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No. 70006-5

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COURT OF APPEALS OF THE STATE OF WASHINGTON

DIVISION I

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INTERNATIONAL LONGSHORE AND WAREHOUSE UNION,  
LOCAL 19,

*Appellant,*

v.

CITY OF SEATTLE, a Washington municipal corporation; and  
KING COUNTY, a Washington county,

*Respondents,*

and

WSA PROPERTIES, III, LLC, a Delaware limited liability company,  
dba ArenaCo,

*Necessary Party.*

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**OPENING BRIEF OF APPELLANT INTERNATIONAL  
LONGSHORE AND WAREHOUSE UNION, LOCAL 19**

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## I. INTRODUCTION

This appeal challenges the way Seattle and King County are conducting SEPA review of the proposed new arena in Seattle's SODO industrial area. The December 3, 2012 Seattle City and King County Council ordinance-approved Memorandum of Understanding (MOU) for a new arena in Seattle's SODO port and industrial area was a *final* "action" and "decision" for purposes of plaintiff-appellant International Longshore and Warehouse Union Local 19 (ILWU)'s lawsuit alleging that this MOU effectively limited the choice of reasonable alternative arena sites and was an unlawful pre-environmental impact statement (EIS) "commitment to a course of action."

The MOU for the proposed *public* arena was both an "action" and "final" under WAC 197-11-070(1)(b) and 197-11-055(2)(c). On its face and by operation, the MOU limited the alternative sites that would be considered in the pending EIS by making the SODO site the only feasible alternative for a new arena.

The MOU was not, as the trial court held, a preliminary "non-binding" agreement that merely kicked off a SEPA "process" to evaluate alternative sites for a new arena. Instead, the MOU and its related implementing steps were explicitly and implicitly designed to make the SODO site inevitable. It accomplished this by giving Mr. Hansen the

ability to represent to the NBA that he had secured a substantially-approved arena location in SODO and a public-private financing plan to construct and operate this arena, the ability to commence designing and permitting an arena in conjunction with Seattle on the SODO site, the ability to vacate a city street that lies in the middle of the planned arena, the ability to commence drafting final transaction documents for the SODO arena concurrently with the SEPA process, and leverage to coerce Seattle to eventually vote for the SODO alternative by making up to \$5 million in “development cost” reimbursements contingent on the SODO alternative.

ILWU does *not* contend SEPA required Seattle and King County to conduct a complete EIS procedure *before* signing *any* MOU with WSA to develop a new arena somewhere in the Seattle area. But ILWU maintains, as alleged in its Complaint, that the MOU *in this case* violated WAC 197-11-070(1)(b) and WAC 197-11-055(2)(c) because it “limit[ed] the choice of reasonable alternatives” and “committed [Seattle and King County] to a particular course of action” prior to *any* environmental analysis under SEPA.

The MOU might have been a certain and expedient way to permit and build a controversial new *public* arena on Mr. Hansen’s already purchased site in SODO. But the desire to return the NBA to Seattle does

not allow a private arena investor and public officials to run rough-shod over fundamental SEPA timing and EIS principles. The trial court's grant of summary judgment in favor of the Defendants should be reversed and the court should remand this case to the trial court for entry of summary judgment in favor of ILWU.

## **II. ASSIGNMENT OF ERROR**

The trial court erred by dismissing this case and by granting summary judgment in favor of the Defendants on the grounds that the Arena MOU was not a "final" action under SEPA.

## **III. ISSUES PERTAINING TO ASSIGNMENT OF ERROR**

1. Was the dual Council-authorized December 3, 2012 MOU a *final* appealable "action" for purposes of triggering SEPA provisions prohibiting pre-EIS actions or decisions that "commit to a particular course of action" or "limit the choice of reasonable alternatives" that will be considered in the Project's pending Environmental Impact Statement process?
2. Did the MOU violate WAC 197-11-070(1)(b) and 197-11-055(2)(c) because it limited alternative arena sites to be studied in the EIS to the Seattle Center and because, by its terms and operation, heavily favored and created momentum in favor of the SODO alternative, thereby limiting reasonable alternative sites for a new arena?

## **IV. STATEMENT OF THE CASE**

### **A. Procedural Facts.**

On October 15, 2012, the Seattle and King County Councils adopted Ordinances authorizing their respective Executives to sign a

MOU pertaining to the construction of a new multi-sports and entertainment arena in Seattle's SODO industrial area.<sup>1</sup> On October 18, 2012, ILWU, appellant herein, challenged the MOU under SEPA in a complaint filed in King County Superior Court. ILWU moved for summary judgment, CP 41-64, and the three Defendants, WSA Properties, Seattle, and King County moved to dismiss for lack of standing and final action and, in the alternative, for summary judgment. The trial court heard the motions on February 22, 2013. The court did not rule on the Defendants' motion to dismiss for lack of standing but, instead, granted their motions for summary judgment based on lack of a "binding agreement." RP 52-54. The trial court entered an order of Dismissal and Denial of Summary Judgment. CP 358-60. ILWU filed a timely notice of appeal on March 4, 2013. CP 361-66.<sup>2</sup>

**B. Facts of Case.**

**1. Chris Hansen's proposal to build an arena in SODO.**

In Spring 2011, about three years after the Seattle Supersonics moved to Oklahoma and became the Thunder, San Francisco hedge fund manager Christopher Hansen approached Seattle Mayor Michael McGinn with a confidential proposal to form a public-private partnership to build a

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<sup>1</sup> Seattle Ord. No. 123979; King County Ord. No. 17433.

<sup>2</sup> Appellants filed a motion to accelerate review of this case on March 29, 2013 and briefing on that motion has concluded. As of today's date, the Court has not acted on the motion.

new arena in Seattle's SODO district and recruit a new NBA and, possibly later, an NHL team.

Unbeknownst to the Seattle City Council or the public, Mayor McGinn and his staff hired a New Jersey-based sports consultant and negotiated directly with Mr. Hansen and his representatives for several months. Eventually, King County officials, including King County Executive Dow Constantine, joined the negotiations.

The first round of negotiations culminated in a press conference held on May 16, 2012 where Mayor McGinn and Executive Constantine announced that they had reached agreement with Mr. Hansen, whose entity for the proposed partnership is called "WSA," on an MOU dated May 18, 2012. CP 118-19.<sup>3</sup> As required by law, the Executives forwarded this preliminary MOU to their respective Councils for further vetting, negotiation, and enactment. CP 45.

Seattle and King County continued to negotiate and amend the MOU until mid-October 2012. Their respective Councils authorized a final version of the MOU on October 15, 2012, which both Executives signed on December 3, 2012.<sup>4</sup>

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<sup>3</sup> The MOU refers to two different Hansen entities: ArenaCo and WSA Properties. For uniformity, "WSA" refers to all of the entities.

<sup>4</sup> The stipulated final version of the MOU is dated December 3, 2012. Some earlier versions, both signed and unsigned, exist but it was not until December 3, 2012 that the

## 2. The December 3, 2012 Memoranda of Understanding.

The MOU provides that it is a legally binding contract between WSA, Seattle, and King County. CP 121 (MOU, at 1; Recital D).<sup>5</sup> The MOU is a complex and multi-staged document and has three principal features pertinent to this case: (1) a memorialization of the agreed **business terms** relating to financing, security, design, construction, use, and operation of an arena *in SODO*; (2) the **SEPA EIS process** that Seattle and King County agreed to conduct; and (3) a memorialization of the parties' respective **future commitments** to pursue the transaction.

## 3. The MOU's business terms.<sup>6</sup>

The MOU provided that its agreed business terms would be incorporated into the later "Transaction" documents or "Umbrella Agreement." CP 123, 121 (MOU, at 3; § 7; MOU, at 1; Recital D) ("This MOU is intended to...[set]forth the business terms and conditions that will be included in the Transaction Documents."). Literally **all** of the MOU's negotiated business terms for the public-private partnership to build and operate an arena applied to the development of an arena *in SODO*; the MOU contained *no* business terms for an arena elsewhere.

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Executives signed the MOU with complete Council authority. A copy of the final signed MOU is at CP 121-60 and is attached to this brief as Appendix 1.

<sup>5</sup> For the convenience of the Court, we provide citations to both the Clerk's Papers and the MOU.

<sup>6</sup> We refer to the MOU and its specified next steps as the "Arena Project."

The business terms were as follows: Seattle and King County<sup>7</sup> agreed to sell \$200 million in 30 year municipal bonds and use the proceeds to purchase Mr. Hansen's already-owned land in SODO and the lease-purchase of the new arena. CP 124-25 (MOU, at 4; § 10). WSA will, in turn, contribute the balance to design and build an arena (approximately \$500 million) in SODO and recruit, purchase, and obtain NBA approval for siting the new team in Seattle on the SODO site (approximately \$550 million).

The MOU provides that WSA will lease the land back from Seattle for \$1 million a year. CP 124 (MOU, at 4; § 9). Seattle will take ownership of the building (removing it from the tax rolls) and lease it back to WSA for an initial rental rate of \$4 million per year. CP 123 (MOU, at 7; § 13.a). WSA, or a related entity, will independently purchase a professional NBA team, CP 154-55 (MOU, at 34; § 24.d) and operate the Arena. CP 139-40 (MOU, at 19, § 15.a). Seattle and King County's bond payments will be paid directly from the revenues generated by arena sales, including from sales taxes on those sales. CP 128-29 (MOU, at 8-9; §§ 13. b, d).<sup>8</sup>

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<sup>7</sup> King County's financing commitment was conditioned on the recruitment of an NHL team. CP 125 (MOU, at 5; § 10. ii).

<sup>8</sup> In the interest of brevity, we do not discuss the various security arrangements.

The MOU contained several reimbursements provisions. WSA agreed to reimburse Seattle for up to \$5 million in “development” costs<sup>9</sup> but this reimbursement was explicitly conditioned on Seattle and King County’s decision to proceed *with the SODO arena*. CP 122 (MOU, at 2; § 3.b). WSA agreed to unconditionally finance the EIS process, CP 122-23 (MOU, at 2; § 4), and to pay up to \$200,000 for an “economic impact analysis.” CP 152-53 (MOU, at 32; § 23.g). To provide a temporary home for the new NBA team, Seattle agreed to allow WSA to use Seattle Center’s Key Arena (CP 146 (MOU, at 26; § 17.a)), the parties set up a “Key Arena Fund” to upgrade the existing Key Arena (CP 146-47 (MOU, at 26; § 17.b)), and WSA agreed to provide \$150,000 to study the future of the Key Arena. CP 122 (MOU, at 2; § 3.b). WSA also agreed to make a \$40 million contribution to a “SODO Transportation Infrastructure Fund” to fund “transportation improvements in SODO.” CP 126-27 (MOU, at 6; § 11.a, b).

The initial term of the Arena use agreement was 30 years with an option to extend for another 20 years. CP 127-28 (MOU, at 7; § 13.a).

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<sup>9</sup> “Development costs” included, broadly, Seattle’s “out-of-pocket expenses” to implement the MOU. It included, as examples, Seattle’s costs to consult with attorneys, engineers, and financial consultants. CP 122 (MOU at 2; § 3.b).

#### 4. The MOU's SEPA process.

The MOU committed Seattle and King County to conduct SEPA for the SODO arena, as set forth in Section 5.

**SEPA.** The Parties acknowledge that the Project is subject to review and potential mitigation under various laws, including the State Environmental Policy Act, Chapter 43.21C of the Revised Code of Washington (“RCW”), and the state and local implementing rules promulgated thereunder (collectively, “SEPA”). Before the City and County Councils consider approval of the Umbrella Agreement and any Transaction Documents, the City and County will complete a full SEPA review, including consideration of one or more alternative sites, a comprehensive traffic impact analysis, impacts to freight mobility, Port terminal operations, and identification of possible mitigating actions, such as improvements to freight mobility, and improved pedestrian connections between the Arena and the International District light rail station, the Stadium light rail station, the SODO light rail station, and Pioneer Square. The City and County anticipate that alternatives considered as part of the SEPA review will include a “no action” alternative and an alternative site at Seattle Center. The City or County may not take any action within the meaning of SEPA except as authorized by law, and nothing in this MOU is intended to limit the City’s or County’s exercise of substantive SEPA authority. Consistent with Section 4 of this MOU, ArenaCo will reimburse the City for the costs incurred by the City as part of the SEPA review and will be responsible for funding any required mitigation imposed through SEPA substantive authority.

CP 123 (MOU, at 3; § 5).<sup>10</sup>

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<sup>10</sup> We have underlined pertinent portions of the SEPA provision that we discuss elsewhere in this brief.

After SEPA review is completed and the parties satisfy the other conditions-precedent, Seattle and King County will decide whether “it is appropriate to proceed with or without additional or revised conditions based on the SEPA review.” CP 154 (MOU, at 34; § 24.b).

**5. Commitments implementing the MOU taking place today.**

Concurrently with conducting SEPA, the MOU requires the parties to take numerous next-steps implementing the MOU, steps that are on-going during this appeal. CP 121 (MOU, at 1; Recital D). *All* of these next-steps pertained only to an arena on Mr. Hansen’s site in SODO.

Using the SODO location and the MOU’s agreed business terms, the MOU expected and required WSA to purchase a professional basketball team and to obtain NBA-approval for this team to move to Seattle and eventually play *in the SODO arena*. CP 144, 154-55 (MOU, at 24; §16.d; MOU, at 34; § 24.d). The MOU required the parties to conduct a standard environmental assessment of WSA’s SODO site for purposes of evaluating any environmental hazards. CP 154 (MOU, at 34; § 24.c). The MOU required WSA and Seattle to jointly commence designing an arena on the SODO site and for WSA to obtain Seattle design review and master use approval of it. CP 122-23, 142-43 (MOU, at 2 § 4; MOU, at 22; § 16). Finally, the MOU required the parties to commence drafting Transaction

Documents and Umbrella agreements that applied to an arena in SODO. CP 123 (MOU, at 3; § 7).

**6. Environmental and land use concerns.**

ILWU challenged the MOU because Seattle and King County committed to a particular course of action and limited alternatives *without* considering *any* environmental information before-hand. To date, no one knows whether and by how much the SODO-sited arena will directly, indirectly, or cumulatively impact key elements of the urban environment including air quality, traffic congestion, land-conversion, and land and sea freight-mobility. Nor does anyone know if there are alternative sites in the region that might make for a better arena site with fewer environmental impacts.

At least the following entities have voiced serious concerns about the arena's impact on freight mobility, traffic congestion, and living wage jobs: the Port of Seattle, the Manufacturing Industrial Council of Seattle, the Washington State Freight Mobility Strategic Investment Board, the Seattle Freight Advisory Board, the Pacific Merchant Shipping Ass'n., the Seattle Marine Business Coalition, the Seattle Planning Comm., the Washington State Transportation Comm., Burlington Northern Santa Fe Railway Co., the Seattle Mariners, the Port of Moses Lake, and the Washington Public Ports Ass'n. CP 206-43.

## **7. Post-MOU facts.**

On October 25, 2012, one week after the Executives signed legislation authorizing them to sign the MOU, Seattle issued a SEPA “Determination of Significance” for the arena proposal, assumed “lead agency” status, and commenced the EIS “scoping” process. CP 187-92. A Seattle scoping document confirmed that the Seattle Center is the only alternative site that will be considered in the SEPA process. CP 188.

The MOU’s “design review process” with the City of Seattle Department of Planning and Development, including several public hearings, is nearly completed and a final SODO arena is close to receiving design review approval. CP 194-206. The permits for the SODO arena continue: on or about April 15, 2013 WSA filed a petition in Seattle to vacate a portion of Occidental Avenue So., which lies in the center of the proposed SODO arena.<sup>11</sup>

## **8. The trial court’s dismissal of ILWU’s SEPA challenge.**

ILWU timely filed an action seeking declaratory and injunctive relief in the King County Superior Court on October 18, 2012.<sup>12</sup> CP 1-16. The complaint sought a legal declaration that the MOU violated SEPA,

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<sup>11</sup> We ask the Court to take judicial notice of WSA’s Petition for Street Vacation filed in the City of Seattle on or about April 15, 2013. A copy of the city’s street vacation materials is appended as Appendix 2. The court can notice public documents if their authenticity cannot be reasonably disputed. *Berge v. Gorton*, 88 Wn.2d 756, 763, 567 P.2d 187 (1977); ER 201(b)(2).

<sup>12</sup> The final MOU was not signed until December 3, 2013.

asked the court to declare these provisions null and void, and to enjoin Seattle and King County from relying on them in the on-going SEPA process. CP 2-3; 11-12. ILWU's lawsuit alleged the MOU violated at least two SEPA regulations governing pre-EIS decisions: WAC 197-11-070(1)(b) and 197-11-055(2)(c).

At a hearing on February 22, 2013, the trial court declined to rule on the Defendants' motion to dismiss for standing,<sup>13</sup> denied ILWU's motion for summary judgment and granted Seattle, King County, and WSA's cross-motions for summary judgment. CP 358-60; RP 52-53. The trial court denied ILWU's SEPA challenge to the MOU on the grounds that the MOU was not a "binding action or decision." The court reasoned:

There isn't any action within the meaning of SEPA here. An action within the meaning of SEPA means that there is some kind of legally binding decision being made by the issuing authority, and we don't have any kind of legally binding decision here.

RP 53.

## **V. ARGUMENT**

### **A. Standard of Review.**

ILWU appeals the trial court's grant of summary judgment in favor of the Defendants and the trial court's denial of summary judgment for

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<sup>13</sup> The Order dismissing this case did not refer to the trial court's decision on standing. The trial court intimated it would not have to reach the standing issue if it dismissed for lack of finality. RP 32. But the trial court's colloquy with counsel for King County suggested the trial court was inclined to find ILWU had standing. RP 33.

ILWU. In reviewing a decision on summary judgment, the appellate court evaluates the case *de novo* and conducts the same inquiry as the trial court. *Anderson v. State Farm Mut. Ins. Co.*, 101 Wash. App. 323, 329, 2 P.3d 1029 (2000). Summary judgment is properly granted if there are no material issues of fact and the moving party is entitled to judgment as a matter of law. CR 56(c). If the court of appeals reverses the trial court, it may direct the trial court to enter summary judgment on behalf of the appellant. *Id.* at 339; *Muir v. Council 2 Washington State Council of County & City Employees*, 154 Wash. App. 528, 536, 225 P.3d 1024 (2009). The court may reverse the trial court's decision and "take any other action as the merits of the case and the interest of justice may require." RAP 12.2.

**B. The Ordinance-Authorized MOU was an "Action" Under SEPA Regulations that Prohibit Government Agencies From Taking "Actions" or Making "Decisions" that "Limit the Choice of Reasonable Alternatives" or Which Make "Commitments to a Particular Course of Action" Before a Final EIS Issues.**

The trial court's ruling that the ordinance-authorized MOU was not actionable under WAC 197-11-070(1)(b) or 197-11-055(2)(c) was error as a matter of law.

**1. The MOU was an “action” under the plain terms of SEPA.**

It is undisputed that the Councils’ eventual *post*-EIS vote on a new arena will be a “project action” under WAC 197-11-704(2)(a) as evidenced by the fact that Seattle and King County have already agreed to prepare an EIS on the Arena Project. The MOU, which kicked off and guided the Arena Project, is likewise an “action” under SEPA.

**a. “Actions” include incremental decisions.**

The term “action” in SEPA is not, and must not be, read in the singular. Instead, “actions” are incremental related *decisions* that comprise a larger project or proposal. *PUD v. PCHB*, 137 Wn. App. 150, 160, 151 P.3d 1067 (2007) (preliminary SEPA-exempt permit must be considered in conjunction with overall non-exempt action because former action is physically and functionally related). SEPA, moreover, specifically defines an “action” as “a decision on a specific project.” WAC 197-11-704(2)(a) (emphasis added). The use of the word “a” in WAC 197-11-704(2)(a) contemplates that there could be many connected or related legislative *decisions* implementing a project. “Actions,” therefore, include all incremental related actions or decisions.

