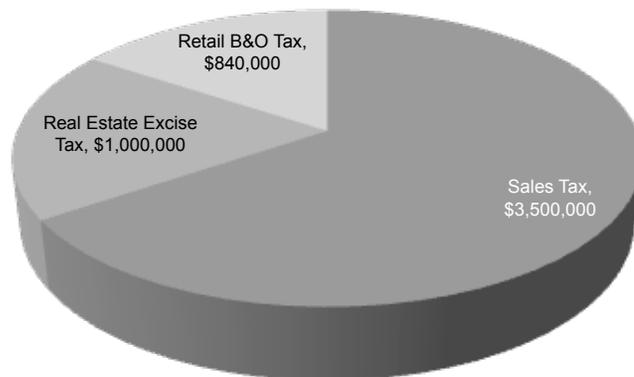
Impacts

Fiscal Impacts: One-time Construction

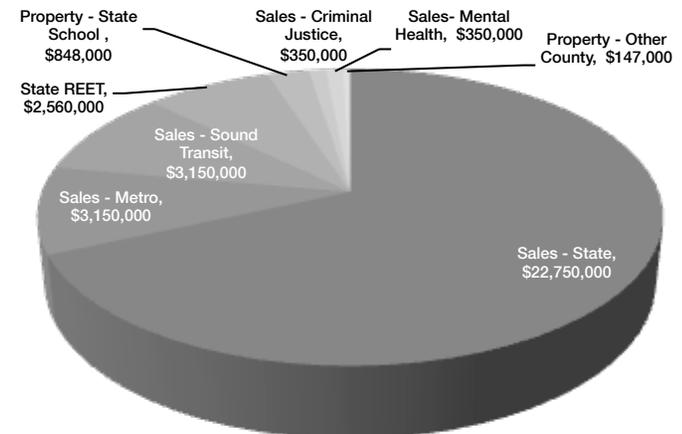
- Estimated development costs of the arena, excluding land, are \$390 million.
- The construction of the arena will generate one-time fiscal impacts to the City of Seattle and King County exceeding \$5.3 million.
- Incremental one-time construction taxes to other taxing districts are estimated at \$33.3 million.

| | Construction Sales Tax | Real Estate Excise Tax | Retail B&O Tax | Total |
|--|------------------------|------------------------|------------------|--------------------|
| City of Seattle | \$2,975,000 | \$1,000,000 | \$838,500 | \$4,813,500 |
| King County | \$525,000 | \$0 | \$0 | \$525,000 |
| City of Seattle and King County Total | \$3,500,000 | \$1,000,000 | \$838,500 | \$5,338,500 |

City of Seattle and King County



Other Taxing Districts

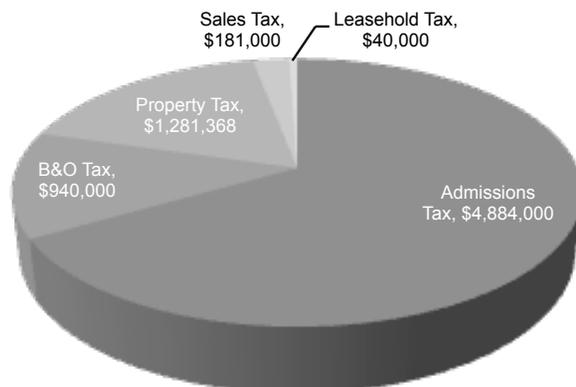


Fiscal Impacts: Annual On-going

- Annual incremental ongoing fiscal impacts generated at build-out that will service the debt, are estimated at \$7.97 million.
- Additional Annual Parking and Utility Taxes are estimated at \$591,000
- Incremental Annual Other Taxing District Taxes are estimated at \$1.88 million.

| | City of Seattle | King County | Total |
|---------------------------------|--------------------|------------------|--------------------|
| Admissions Tax | \$4,884,000 | | \$4,884,000 |
| B&O Tax | \$940,000 | | \$940,000 |
| Property Tax | \$1,281,368 | \$596,000 | \$1,877,368 |
| Sales Tax | \$181,000 | \$32,000 | \$213,000 |
| Leasehold Tax | \$40,000 | \$20,000 | \$60,000 |
| Total Debt Service Taxes | \$7,326,368 | \$648,000 | \$7,974,368 |
| Utility Tax | \$141,000 | | \$141,000 |
| Commercial Parking Tax | \$450,000 | | \$450,000 |
| Total All Taxes | \$7,917,368 | \$648,000 | \$8,565,368 |