**b. The MOU meets the definition of “project action.”**

The next issue is whether the MOU was an incremental “decision” for a “project action.” WAC 197-11-704(1) establishes a two-step analysis for determining whether a decision constitutes “action” under SEPA. The first step provides an overarching definition:

“Actions” include, as further specified below:

- (a) New and continuing activities (including projects and programs) entirely or partly financed, assisted, conducted, regulated, licensed, or approved by agencies;
- (b) New or revised agency rules, regulations, plans, policies, or procedures; and
- (c) Legislative proposals.

Emphasis added.

The ordinances that authorized the MOU constitute a “new activity” because the MOU authorized and initiated a process to develop a new arena in SODO or elsewhere, which is a specific “project.” Because the MOU is an “action” under the first step, it must meet the criteria for either a “project action” or a “non-project action” under WAC 197-11-704(2)(a), which provides:

- (a) Project actions. A project action involves a decision on a specific project, such as a construction or management activity located in a defined geographic area. Projects include and are limited to agency decisions to:

- i. License, fund, or undertake any activity that will directly modify the environment, whether the activity will be conducted by the agency, an applicant, or under contract.
- ii. Purchase, sell, lease, transfer, or exchange natural resources, including publicly owned land, whether or not the environment is directly modified.

WAC 197-11-704(2)(a) (emphasis added).

Although it did not *directly* authorize physical construction or the purchase/sale of public land, the MOU was a “project action” or “decision” under WAC 197-11-704(2)(a). It was a *decision* to move forward with an EIS for a “project action” and a “decision” “on a specific project.” It was an “action” or “decision” because it created, structured, and limited the arena’s EIS and implementation process and because the Executives made specific, enforceable “commitments to a particular course of action,” to move the Arena Project forward to the EIS and final transaction agreement process. CP 121 (MOU, at 1; § 1) (“This MOU sets forth the basic terms of proposed agreements among the Parties with respect to the Project.”).

The MOU may not have been the *last* decision for the Arena Project but it was a key *first* decision, as reflected in the MOU itself. CP 121 (MOU, at 1; Recital D) (the MOU “reflects the mutual understanding of the parties regarding those actions, permits, approvals, and/or

agreements lawful and necessary to accomplish the location, financing, acquisition, design, development, construction, lease, management, operation, use, and occupancy of the Arena (collectively, ‘the Project’).”). The culmination of the MOU—construction of an arena in SODO or elsewhere—will “directly modify the environment” or involve the purchase of public land. WAC 197-11-704(2)(a)(i).

In conclusion, the MOU was a “project action” under the plain terms of SEPA.

**2. The MOU was a final and/or binding “action” for purposes of WAC 197-11-070(1)(b) and 197-11-055 (2)(c).**

Although it kicked off, structured, and limited the Arena Project and its EIS process, the trial court held the MOU was not a “legally binding decision” because it only created a SEPA “process” to evaluate the SODO arena and because the ordinances authorizing this “process” were not “binding.” RP 53-54. The trial court erred by imputing a “legally binding” or “finality” requirement into important SEPA timing and EIS principles. Stated differently, the trial court confused a “final” decision for a “last” decision.

**a. Agency *decisions* implementing a project action that violate specific SEPA EIS regulations are ripe for judicial review.**

The trial court's ruling that the MOU was not final or "binding" for purposes of judicial review ignores that the MOU *itself* was a significant *decision*.

As set forth above, SEPA defines an "action" as "a decision on a specific project." WAC 197-11-704(2)(a). This reflects that "actions" are, ultimately, comprised of multiple *decisions*. WAC 197-11-055(5) similarly links related actions and decisions: "[a]n overall decision to proceed with a course of action may involve a *series of actions or decisions* by one or more agencies." Nor is an "action" or "decision" unripe under SEPA merely because future environmental review will follow; WAC 197-11-055(2)(a)(i) provides "The fact that proposals may require future agency approvals or environmental review shall not preclude current consideration, as long as proposed future activities are specific enough to allow some evaluation of their probable environmental impacts." None of these SEPA rules require a final incremental decision in furtherance of a "project action," like the MOU here, to be the *last* decision.

The MOU was a final action or decision under these SEPA rules. It was authorized by final ordinance and it created, guided, and limited the

EIS process for the proposed arena. It stated it was binding on and enforceable by the parties. CP 121 (MOU, at 1; Recital D). And it bound the parties to the agreed business terms if the Councils chose to “proceed” with the SODO arena. CP 123 (MOU, at 3; § 7); CP 121 (MOU, at 1; Recital D).

For these reasons, the MOU was “a decision,” “on a specific project,” “in a defined geographical area,” that will authorize a project that will “modify the environment” under WAC 197-11-704(2)(a). That the Councils will decide in the future after SEPA whether or not “it is appropriate to proceed with additional or revised conditions,” does not make the MOU a non-final or non-binding “action” or “decision” for purposes of WAC 197-11-070(1)(b).

**b. *PUD v. PCHB*, 137 Wn. App. 150, 151 P.3d 1067 (2007) demonstrates that preliminary decisions implementing a project subject to SEPA can trigger WAC 197-11-070(1)(b).**

The trial court’s holding that the MOU was not a final or “binding” decision (RP 53-54) for purposes of ILWU’s SEPA claims conflicts with *PUD v. PCHB*, 137 Wn. App. 150, 151 P.3d 1067 (2007). In *PCHB*, a public utility district studying long-term water sources in the Vancouver, Washington area proposed to drill a test well on a site near the Port of Vancouver. Concerned that a permanent well on this site would

detrimentally redirect the flow of contaminated groundwater, the Port challenged a Department of Ecology-approved drill site testing permit for the test well. The Port's SEPA concern was that Ecology's approval of the test well permit and the PUD's monetary investment in it would "coerce" Ecology's future consideration of reasonable alternatives. *PCHB*, 137 Wn. App. at 155. Although the parties stipulated that the test well would not, in and of itself, have an adverse environmental impact and the court held that the test well was categorically exempt from SEPA, the court went on to analyze whether the test well impermissibly "coerced" the final water project well-head location contrary to WAC 197-11-070(1)(b). *Id.* at 160. The court held it did not.

Although the *PCHB* court held that the test well permit did not violate WAC 197-11-070(1)(b), *PCHB* demonstrates how WAC 197-11-070(1)(b) operates and how it applies here. Like the permit in *PCHB*, the ordinances authorizing the MOU were final and the MOU approved, guided, and limited the EIS process to implement the Arena Project. *PCHB* demonstrates that ILWU is entitled to challenge the legislatively-final MOU under WAC 197-11-070(1)(b) on the grounds that it was a decision that could affect the alternatives studied in the Arena Project's EIS. *PCHB* also demonstrates that a pre-EIS decision does not have to cause an adverse environmental impact to be actionable under WAC 197-

11-070(1)(b). On the contrary, the parties in *PCHB* stipulated the test well would not, itself, produce environmental injury. *PCHB*, 137 Wn. App. at 161.

The Defendants may argue that *PCHB* is distinguishable because the Ecology-approved test well permit was a “final” permit authorizing an activity whereas the Councils in this case did not approve a final permit but “only” a SEPA “process.” The trial court’s reasoning was similar. RP 53-54. This is not a valid distinction.

First, the ordinance-authorized MOU *was* final because it kicked off, structured, and limited the SEPA *process* for evaluating and mitigating the environmental impacts of building a new arena in SODO or elsewhere. It is *this* tainted EIS alternatives *process* that ILWU’s lawsuit challenges under WAC 197-11-070(1)(b) and 197-11-055(2)(c). The MOU, like the Port’s argument with respect to Ecology’s test well permit, authorized and directed the Arena Project to move forward with a heavily biased alternative.

Second, legislation does *not* have to *directly* authorize physical activity or lead to environmental injury to trigger SEPA. *King County v. Boundary Review Board*, 122 Wn.2d 648, 663, 860 P.2d 1024 (1993) (city boundary amendment ordinance does not have to authorize development to require EIS); *Magnolia Neighborhood Planning Council v. Seattle*, 155

Wn. App. 305, 317, 230 P.3d 190 (2010) (rezone does not have to directly authorize development to require EIS).<sup>14</sup> If potential environmental impact was a requirement for triggering WAC 197-11-070(1)(b), it would not have been necessary for the *PCHB* court to determine whether the test well permit violated WAC 197-11-070(1)(b) after the parties stipulated the test well would have no environmental impact. *PCHB*, 137 Wn. App. at 161.

Finally, in addition to not having a direct adverse environmental impact, the test well permit in *PCHB* was categorically-exempt from SEPA. The MOU here is not categorically-exempt from SEPA; on the contrary, Seattle and King County made a *positive* SEPA threshold determination for the Arena Project and has committed to prepare an EIS. If, under *PCHB*, a categorically-exempt permit can be an “action” in violation of WAC 197-11-070(1)(b), an MOU that creates and guides the SEPA process for the Arena Project is likewise an “action.”

In conclusion, instead of asking whether the MOU was “binding,” the trial court should have engaged in a *PCHB*-like analysis and determined whether the MOU was physically and functionally related to the Arena Project and whether it limited or coerced the SODO site. *PCHB*

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<sup>14</sup> Another aspect of *Boundary Review Board* and *Magnolia* applies to this case: whether the MOU “limited the choice of reasonable alternatives” by impermissibly building momentum in favor of the SODO alternative. We address this issue in Section 3 of this brief, beginning on Page 37.

demonstrates that a preliminary “action” or “decision” for a project action can violate WAC 197-11-070(1)(b) even if it is not the *last* decision for the project action. As the *PCHB* court observed, “[i]t is conceivable” that investment in early stages of a project “could limit the choice of other alternatives.” *PCHB*, 137 Wn. App. at 162.

**c. Preliminary decisions are “actions” under NEPA.**

Washington courts interpreting SEPA may look to federal court interpretations of NEPA. *Eastlake Community Council v. Roanoke Assoc.*, 82 Wn.2d 475, 488 n.5, 513 P. 2d 36 (1973). Federal courts recognize preliminary decisions as “actions” in 50 C.F.R. § 1506.1(a), the federal corollary to WAC 197-11-070. In *Center for Environmental Law and Policy v. United States Bureau of Reclamation*, 715 F. Supp. 2d 1185, 1189-90 (E.D. Wash. 2010), the court considered an MOU that laid out a framework for a later water allocation plan as an “action” in analyzing whether it limited the selection of reasonable alternatives. In *Wildwest Institute v. Bull*, 472 F.3d 587 (9th Cir. 2006), the United States Forest Service was in the process of conducting environmental review on a plan to log the Bitterroot National Forest when the Service pre-marked certain trees for harvesting. The court considered the pre-marking of trees to constitute an action, and reviewed claims that the preliminary action would limit the choice of reasonable alternatives and commit resources

prejudicing selection of alternatives before making a final decision. 472 F.3d at 590. Part of the rationale for considering the pre-marking as an action was that the Forest Service had spent \$208,000 on the preliminary action. *Id.* In *Burkholder v. Peters*, 58 Fed. App'x. 94, 97 (6th Cir. 2003), the Ohio Department of Transportation signed a contract with a private consulting and engineering firm prior to completing environmental review for a highway construction project. The court held that signing a contract was an action that limited consideration of alternatives in violation of NEPA. *See also Maryland Conservation Council, Inc. v. Gilchrist*, 808 F.2d 1039 (4th Cir. 1986) (preliminary construction by county on highway violated NEPA because “Nonfederal actors may not be permitted to evade NEPA by completing a project without an EIS and then presenting the responsible federal agency with a *fait accompli*.”); *National Audubon Society v. Department of Navy*, 422 F.3d 174, 202 (4th Cir. 2005) (concluding that the question of whether an action “will in fact ‘[l]imit the choice of reasonable alternatives,’ is context-specific”).

Here, the ordinances authorizing the MOU constituted an action allowing this Court to review the MOU—which established the arena development process—for compliance with WAC 197-11-070. While the cases cited above differ in their context and outcome, they reflect that courts can and will analyze preliminary pre-EIS decisions to determine

whether, based on the facts in context, they limited the consideration of alternatives. There is no requirement that a decision be the last one to be actionable. The MOU is analogous to the test well in *PUD v. PCHB*, the MOU in *CELF v. BOR*, the pre-marking in *Wildwest Institute v. Bull*, and the consulting contract in *Burkholder v. Peters*. Like those pre-EIS actions, the MOU must be reviewed to determine whether it is a pre-EIS *decision* on a specific project that unlawfully guides and limits the arena's future EIS process.

In conclusion, the MOU was a final, appealable "action" or "decision" for purposes of ILWU's enforcement of the two key pre-EIS regulations at issue in this case, WAC 197-11-070(1) and 197-11-055(2)(c).

**d. The trial court's ruling that the MOU was not actionable because it was not "binding" would nullify specific SEPA regulations that protect the integrity of the EIS process.**

Courts must strive to give meaning to every word in a statute or regulation. *Am. Legion Post # 149 v. Wash. State Dept. of Health*, 164 Wash.2d 570, 585, 192 P.3d 306 (2008), should not interpret statutes or regulations in a manner that renders other statutory provisions inoperative or invalid, *Am. Legion Post #149 v. Wash. State Dept. of Health*, 164 Wn.2d 570, 585, 192 P.3d 306 (2008), and should not interpret statutes or

regulations in a manner that leads to absurd results. *Lowy v. PeaceHealth*, 174 Wn.2d 769, 778, 280 P.3d 1078 (2012).

The trial court's reasoning that ILWU's challenge to the MOU was not actionable because it was not "binding" would violate these rules of statutory construction in several ways.

First, it would make pre-EIS decisions that guide or influence a project about to undergo a SEPA EIS immune from judicial challenge under WAC 197-11-070(1)(b) and 197-11-055(2)(c) because *any* contingent pre-EIS action or decision authorizing and improperly influencing a SEPA "process" for a project action would be "non-binding" under the trial court's analysis.

Second, it would cut against a fundamental principle in SEPA set forth in WAC 197-11-406, which provides that "the [EIS] shall be prepared early enough so it can serve practically as an important contribution to the decision making process and will not be used to rationalize or justify decisions already made." Under the trial court's "no binding action" analysis, *no* party would be able to challenge crucial pre-EIS decisions that dictate future decisions.

Third, the trial court's analysis would only enable challenges to the *adequacy* of an EIS *after* the EIS is prepared and the agency has made a final siting decision. But an "adequacy" challenge does not provide

forward-looking declaratory or injunctive relief as would a case alleging a violation of WAC 197-11-070(1)(b). An adequacy challenge only asks whether an EIS was legally inadequate as a matter of law under the “rule of reason,” *Cheney v. Mountlake Terrace*, 87 Wn.2d 338, 344-45, 552 P.2d 184 (1976), and whether the EIS presented decision-makers with a reasonably thorough discussion of the significant aspects of the probable environmental consequences of the agency’s decision. *Klickitat County Citizens Against Imported Waste v. Klickitat Cy.*, 122 Wn.2d 619, 633, 860 P.2d 390, 860 P.2d 1256 (1993). But an adequacy challenge does not necessarily strike down and enjoin a government agency from *relying* on an impermissible pre-EIS action or decision, like the MOU, *before* the EIS is completed and a decision is made based on it. Instead, adequacy asks only whether the EIS “provide[s] sufficient information to allow officials to make a reasoned choice among alternatives.” *Solid Waste Alternative Proponents v. Okanogan County*, 66 Wn. App. 439, 442, 832 P.2d 503 (1992). ILWU therefore can only advance some, but not all, of its claims in a future challenge to the adequacy of the EIS.

**e. RCW 43.21C.075 does not apply to actions or decisions taken or made in violation of WAC 197-11-070(1)(b).**

Although the trial court did not address this issue, the Defendants argued below that the MOU was not ripe for judicial review under SEPA

because RCW 43.21C.075 requires all SEPA challenges to be made in conjunction with “final actions” under RCW 43.21C.075. But RCW 43.21C.075 clearly does not apply to challenges alleging violations of WAC 197-11-070(1)(b).

The MOU *was* a “final” legislative action, as argued above. Moreover, on its face, RCW 43.21C.075 only requires a “*governmental action.*” (emphasis added). The ordinances authorizing the MOU and its SEPA process *were* clearly “governmental actions” because, as set forth above, the MOU was authorized by two Councils and created, authorized, guided, and limited the Arena Project SEPA process. Finally, it would be illogical to apply RCW 43.21C.075 to cases alleging violations of WAC 197-11-070(1)(b) because violations under this regulation by definition occur *before* agencies make post-EIS decisions on specific project actions.

**C. The MOU Violated WAC 197-11-070(1)(b) and 197-11-055(2)(c) Because the MOU, and the Totality of the Circumstances Surrounding It, Explicitly and Implicitly Limited Seattle and King County’s Duty to Consider Reasonable Alternative Locations for a Public Arena.**

Assuming, as argued above, that the MOU was an “action” or “decision” that was *final* for purposes challenging it under WAC 197-11-070(1)(b) and 197-11-055(2)(c), the next issue is whether the MOU was

an “action” taken or “decision” made in violation of these two pre-EIS regulations.<sup>15</sup> It clearly was.

The consideration of “alternatives to the proposed action” is a bed-rock principle of SEPA. RCW 43.21C.030(2)(c)(iii), (e). To safeguard this principle, SEPA’s regulations include two provisions prohibiting pre-EIS actions that “limit the choice of reasonable alternatives.”

WAC 197-11-070(1) provides as follows:

Until the responsible official issues a final determination of nonsignificance or final environmental impact statement, no *action* concerning the proposal shall be taken by a governmental agency that would:

- (a) Have an adverse environmental impact; or
- (b) Limit the choice of reasonable alternatives.  
(emphasis added)

In the same vein, WAC 197-11-055(2)(c) provides that, “appropriate consideration of environmental information shall be completed *before* an agency “*commits to a particular course of action.*” (emphasis added).

As discussed above in the section of this brief pertaining to the finality issue,<sup>16</sup> the court in *PUD v. PCHB*, 137 Wn. App. 150, 151 P. 3d 1067 (2007) held that an Ecology-approved permit to drill a preliminary test well for a PUD’s long-term water project did not violate WAC 197-

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<sup>15</sup> Because it dismissed the case based on the MOU’s lack of finality, the trial court did not decide whether the MOU was otherwise an “action” taken in violation of WAC 197-11-070 and 197-11-055. ILWU asks the Court to reach this issue in this appeal.

<sup>16</sup> *Supra*, at 20.

11-070(1)(b) because the test well was purely investigatory, its cost was minimal compared to the overall cost of the PUD's long-term water project, and because Ecology represented that the test well "would have no influence" on its approval of the final well-site after the EIS was completed. The court concluded there was "nothing in the record to suggest that Ecology's approval of the preliminary permit would coerce Ecology to grant groundwater rights at Fruit Valley simply because it issued the permit." *Id.*, at 162.

While similar in that both were "actions," the MOU in this case is substantively different than the Ecology test well permit in *PCHB*. The MOU violated WAC 197-11-070(1)(b) under *PCHB*'s analysis because (1) it explicitly limited alternatives sites to the Seattle Center; and (2) its terms and operation were designed to initiate a momentum-building post-MOU process that lopsidedly favored the SODO alternative.

**1. The MOU was an action taken in violation of WAC 197-11-070(1)(b) and 197-11-055(2)(c) because it directly limited the arena's EIS alternatives process.**

In *PCHB*, the test well was "exploratory" and Ecology expressed no bias in favor of this site as the final location for the PUD's water project. *PCHB*, 137 Wn. App. at 162. The test well was merely the PUD and Ecology's best estimation of a potential permanent well site. In

contrast, the MOU in this case was designed to, and did, make the SODO arena the presumed alternative.

The MOU was prompted by Mr. Hansen's proposal to forge a public-private partnership but *only* with respect to a SODO arena. It explicitly limited the alternative sites for the potential arena in Section 5 by "anticipating" that only the Seattle Center would be an alternative site. And it contained agreed-to business terms that applied only to an arena in SODO. In contrast, Ecology in *PCHB* only *approved* of a test-well site and did not impose any limitations on or inducements for other potential well sites.

The MOU's limitation of the Seattle Center as the "anticipated" alternative site clearly violated WAC 197-11-070(1)(b). An EIS for a *public* project, such as the SODO arena, requires Seattle and King County to provide a "reasonably detailed analysis of a reasonable number of and range of alternatives." *Weyerhaeuser v. Pierce County*, 124 Wn.2d 26, 41, 873 P.2d 498 (1994). A "reasonable alternative" is one that "could feasibly attain or approximate a proposal's objectives at a lower cost to the environment." *King County v. Cent. Puget Sound Bd.*, 138 Wn.2d 261, 184-85, 979 P.2d 374 (1999). Agencies proposing *public* projects have a duty to consider a no-action *and* an off-site alternative. *Weyerhaeuser*, 124 Wn.2d at 38-39; WAC 197-11-440(5)(d). The MOU violates WAC 197-

11-070(1)(b) to the extent it contractually limits alternative sites to the Seattle Center (as opposed to all “reasonable” sites) and, by operation, commits the arena to a SODO location, which is a commitment to a “particular course of action” under WAC 197-11-055(2)(c).

Seattle and King County may argue the MOU does not favor the SODO site because Sections 2 and 5 on their face commit to “evaluating” or “considering” “one or more alternative sites.” But, read carefully, Sections 2<sup>17</sup> and 5 of the MOU merely pay lip service to SEPA’s requirement that an EIS consider all reasonable alternative sites.

Section 24 sets forth the conditions precedent for the MOU to take effect after SEPA review is conducted. Section 24(b)(iii) provides as follows:

The City and County and their respective councils have considered the SEPA review in connection with their respective actions and have *determined whether it is appropriate to proceed with or without additional or revised conditions* based on the SEPA review. (emphasis added).

CP 154 (MOU, at 34; § 24.b.iii).

While Section 24(b)(iii) gives Seattle and King County the authority to impose “additional or revised conditions” and to decide whether it is “appropriate to proceed,” these conditions clearly apply only

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<sup>17</sup> Section 2 provides, “ArenaCo is proposing to develop and operate the Arena on the Project Site...the City and County will evaluate this location and one or more alternative sites, and a “no action” alternative as part of the SEPA review described in Section 5.”

to the SODO site. This is because the term “proceed” must be read in the context of how the MOU defines the “Project,” which is an arena on WSA’s SODO site. CP 121-22 (MOU, at 1; Recital A; at 1; § 1; at 2; § 2). The MOU, moreover, does not include *any* express terms giving Seattle or King County the authority to *choose* an alternate site after the EIS is completed; that is because there are no non-SODO sites that are part of the “Project.” The same can be said about Section 24(g), which only gives Seattle or King County the right to determine “whether it is appropriate to proceed with or without additional or revised conditions” after the MOU-required economic analysis. The final coup de grace making the Seattle Center a non-starter is that Seattle and King County will lose up to \$5 million in up-front “development costs” if the SODO transaction is not closed. CP 122 (MOU, at 2; § 3.b). This contingent reimbursement provision clearly “coerces” a SODO location.

In summary, the MOU on its face limits Seattle and King County to imposing conditions on the SODO alternative or voting the entire Arena Plan (and the “return of the Sonics”) down; it simply does not authorize the Councils to choose an alternative location, if they so choose to do so, at the end of the EIS process.

**2. The MOU violates WAC 197-11-070(1)(b) and 197-11-055(2)(c) because it was specifically designed to build momentum in favor of the SODO alternative.**

In *PCHB*, the court held “there was nothing in the record to suggest that Ecology’s approval of the preliminary permit would *coerce* Ecology to grant groundwater rights at Fruit Valley simply because it issued the permit.” *PCHB*, 137 Wn. App. at 162 (emphasis added). The complete opposite situation exists with respect to the MOU in this case because it and its implementing steps were specifically *designed* to build business and political momentum in favor of the SODO alternative, momentum that has the strong potential to influence the Councils’ down-the-road siting decision.

Seattle and King County spent 18 months negotiating the 37-page MOU with WSA, and the MOU eventually was approved by both Councils with considerable “Bring Back the Sonics” political fanfare. The MOU identified the SODO site as the Project Site and was intentionally structured to give Mr. Hansen the certainty of the SODO site so he could purchase a team and obtain NBA approval for the team to re-locate in Seattle.

The MOU was also structured so that the SODO alternative was the only alternative that could meet possibly the Project’s objective of building an arena. *Only* the SODO alternative, for example, was

accompanied by a financing plan and a willing private investor. The MOU also gave Mr. Hansen the right to rely on its terms in consummating his next business steps. Indeed, the MOU *expected* and *required* WSA to commence designing a building on the SODO site and to obtain a Master Use Permit from Seattle. The MOU *expected* and *required* Mr. Hansen to represent to the NBA that he had substantially secured a SODO arena site and to obtain NBA approval of this site. The MOU even made time of the essence by *requiring* WSA to take steps “to cause the Arena to be constructed and open for events as soon as reasonably practicable.”<sup>18</sup> Given that they gave Mr. Hansen the *right* to rely on the MOU’s SODO-oriented terms, Councilmembers would be extremely unlikely to frustrate this agreement by choosing a different arena location down the road. Hence, the MOU “coerces” the SODO location under WAC 197-11-070 (1)(b).

**3. The “snowballing” rationale of *King County v. Boundary Review Board and Magnolia Neighborhood Planning Council v. Seattle* applies to the MOU.**

Because it dismissed this case for lack of a “binding action,” the trial court did not reach the issue whether the MOU constituted impermissible “momentum building” for purposes of WAC 197-11-070(1)(b) or 197-11-055(2)(c) under the “snowball” rationale articulated

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<sup>18</sup> CP 145 (MOU, at 25; § 16.h).

in *Boundary Review Board* and *Magnolia*. ILWU relied on these two cases in the trial court in support of its argument that the MOU violated WAC 197-11-070(1)(b) and 197-11-055(2)(c) because it was specifically designed to create *momentum* in favor of the SODO site. The trial court, however, held neither of these two cases applied to the MOU because they involved final legislative action that was virtually certain to lead to physical development. RP 15-16.

In *Boundary Review Board*, the Washington Supreme Court held that the City of Black Diamond's legislative decision approving annexation of adjacent county land required an EIS and not a SEPA DNS because, based on the totality of the circumstances, future development of the land subject to the annexation was probable. *Boundary Review Bd.*, 122 Wn.2d at 663. The court held that whether legislation triggers SEPA review should not be considered in a vacuum (the "categorical" approach) but, instead, should consider the "totality of the circumstances" and make a "fact-sensitive" assessment of whether the legislation has the potential to "begin a process of government action that can "snowball" and acquire virtually unstoppable administrative inertia." *Boundary Review Bd.*, 122 Wn.2d at 663-64.

In what has become known as the SEPA "snowball" effect, the court reasoned as follows:

One of SEPA's purposes is to provide consideration of environmental factors at the earliest possible stage to allow decisions to be based on complete disclosure of environmental consequences. Decision-making based on complete disclosure would be thwarted if full environmental review could be evaded simply because no land-use changes would occur as a direct result of a proposed government action. Even a boundary change, like the one in this case, may begin a process of government action which can "snowball" and acquire virtually unstoppable administrative inertia. Even if adverse environmental effects are discovered later, the inertia generated by the initial government decisions (made without environmental impact statements) may carry the project forward regardless. When government decisions may have such snowballing effect, decision-makers need to be apprised of the environmental consequences *before* the project picks up momentum, not after.

*Boundary Rev. Bd.*, 122 Wn.2d at 664.

In *Magnolia Neighborhood Planning Council v. Seattle*, 155 Wn. App. 305, 230 P.3d 190 (2010), the court held that Seattle's legislative decision to amend its comprehensive plan to permit residential construction on former federal property in Discovery Park was a current action or decision that required the City to prepare an EIS. The court held that the City's decision to seek the comprehensive plan amendment required up-front SEPA review because it was, in context, "a decision on a specific construction project, located in a defined geographic area," a "decision to purchase, sell, lease, or transfer public land under WAC 197-11-704(2)(a)(ii)," and because there was a strong likelihood that the City's

decision would lead to future development at Discovery Park consistent with Seattle's application to acquire the surplus land from the federal government. *Magnolia*, 155 Wn. App. at 314, 316.

The trial court reasoned these two cases did not apply to this case:

There isn't any language in SEPA about momentum or about snowballing or anything like that. I think that it's unfortunate that Justice Utter used that language in discussing the case in *Boundary Review Board vs. King County* because I think it leads to folks having an incorrect line of analysis in looking at what's involved here.

RP 54. This was error.

At the outset, it is important to note that the pre-EIS SEPA regulations at issue in this case, WAC 197-11-070(1)(b) and 197-11-055 (2)(c), were not at issue in *Boundary Review Board* or *Magnolia*. The present case is much more aligned with *PCHB*, where the Court analyzed whether an Ecology-approved permit authorizing the test well "coerced" a final well site location.<sup>19</sup> *PCHB* is also closely aligned with the present case because, unlike *Boundary Review Bd.* or *Magnolia*, the present case involves a pre-EIS action and not a SEPA determination of non-significance.

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<sup>19</sup> The Court of Appeals' decision in *PCHB* did not cite *Boundary Review Board* in the context of WAC 197-11-070(1)(b) but the *PCHB*'s opinion below did and held that "snowballing" applied to that regulation. *Port of Vancouver v. State*, 2004 W.L. 1082854 (2004) (Concl. of Law XXVI).

While *Boundary Review Board* and *Magnolia* involved different aspects of SEPA review, their “snowballing” rationale, nevertheless, applies here. Both stand for the general principle in SEPA that government agencies cannot avoid SEPA review for present-day decisions by relying on a commitment to conduct SEPA review in the future; this should particularly be the case when momentum built in favor of one alternative will coerce or limit the down-the-road environmental review. In the words of the Pollution Control Hearings Board in the *PCHB* case, the “snowballing” rationale “acknowledge[s] the threat delay in complying with environmental review can pose in building pre-mature momentum for a project.” *Port of Vancouver v. State*, 2004 W.L. 1082854 (2004) (Concl. of Law XXVI).

As argued in detail above, the MOU and the “totality of the circumstances” surrounding it kicked off a SEPA process that is designed to, and will, limit the choice of reasonable alternatives. In fact, the MOU’s “snowballing” is *already* under way because the SODO site is being used to convince the NBA to approve of Mr. Hansen’s purchase of a team, to design an arena, to approve the arena under Seattle land use codes, and to vacate a city street. If, under *Boundary Review Board* and *Magnolia*, legislation approving a boundary and zoning change builds momentum affecting down-the-road environmental review, surely an MOU that

compels and coerces a specific EIS alternative also constitutes “snowballing.”

The trial court held that neither *Boundary Review Board* nor *Magnolia* apply to this case because the actions in those cases were final and were virtually certain to lead to the anticipated future development. RP 53. But, as a result of the MOU, the SODO arena alternative is considerably *more*, not less, probable than the housing developments at issue in *Boundary Review Board* or *Magnolia* relative to any other alternatives. In *Boundary Review Board*, the ultimate effect of the annexation hinged on the actions of third-party private developers who had not yet even submitted specific development plans. *Boundary Review Bd.*, 122 Wn.2d at 656. Here, WSA is not merely a speculative third-party developer but is the project proponent who has made clear its plans to build an arena on its specific site in SODO.

In *Magnolia*, the City only sought a comprehensive plan amendment and did not know precisely how many units of construction the amendment would ultimately lead to in Discovery Park.<sup>20</sup> While the *Magnolia* court reasoned that the City would be effectively bound to the federal government by its decision, the City of Seattle in that case even conceded that “there is a possibility that the City might not follow through

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<sup>20</sup> *Magnolia*, 155 Wn. App. at 310 (“between 108 and 125 market rate units”).

with the intent stated in the FLRP.” *Magnolia*, 155 Wn. App. at 316. Indeed, a down-the-road developer in *Magnolia* could theoretically have proposed a different project or Seattle could have sought a variance from the federal government for approval of a different development. *Magnolia*, 155 Wn. App. at 310, 312. The building project in *Magnolia*, therefore, was no more likely than is the SODO arena after the MOU.

Here, as set forth above, the MOU and the “circumstances” surrounding it authorized a SEPA and post-MOU implementation process that is designed to, and will, make probable the construction of a half-billion dollar public arena in SODO and limit the reasonable alternatives for this arena. The MOU was not a general legislative change, such as an annexation or comprehensive plan amendment; it involved a project in a “defined geographical area.” *Magnolia*, 155 Wn. App. at 314. That the MOU did not directly authorize physical construction is immaterial.

ILWU does not contend that *Boundary Review Board*’s “snowballing” principle can create a SEPA “action” where there is none. But the ordinances authorizing the MOU were a final action and the snowballing rationale in *Boundary Review Board* does clearly apply to contextually-significant *pre-EIS actions or decisions*, such as the MOU, that build unstoppable momentum in favor of a specific alternative *before* an EIS is conducted.

**D. The MOU Could Have Been Accomplished Legally.**

The trial court reasoned that ILWU's theory of the case would illogically require Seattle and King County to prepare an EIS before authorizing the MOU. RP 52. This is not the case; ILWU's complaint merely asked the court to declare the MOU invalid under WAC 197-11-070(1)(b) and to enjoin its use in the SEPA process. CP 249-50; 259-60.

Seattle and King County could have processed Mr. Hansen's offer to form a public-private partnership to build an arena completely within the bounds of SEPA. They could have negotiated an MOU that followed standard *public* project SEPA procedures. Thus, rather than start their negotiations with the premise that the arena would presumably have to be built on *Mr. Hansen's* site in SODO in order to "bring back the Sonics," the governments could have insisted on maintaining site neutrality and following WAC 197-11-060(3)(iii), which provides:

Proposals should be described in ways that encourage considering and comparing alternatives. Agencies are encouraged to describe public or nonproject proposals in terms of objectives rather than preferred solutions. (emphasis added)

Consistent with this regulation, rather than negotiate a complete business transaction applicable only to the SODO site, Seattle and King County could have negotiated an MOU that agreed to study all reasonable sites, not one that designated the "Project Site" as SODO or one that contained

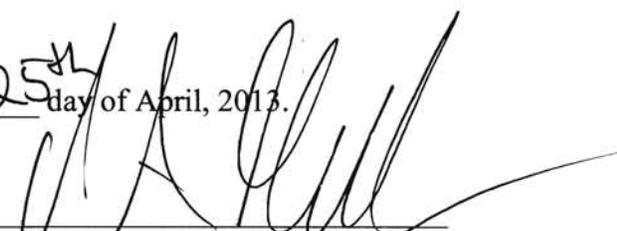
pre-negotiated business terms applicable to an arena only in SODO. Moreover, the MOU did not have to authorize and direct Mr. Hansen to represent to the NBA that he had reached agreement on an arena deal for the SODO site or make development cost reimbursement contingent on the SODO site.

This alternative course of action may not have given Mr. Hansen or the NBA the business certainty in the SODO arena they both desired. But SEPA's fundamental requirement of considering alternatives—particularly for public projects with 40% public financing—trumps the business requirements and strategies of arena developers.

## VI. CONCLUSION

For the reasons set forth above, the Court should reverse the trial court's grant of summary judgment in favor of WSA, Seattle, and King County and direct the trial court to enter summary judgment in favor of appellant ILWU.

Respectfully submitted this 25<sup>th</sup> day of April, 2013.



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# **APPENDIX 1**

**MEMORANDUM OF UNDERSTANDING  
SEATTLE SPORTS AND ENTERTAINMENT FACILITY**

THIS MEMORANDUM OF UNDERSTANDING ("MOU"), dated this 3rd day of December, 2012 ("Effective Date") is entered into among the following parties: The City of Seattle, a Washington municipal corporation ("City"), King County, a political subdivision of the State of Washington ("County"), and WSA Properties III, a Delaware limited liability company ("ArenaCo"). The City, the County and ArenaCo are referred to jointly as the "Parties."

**RECITALS**

A. ArenaCo or its affiliate has acquired land ("Project Site") south of downtown Seattle, Washington, adjacent to First Avenue South between South Massachusetts Street and South Holgate Street, on which it proposes to develop and operate a new multi-purpose sports and entertainment facility ("Arena"). The Arena will be designed to host a National Basketball Association ("NBA") team ("NBA Team") and a National Hockey League ("NHL") team ("NHL Team") and other events.

B. ArenaCo has approached the City and the County with a proposal for the two governments to participate in the development and ownership of the Arena on the Project Site.

C. An advisory panel ("Panel") formed by the Mayor for the City and the King County Executive reviewed the ArenaCo proposal. The Panel conducted four public meetings and considered the comments and reports from experts and other members of the community. The Panel has recommended that the City and the County pursue development of the Arena and has identified a number of important issues that should be addressed in any agreements for the development and operation of the Arena.

D. This MOU is intended to be a binding and enforceable agreement of the Parties (a) establishing the process to be followed by the Parties in order to complete necessary reviews, including all environmental reviews, fulfill conditions precedent, and, as appropriate, approve the Transaction Documents (as defined below), and (b) setting forth the business terms and conditions that will be included in the Transaction Documents. It reflects the mutual understandings of the Parties regarding those actions, permits, approvals and/or agreements lawful and necessary to accomplish the location, financing, acquisition, design, development, construction, lease, management, operation, use and occupancy of the Arena (collectively, the "Project"). The Parties intend to actively participate and to work together collaboratively, in good faith and with due diligence, to carry out the process described herein and to negotiate the terms of the Transaction Documents consistent with this MOU. These undertakings are personal to the Parties and this MOU shall not be assigned to any other person or entity unless all Parties agree.

**UNDERSTANDINGS**

1. **Purpose and Term of Agreement.** This MOU sets forth the basic terms of proposed agreements among the Parties with respect to the Project, which terms will be memorialized in future agreements and other documents ("Transaction Documents"). The Arena

will be designed to host an NBA Team and an NHL Team, and is expected to host other sporting events, family shows, concerts, graduations, and civic and other events. This Agreement will terminate upon the earlier of the effective date of the Umbrella Agreement (defined in Section 7) or five (5) years from the Effective Date of this MOU.

**2. Location.** ArenaCo is proposing to develop and operate the Arena on the Project Site. In considering the City's and County's financial participation in the Project, the City and County will evaluate this location and one or more alternative sites, and a "no action" alternative as part of the SEPA review described in Section 5.

**3. Description; Cost Reimbursement.**

**a. Description.** The Arena will be designed and constructed with approximately 700,000 square feet of usable space and sufficient improvements to have a total approximate capacity of 19,000 attendees for concerts, 18,500 attendees for NBA games, and 17,500 attendees for NHL games. It is not currently possible to estimate the cost of the design, development, and construction of the Arena since the design is not complete and costs will be incurred in the future, and subject to unknown inflation in the costs of materials and labor. The Parties believe that construction and equipping of the Arena, including the cost of acquiring the Project Site, will be accomplished for an aggregate Project cost of approximately \$500 million. The Parties will work to agree upon Plans and Specifications for the Arena that, together with the Project Site acquisition costs, will result in a final Project cost in that approximate amount.