City of Seattle Taxes



King County Taxes



Summary of Economic Impacts

- Economic Impacts
 - Gross Arena Impacts
 - Additional Impacts
 - ▶ Port and Non-Port Traffic Impacts
 - ▶ Substitution (potential spending shifts)
 - Net Arena Impacts

Net Economic Output Impact Summary: Scenario A, 18,000 Seats

| Scenario A | Output | |
|--|----------------------------|---------------------------------------|
| Net Economic Impacts | City of Seattle | Total King County (including Seattle) |
| Gross Impacts | \$257.8 Million | \$313.1 Million |
| Substitution Impacts | - \$21.7 to \$69.7 Million | - \$27.1 to \$82.4 Million |
| Upper Limit of Port and Industrial Business Impacts | - \$0.21 to \$0.23 Million | - \$0.23 to \$0.23 Million |
| Net Economic Impacts | \$187.8 to \$235.9 Million | \$230.4 to \$285.7 Million |

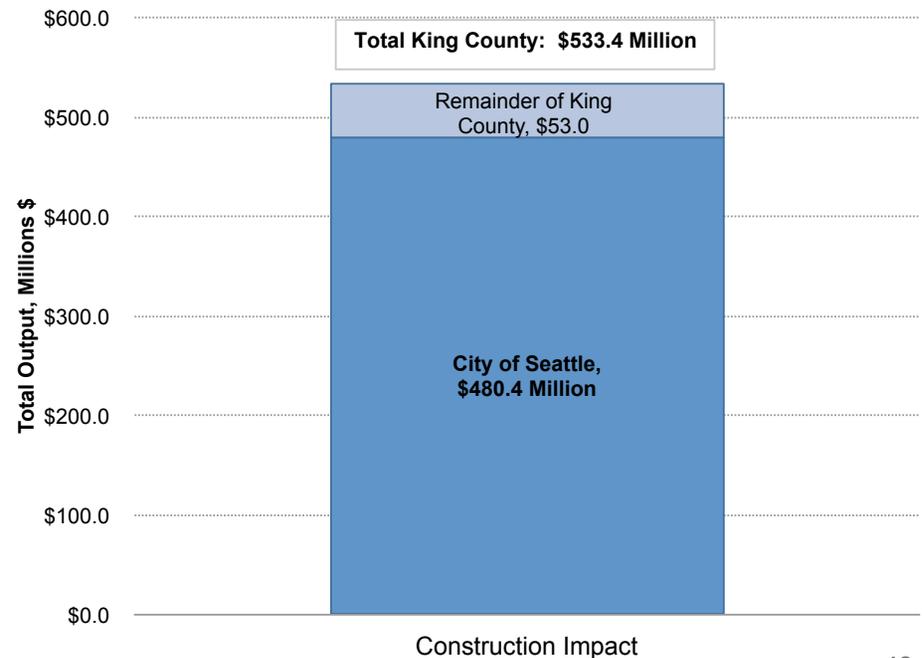
Impacts

Economic Impacts: One-time Construction

- Estimated development costs of the arena, excluding land, are \$390 million.
- Total Impacts = Direct Impacts and Indirect and Induced Impacts
 - Indirect and Induced Impacts are the respending of dollars (multiplier effect)

| One Time Construction Impacts | Output (Millions) | Earnings (Millions) | Person-Year Jobs |
|--|-------------------|---------------------|------------------|
| City of Seattle | \$480.4 | \$265.8 | 3,199 |
| King County (Including Seattle) | \$533.4 | \$288.5 | 3,570 |