**b. Cost Reimbursement.** "Development Costs" means reasonable and documented out-of-pocket expenses actually incurred by the City and County directly in connection with development, execution and performance of this MOU, the interlocal agreement between the City and the County, the Umbrella Agreement and Transaction Documents, and the transactions contemplated herein through the Commencement Date (defined in Section 9) including, but not limited to, all reasonable and documented expenses of engineers and legal, financial and other required consultants paid by the City or County (but excluding the expenses described in Section 4 and any financing or other costs paid out of bond proceeds) and including up to \$150,000 in costs and expenses actually incurred by the City to assess the future of uses of Key Arena or the Key Arena site. ArenaCo shall reimburse the City and County for all reasonable and documented Development Costs up to a maximum amount of \$5 million, with each payment being due within thirty (30) days following ArenaCo's receipt of an invoice from the City and County as provided herein, with the first payment of any such reimbursable Development Costs to be billed by the City and County at least thirty (30) days prior to the Closing Date, and becoming due and payable on the Closing Date (defined in Section 8). Following the Closing Date, any reimbursable Development Costs that become due and payable as provided in this Section 3.b through the Commencement Date will be billed by the City and County on a monthly basis and paid by ArenaCo within thirty (30) days following receipt by ArenaCo of any invoice from the City and County. The reimbursement of Development Costs is in addition to expenses payable by ArenaCo in connection with Section 4 below.

**4. Initial Site Acquisition and Permitting.** ArenaCo has acquired or will acquire the property that comprises the Project Site. At its sole cost and expense, ArenaCo will seek a master use permit and all other permits or approvals required for the Project, including but not

limited to environmental review described in Section 5. At ArenaCo's expense, the City will provide dedicated planning staff to facilitate the review and processing of permit applications relating to the Project, with planning staff time to be billed at the then applicable rate schedules of the City.

**5. SEPA.** The Parties acknowledge that the Project is subject to review and potential mitigation under various laws, including the State Environmental Policy Act, Chapter 43.21C of the Revised Code of Washington ("RCW"), and the state and local implementing rules promulgated thereunder (collectively, "SEPA"). Before the City and County Councils consider approval of the Umbrella Agreement and any Transaction Documents, the City and County will complete a full SEPA review, including consideration of one or more alternative sites, a comprehensive traffic impact analysis, impacts to freight mobility, Port terminal operations, and identification of possible mitigating actions, such as improvements to freight mobility, and improved pedestrian connections between the Arena and the International District light rail station, the Stadium light rail station, the SODO light rail station, and Pioneer Square. The City and County anticipate that alternatives considered as part of the SEPA review will include a "no action" alternative and an alternative site at Seattle Center. The City or County may not take any action within the meaning of SEPA except as authorized by law, and nothing in this MOU is intended to limit the City's or County's exercise of substantive SEPA authority. Consistent with Section 4 of this MOU, ArenaCo will reimburse the City for the costs incurred by the City as part of the SEPA review and will be responsible for funding any required mitigation imposed through SEPA substantive authority.

**6. Call for Bids.** The City and County will make a call for bids for the Project. The call for bids will be made by publication in the *Puget Sound Daily Journal of Commerce* for two consecutive weeks before the date fixed for opening the bids as required by RCW 35.42.080.

**7. Umbrella Agreement.** If ArenaCo is the successful bidder for the Project, or if no bid is received on the call and the City and County determine to proceed with the Project without any further call for bids, then as soon as reasonably practicable the Parties intend to enter into a comprehensive agreement that will include the Transaction Documents in substantially final form as exhibits thereto (the "Umbrella Agreement"). The Umbrella Agreement will incorporate conditions precedent substantially in the form set forth in Sections 24 and 25 below, except to the extent that such conditions precedent shall have been met or waived at the time of the execution of the Umbrella Agreement.

**8. Site Conveyance.** Following execution of the Umbrella Agreement and satisfaction of the applicable conditions precedent, the City will fund the First Installment of the initial Public Financing, as defined and provided in Section 10, to purchase the Project Site from ArenaCo, and ArenaCo will sell and convey a fee simple interest in the Project Site to the City by statutory warranty deed, free and clear of all liens and encumbrances other than "permitted exceptions" (as hereinafter defined) contained in title reports for the Project Site as of the Closing Date that are reasonably approved by the City. The date on which the City acquires the Project Site from ArenaCo is referred to in this MOU as the "Closing Date." Permitted exceptions will be agreed to by the Parties no later than the end of the due diligence period under Section 24.c below, subject to updating to account for the time period between the end of the due diligence period and the Closing Date. The purchase price for the Project Site will be paid by the

City to ArenaCo in cash on the Closing Date. The purchase price will be the then fair market value of the Project Site, as permitted for construction of a facility for use as a multipurpose sports and entertainment arena, based on an appraisal by a mutually agreed-upon MAI- (Member of the Appraisal Institute) certified independent appraiser as of the date the master use permit is issued.

**9. Ground Lease, Lease-Purchase Agreement and Arena Use Agreement.** The City will ground lease the Project Site to ArenaCo for a period of at least 30 years (the "Ground Lease"), commencing on the Closing Date. The Ground Lease will require ArenaCo to pay ground rent in the amount of \$1 million annually, which annual rent will be paid by ArenaCo in equal semi-annual installments, and will be pro-rated for any partial year on a monthly basis. This annual Ground Lease rent obligation will terminate on the Commencement Date as defined below. Also on the Closing Date, the City and County will enter into an agreement ("Lease-Purchase Agreement") pursuant to which ArenaCo will construct the Arena building structure ("Arena Facility") in accordance with the Design Standards as defined in Section 16, for lease (with an option to purchase as described in this MOU) to the City and County. The term of the Lease-Purchase Agreement will be co-extensive with the original term of the Ground Lease and the payments to be made by the City and County under the Lease-Purchase Agreement will not exceed the prevailing rates for comparable space.

When the Arena Facility is ready for occupancy ("Commencement Date"), the City and County will commence paying rent, initially for a nominal amount, under the Lease-Purchase Agreement. The City and County will have the right to prepay or cause a trustee to prepay all or a portion of the principal component of all remaining lease payments required under the Lease-Purchase Agreement and will also have the right to exercise the option to purchase the Arena Facility at a price equal to the principal component of all remaining lease payments required under the Lease-Purchase Agreement, as those lease payments may be adjusted consistent with Section 10 below. The date that title to the Arena Facility transfers to the City and County is referred to as the "Transfer Date." The Transfer Date will occur on the day following the date when the Arena Facility is added to the property tax rolls or such later date, but not later than June 30<sup>th</sup> of the calendar year following the date the Arena Facility is added to the property tax rolls, as ArenaCo may request. ArenaCo will enter into a lease or sublease (the "Arena Use Agreement") for the Arena Facility with the City and County or trustee on the Commencement Date.

On the Transfer Date, the City and County will pay ArenaCo an amount equal to the principal component of all lease payments due under the Lease-Purchase Agreement, as they may be adjusted, or if the City and County have appointed a trustee with respect to certificates of participation in lease payments, then the City and County will cause the trustee to pay to ArenaCo an amount equal to the principal component of all lease payments under the Lease-Purchase Agreement. In either event, the City and County (or a trustee on behalf of the City and County) will purchase the Arena Facility from ArenaCo as provided in this MOU.

**10. City-County Public Financing.** The total amount to be paid to ArenaCo by the City and County for acquisition of the Project Site and the lease-purchase of the Arena Facility will be \$200 million; provided, however that the actual amount to be paid to ArenaCo will be subject to reduction as provided below. The structure of the Public Financing (as hereinafter

defined) will be determined through a collaborative process among the City, the County and ArenaCo, recognizing that the Public Financing will be consistent with the City's and County's debt management policies, including policies related to debt capacity and risk profile. The "Public Financing" will include two installments of approximately thirty (30) year bonds or certificates of participation that have an effective cost of capital similar to general obligation bonds with debt service payments escalating from the Initial Principal Payment Date at a rate of 1% per annum for the first ten (10) years and will include consideration of: (i) financing obligations at market rates, including only usual and customary financing charges; (ii) utilizing tax-exempt debt; and (iii) utilizing various structuring techniques, including, but not limited to, non-callable bonds, premium bonds, refunding bonds, certificates of participation and discount bonds, as deemed appropriate by the City and County. The City and the County, in their discretion, may later refinance such obligations to improve borrowing terms. Further, at ArenaCo's request, the City and County will consider refinancing such obligations if market conditions allow for improved borrowing terms, provided that ArenaCo reimburses the City and County for the reasonable and necessary costs of such refinancing. Any refinancing of the Public Financing will endeavor to lower debt service costs each year as opposed to redeeming bonds only in late maturity years.

The Parties anticipate that an NHL Team will be committed to play in the Arena after the date on which the NBA Team is acquired and committed to play in the Arena. ArenaCo anticipates that it will proceed with the Project and, if necessary, operate the Arena during the period between the acquisition of the NBA Team and the NHL Team. The Parties recognize that the value of the Arena to the City and the County will be greater upon the commitment of an NHL Team to play in the Arena. In connection with the foregoing, the Public Financing shall only be committed in accordance with the following installments:

(i) **First Installment:** On the Closing Date, in an amount equal to the fair market value of the Project Site (as determined and provided for in Section 8, but in no event to exceed \$100 million) paid to ArenaCo ("First Installment").

(ii) **Second Installment:** On the Transfer Date, a second installment ("Second Installment") in an amount determined as follows: (a) if all of the conditions related to an NHL Team set forth in (b) of this Section 10.(ii) have not been satisfied by the Transfer Date, an additional amount supported by the Base Rent and a stabilized level of Arena Tax Revenues that will be based on projections of future tax revenue that take into account long term variables such as team performance and economic conditions in a manner that will be provided in the Umbrella Agreement and Transaction Documents, up to \$145 million less the amount paid to ArenaCo in the First Installment, which Second Installment will be comprised of funds (X) first paid to the SODO Transportation Infrastructure Fund, as described in Section 11, in an amount up to \$40 million to bring the total amount deposited in the SODO Transportation Infrastructure Fund (considering only deposits of Arena Tax Revenues and Key Arena Taxes) to a total of \$40 million, and (Y) then paid to ArenaCo in an amount not to exceed a total of \$120 million, or (b) if by the Transfer Date an NHL Team license agreement committing the NHL Team to play its home games in the Arena has been executed, together with a non-relocation agreement as described in Section 18 and any other necessary agreements with the City and the County related to the NHL Team, and the NHL has acknowledged the Arena Use Agreement and the non-relocation agreement and has approved locating the NHL Team in Seattle, an amount equal to

\$200 million less the amount paid to ArenaCo in the First Installment, which will be comprised of funds (X) first paid to the SODO Transportation Infrastructure Fund in an amount up to \$40 million to bring the total amount deposited in the SODO Transportation Infrastructure Fund (considering only deposits of Arena Tax Revenue and Key Arena Taxes) to a total of \$40 million, and (Y) then the balance paid to ArenaCo.

**11. SODO Transportation Infrastructure Fund.**

**a. Fund Established.** The City and County will establish a separate fund or account ("SODO Transportation Infrastructure Fund") to be managed in the sole discretion of the City and County, considering input from stakeholders affected by the Project, and used to fund transportation improvements in the area South of downtown Seattle. The SODO Transportation Infrastructure Fund will give first priority to projects protecting the operations of the Port of Seattle, such as those serving Terminal 46, and improving freight mobility, including projects that improve pedestrian safety, enhance transit service and connectivity, and overall traffic management in the SODO area. The Parties acknowledge that projects that improve pedestrian safety, transit service and connectivity, and overall traffic management in the SODO area may also result in improved freight mobility. Allocation among these priorities is to be determined by the City and County through interlocal agreement and approved by future ordinances. The City and County will seek other public and private partners and funding for the purposes of advancing the objectives of the SODO Transportation Infrastructure Fund, including but not limited to the Port of Seattle, the operators of Safeco Field and CenturyLink Field, and federal and state governments. Federal and state funding requests made through existing Puget Sound Regional Council ("PSRC") processes shall compete with other projects in accordance with existing PSRC transportation project funding criteria and procedures. Funding requests for competitively awarded federal and state funding sources made outside the PSRC process shall follow the appropriate competitive processes and give consideration to previously identified regional transportation improvement needs. It is the intent of the Parties that the existence of the SODO Transportation Infrastructure Fund also shall not adversely affect the competitive scoring of projects competing for these federal and state funds. The SODO Transportation Infrastructure Fund will be used to fund system improvements to the transportation network in the SODO area, including the area within which the Project Site is located, but will not be utilized to fund any Project-specific transportation infrastructure mitigation required through the permitting and SEPA process for the Project. Further details related to the partnerships, funding contributions, oversight and governance structure of the SODO Transportation Infrastructure Fund shall be delineated by future City and County ordinances.

**b. Funding.** Before the Transfer Date, all Ground Lease rent payments and all Base Rent payments will be deposited into the Arena Revenue Account and used to make debt service payments on the Public Financing for the First Installment or when required by Section 13.c to make payments of the Annual Reimbursement Amount. During this period, Arena Tax Revenues collected will be deposited into the SODO Transportation Infrastructure Fund, until such time, together with amounts deposited in the SODO Transportation Infrastructure Fund pursuant to Section 17.b, a total of \$40 million has been deposited into the SODO Transportation Infrastructure Fund. If the total of all sums deposited from Arena Tax Revenues or Key Arena Taxes into the SODO Transportation Infrastructure Fund plus the amount deposited into the SODO Transportation Infrastructure Fund from the proceeds of the

Second Installment do not result in the total amount deposited into the SODO Transportation Infrastructure Fund being equal to \$40 million, then following funding and payment of the Second Installment, ArenaCo will deposit into the SODO Transportation Infrastructure Fund any additional amount required to bring the total of the amounts from these four sources deposited into the SODO Infrastructure Fund to \$40 million in the aggregate. If the aggregate total amount of all sums actually deposited or that would otherwise be required to be deposited into the SODO Transportation Infrastructure Fund from Arena Tax Revenues or Key Arena Taxes as provided herein ever exceeds \$40 million, then any excess of any such amounts will be held in the SODO Transportation Infrastructure Fund until the Transfer Date and will be paid to ArenaCo on the Transfer Date as part of the principal component of lease payments due under the Lease-Purchase Agreement described in Section 9 and reduce the amount of the Second Installment.

**12. Ownership of Arena Facility and Improvements.** ArenaCo will install all tenant improvements and furnishings, including without limitation the seating, suite furnishings, offices, locker rooms, press areas, basketball floor, ice-making systems and equipment, dasher board systems, sound systems, scoreboards, ribbons, concession equipment, training equipment, and other items ("Arena Tenant Improvements"). For federal income tax purposes, ArenaCo will own all or a portion of those Arena Tenant Improvements, to be set forth in the Transaction Documents or in a schedule included in the Lease-Purchase Agreement or Arena Use Agreement, as applicable, which schedule may be amended from time to time by the mutual written agreement of the Parties. The initial Arena Tenant Improvements will be commensurate with the construction of a first-class arena as set forth in the Design Standards and Operating Standards. The Arena Tenant Improvements (but not any NBA Team- or NHL Team-owned equipment or fixtures) will become the property of the City and County upon the termination of the Arena Use Agreement without any further obligation on the part of the City or County. Upon termination of the Arena Use Agreement, ArenaCo will be obligated to surrender the Arena Facility and Arena Tenant Improvements to the City and County in a condition consistent with the program of capital repairs, replacements and improvements required pursuant to Section 14 and in a state of repair comparable to facilities of a similar age and suitable for continued uninterrupted use by NBA and NHL teams and as a major entertainment facility. Unless either the Put or Call Rights provided for in Section 13.j or the "put" right provided for in Section 13.g(ii).b are exercised and the sale and purchase of the Arena Facility, the Project Site and all of the Tenant Improvements are completed pursuant thereto as provided in either Section 13.j(i), 13.j(ii) or 13.g(ii).b, the Arena Tenant Improvements will be surrendered by ArenaCo upon expiration of the term of the Arena Use Agreement, including any extensions thereof, and shall at the time of such surrender be unencumbered by liens or third party obligations.

**13. Arena Use Agreement.** The Arena Use Agreement will provide for the following terms:

**a. Term.** The initial term of the Arena Use Agreement will be at least thirty (30) years, but in no event shall the initial term be less than the maturity of any Public Financing obligations. The Arena Use Agreement will provide for four options of five (5) years each for ArenaCo to extend the term of the Arena Use Agreement. Subject to applicable law, the annual rental rate will be \$4 million during the first extension term. Beginning with the second extension term, rent will increase by the change in the United States Department of Labor, Bureau of Labor Statistics Consumer Price Index for all Urban Consumers (Seattle-Tacoma-

Bremerton Local Area) ("CPI") between the first and last years of the preceding extension period, if any. During each of the extension terms that are exercised by ArenaCo, the City and County will deposit 100% of all annual rent payments under the Arena Use Agreement into the City-County Capital Account defined in Section 13.k.(iv). Terms regarding Arena Tax Revenues will be negotiated by the Parties for any extension agreement. ArenaCo cannot exercise the option to extend the term of the Arena Use Agreement, unless the obligations of the NBA Team and (if applicable) the NHL Team to play at the Arena, including non-relocation agreements, are similarly extended.

**b. ArenaCo Revenues.** For the initial term of the Arena Use Agreement, ArenaCo will be entitled to all cash and in-kind revenues associated with the operation, use and enjoyment of the Arena (other than for any City-County Events, as hereinafter defined) (the "Arena Revenues"), subject to the payments and reserves required as described in this Section 13, and not including any taxes, fees or charges ArenaCo may be obligated to collect and submit to a taxing or other government authority on behalf of others. Subject to the foregoing, Arena Revenues means all revenues, determined on a cash basis, of whatever kind or nature received or obtained by ArenaCo or a third-party, within the scope of ArenaCo's authority or responsibility under the Umbrella Agreement or the Transaction Documents for the management, operation or maintenance of the Arena, in all cases subject to all revenues reserved to the NBA Team or the NHL Team pursuant to applicable license agreements as required by the NBA and NHL. Arena Revenues include, but are not limited to, box office fees (excluding ticket revenue for the NBA Team and NHL Team), facility fees, parking revenues, revenues from consumable and non-consumable concessions, all other licensing and rent revenues, forfeited security deposits, ticket commission and convenience fees, and other fees actually received by ArenaCo, for or from the following: (1) the use or operation of, or admission to, the Arena or any portion thereof, (2) all rents, royalties, and concession payments from tenants, concessionaires and licensees, (3) interest on or proceeds of investment of any accounts (except the Reserve Account and Capital Account, as described in Sections 13.f(ii) and 14.a respectively), (4) rental or use of Arena equipment, (5) services rendered at or related to the Arena, (6) the amounts received from seat use charges and parking use fees, (7) the amounts generated from the use and operation of any Arena internet website and other similar media, (8) the right to sell, or the sale of permanent and ArenaCo temporary signage (but not temporary signage that is reserved or provided to the NBA Team and the NHL Team under their respective license agreements) and Arena sponsorships (including, without limitation, naming rights and founding partner sponsorships), (9) the non-ticket amounts generated from the sale or license of luxury suites and premium seating, and (10) club membership fees, but expressly excluding (notwithstanding the provisions above), in all events, sums received or collected by ArenaCo for and on behalf of and actually paid to a user of the Arena.

**c. Rent Payments.** Each year during the term of the Arena Use Agreement, ArenaCo will pay annual rent to the City and County in the amount of \$1 million ("Base Rent") at least thirty (30) days prior to the date of the City's first designated semi-annual debt service payment for the Public Financing. In addition, at least thirty (30) days prior to the City's Initial Principal Payment Date (as defined below) and during each year of the Arena Use Agreement, ArenaCo will pay the City and County the amount (the "Additional Rent") that is sufficient, when combined with Base Rent and Arena Tax Revenues (described below) received by the City and County for use in that year, to equal the Annual Reimbursement Amount. "Annual

Reimbursement Amount” means the total annual debt service obligations of the City and County for the Public Financing. The City's Initial Principal Payment Date is the earlier of (i) the first subsequent date after the Transfer Date on which principal and interest is to be paid, or (ii) the first scheduled debt service payment date on which both principal and interest are due after the fourth anniversary of the First Installment. A schedule of the estimated Annual Reimbursement Amount will be prepared as an attachment to the Transaction Documents and will be updated and delivered to ArenaCo on the Closing Date and further updated on the Transfer Date.

**d. Arena Tax Revenues.** “Arena Tax Revenues” means the dollar amount of: (i) all sales tax (including all construction sales tax), incremental property tax, all leasehold excise tax, and all admission tax revenues attributable to the Arena and Arena Tenant Improvements, as well as other tax revenues attributable to the Arena and Arena Tenant Improvements that have been received by the City or the County on and from the Project Site and Arena, and from all uses and activities conducted thereon, except for City utility taxes and those tax revenues that are subject to legal restrictions that preclude their use either for payment of Arena-related debt or expenses hereunder (other than parking taxes attributable by contract to the Arena) plus (ii) City business tax revenues imposed under Chapter 5.45 SMC or any successor provision that the City has reasonably determined it received from ArenaCo and from other business activities engaged in, at, or from the Arena (including without limitation revenues from the business activities that have a substantial nexus with the City). In the event the City or the County issue tax-exempt bonds in connection with the Public Financing, then the underlying tax stream identified by the City or County as the source for paying debt service on such bonds shall be excluded from the definition of “Arena Tax Revenues.”

**e.** [Intentionally Left Blank].

**f. Security for Rent.** ArenaCo will secure payment of Base Rent and Additional Rent as described in Sections 13.f through 13h.

**(i) Coverage Ratio.** ArenaCo will be required to certify annually whether the Net Arena Revenues for the preceding fiscal year at fiscal yearend are equal to at least two times (2.0x) the Annual Reimbursement Amount for the following year in which debt service is paid (the “Coverage Ratio”). ArenaCo’s annual certification must be accompanied by certification from an independent certified public accountant as to the accuracy of the financial information underlying the Coverage Ratio or alternative evidence from ArenaCo reasonably acceptable to the City and County as to the reliability of ArenaCo’s certification. ArenaCo will pay the cost of acquiring such a certification and the City and County will be entitled to approve the selection of any third party involved in the certification, which approval will not be unreasonably withheld. “Net Arena Revenues” means the Arena Revenues less Arena Operating Expenses. ArenaCo will, on a date set forth in the Transaction Documents to be no later than 90 days after the end of the prior fiscal year, provide the City and County with an annual accounting to support certification and any reasonably requested documentation to confirm the Coverage Ratio. If Net Arena Revenues are insufficient and fail to meet the Coverage Ratio (a “shortfall”), ArenaCo shall promptly (and in no event later than 30 days after the certification is provided to the City and County or 30 days after an annual accounting is provided and the City and County determine a shortfall exists based on the annual accounting ) increase the Reserve Account balance by an amount such that (A) the balance of the Reserve Account equals at least 2.0x the

following fiscal year's Annual Reimbursement Amount, and (B) the increased Reserve Account balance plus Net Arena Revenues equals at least three times (3.0x) the following year's Annual Reimbursement Amount. If (X) for 24 consecutive months after such increase in the Reserve Account is made by ArenaCo, no funds are withdrawn from the Reserve Account to make any other payments, then the balance required to be maintained in the Reserve Account will be reduced to an amount that, together with Net Arena Revenues for the prior fiscal year, will equal the three times (3.0x) the following fiscal year's Annual Reimbursement Amount, or (Y) for 12 consecutive months after such increase in the Reserve Account is made by ArenaCo no funds are withdrawn from the Reserve Account and the balance maintained in the Reserve Account together with Net Arena Revenues for the prior fiscal year equals at least four times (4.0x) the following fiscal year's Annual Reimbursement Amount, then the balance required to be maintained in the Reserve Account will be reduced to 1.0x the following year's Annual Reimbursement Amount. In no event will the amount held in the Reserve Account in any fiscal year be less than the Annual Reimbursement Amount for the following fiscal year.

(ii) **Reserve Account.** As collateral, ArenaCo will fund an account at a financial institution reasonably acceptable to the City and County (the "Reserve Account"). The Reserve Account shall be held in trust for the benefit of the City and County as provided in this MOU, the Umbrella Agreement and the applicable Transaction Documents, and will be governed/managed in accordance with an "account control agreement" to be included among the Transaction Documents, the terms of which control agreement – which will include a grant to the City and County of a first lien and first priority security interest in the Reserve Account – and all moneys or securities held in the Reserve Account. The terms of the account control agreement or other security agreement will be consistent with this MOU and mutually agreed upon in good faith by ArenaCo, and the City and County. The initial deposit into the Reserve Account will be due on the Closing Date and will equal the Annual Reimbursement Amount for the following fiscal year for the City and County. Thereafter, ArenaCo will make annual deposits into the Reserve Account by June 1 of each year during the term of the Arena Use Agreement that will cause the balance to equal the then next year's actual Annual Reimbursement Amount. All money held in the Reserve Account shall only be invested pursuant to the terms of the account control agreement and such money shall only be invested in investments reasonably acceptable to the City and County. To the extent that the Annual Reimbursement Amount declines due to a restructuring, principal pay-down, or other reduction of the debt service for the Public Financing, then the amount to be held in the Reserve Account will be similarly reduced (provided that the Coverage Ratio is still maintained).

(iii) **Withdrawals and Replenishing Deposit.** If the City or County draws on the Reserve Account or if the value of securities held in the Reserve Account decreases and the balance in the Reserve Account is less than the Annual Reimbursement Amount for the following year, ArenaCo will replenish the Reserve Account within 30 days.

**g. Payment Default; First Priority Payment Position; Lien; Parent Guaranty**

(i) **Payment Default; First Priority Payment; Lien.** If ArenaCo fails to pay all or any portion of the Base Rent or Additional Rent when due or to make any required deposit into the Reserve Account or the Capital Account when required, then the City

and County may draw on the Reserve Account. The City's and County's right to receive required payments of Base Rent and Additional Rent and ArenaCo's obligation to fund the Reserve Account and the Capital Account will have a first-priority payment position on all revenue and receivables of ArenaCo. As the payment obligations of ArenaCo to the City and County hereunder constitute operating expenses, (e.g., including but not limited to rent) such payment obligations will be senior to all debt service payments on any Arena-related financing and intercompany debt. The City's and County's right to receive the required payments of Base Rent and Additional Rent as well as the amounts in the Reserve Account and the Capital Account will be secured by a lien on and security interest in revenues and receivables of ArenaCo. Such lien and its priority shall be agreed upon by lenders to ArenaCo, the City and County and shall be set forth in the, Transaction Documents and the Intercreditor Agreement described in Section 13.i below, and further secured as provided in Section 13.g.(ii) and (iii) below. In the event of a "Payment Default", which for the purposes of this MOU will be defined as ArenaCo's failure to replenish the Reserve Account or to increase the deposits therein to the required amount within thirty (30) days of receipt of notice from the City and County of any draw on the Reserve Account or confirmation of insufficient coverage amount, the City and County may exercise any and all remedies at law or equity or under or pursuant to this MOU, the Umbrella Agreement and the Transaction Documents.

**(ii) Guarantees.**

**(a) Parent Guaranty.** Except as provided below in this Section, ArenaCo hereby agrees that the direct equity owner of ArenaCo ("ArenaCo Parent") will also be the direct equity owner of the entity that owns and operates the NBA Team unless there is a sale, transfer or assignment in accordance with Section 23.c(iii). In addition to the security provided for in Section 13.f(i) above, ArenaCo shall deliver, on the Transfer Date, an unsecured and unconditional guaranty of ArenaCo Parent (the form of which shall be included in the Transaction Documents) unconditionally guaranteeing ArenaCo's obligations under the Arena Use Agreement, as well as the obligations of the NBA Team under the NBA Team's non-relocation agreement defined in Section 18 of this MOU (each such guaranty a "Parent Guaranty"). If any other entity is an equity owner of more than a ten percent (10%) equity interest in ArenaCo as of the date of the Transaction Documents or later acquires such an ownership interest in ArenaCo (individually an "Other ArenaCo Parent Entity" or collectively "Other ArenaCo Parent Entities"), then such Other ArenaCo Parent Entity shall be deemed an ArenaCo Parent for purpose of this Section 13.g.(ii) and shall be required to provide a Parent Guaranty; provided, however, that in such event the Parent Guaranty provided by ArenaCo Parent and the Parent Guaranty provided by any such Other ArenaCo Parent Entities shall provide that the obligations guaranteed by each such entity under their respective Parent Guaranty will be pro rata, based upon each of their respective equity interests in ArenaCo, rather than joint and several. In addition, if such Other ArenaCo Parent Entity is also the owner of the NHL Team, then such Other ArenaCo Parent Guaranty shall also guarantee the obligations of the NHL Team under the NHL Team's non-relocation agreement defined in Section 18 of this MOU.

**(b) Personal Guaranty.** In addition to delivery of the Parent Guaranty, on the Closing Date ArenaCo shall also deliver or cause to be delivered an unsecured, personal guaranty ("Personal Guaranty") of Chris Hansen ("Personal Guarantor") guaranteeing the obligations that are to be personally guaranteed as expressly provided for in this Section

13.g.(ii).(b). The Personal Guaranty will provide that the Personal Guarantor will guaranty the following obligations ("Personal Guaranty Obligations"):

(1) the Repayment Obligation set forth in Section 16.a(ii);  
and

(2) until the first to occur of (a) the termination or release of ArenaCo Parent's obligation under the Parent Guaranty to guaranty the payment obligations of ArenaCo to make the payments of the Annual Reimbursement Amount to the City and County pursuant to the Use Agreement, or (b) the Public Financing has been fully repaid or defeased, or (c) expiration of the "Remedy Period" of the Personal Guaranty as hereinafter defined, if and to the extent a Payment Default exists as set forth in Section 13.g.(i) and (x) if ArenaCo fails to make any required payment of the Annual Reimbursement Amount as and when due and payable as provided herein and in the Use Agreement and subsequently fails to replenish the Reserve Account as required herein and in the Use Agreement, and (y) Parent Guarantor fails to satisfy its obligations to make the required payment of the Annual Reimbursement Amount and to replenish the Reserve Account under the Personal Guaranty, then Personal Guarantor (or, if applicable, Successor Personal Guarantor(s), as hereinafter defined) shall personally guarantee and make payment as and when the payments become due of the difference between any such Annual Reimbursement Amounts and any sums paid to or received by the City and County in payment of any such Annual Reimbursement Amounts from any sources, including from any amounts remaining in the Reserve Account or sums or amounts thereafter deposited into the Reserve Account by ArenaCo or any Parent Guarantor.

In connection with the Personal Guaranty, the Personal Guarantor or any Successor Personal Guarantor(s) shall provide certification from an independent certified public accountant that Personal Guarantor's or such Successor Personal Guarantor(s)' net worth is no less than \$300 million ("Minimum Net Worth"). Such certification shall be made upon the reasonable request of the City and County, but in no event shall such certification be required to be made more frequently than annually. Any such certification shall be paid for as an operating expense of ArenaCo. If any such certification shows that the Personal Guarantor's or any Successor Personal Guarantor(s)' net worth is less than the Minimum Net Worth, then the Personal Guarantor or such Successor Personal Guarantor(s) shall be required to provide a nonrecourse letter of credit for the benefit of the City and County in an amount equal to 2.0x the then current year's Annual Reimbursement Amount until such time as such a certification is provided that shows that such Personal Guarantor's or successor owner(s)' Minimum Net Worth is no less than \$300 Million. In approving any future sale, assignment or transfer of interest as provided in Section 23(c) of this MOU, the City and County must be reasonably satisfied with a comparable Personal Guaranty from any successor majority or plurality owner(s) of any purchaser, assignee or transferee ("Successor Personal Guarantor(s)").

Notwithstanding anything to the contrary contained herein, the obligations of Personal Guarantor or any Successor Personal Guarantor under the Personal Guaranty will only require Personal Guarantor or any Successor Personal Guarantor to guaranty and make payment of any shortfall in any payments of Annual Reimbursement Amounts during the Remedy Period as provided above as and when such Annual Reimbursement Amounts would otherwise have become due absent a Payment Default as provided in this MOU. The obligations of Personal

Guarantor or any Successor Personal Guarantor(s) under the Personal Guaranty will continue only for a period of up to five (5) years (the "Remedy Period") from the date on which Personal Guarantor makes the first payment of the shortfall in any Annual Reimbursement Amount required under the Personal Guaranty, and will apply only to any shortfall in any Annual Reimbursement Amounts as and when the same would otherwise have become due during the Remedy Period as provided herein. During the Remedy Period, the City and County may, but shall not be obligated to, continue to pursue their remedies against ArenaCo and Parent Guarantor (and, if applicable, any Other ArenaCo Parent Entities) resulting from such Payment Default and default by any Parent Guarantor under the Parent Guaranty as provided for herein, and in the Use Agreement, the Parent Guaranty, and in any of the other Transaction Documents.

Any payments made by Personal Guarantor or any Successor Personal Guarantor(s) under the Personal Guaranty provided for in this Section 13.g.(ii).(b) will be considered to be and will be treated as recoupable advances by Personal Guarantor or Successor Personal Guarantor(s), and will be added to and included in any claims made or remedies that may be sought by the City and County against or from ArenaCo, Parent Guarantor and, if applicable any Other ArenaCo Parent Entities. In the event the City and County recoup, receive or collect amounts, whether from ArenaCo, Parent Guarantor, any Other ArenaCo Parent Entity, the NBA Team, NHL Team, or their respective successors, transferees, assigns, bankruptcy estates or trustees or administrators, sufficient to satisfy all damages incurred by the City and County as the result of the payment defaults plus all amounts necessary to satisfy all the obligations of the City and County under the Public Financing (the "Recoupment Amounts"), then, to the extent the City and County recoup amounts in excess of the Recoupment Amounts, the City and will repay and reimburse to Personal Guarantor or Successor Personal Guarantor(s), as applicable, any amounts so collected and received by the City and County, until such time as Personal Guarantor or any such Successor Personal Guarantor(s) have been reimbursed and repaid in full for any amounts previously paid and advanced to the City and County under the Personal Guaranty as provided for in this Section 13.g.(ii).(b), less all reasonable expenses incurred by the City and County in the recoupment of the Recoupment Amounts (including reasonable attorney's fees). Notwithstanding the foregoing, it is expressly understood and agreed that any amounts paid and advanced to the City and County under the Personal Guaranty are recoupable by Personal Guarantor or any Successor Personal Guarantor(s) only if and to the extent that the City and/or County collect or receive payment or reimbursement of such amounts as provided herein, and the City and County will otherwise have no obligation to repay or reimburse any such payments or advances to Personal Guarantor or any Successor Personal Guarantor(s).

In addition to and without limiting the foregoing, in the event of a sale of the NBA Team following a Payment Default by ArenaCo and the receipt by City and County of any proceeds from any such sale of the NBA Team as provided in Section 13.g.(ii) below, if all of the obligations due to the City and County under the Public Financing have not been previously fully repaid or fully defeased, or are not fully repaid or fully defeased from any such proceeds received by the City and County, then until either 120 days following receipt by the City and County of the proceeds from the sale of the NBA Team as provided in Section 13.g.(iii) below, or if the NBA Team is sold as provided in Section 13.g.(iii) below but the City and County are not entitled to receive any proceeds from such sale, then 180 days following the date on which such sale of the NBA Team is completed, the City and County will have the right, but not the

obligation, under the Use Agreement to "put" the Arena Facility, all the City's and County's rights in or to the Arena Tenant Improvements, the Project Site and all of the City's and County's rights under the Arena Use Agreement to Personal Guarantor or, if applicable, any Successor Personal Guarantor(s), and Personal Guarantor or such Successor Personal Guarantor(s) will have the obligation to purchase and acquire all of the same from the City and County, for a purchase price equal to (a) any then remaining unpaid or undefeased obligations of the Public Financing that have not been previously paid or defeased from all sources, including by application of any proceeds received or to be received by the City and County from or in connection with the exercise of any of their rights and remedies, including, but not limited to, such a sale of the NBA Team, plus (b) any legal fees and costs and City and County staff billable hours and costs actually paid or incurred by the City and County directly in connection with collecting any amounts due from Personal Guarantor or any Successor Personal Guarantor(s) under the Personal Guaranty. In the event that the City and County do not exercise this put right within the applicable time period provided for above, then this put right and all obligations of Personal Guarantor and any Successor Personal Guarantor(s) relating to this put right under the Personal Guaranty will terminate and be of no further force or effect.

(iii) **First Right to Distributions.** Further, to satisfy any default in (A) ArenaCo's obligations under the Arena Use Agreement and (B) the NBA Team's obligations under the non-relocation agreement required by Section 18, the City and County will also be entitled to receive the first distributions of any proceeds from any sale of the NBA Team, subject only to repayment of any obligations of the NBA Team related to any debt of the NBA Team to the NBA or other lenders approved by the NBA that are secured by the NBA franchise and other assets of the NBA Team up to the \$125 million cap plus the amount of Public Financing used to fund the SODO Transportation Infrastructure Fund in the Second Installment up to an additional \$25 million on such debt currently allowed under applicable NBA rules ("NBA Team Secured Debt Obligations"). The total NBA Team Secured Debt Obligations shall not exceed \$150 million. ArenaCo Parent shall covenant not to enter into any agreement that would interfere with City's and County's rights to receive distributions of the proceeds of sale of the NBA Team payable to City and County as and when provided for in this MOU, and the NBA Team shall covenant not to enter into any agreement granting any lien, security interest or other encumbrance on the NBA Team's assets in excess of the NBA Team Secured Obligations. The Parties also agree to explore further ways to secure the obligations of ArenaCo, ArenaCo Parent and the NBA Team subject to NBA requirements, rules, regulations and agreements. Notwithstanding the foregoing, however, if the NBA revises its rules to allow NBA teams to borrow in excess of the current limit of \$150 million that may be secured by the NBA franchise and other assets of NBA teams, then the NBA Team will be entitled to increase the amount of the NBA Team Secured Debt Obligations; provided, however, that the NBA Team will limit the amount of the NBA Team Secured Debt Obligations that will be senior to the right of the City and County to receive distributions of any proceeds from any sale of the NBA Team to the lesser of: (A) the maximum amount of NBA Team Secured Debt Obligations that is then allowed under NBA rules, or (B) 40% of the then "fair market value" ("FMV") of the NBA Team. The FMV of the NBA Team will be as mutually agreed upon in good faith by the Parties at that time; provided, however that if the Parties are unable to agree upon the FMV of the NBA Team at that time, then the FMV of the NBA Team will be determined by a sports industry recognized appraiser with experience in valuing NBA teams selected by the mutual agreement of the Parties pursuant to a customary valuation process to be specified in the Umbrella Agreement; but

provided further, however, that if the NBA Team Secured Debt increase of the NBA Team is being sought in connection with the acquisition of the NBA Team on an arm's-length basis by an unrelated party, then the FMV will be equal to the actual all-in acquisition price of the NBA Team.

**h. Special Purpose Entity; Insolvency.** ArenaCo and ArenaCo Parent shall be established as bankruptcy remote special purpose entities, with one or more independent managers or directors (as applicable) that would have to approve any bankruptcy filing. ArenaCo shall contribute a minimum of \$100 million in equity towards construction of the Arena. If ArenaCo is determined to be bankrupt or insolvent as defined in the Umbrella Agreement or the Transaction Documents; if any receiver, trustee or other similar official of all or any part of the business of ArenaCo is appointed and is not discharged within 60 days after appointment; if ArenaCo makes any general assignment of its property for the benefit of creditors; if ArenaCo files a voluntary petition in bankruptcy or a state court receivership proceeding, or applies for reorganization or arrangement with its creditors, under federal, state or other laws now in force or hereafter enacted; if an involuntary petition of bankruptcy or insolvency is filed against ArenaCo and is not dismissed within 60 days after the filing; and if ArenaCo is in Payment Default then the City and County, at their election and unless prohibited by law may (i) first - draw on the Reserve Account, and (ii) then - foreclose on their security interests in the revenues and receivables from ArenaCo or the Arena, and/or (iii) replace ArenaCo as operator of the Arena, and/or (iv) terminate the Umbrella Agreement and the Arena Use Agreement. These remedies are not exclusive and will be in addition to all other remedies available to the City and County. The provisions of this Section are in addition to and not instead of or dependent upon the remedies set forth in Section 13.g or elsewhere in this MOU.