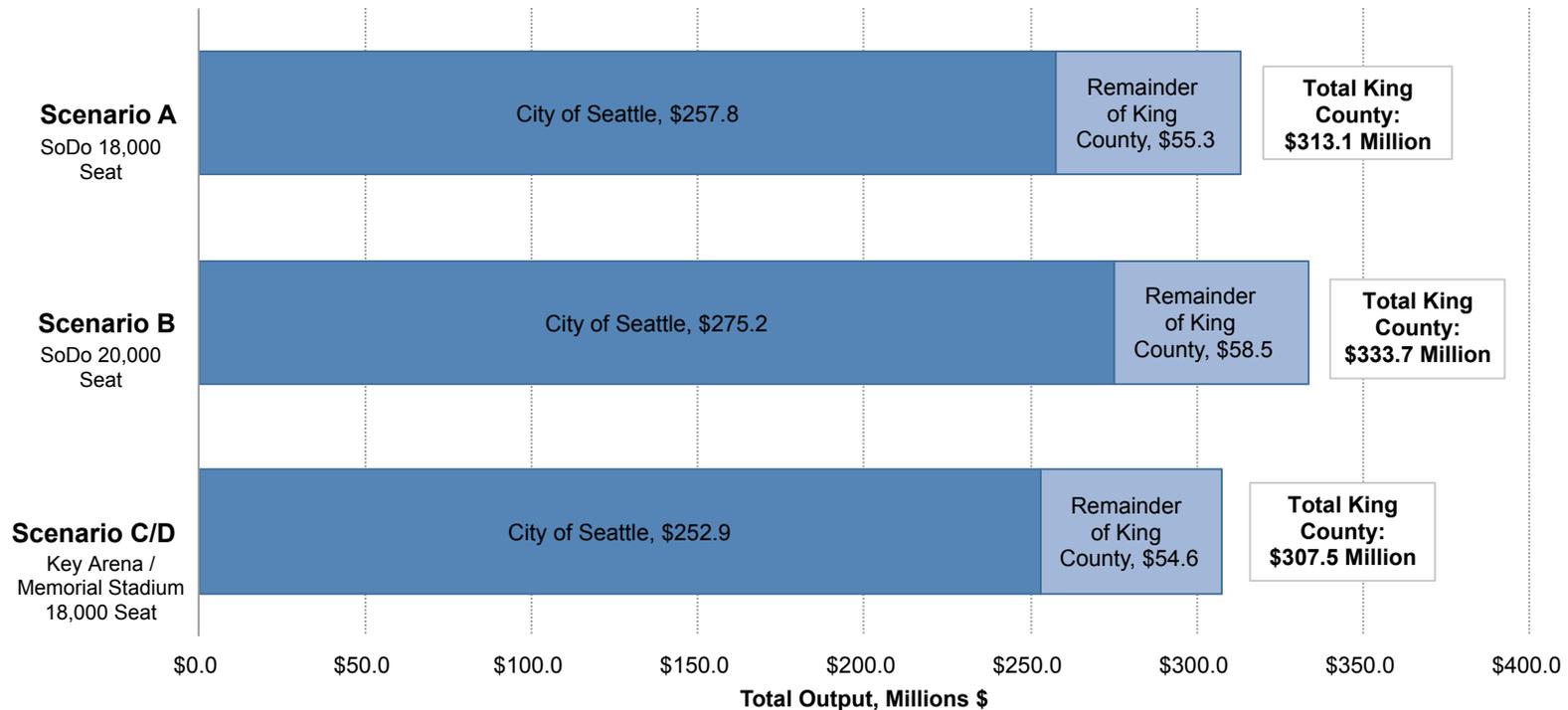
One-Time Construction Impacts



Economic Impacts: Annual On-going Arena Impacts

- Total Impacts = Direct Impacts and Indirect and Induced Impacts
 - Indirect and Induced Impacts are the respending of dollars (multiplier effect)
- Onsite and Offsite Arena Operations

Gross Arena Annual Ongoing Impacts



Economic Impacts: Annual On-going Arena Impacts (Cont.)

- Total Impacts = Direct Impacts and Indirect and Induced
 - Indirect and Induced Impacts are the respending of dollars (multiplier effect)
- Onsite and Offsite Arena Operations

| Gross Arena Impact | Output (Millions) | Earnings (Millions) | Jobs |
|--|-------------------|---------------------|-------|
| City of Seattle | | | |
| Scenario A | \$257.8 | \$103.1 | 2,045 |
| Scenario B | \$275.2 | \$107.7 | 2,216 |
| Scenario C/D | \$252.9 | \$100.8 | 2,019 |
| King County (including City of Seattle) | | | |
| Scenario A | \$313.1 | \$130.1 | 2,473 |
| Scenario B | \$333.7 | \$136.2 | 2,673 |
| Scenario C/D | \$307.5 | \$127.5 | 2,443 |

Adjustments for Net Impacts: Substitution

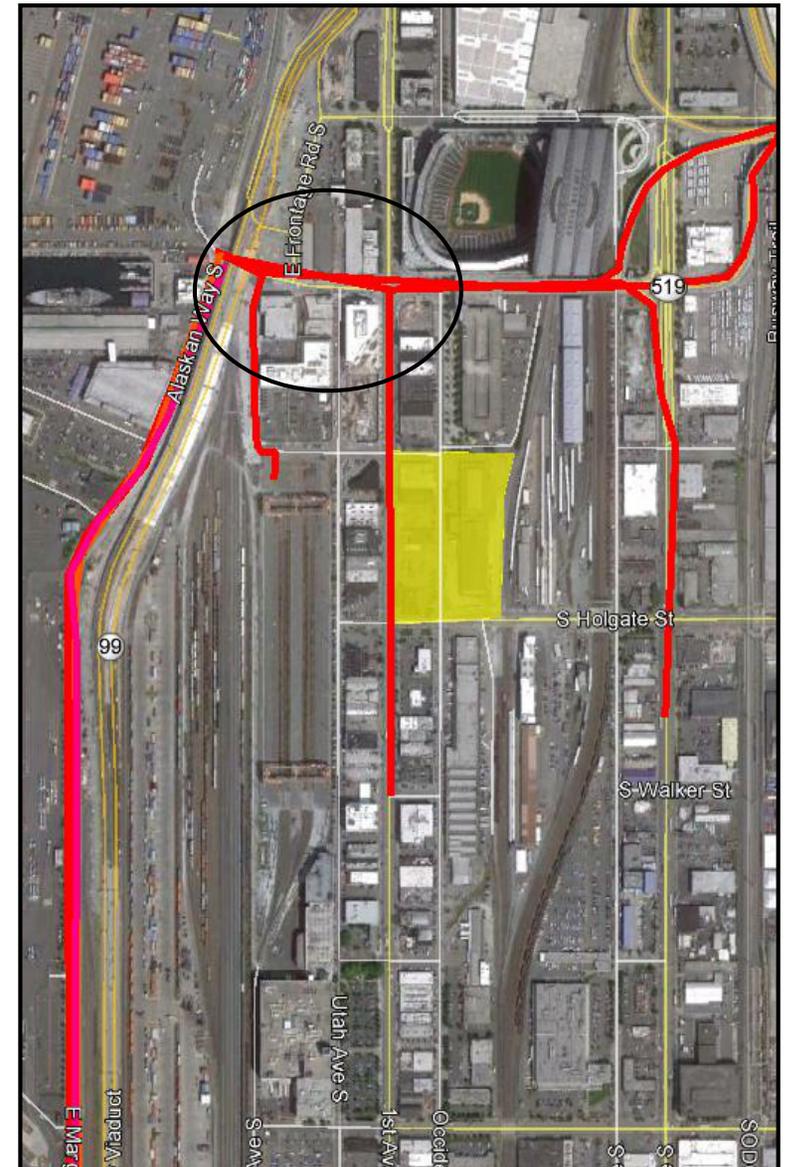
- Substitution impacts estimate the share of spending that is a shift (reallocation) from existing activity spending vs. incremental new spending
- **Level I - Events at Similar Venues**
 - Key Arena concerts, events, non-major league sports
- **Level II - Alternate Sporting Events**
 - Baseball, Football, Soccer
- **Level III - Alternate Entertainment Activities**
 - Movies, Dining, Travel, etc.