**i. Intercreditor Agreement.** The Parties acknowledge that the Transaction Documents shall include an intercreditor agreement between the City and County and ArenaCo's lenders ("Intercreditor Agreement") which shall be in the form and substance reasonably satisfactory to the City and County and ArenaCo's lenders. For the avoidance of doubt and without limitation, the Intercreditor Agreement shall include provisions addressing removal of Arena Tenant Improvements as a remedy, identifying which party to the Intercreditor Agreement will be the controlling party or parties to direct remedies upon the occurrence of any Payment Default, other limitations and timing of remedies for all parties.

**j. Put and Call Options.**

**(i) Put Option.** Upon expiration of the Arena Use Agreement term (including any extensions exercised by ArenaCo or its designees or approved successors and assigns), the City and County will have the right (the "Put Option") to require ArenaCo or its designees or approved successors and assigns under the Arena Use Agreement to purchase from the City and County all of the City and County's right, title and interest in or to the Arena Facility, the Project Site and all of the Arena Tenant Improvements for a purchase price in the amount of \$200 Million; provided, however, that in order to exercise such right, the City and County must provide ArenaCo or its designees or approved successors and assigns with written notice of such election within 180 days following the end of the term of the Arena Use

Agreement (including any extensions exercised by ArenaCo or its designees or approved successors and assigns).

(ii) **Call Option.** In addition to the Put Option, at the end of the Arena Use Agreement term (including any extensions exercised by ArenaCo or its designees or approved successors and assigns), ArenaCo or its designees or approved successors and assigns under the Arena Use Agreement will have the right (the "Call Option") to require the City and County to sell to ArenaCo or its designees, approved successors and assigns, all of the City's and County's right, title and interest in or to the Arena Facility, the Project Site and all of the Arena Tenant Improvements for a purchase price equal to the greater of (a) the amount of the First Installment, as increased on an annual basis by CPI, or (b) \$200 Million; provided, however, that in order to exercise such right, ArenaCo must provide the City and County or their designees or approved successors and assigns with written notice of such election within 180 days following the end of the term of the Arena Use Agreement (including any extensions exercised by ArenaCo or its designees or approved successors and assigns). If ArenaCo or its designees or approved successors and assigns under the Arena Use Agreement exercises the foregoing Call Option, such purchasing party shall be obligated to build a substantially similar new arena on the Project Site, in the sole discretion of the City and County.

(iii) **Demolition and Removal.** If ArenaCo does not exercise the foregoing call option and the City and County do not exercise the foregoing put option, then at the end of the term of the Arena Use Agreement (including any extensions exercised by ArenaCo or its designees or approved successors and assigns), if neither the NBA Team nor NHL Team agree to continue to play at the Arena, then at the sole determination and election by the City and County, ArenaCo or its designees or approved successor or assigns shall be obligated to pay for the reasonable and actual direct costs of demolition and removal of the Arena Facility; provided, however, that in order to elect to exercise such right, the City and County must provide ArenaCo or its designees or approved successors and assigns with written notice of such election within 180 days following the end of the term of the Arena Use Agreement (including any extensions exercised by ArenaCo or its designees or approved successors and assigns).

(iv) All decisions provided for in this Section 13.j that are to be made by the City and County will be made jointly by the City and County. If there is a dispute regarding any such decision, the decision will be resolved by the dispute resolution process set forth in Section 8.E. of the Interlocal Agreement between the City and County. If neither party has submitted the dispute to binding arbitration by the deadline set under that process, then the decision will be made by the majority owner.

**k. Flow of Arena Tax Revenues.**

(i) **Tax Benefits.** The Parties acknowledge that transactions provided for in and authorized by this MOU may be structured in the Umbrella Agreement and Transaction Documents in a manner that results in more positive tax benefits to the Parties, including the ability of the City and County to issue tax-exempt debt.

(ii) **Arena Tax Revenues.** Arena Tax Revenues will be deposited in the Arena Revenue Account, except for those Arena Tax Revenues that are required to be

deposited into the SODO Transportation Infrastructure Fund prior to the Transfer Date. The City and the County will provide ArenaCo with a monthly accounting detailing Arena Tax Revenues collected and distributed.

(iii) **Arena Revenue Account.** The City will create an "Arena Fund" (and accounts and subaccounts associated therewith) (collectively, "Arena Revenue Account") into which the City and County will deposit any Arena Tax Revenues (except those Arena Tax Revenues that are required to be deposited in the SODO Transportation Infrastructure Fund prior to the Transfer Date) plus Base Rent and Additional Rent payments received by the City and County.

(iv) **City-County Capital Account.** On an annual basis, after payment of the Annual Reimbursement Amount has been made and only to the extent of any excess Arena Tax Revenue, the City and County will deposit the first \$2 million of such excess into a separate account ("City-County Capital Account") to be used for Major Capital Projects, as defined in Section 14. The City-County Capital Account shall at all times be the property of the City and County, subject to use and application thereof as provided in this MOU and the applicable Transaction Documents. Any Arena Tax Revenues received annually in excess of such first \$2 million will either be used by the City and County to redeem or defease outstanding principal of the Public Financing, or will be deposited by the City and County into the City-County Capital Account; provided however, if, at any time during the first ten (10) years of the Arena Lease, the City-County Capital Account has a balance of \$10 million, no additional deposits will be made into the City-County Capital Account. After the tenth (10th) year of the Arena Lease, the allowed balance of the City-County Capital Account will increase by \$2 million annually, until the fifteenth (15th) year, and thereafter the maximum balance of the City-County Capital Account will be \$20 million. At such time as all outstanding principal of the Public Financing has been fully retired or defeased, the above caps will no longer apply and, until the end of the initial term of the Arena Use Agreement, any excess Arena Tax Revenues will thereafter be deposited into the City-County Capital Account, which will be used and applied in the manner provided for in this MOU and the applicable Transaction Documents. Upon expiration of the initial term of the Arena Use Agreement (not including any extensions that may be exercised by ArenaCo), any funds remaining in the City-County Capital Account will be retained by the City and County to be used for any purpose of their choice. The deposits described in this Section will not in any way limit ArenaCo's obligation to make its annual payment into the Capital Account and to make all capital repairs, replacements and improvements to the Arena as required in this MOU.

(v) **Termination.** Following the defeasance or redemption of all bonds or certificates of participation issued as part of the Public Financing, the City and County will notify ArenaCo that it may withdraw all amounts remaining in the Reserve Account not otherwise required to satisfy ArenaCo's obligations under the Arena Use Agreement. From and after the date the Arena Use Agreement (including any extensions exercised by ArenaCo or its designees or approved successors or assigns) is terminated, the City and County may withdraw all amounts remaining in the City-County Capital Account.

#### 14. Capital Improvements.

a. **Capital Account.** ArenaCo will be required to make two equal semi-annual cash deposits of \$1 Million each (for a total of \$2 Million in annual deposits) into an account ("Capital Account") in an amount equal to \$2 million annually ("Capital Account Requirement"). Funds in the Capital Account shall be used to make capital repairs, replacements or improvements to the Arena in accordance with this Section 14. The initial Capital Account deposit will be made on the first anniversary of the Commencement Date and payments will be made semi-annually thereafter on the dates that Base Rent and Additional Rent are due.

b. **Capital Improvements.** Except as set forth herein, ArenaCo will, at its sole cost and expense, make all Capital Expenditures relating to the Arena or its use. "Capital Expenditures" means the purchase, installation, improvement, repair or replacement of items or systems in the Arena Facility and Arena Tenant Improvements with a life expectancy of at least three years, at a cost of five thousand dollars (\$5,000.00) per item or system, including labor costs, and that are necessary or appropriate to maintain the Arena throughout the term of the Arena Use Agreement in good repair in accordance with the Schematic Design Package, Design Standards and Operating Standards (as defined below) or which may be required by applicable law, including but not limited to, all capital improvements necessary to maintain the structural integrity of the Arena.

c. **Procedure for Making and Approving Capital Improvements and Maintenance Inspections.** ArenaCo will, on an annual basis, prepare a proposed five-year capital budget ("Five-Year CIP") for anticipated Capital Expenditures and Major Capital Projects, as defined below, to be funded by the Capital Account and the City-County Capital Account; provided, however, that nothing herein shall relieve ArenaCo of its obligations set forth in Section 14.b above, regardless of whether a Capital Expenditure is contemplated by the Five-Year CIP. Within sixty (60) days of the submission, the City and County will either accept the Five-Year CIP in totality, or provide ArenaCo with written notice of any line-items it reasonably believes are not prudent or do not meet the definition of Capital Expenditures or Major Capital Projects, with the undisputed line-items becoming the prevailing Five-Year CIP while any such disputed line-items are being resolved by the Parties as hereinafter provided. The Parties will undertake best efforts to come to a mutually acceptable agreement on the Five-Year CIP within sixty (60) days thereafter, and if the Parties are unable to reach an agreement within said 60-day period, then the issue will be submitted to the dispute resolution provisions of this MOU. In addition, the Parties will develop a procedure for periodic joint inspections and a schedule of major maintenance activities which shall be prepared or reviewed by professionals knowledgeable about life-cycle cost analysis for comparable public facilities. This procedure will include (i) the right of the City-County Representative to receive material non-privileged information regarding major capital improvements during the progress of any major capital improvement projects, and (ii) the right of the City and County to enter upon the Arena for the purposes of performing inspections of the Arena and Tenant Improvements. An ArenaCo representative will, at the request of the City and County, accompany the City and County Representative on the inspections. Within 30 days after such inspection, the City and County may provide ArenaCo with a list of Capital Expenditures, including Major Capital Projects that the City-County Representative reasonably determines are necessary to maintain the Arena and Tenant Improvements in accordance with the Operating Standards: provided that any such Major

Capital Projects undertaken by ArenaCo pursuant to the request of the City-County Representative, may be funded from the City-County Capital Account notwithstanding any other provisions of this MOU. If ArenaCo disputes the City-County Representative's determination, the ArenaCo representative and the City-County Representative will promptly meet to attempt to resolve the dispute. If they fail to resolve the dispute, the parties will attempt to mediate the dispute. If the parties fail to resolve the dispute through mediation, the Parties will submit their dispute the dispute resolution provisions of this MOU.

**d. Capital Account Availability.** Upon Payment Default, the Capital Account will be available as additional security to the City and County to meet the payment obligations under the Public Financing. ArenaCo may draw on the Capital Account to make any Capital Expenditures including Major Capital Projects consistent with the Five-Year CIP and to fund any other Capital Expenditures. Subject to the rights of ArenaCo under the Arena Use Agreement, all such Capital Expenditures and Major Capital Projects will become the property of the City and County upon completion unless such repairs, replacements or improvements are Tenant Improvements and owned by ArenaCo or the NBA Team or the NHL Team.

**e. City-County Capital Account Availability.** Provided there is no Payment Default, and subject to any other mutually agreed-upon expenditures to be paid from funds in the City-County Capital Account that are covered in any Five-Year CIP, the first \$2 million in any funds deposited on an annual basis in the City-County Capital Account may be utilized by ArenaCo for the purposes specifically provided for in this MOU, including for routine and any other maintenance and repairs performed by ArenaCo to the Arena Facility or to the City and County owned Arena Tenant Improvements and for other capital repairs, replacements and improvements to the Arena and the Tenant Improvements. If ArenaCo uses the City-County Capital Account for routine and other maintenance and repairs, ArenaCo will make a deposit of an equal amount into the Capital Account, with such funds to be used periodically by ArenaCo only for Major Capital Projects. Other funds deposited in the City-County Capital Account on an annual basis shall only be utilized for major repairs to base systems and other major improvements (e.g., major repairs to the (i) roof, (ii) HVAC system, (iii) primary sound system, (iv) primary lighting system, (v) ice sheet refrigeration system, (vi) primary scoreboards, (vii) plumbing improvements and replacements, and (viii) primary electrical systems) ("Major Capital Projects"). Any City and County-owned Capital Expenditures and Major Capital Projects are subject to the rights of ArenaCo under the Arena Use Agreement. Notwithstanding the foregoing and in the event of a Payment Default, the City and County may, at their discretion, use any money in the City-County Capital Account for the payment, redemption or defeasance of the Public Financing.

## **15. Management, Operations and Use.**

**a. Operating Expenses.** ArenaCo will control and will be solely responsible for all day-to-day operations, expenses, and costs for routine maintenance of and repairs to the Arena ("Arena Operating Expenses") to maintain it to a standard comparable to three mutually agreed upon professional basketball and ice hockey arenas suitable for NBA and NHL teams and recently constructed, serving as the home facility for NHL and NBA Teams or under construction ("Operating Standards"). The City and County will have no responsibility for any Arena Operating Expenses (except for incremental out-of-pocket expenses associated with City-

County Events). ArenaCo shall at all times maintain at least three times (3.0x) the average monthly Arena Operating Expenses in an Operations and Maintenance Fund to be maintained by ArenaCo and its lenders.

(i) **Arena Operating Expenses.** Arena Operating Expenses means all expenses or obligations, as determined on a cash basis, of whatever kind or nature made or incurred by ArenaCo or any third-party management company that may be engaged by ArenaCo, within the scope of ArenaCo's authority or responsibility under this MOU or the Transaction Documents for the management, operation or maintenance of the Arena, including, but not limited to, all reasonable costs of the City and County related to the City-County Representative and ArenaCo's expenses (to the extent not duplicative of other expenses enumerated herein); all payments to be made by ArenaCo or its affiliates under the terms of this MOU, the Umbrella Agreement or the Transaction Documents, including but not limited to: rent payments; Impositions (as defined below); expenses related to parking areas (if applicable); box office expenses for third-party events; all expenses incurred to obtain Arena Revenues (pro-rated where appropriate to reflect an appropriate allocation of revenues between ArenaCo and either the NBA Team or NHL Team); salaries, wages and benefits of personnel working at the Arena including personnel employed by ArenaCo or through its affiliates or service contractors; human resource support services and training and development expenses; contract labor expenses; maintenance and repairs; utilities; deposits for utilities; telephone expenses; management fees paid to any third-party management company; expenses incurred under use or license agreements with licensees or other users of the Arena; telescreen, video and/or scoreboard operation expenses, dues, memberships and subscriptions; security expenses; police, fire, emergency services and other public safety expenses related to the Arena (the estimate and pro ration of which in the event of multiple venue events shall be set forth in the Transaction Documents or as otherwise mutually agreed upon by the Parties); other event-handling activities at the Arena; all expenses payable by ArenaCo under any license agreements with the NBA and NHL teams; audit fees; legal fees; other professional fees; fees payable to concessionaires or other subcontractors; refuse removal expenses; cleaning expenses; taxes (but excluding any taxes, fees or charges ArenaCo may be obligated to collect and submit to a taxing or other government authority on behalf of others); building maintenance supplies; ticket commissions for third-party events; insurance premiums; data processing expenses; advertising expenses relating to Arena advertising and sponsorships; maintenance of advertising and signage relating to all permanent advertising, sponsorships and naming rights; marketing; public relations expenses; expenses and losses (to the extent not duplicative of other expenses enumerated herein) incurred in the production and promotion of events at the Arena; pest control; office supplies; employment fees; freight and delivery expenses; expenses for leasing of equipment; credit and debit facilities and telecheck fees and expenses; Arena-related travel, lodging and related out-of-pocket expenses for officers and directors of ArenaCo or an affiliate; and all damages, losses or expenses incurred by the ArenaCo, its affiliates or any third-party management company as the result of any and all claims, demands, suits, causes of action, proceedings, judgments and liabilities, including reasonable attorneys' fees incurred in litigation or otherwise, assessed, incurred or sustained by or against any of them (to the extent not covered by insurance proceeds actually received). Operating Expenses do not include any payments to third party lenders.

(ii) **Impositions.** As used herein, the term "Impositions" means (without duplication of any expense set forth above) all governmental assessments, franchise

fees, excises, license and permit fees, levies, charges and taxes, general and special, ordinary and extraordinary, of every kind and nature whatsoever which at any time may be assessed, levied, confirmed, imposed upon, or grow or become due and payable out of or in respect of, or become a lien on: (a) all or any part of the Arena; (b) any payments received by ArenaCo or its affiliates from any holders of a leasehold interest or license in or to the Arena, from ticketholders (including, without limitation, suite licensees and premium seat ticketholders) attending events at the Arena; or (c) the transactions contemplated hereby or any agreement or document to which ArenaCo or its affiliates are a party which creates or transfers rights with respect to all or part of the Arena.

**b. Operations.** ArenaCo will operate and manage the Arena in accordance with the Operating Standards, as they may change from time to time by the mutual agreement of the Parties. ArenaCo will not enter into any multi-year contracts or grant any rights with respect to the operation of the Arena that would extend beyond ArenaCo's occupancy under the Arena Use Agreement unless such agreements contain provisions reasonably acceptable to the City and County regarding assignment or termination to be set forth in the Transaction Documents. ArenaCo will provide the City and County with a copy of any such contract. Failure of ArenaCo to operate and manage the Arena in accordance with the Operating Standards or to pay Arena Operating Expenses shall be a default under the Arena Use Agreement and, in addition to other remedies, and subject to reasonable notice and cure provisions mutually agreed upon by the parties, shall entitle the City and County to replace ArenaCo as the operator and manager of the Arena; provided, however, that in the event that ArenaCo disagrees with the City and County that such a default under the Arena Use Agreement has occurred, then such dispute will be submitted and resolved by the parties in accordance with the dispute resolution provisions specified in this MOU. Inspections relating to maintenance of the Arena are permitted as provided in Section 14.c.

**c. City-County Events.** The City and County will be permitted to use the Arena or portions thereof to host no fewer than 12 events per year that do not conflict with previously scheduled events or hold dates ("City-County Events"). The City and County will have the right to schedule City-County Events in advance based on Arena availability. For City-County Events, the City and/or County will (i) pay no rent or use or license fees, and (ii) be required to pay only the incremental operating costs incurred by ArenaCo with respect to such City-County Events and any applicable taxes. Incremental costs shall not include the costs of foregoing alternative events or attributed overhead operational costs.

**d. Marketing.** ArenaCo will use commercially reasonable efforts to market the Arena in a manner that promotes and encourages economic development in the area.

**e. Team License and Related Agreements.** ArenaCo shall enter into license agreements, or other similar agreements, regarding the use of the Arena with the NBA Team and the NHL Team (the "Team License Agreements."). The Team License Agreements shall be subject to the approval of the City and County as being consistent with the terms of this MOU and the Transaction Documents, and shall recognize the City and the County as third-party beneficiaries. In connection with such approval right, each Team License Agreement shall provide (i) that the team shall play its preseason, regular season and playoff home games at the Arena in accordance with Section 18; (ii) that the team shall acknowledge and accept, in a

separate agreement in the form that will be one of the Transaction Documents, that the Team agrees to the non-relocation provisions in accordance with Section 18; (iii) that there is scheduling priority for the team (but if there is both an NBA Team and an NHL Team then playing in the Arena, subject to reasonable accommodation for any scheduling priority granted to either such team); (iv) for a term of at least 30 years; (v) for payment of rent; (vi) for allocation of the payment of game day expenses; (vii) for allocation of other expenses including maintenance; (viii) for an acknowledgment that ArenaCo shall retain all revenues related to naming rights, Arena founding partner sponsorships and other primary sponsorships related to the Arena; (ix) that ArenaCo shall retain all revenues related to suite sales; (x) that ArenaCo shall retain all revenues not retained by or payable to the teams or leagues for other premium and club seats; (xi) for allocation of revenues from parking, concessions, merchandise, and ticket surcharges (if any); (xii) for marketing of the Arena and the teams; (xiii) for insurance; and (xiv) for indemnification, including indemnification of the City and the County.