| Output Impacts | City of Seattle | King County |
|-----------------------------------|------------------------|------------------------|
| Level I Substitution Impacts | \$21.7 | \$27.1 |
| Level II Substitution Impacts | \$0 - \$48.0 | \$0 - \$55.3 |
| Level III Substitution Impacts | N/A | N/A |
| Total Substitution Impacts | \$21.7 - \$69.7 | \$27.1 - \$82.4 |

Estimating Port Trucking Impacts

- Using data supplied by the Port, the team identified truck trips and time slots that would be affected by congestion.
 - Current TEU levels are approximately half of the Port 2030 goal.
- About 675 weekday trips would be affected at the 3.5 million TEU Port volume goal, roughly 5 percent of Port truck trips.
- Affected flows were mostly trips between Terminals 25/30/46 and the SoDo district, freeways, and the BNSF rail terminal.
- Port truck delays were estimated from Transpo traffic studies, and valued at \$48 per hour.
- To minimize delays, traffic management efforts could be focused on South Atlantic Street and East Marginal Way.

| Route | Trip Delay | Total Delay | | Cost @ \$48/ hour Estimated Annual Truck Delay Cost |
|-------------------------------|----------------------------|---------------------------|-------------------------|---|
| | Average Delay - Minutes | Annual Delay - Minutes | Annual Delay - Hours | |
| T-25/30/46 to Freeways | 1.3 - 3.3 | 16,784 | 280 | \$13,428 |
| T-25/30/46 to SIG North | 0.2 - 0.3 | 5,196 | 87 | \$4,157 |
| T-25/30/46 to SODO | 2.9 - 4.2 | 3,414 | 57 | \$2,731 |
| T-25/30/46 to SIG South | 2.9 - 4.2 | 57,097 | 952 | \$45,678 |
| T-5/18 to SIG North | 3.2 - 4.5 | 52,056 | 868 | \$41,645 |
| T-25/30/46 to Argo/South DMIC | 2.9 - 4.2 | 3,414 | 57 | \$2,731 |
| Total Truck Trips | | 137,962 | 2,299 | \$110,370 |

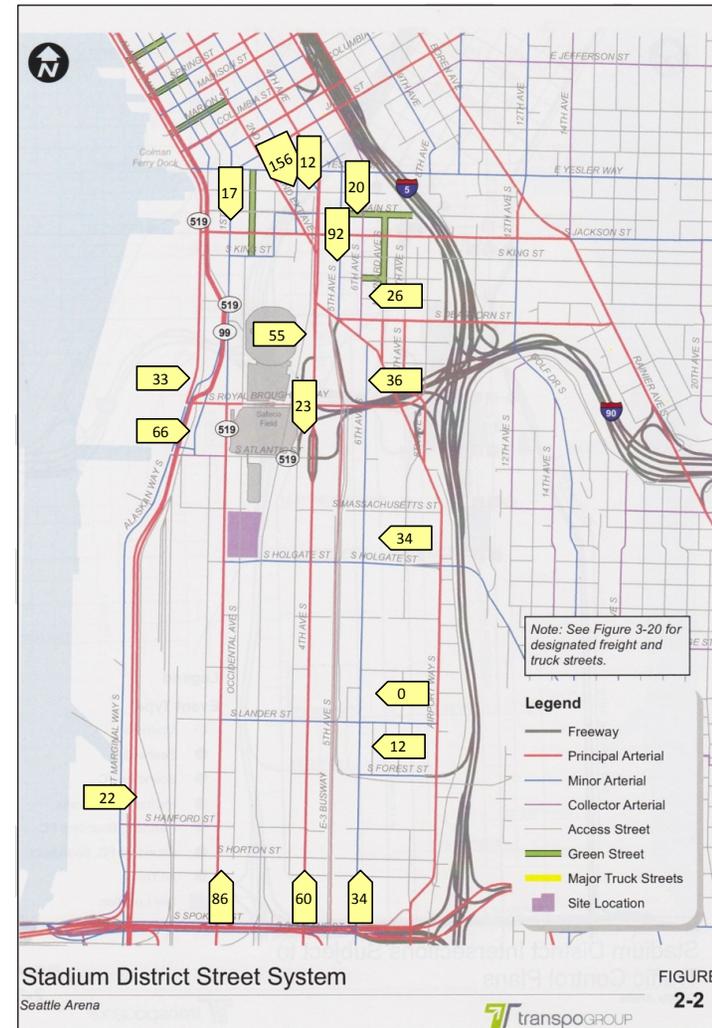


Impacts

Estimating Non-Port Trucking Impacts

- Transpo truck counts were used to estimate daily non-port truck trips to and from the SoDo District.
- Truck delays were estimated from Transpo traffic studies, and valued at \$48 per hour

| Annual Delay and Cost to Non-POS Trucks | | | | | |
|---|------------|----------|--------------|------------|-------------------|
| | Minutes | Hours | Cost | Trips | Total Direct Cost |
| NB | 396 | 7 | \$317 | 71 | \$22,441 |
| SB | 215 | 4 | \$172 | 57 | \$9,738 |
| EB | 58 | 1 | \$47 | 29 | \$1,370 |
| WB | 215 | 4 | \$172 | 28 | \$4,802 |
| Total | 137 | 2 | \$109 | 185 | \$38,351 |



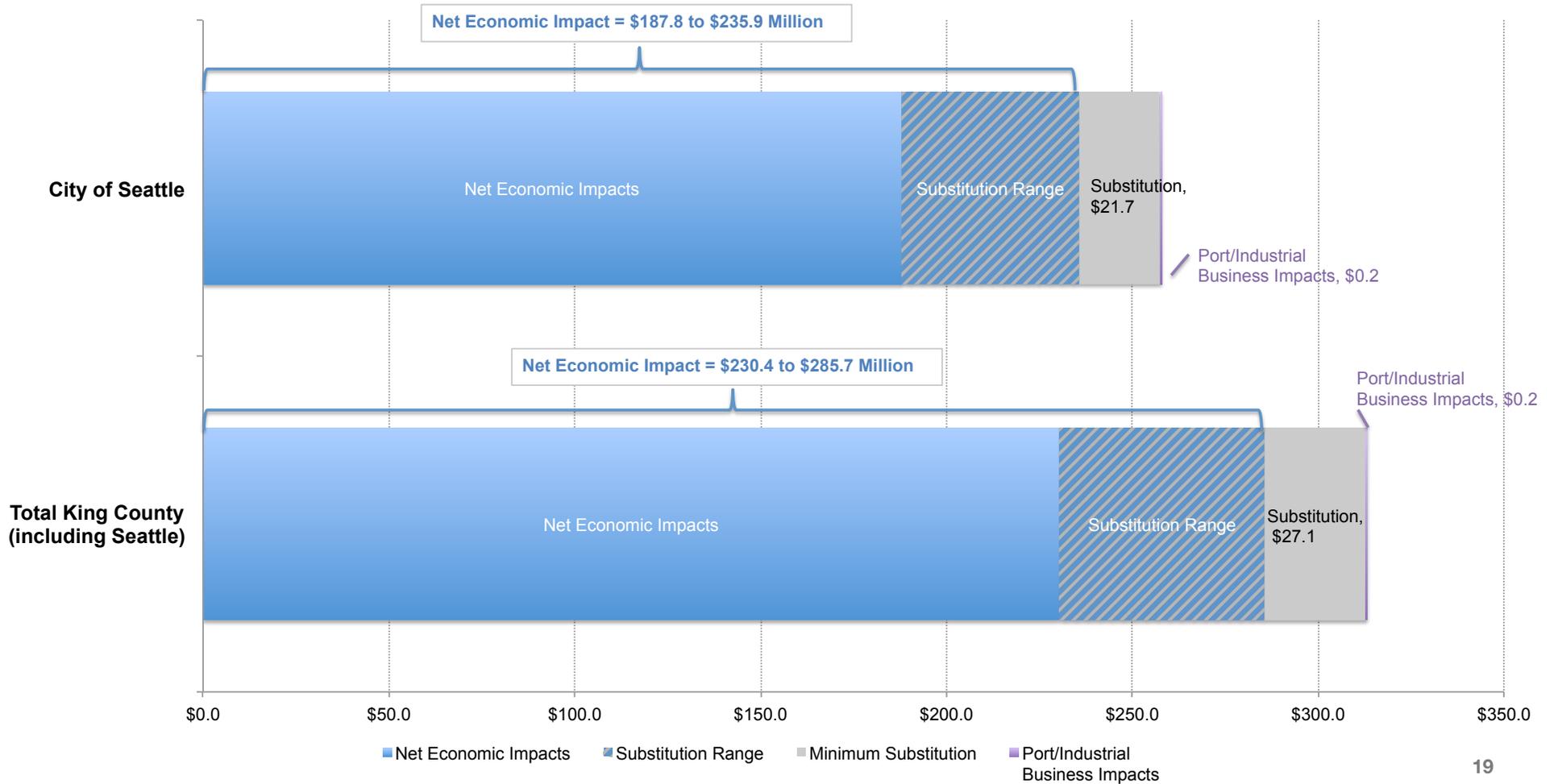
Adjustments for Net Impacts: Port and non-Port Industrial Traffic Delay