**16. Arena Design, Development and Construction.** ArenaCo will develop, design and construct the Arena as a first-class arena as set forth in the agreed-upon Schematic Design Package and related Design Standards (all as defined below). The City and County will have reasonable ongoing input through a designated representative (the "City-County Representative") in addition to whatever regulatory design procedures and requirements apply. Within ten (10) business days after execution of the Umbrella Agreement, ArenaCo shall designate an individual who shall serve as the ArenaCo representative for the purposes of communicating with the City-County Representative and decision-making regarding any and all matters related to the construction of the Arena and its operation ("ArenaCo Representative"). The ArenaCo Representative shall have the authority to legally commit ArenaCo regarding any matter relating to Arena construction. ArenaCo will use all reasonable efforts to involve and keep the City-County Representative fully informed on a timely basis of all significant aspects and decisions for design and construction of the Arena. In order to enable the City-County Representative to attend, become informed about the status of the Project, participate in discussions and present the City's and the County's position with respect to matters being discussed, the ArenaCo Representative will schedule regular meetings of senior design and construction staff of ArenaCo and other design and construction principals to discuss major issues related to the development and construction of the Project. The City-County Representative will also be notified of weekly design meetings. The City-County Representative will be notified of the time and place of such meetings and of any special meetings held by senior ArenaCo development staff to address similar development issues. The ArenaCo Representative will also participate in such separate meetings with the City-County Representative as the City-County Representative may reasonably request with at least three (3) days' prior notice. The ArenaCo Representative will also timely provide the City-County Representative with copies of significant construction-related documents including schedule updates, meeting minutes, requests for information (RFIs), responses to the RFIs, change order proposals and design changes. The City-County Representative will be entitled to full disclosure of all material matters relating to the Project as more fully described in Section 16.1.m. below and will have the rights to specific prior review and approval as set forth in this Section 16.1.m including, without limitation, reasonable approval on the acceptability of the exterior design program. ArenaCo will fully and fairly review and make good faith efforts to address satisfactorily the City-County Representative's reasonable concerns prior to making a final decision in any matters concerning the Arena exterior design, so long as such input is timely received. However, the City-County Representative's review and recommendations, or other

actions performed by the City-County Representative as described herein, will not in any manner cause the City or the County to bear any responsibility for the design or construction of the Arena or any defects related thereto.

**a. Cost Allocation and Arena Site Repurchase Obligation.**

(i) As between ArenaCo, on the one hand, and the City and County, on the other hand, ArenaCo (a) will be solely responsible for the cost of design, permitting and construction of the Arena, including any cost overruns and any remediation of any hazardous materials on the Project Site (to the extent any such hazardous materials are required to be remediated by a state or federal agency with jurisdiction in connection with the construction of the Arena on the Project Site), and (b) will be solely responsible for any defects related thereto. Nothing herein shall create any obligations on the part of ArenaCo to any third parties. On the Closing Date, ArenaCo will furnish a payment and performance bond issued by a surety reasonably satisfactory to the City and the County naming the City and County as dual obligees in compliance with Chapter 35.42 RCW. As required by RCW 35.42.060, no part of the cost of the construction of the Arena Facility shall ever become an obligation of the City and the County under the Lease-Purchase Agreement.

(ii) In the event that the Arena Facility and the Arena Tenant Improvements are not completed as described in the Design Standards within five (5) years following funding of the First Installment to ArenaCo for a reason other than based upon the occurrence of a "Force Majeure" event (which will be defined by the Parties in the applicable Transaction Documents) or "Regulatory Changes" (as hereinafter defined), then at the written request of the City and County given to ArenaCo within 180 days following the expiration of such five (5) year period, ArenaCo and ArenaCo Parent or their designee shall repurchase and the City and County shall sell to ArenaCo and ArenaCo Parent or their designee ("Repurchase Obligation") the Project Site and any improvements thereon or thereto that have previously been made, at a purchase price equal to (a) the First Installment, plus (b) any capitalized unpaid interest or accreted value on the First Installment, less (c) any amounts previously received by the City and County that are applied to or that are required to be applied to redemption or defeasement of the principal amount of the First Installment (the "Repurchase Price"). For the purposes of this Section 16.a.(ii), Regulatory Change shall mean any new or modified law, rule, regulation, ordinance or requirement adopted and/or enforced by the City or County (or any party acting under the authority thereof) acting in its legislative, regulatory or administrative capacity, that prevents or materially impairs or restricts ArenaCo from completing the Arena Facility and the Arena Tenant Improvements within said five (5) year period. In the event of the occurrence of a "Force Majeure" event (as defined in the applicable Transaction Documents) during said five (5) year period that prevents or materially impairs or restricts the ability of ArenaCo to complete the Arena Facility and the Arena Tenant Improvements within said five (5) year period, then such five (5) year period within which ArenaCo is required to complete the Arena Facility and the Arena Tenant Improvements will be extended for an additional period of time during which such Force Majeure event continues to prevent or materially impair or restrict ArenaCo's ability to complete the Arena Facility and the Arena Tenant Improvements, and if the Arena Facility and the Arena Tenant Improvements are not completed by the end of such extended period of time, then the Repurchase Obligation will again be applicable for the 180 day period immediately following the end of such extended period of time. In the event of a

Regulatory Change within said five (5) year period, then the Repurchase Price will be adjusted downward by an amount equal to the diminution in value of the Project Site (in its then current condition) taking into consideration any negative impacts of any such Regulatory Change, as determined by an independent appraiser selected by the Parties. In the event that the Parties are unable to agree upon an independent appraiser to make such determination of such adjusted Repurchase Price, the selection of such independent appraiser will be submitted by the Parties to the dispute resolution procedures provided for in this MOU. This Repurchase Obligation shall be an obligation secured by the Personal Guaranty described in Section 13.g(ii).

**b. Design Standards.** The Arena will, among other things,

(i) conform to the size, configuration and description of the Project Site and conform to the Design Standards and Operating Standards;

(ii) enable ArenaCo to maximize returns generated within the Arena from sources including, without limitation, ticket sales, lease or license of suites and club seats, sales of food, beverages and merchandise, license of intellectual property and advertising, promotional activities and sponsorship;

(iii) be in compliance with the then applicable NBA and NHL requirement standards for arenas and be substantially similar in the quality of the design, construction and capabilities to three (3) mutually agreed upon arenas with the capability to accommodate both NBA and NHL teams, the construction or substantial remodel of which was completed after 1999; and

(iv) meet the requirements of all applicable federal and state laws and City and County codes and ordinances.

**c. Sustainability.** The Arena will be designed and constructed to comply with applicable City requirements for sustainable construction and will strive to utilize the most modern practices of sustainable design and construction available at the time of construction in accordance with ArenaCo's business interests.

**d. NBA and NHL Approvals.** ArenaCo will obtain advance acknowledgements from both the NBA and NHL indicating that the Arena has been designed in a manner sufficient to permit the NBA Team and NHL Team to play their home games at the Arena.

**e. Design Process.** ArenaCo, with ongoing input from the City-County Representative, will work with the architect to develop a "Schematic Design Package." The Schematic Design Package will conform to the Design Standards and will, at a minimum, consist of a master plan, drawings, plans and specifications and a development program in sufficient detail to describe all material design elements of the Arena. The Parties will continue this collaborative process through the preparation of design development plans and outline specifications. As part of the collaborative process, the Design Review Board and the Seattle Design Commission will coordinate their review of the Arena.

**f. City-County Design Approval.** The City-County Representative will have the right to approve the Schematic Design Package for the Arena, which approval shall not be unreasonably withheld or delayed.

**g. Construction.** ArenaCo will cause the Arena to be constructed in all material respects in accordance with the Design Standards and Schematic Design Package.

**h. Construction Decisions.** It is the intent of the Parties to cause the Arena to be constructed and open for events as soon as reasonably practicable. Consistent with the foregoing, any material deviation from the approved Design Standards or the Schematic Design Package will require the approval of the City-County Representative, which approval shall not be unreasonably withheld or delayed. Nothing in the dispute resolution provisions of the Transaction Documents will limit the City's or County's right to seek injunctive or other relief if ArenaCo fails to comply with the provisions of this Section.

**i. Contracting.** Contracts for construction of the Arena ("Arena Contracts") will be put out for bid to a group of potential contractors who have had extensive experience constructing significant sports and entertainment facilities and are otherwise acceptable to ArenaCo. Arena Contracts will provide for substantial liquidated damages in case of late completion and require payment and performance bonds in favor of ArenaCo and the City and County consistent with industry standards. The Arena Contracts will also include contingency allowances and other appropriate cost overrun and completion protections as reasonably determined by ArenaCo, it being understood that, as between ArenaCo, on the one hand, and the City and County, on the other, any cost overruns will be the sole responsibility of ArenaCo. Arena Contracts will provide for the payment of prevailing wages at the rates specified by regulation for the specific categories of work performed. The selection of and contracts with principal subcontractors, principal engineers, architects, design and other consultants and significant suppliers will be subject to review by the City-County Representative, but ArenaCo will have the final decision-making authority with respect to such matters.

**j. Other Provisions.** The Project should promote and include the racial and ethnic communities of the City of Seattle and King County. Part of this Project's economic and community contribution is to engage local minority workers and businesses who are historically disenfranchised, as well as low-income workers and businesses. All Parties agree upon the importance of effective strategies and programs to include local minority and woman workers and firms in Project design and construction, with an ongoing commitment by ArenaCo to use reasonable efforts to use such local workers in the operations and maintenance aspects of the Arena. To that end, ArenaCo commits to using the City of Seattle's Inclusion Plan as guidance for use of Women and Minority Business Enterprises (WMBEs) on the Project. This includes using specific strategies such as the use of the "Worksheet of Possibilities" that helps bidders analyze what work or supply could be subcontracted to WMBE firms, the use of the "Contract Commitment Log" that documents (i) WMBE firms the prime contractor commits to subcontract with and (ii) contract amounts awarded to WMBE firms.

**k. Insurance and Indemnification.** All contracts for the design and construction of the Arena will include typical provisions for insurance covering, among other things, errors and omissions, general liability, workers' compensation, business interruption, and

builder's risk. Upon completion of construction of the Arena and during the term of the Arena Use Agreement, ArenaCo will continuously maintain general liability insurance, and property insurance for the full replacement value of the Arena, including casualty due to earthquakes and flood, and other insurance the City and County deem reasonable and applicable to the Arena. The City and County will be additional insureds or loss payees on all insurance policies and will approve the forms and limits of liability of all policies. ArenaCo will defend, hold harmless, and indemnify the City and the County for any costs, expenses or losses arising from the design, construction and operation of the Arena.

**l. Disputes with Architects, General Contractors and Other Project Parties.** The City and County may, at the sole discretion of each, intervene and join as a party in any action at law or equity or in any arbitration between ArenaCo any one or more of the architects, and any Arena contractor, subcontractor, consultants or suppliers relating to design or construction of the Arena.

**m. Access to Information and Personnel.** In addition to the access provided to the City-County Representative as set forth in this Section, all material non-privileged written and electronic communications from or to ArenaCo will include the City-County Representative on the distribution list and will promptly be furnished to the City-County Representative. All material non-privileged documents and other information in all media generated by any of the Key Project Personnel in connection with the Project will be made available to the City-County Representative on a timely basis upon the City-County Representative's request.

**n. Labor Peace Agreement.** Following the execution of the Umbrella Agreement, ArenaCo will enter into a "labor peace agreement" providing for the matters specified in the draft agreement set forth in Exhibit A attached hereto and incorporated herein.

## **17. Key Arena.**

**a. Use of Key Arena.** Prior to completion of the Arena, any NBA and NHL franchise owned by ArenaCo or by an affiliate of or major investor in ArenaCo, or that has committed to play its home games in the Arena, will have the option to play their home games in Key Arena. During the tenancy of any such NBA or NHL teams at Key Arena, ArenaCo will cause certain improvements to be made to Key Arena, and those improvements which are of a permanent nature, which may include modernization of the telephone, data and broadcast "backbones" of the arena, as well as refurbishment and minor renovation to the event-level locker rooms and other spaces, will remain behind after the Arena is completed and opens and will become the property of the City.

**b. Key Arena Fund.** The City will establish a separate fund or account ("Key Arena Fund") to be managed by the City and used for improvements to Key Arena or to fund improvements at the new Arena, which will be determined by the City in accordance with the provisions of this Section 17.b, considering input by ArenaCo. The first \$7 million of Key Arena Taxes, as defined below, will be deposited into the Key Arena Fund and will be used and applied as provided in Section 17.a, or to fund improvements at the new Arena, as follows: (i) if the City and the existing professional team anchor tenant of the Key Arena are, within 24 months of the Effective Date, able to reach agreement on mutually agreeable terms for a long-term lease

extension for such professional team anchor tenant to continue to play its home games at the Key Arena, then the City will direct the full \$7 million in the Key Arena Fund to be utilized for improvements to the Key Arena as provided for in Section 17.a above; (ii) if no such long-term lease extension for the professional team anchor tenant to continue playing its home games at Key Arena is agreed to, but in the event that by no later than the Commencement Date, ArenaCo and such professional team anchor tenant are able to reach agreement on mutually acceptable terms for a long term lease for such professional team anchor tenant to play its home games at the new Arena containing terms that are commercially viable for both ArenaCo and such tenant, then the City will direct that \$5 million of the monies in the Key Arena Fund be used to support investments and fund improvements of the new Arena as provided for in this MOU; and (iii) if neither of the above in 17.b.(i) or 17.b.(ii) occurs, then the full \$7 million in the Key Arena Fund will be directed by the City to fund the improvements to the Key Arena as provided for in Section 17.a of this MOU. To facilitate negotiations with Key Arena's existing professional team anchor, the City anticipates concluding a feasibility assessment of operating Key Arena in its current configuration, or a configuration that would effectively serve this tenant, within 18 months of the Effective Date. After a cumulative total \$7 million of Key Arena Taxes are deposited in the Key Arena Fund, any additional Key Arena Taxes collected prior to the Transfer Date will be deposited into the SODO Transportation Infrastructure Fund. Notwithstanding the fact that certain of the funds from the Key Arena Fund may be used and applied as provided in this Section 17, the creation of the Key Arena Fund does not relieve ArenaCo of its obligations provided for under this Section 17 of the MOU.

c. **Key Arena Taxes.** "Key Arena Taxes" means the dollar amount of incremental sales tax, leasehold excise tax, and admission tax attributable to Key Arena and generated while the NBA Team and/or NHL Team is playing at Key Arena, plus City business tax revenues imposed under Chapter 5.45 SMC or any successor provision that the City has reasonably determined it received from ArenaCo and from other business activities engaged in, at or from Key Arena (including and without limitation revenues from the business activities that have a substantial nexus with the City).

**18. Non-Relocation.** ArenaCo will cause the NBA and NHL franchises committed to play home games in the Arena to enter into binding and enforceable non-relocation agreements with the City and County that will include specific performance, liquidated damages that recognize the direct and indirect damages that would be incurred by the City and by the County, including loss of financial, social and civic benefits that are derived by the City and the County from the presence of an NBA Team or an NHL Team and the playing of their respective home games in the City, and injunctive relief provisions, pursuant to which the teams will irrevocably and unconditionally commit and guarantee to be domiciled in Seattle and to play at least two (2) pre-season and all their home regular season and post-season games at the Arena for a term of at least 30 years (subject to a limited number of league-approved neutral site games and other agreed upon customary exceptions). The non-relocation agreements will contain terms that require the NBA and NHL franchises to maintain their NBA or NHL membership in good standing during the term of the Arena Use Agreement. Under those non-relocation agreements, the NBA and NHL teams will not relocate from the City of Seattle, will not apply to the NBA or the NHL to transfer to another location outside of the City of Seattle, will not enter into or participate in any negotiations or discussions with, or apply for, or seek approval from, third-parties with respect to any agreement, legislation or financing that contemplates or would be

reasonably likely to result in any breach of the non-relocation agreement, and will have no right to terminate the non-relocation agreement during the term of the agreement, in each case except as provided in the definitive non-relocation agreement. The non-relocation agreements will expressly provide that specific performance requiring the NBA franchise and the NHL franchise to play pre-season, regular season and post-season games at the Arena is an appropriate remedy for breach.

**19. Governing Law.** This MOU is, and the Umbrella Agreement and the Transaction Documents will be, governed by the laws of the State of Washington. Venue for any action under the Transaction Documents, including any bankruptcy proceeding, will be in King County, Washington. The terms of this MOU are not intended to establish or to create any rights in any persons or entities other than the Parties and the respective approved successors or assigns of each of the Parties.

**20. Tax Matters.** The Parties will mutually endeavor to preserve and/or maximize, as applicable, the tax benefits accruing to each of them. Specifically, the federal tax benefits for ArenaCo and the state and local tax benefits to the City and the County will be maximized to the extent permitted by law. The structure of the transactions as set forth herein may be modified in a manner that results in more positive tax effects to the Parties.

**21. Scheduling Coordination.** ArenaCo will coordinate with the Seattle Mariners, the Seattle Sounders and the Seattle Seahawks, as well as the Washington State Public Stadium Authority (CenturyLink Field) and the Washington-King County Stadium Authority (Safeco Field), to minimize the number of conflicting and overlapping events held at the existing stadiums and the proposed Arena. The Transaction Documents will include specific provisions limiting the number and duration of such conflicts and providing for City oversight and enforcement of these provisions.

**22. City Commitments.**

a. **Key Arena.** During the 12 months following approval of the MOU, the City will lead a planning process to evaluate options for the future of Key Arena or the Key Arena site. The process will draw upon input from the Seattle Center Advisory Commission, professionals from the real estate and entertainment fields, local stakeholders, and others with relevant expertise and interest. The goal of this process will be to identify an option(s) that is financially sustainable and that significantly contributes to the vitality of Seattle Center. As part of this process, the City will consider the interests of Key Arena's current tenants and their role in ensuring the future success of Key Arena and the Key Arena site and the new Arena. As provided in Section 3.b of this MOU, the reasonable costs incurred by the City to assess the future of uses of Key Arena or the Key Arena site up to a maximum of \$150,000 will represent a reimbursable Development Cost. At least \$2 million of deposits in the Key Arena Fund will be reserved to implement the results of this study.

b. **Land-use protections for Port and Industrial Areas.** With participation of stakeholders in the Greater Duwamish Manufacturing and Industrial Center ("MIC")/SODO area, including representatives from all the sports facilities, Pioneer Square and the

Chinatown/International District, the Port of Seattle, the County, the Manufacturing Industrial Council and other MIC manufacturing, industrial, freight and shipping businesses, the City will undertake the following planning and land use study intended to develop new land use mechanisms to maximize the economic viability of the MIC, and civic vitality of the Stadium Transition Area Overlay District. These efforts will be coordinated with the transportation planning efforts and investments related to the SODO Transportation Infrastructure Fund.