- Appropriate multipliers are applied to the direct port and non-port industrial businesses impact traffic delay costs in the previous slides to estimate indirect, induced impacts (the multiplier effect) and, resultant, total impacts.
- It should be noted that there would be additional potential impacts if Port carriers perceived reliability issues in the area and shifted cargo away from the Port of Seattle or move to another location. There are several factors that go into these decisions and this risk could not be quantified.

| Port and Industrial Total Output Impacts | City of Seattle | King County |
|---|------------------------------|------------------------------|
| Port Truck Traffic Delay (Upper Limit) | \$152,100 - \$168,000 | \$171,600 - 172,300 |
| Non-Port Industrial Business Truck Traffic Delay | \$58,200 | \$59,900 |
| Total Port and Industrial Business Impacts | \$210,300 - \$226,300 | \$231,500 - \$232,200 |

Economic Impacts: Net Arena Impacts (Scenario A: 18,000 Seat SoDo Arena)

Net Economic Impacts (Scenario A)



Economic Impacts: Net Arena Impacts (Scenario A: 18,000 Seat SoDo Arena)

| Scenario A | Output | | |
|--|----------------------------|----------------------------|---------------------------------------|
| | City of Seattle | Remainder of King County | Total King County (including Seattle) |
| Net Economic Impacts | | | |
| Gross Impacts | \$257.8 Million | \$55.3 Million | \$313.1 Million |
| Substitution Impacts | - \$21.7 to \$69.7 Million | - \$5.5 to \$12.7 Million | - \$27.1 to \$82.4 Million |
| Upper Limit of Port and Industrial Business Impacts | - \$0.21 to \$0.23 Million | - \$0.00 to \$0.02 Million | - \$0.23 to \$0.23 Million |
| Net Economic Impacts | \$187.8 to \$235.9 Million | \$42.6 to \$49.9 Million | \$230.4 to \$285.7 Million |



Team Bios

Judith Taylor, Partner, Pro Forma Advisors

With 10 years of experience in the fields of land use consulting, redevelopment, and community development, Ms. Taylor's specialties include fiscal impact analysis, economic impact analysis, real estate market analysis, and economic strategy and funding strategy development. Judith is an industry expert in economic impact analysis and led the economic impact analysis for several high profile sports and entertainment events, projects, and firms.

Cristine Hurley, Partner, Pro Forma Advisors

With over 15 years in Sports, Cristine Hurley, has broad experience having worked as Chief Financial Officer for the Los Angeles Dodgers baseball team and Vice President of Team Finance for the National Basketball Association (NBA). While at the NBA, Cristine worked with the 30 NBA teams as well as the WNBA and D-League teams. Cristine has significant experience in market analysis, team and league economics, venue operations and multi-team venues and markets.

Dan Smith, Principal, The Tioga Group

Dan Smith brings over 30 years of freight transportation consulting experience to the analysis. His recent work has included port trucking studies for the Transportation Research Board, the US EPA, and the Port of Vancouver, BC. He has also led cargo forecasts for the Ports of Los Angeles, Long Beach and Oakland, and port capacity studies for MARAD and the US Army Corps of Engineers.



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