(i) **MIC Policy and Land Use Study.** Evaluate the necessary policies, land uses, and zoning mechanisms, such as a Port Overlay District, to protect maritime and industrial uses and reinforce the role of the MIC as a manufacturing and industrial sanctuary. Industrial zoned land is a vital economic asset and industrial businesses located there are critical to the city's and region's overall economic health and global competitiveness, and contribute significantly to Seattle's family-wage job base and the economy. The planning effort ("MIC Policy and Land Use Study") will build on the City's Comprehensive Plan policies and goals for the MIC and the Container Port Element, the MIC Neighborhood Plan, as well as the Port of Seattle's Century Agenda. The objectives of this planning effort are to strengthen the long-term viability of the MIC, protect industrial uses and Port operations, such as at Terminal 46, outside of the Stadium Transition Area Overlay District from encroachment and conversion to non-industrial uses, reinforce the MIC as an industrial sanctuary, and coordinate with the Seattle Industrial Areas Freight Access Project that is scheduled to begin in January 2013.

(ii) Reevaluate the effectiveness of the Stadium Transition Area Overlay District and the City's Comprehensive Plan policies and goals for this area, particularly in light of the removal of the Alaskan Way Viaduct and other recent transportation improvements, the Central Waterfront Plan, and the Stadium District Concept Plan. Consider policy and regulatory changes that would better orient the District to the needs and experience of stadium patrons, improve pedestrian connections to and from the stadiums, and produce a pedestrian-friendly streetscape compatible with Pioneer Square, while recognizing the importance of preserving industrial uses outside of the District.

(iii) The MIC Policy and Land Use Study shall include recommendations to the City Council and Mayor for new land use regulatory changes to implement the goals and purposes of this Section and shall be completed no later than December 31, 2014.

### **23. Additional Provisions.**

a. **Naming Rights.** ArenaCo will have the right to designate the name of the Arena, subject to approval by the City-County Representative as hereinafter provided, and to name other areas of within the Arena. The City-County Representative will not withhold his or her approval of any name of the Arena, so long as it does not, in the City-County Representative's reasonable judgment, violate the standards of good taste existing in the Seattle-King County area and will not otherwise be an embarrassment to the City or County. Unless the City and County agree otherwise, which agreement will not be unreasonably withheld, the name given to the Arena will not include reference to any state, local or other municipality name unless such reference is to "Seattle" or "King County."

**b. Team Name.** Subject to NBA approval and applicable rules, regulations, requirements and agreements of the NBA, ArenaCo or an affiliate of ArenaCo shall use its best efforts to acquire from the current owner thereof the "Seattle Sonics / SuperSonics" name, trademarks, memorabilia (banners, trophies and retired jerseys), and the right to use and refer to the history of the "Seattle SuperSonics" (as those rights are more thoroughly described below), and any NBA Team domiciled in Seattle, Washington and operated by ArenaCo or an affiliate of ArenaCo that owns such NBA team will use the name "Seattle SuperSonics." The City will use its best efforts to assist ArenaCo or an affiliate of ArenaCo that owns such NBA Team to: (i) acquire the unrestricted rights to use the name trademarks, any logos, symbols, designs, trade dress (including, but not limited to, team colors) or other indicia associated with the Seattle SuperSonics/SuperSonics for purposes of identifying such NBA Team, and (ii) obtain the right to use and refer to the Seattle SuperSonics history (e.g., statistics, player histories and records) from prior NBA seasons during which the NBA Team formerly known as the Seattle SuperSonics played their NBA home games in Seattle, and (iii) obtain a transfer of the trophies, banners, and retired jerseys and other related memorabilia from the current owner thereof. Subject to NBA approval and applicable rules, regulations, requirements and agreements of the NBA, and subject to ArenaCo or an affiliate of ArenaCo having successfully obtained the rights to the "Seattle Sonics / SuperSonics" name, trademarks, memorabilia (banners, trophies and retired jerseys), and the right to use and refer to the history of the "Seattle SuperSonics" as provided above, and provided further that the City and County are not in breach of the Arena Use Agreement or any of their other material obligations to ArenaCo under the Transaction Documents, if the NBA team domiciled in Seattle and operated by ArenaCo or an affiliate of ArenaCo that owns such rights ever relocates to a City other than Seattle, then ArenaCo or such affiliate of ArenaCo that operates such NBA team shall transfer all rights to the name, trademarks, memorabilia and right to use and reference the history related to the "Seattle SuperSonics" to the City, and further, subject to NBA approval and the applicable rules, regulations, requirements and agreements of the NBA this transfer requirement shall apply to any new name, trademarks, memorabilia or right to use and refer to the history of such NBA team if such NBA team domiciled in Seattle ever adopts a new name with the approval of the City and County or otherwise, and thereafter relocates to a City other than Seattle. When appropriate, ArenaCo or an affiliate will prominently include "Seattle" as part of the team name in public references for marketing, advertising, promotional and other business purposes, subject to the requirements and restrictions of the NBA; provided, however, that it is understood and agreed that the names "SuperSonics" and "Sonics" may be used without the name "Seattle" to market, advertise and promote the team and for other business purposes when deemed appropriate by ArenaCo or an affiliate of ArenaCo that owns the NBA Team.

**c. Arena Agreements.** The Umbrella Agreement and the Transaction Documents associated with design, development, construction, operation, and maintenance of the Arena will contain such other provisions, representations, warranties, covenants and indemnities as the Parties may agree or as are customarily included in similar documents related to the lease, design, development, construction, operation, and maintenance of NBA and NHL arenas in the United States or of other major public facilities within the City of Seattle. The Umbrella Agreement and the Transaction Documents will not be assignable without the written consent of all Parties, which consent will not be unreasonably withheld, hindered or delayed; provided, however, that the City and County agree that ArenaCo may assign the Transaction Documents: (i) to an affiliate or subsidiary of ArenaCo that is owned or controlled by ArenaCo or ArenaCo's

majority or controlling owners, or (ii) in connection with a sale, transfer or assignment by ArenaCo or such affiliate or subsidiary of a controlling interest in ArenaCo or such an affiliate or subsidiary, or a transfer by ArenaCo or such an affiliate or subsidiary of substantially all of the assets of ArenaCo if (x) the purchaser, transferee or assignee assumes all obligations and liabilities of ArenaCo, or its assignee, under the Transaction Documents, including provision of a guaranty satisfying the requirements of Section 13.g(ii), (y) ArenaCo demonstrates to the reasonable satisfaction of the City and County that such purchaser, transferee or assignee has sufficient financial capability to meet all such obligations and liabilities of ArenaCo and its affiliates under the applicable Transaction Documents, and (z) the purchaser, transferee or assignee together with the individual persons that own, directly or indirectly, such purchaser, transferee or assignee, are of a moral character reasonably acceptable to the City and County.

**d. Seattle Domicile.** ArenaCo and any affiliate entity of ArenaCo that owns the NBA Team or the NHL Team will be domiciled in Seattle, Washington, and will maintain their headquarters, offices and substantially all of their employees in Seattle, Washington.

**e. Review of ArenaCo Financial Information.** In addition to the condition precedent set forth in Section 24.a and during the term of the Arena Use Agreement, the City and County will have the right to review all relevant financial records of ArenaCo relating to the ability of ArenaCo to carry out any of its financial obligations under this MOU, the Arena Use Agreement and the Transaction Documents, and of ArenaCo Parent relating to the ability of ArenaCo Parent to carry out any of its financial obligations under this MOU, the Arena Use Agreement and the Transaction Documents, provided that disclosure of such financial records is not otherwise prohibited or restricted by contractual obligations or applicable laws, or the rules, regulations or policies of the NBA or NHL, and only if a statutory exemption for such financial records is available under chap. 42.56 RCW (the Public Records Act), and if such an exemption under chap. 42.56 RCW (the Public Records Act) is not available or disclosure is prevented by contractual obligations or applicable laws, or the rules, regulations, or policies of the NBA or NHL, ArenaCo and ArenaCo Parent shall provide, to the satisfaction of the City and County, an alternative and reliable means by which the City and County can assess the ability of ArenaCo and ArenaCo Parent to carry out their financial obligations under the Arena Use Agreement, this MOU and the Transaction Documents. Any direct reasonable and necessary costs actually incurred by the City and County completing any such financial review will be reimbursed by ArenaCo.

**f. Community Benefit Agreement.** Prior to the Closing Date, ArenaCo shall enter into a Community Benefit Agreement ("CBA") with appropriate community organizations to foster equity and social justice and provide benefit to the communities that will be affected by the Arena, including for example Pioneer Square, and the Chinatown/International District. ArenaCo shall communicate with a variety of community organizations, community members and the City and County to identify the appropriate issues to be addressed by the CBA, which may include economic development, employment opportunities with living wages, job training and apprenticeships, transportation and parking, community amenities, and public safety, as they relate to the Arena and its operations. The CBA shall also provide the structure for meaningful ongoing community dialog and partnership with ArenaCo once the Arena is operational, including annual reporting on fulfillment of mitigating measures.

(i) **Community Involvement.** ArenaCo is committed to having the NBA franchise that will play home games in the Arena maintain a strong presence in the community, as professional sports franchises can have a positive impact on youth. As a regional asset, the NBA franchise will work to establish partnerships with organizations throughout King County that serve youth and underserved communities, particularly in areas where Public Health-Seattle & King County have identified health and education disparities. The NBA franchise will establish partnerships with the goal of contributing to the future success and health of youth with initiatives such as scholarship funds, afterschool programs, youth mentorship and improved basketball facilities in the region to increase opportunities to play and learn the game of basketball.

(ii) **Access and Affordability.** A successful NBA franchise is one that enables people from all communities and all income levels to attend games. ArenaCo is committed to making tickets to NBA games affordable to middle and low income individuals and families. To demonstrate this, the NBA franchise will go beyond the league standard for providing affordable tickets (current standard is an average of 500 tickets per game at \$10 or less), by offering an average of 500 tickets per game at \$10 or less plus an additional average of 1,000 tickets per game at \$20 or less for a total of 1,500 tickets at reduced prices and increased annually by CPI.

**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, 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.

**h. WNBA Team.** The Parties hereby affirm the value and importance of maintaining the presence of a Women's National Basketball Association (WNBA) team in the Seattle region. The current WNBA team is the Seattle Storm. The Parties shall use reasonable efforts to support the Seattle Storm or any successor WNBA team operating in Seattle at either the Arena or Key Arena.

**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:

**a. Financing and Delivery of Initial Deposit to Reserve Account.** Before the Umbrella Agreement and Transaction Documents may be authorized as described in Section 24.e below, (i) ArenaCo has arranged for all financing or other funding necessary to fully finance or fund the Project; and (ii) the City and County and their respective councils reasonably determine they are satisfied that ArenaCo and its investors have the resources to meet their financial obligations under this MOU and the applicable Transaction Documents. Before the City and County commit Public Financing, ArenaCo shall have arranged for delivery of the required initial deposit into the Reserve Account. The City and County, or a third party selected by the City and County, will be provided with access to all relevant information and documentation provided to ArenaCo third party lenders to enable the City and County to make the determinations specified in Sections 24.a.(i) and 24.a.(ii) above, unless and to the extent that any such relevant information and documentation cannot be protected by a statutory exemption for such information and documentation under chap. 42.56 RCW (the Public Records Act), or unless and to the extent that the access to such information and documentation is otherwise prohibited or restricted by contractual obligations imposed by third parties, or by applicable laws, or the rules, regulations or policies of the NBA or NHL, in which case ArenaCo and ArenaCo Parent will provide, to the reasonable satisfaction of the City and County, alternative and reasonably reliable means by which the City and County can make the determinations specified in Sections 24.a.(i) and 24.a.(ii) above.

**b. SEPA and Permitting.** Before the Umbrella Agreement and Transaction Documents may be authorized as described in Section 24.e below, (i) SEPA review associated with any City or County actions as described in Section 5 of this MOU has been completed through issuance of a Final Environmental Impact Statement; (ii) the master use permit and all other permits required for construction of the Project have been obtained; (iii) the City and County and their respective councils have considered the SEPA review in connection with their respective actions and have determined whether it is appropriate to proceed with or without additional or revised conditions based on the SEPA review; and (iv) any challenges to the Project have been resolved in a manner reasonably acceptable to the Parties.

**c. Due Diligence for Site Acquisition.** The City and County shall have determined, in their reasonable discretion, that the condition of title to, and the environmental condition of, the Property is suitable for acquisition and subsequent development for the Arena Facility consistent with this MOU. The City and County shall complete their review and determination no later than 150 calendar days after the Effective Date, or such other date as may be mutually agreed upon by the Parties. The City-County Representative may give written notice on or prior to 150 calendar days after the Effective Date or such mutually agreed upon date that the condition of title to or the environmental condition of the Property are not suitable for acquisition and subsequent development for the Arena Facility consistent with this MOU, specifying the reasons therefore, in which case, unless the Parties otherwise mutually agree in good faith upon a reasonably satisfactory method for ArenaCo to resolve the City's and County's objections to the condition of title to and environmental condition of the Property, this MOU shall terminate. No later than ten days after the Effective Date, ArenaCo shall provide the City-County Representative with copies of all documents in the possession of ArenaCo that relate to the condition of the Property, including a preliminary commitment for title insurance and any documents relating to the environmental condition of the Property, but excluding any documents that are privileged or proprietary. Such documents shall be provided without warranty. ArenaCo shall also provide the City-County Representative, and other designated employees and consultants of City and County as may be reasonably requested by the City-County Representative, with access to the Property for purposes of conducting due diligence review provided for in this Section 24.c, subject to any required consents from current owners and occupants and subject to the City's and County's agreement to indemnify ArenaCo for any costs or damages arising in connection with or relating to such entry ("Right of Entry Agreement"). Such entry and such due diligence testing or investigations to be conducted as provided for in this Section 24.c, shall also be subject to the further terms and conditions of such Right of Entry Agreement. If any land is acquired or proposed to be acquired and added to the Project Site after the Effective Date for which ArenaCo has not previously provided the City and County with the documents and access described above for the purposes of enabling the City and County to determine that the condition of title to, and the environmental condition of such additional property is suitable for acquisition and subsequent development of the Arena Facility consistent with this MOU, then the City and County will have up to an additional one-hundred fifty (150) days after receiving written notice of such acquisition or proposed acquisition from ArenaCo and after receiving such documents and access to complete due diligence review of such additional land consistent with this Section.

**d. NBA Team, Use Agreement, Non-Relocation Agreement and Community Benefits Agreement.** ArenaCo or a third party under contract with ArenaCo has secured (i)

ownership rights to an NBA franchise and (ii) subject to NBA approval and applicable rules, regulations, requirements and agreements of the NBA, the rights to the "Sonics" name, trademarks, memorabilia and right to use and refer to the history or has used its best efforts to do so, as provided for and described in Section 23.b of this MOU; and that NBA franchise and the Parties have entered into a non-relocation agreement as described in Section 18; and that the Parties and the appropriate community organizations have entered into the Community Benefit Agreement described in Section 23.f; and that the NBA has acknowledged the Arena Use Agreement, the NBA has approved locating the NBA Team in Seattle and the NBA has acknowledged the non-relocation agreement; and that ArenaCo has entered into a Team License Agreement with the NBA Team as required by and consistent with Section 15.e.

**e. Document Approval.** The Umbrella Agreement and the Transaction Documents have been negotiated and the City and County are authorized by their councils to execute the documents.

**f. Material Adverse Conditions.** As of the date of this MOU, the Parties acknowledge that the City and County have sufficient debt capacity and access to financial markets to meet their obligations under this MOU. However, in the case of a natural disaster, a significant change in state or federal law, or a substantive change in financial markets or conditions such that the City and County are unable to issue debt on reasonable terms consistent with Section 10 and the Parties are unable to agree in good faith on viable alternatives, the Public Financing will not occur and the City and County will not be required to make any further financial investment or to provide for the payments to ArenaCo under Section 10 or otherwise.

**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.

**25. ArenaCo Conditions Precedent.** The obligations of ArenaCo under this MOU are expressly conditioned on the following conditions precedent:

**a. Permitting.** All permits necessary for construction, use and operation of the Arena, and all parking and other facilities accessory to the Arena, shall have been issued and shall be in form and substance satisfactory to ArenaCo in its sole discretion, and the costs and expenses required to remediate any hazardous materials or conditions in connection with the design and construction of the Arena Facility that ArenaCo is required to remediate as provided in Section 16.a are reasonably acceptable to ArenaCo.

**b. Financing.** ArenaCo shall have obtained financing in an amount adequate to construct the Arena and upon rates, terms and conditions satisfactory to ArenaCo in its sole discretion. In connection therewith the Parties understand that ArenaCo may be required by its lenders to request an amendment to the terms hereof in order to facilitate such financing. The City and County shall consider such request, but any amendments hereto shall be (i) in the sole

and absolute discretion of each of the City and the County and (ii) subject to all required approvals of each of the City and the County.

**26. City and County Cooperation.** The City and County may elect to apportion between themselves any of the rights or obligations described herein as rights or obligations of both the City and County, including that the City and the County may elect to apportion all of their rights and obligations to the City. At the option of the City and County, any right obtained by one of them in a contract with ArenaCo, under any of the Transaction Documents may be conferred on the other as a third-party beneficiary. As to any Key Arena issue addressed by the MOU, the Umbrella Agreement or the Transaction Documents, such agreement is only between ArenaCo and the City, and the County shall have no rights or obligations with regard to such agreement.

**27. Counterparts.** This MOU may be executed in one or more counterparts, each of which will be deemed an original, but all of which, when taken together, will constitute one and the same instrument.

**28. Dispute Resolution.**

a. In the event any dispute, disagreement, claim or controversy arises between the Parties concerning this Agreement or any of the provisions hereof (each, a "Disputed Matter"), the City-County Representative and the ArenaCo Representative will meet and attempt to resolve the Disputed Matter through negotiations, except as provided in Section 16.h. If the representatives are unable to reach agreement, the Disputed Matter shall be referred jointly to the City's Director of Finance and ArenaCo's chief executive officer. If such executives do not agree upon a decision, then the City's Mayor, the County Executive and ArenaCo's owners or managing members shall meet and attempt to resolve the matter. If such individuals are unable to resolve the Disputed Matter within ten (10) days, then either the City and County, collectively, or ArenaCo may, upon written notice, submit the matter to mediation.

b. Either party may commence mediation by providing to the other party a written request for mediation, setting forth the subject of the Disputed Matter and the relief requested. The parties will cooperate with one another in selecting a mediator and in scheduling the mediation proceedings. Following compliance with the provisions of Section 28.a, the parties each covenant that they will participate in the mediation in good faith, and that they will share equally in the costs of such mediation. Either party may seek equitable relief prior to the mediation to preserve the status quo pending the completion of that process. Except for such an action to obtain equitable relief, neither party may commence a civil action with respect to any Disputed Matter submitted to mediation until after the completion of the initial mediation session provided for in this Section 28.b, or 45 days after the date of filing the written request for mediation, whichever occurs first. Mediation may continue after the commencement of a civil action, if the parties so desire.

**29. Oral Agreements and Commitments.** The Parties acknowledge that oral agreements or oral commitments to lend money, extend credit, or forbear from enforcing repayment of a debt are not enforceable under Washington law.

**30. Notice Provisions.** All notices provided for herein may be delivered in person, sent by Federal Express or other overnight courier service or mailed in the United States mail postage prepaid and, if mailed, shall be considered delivered three (3) business days after deposit in such mail. The addresses to be used in connection with such correspondence and notices are the following, or such other address as a Party shall from time to time direct:

City: City of Seattle, Mayor's Office  
City Hall  
Attn: Chief of Staff  
600 Fourth Avenue, 7<sup>th</sup> Floor  
PO Box 94749  
Seattle, WA 98124-4947

Copies to: City of Seattle, City Attorney's Office  
City Hall  
Attn: Civil Chief  
600 Fourth Avenue, 4<sup>th</sup> Floor  
P.O. Box 94769  
Seattle, WA 98124-4769

Copies to: City of Seattle Council  
City Hall  
Attn: Council President  
600 Fourth Avenue, 2<sup>nd</sup> Floor  
P.O. Box 34025  
Seattle, WA 98124-4024

County: King County Executive  
Attn: Chief of Staff  
King County Chinook Building  
401 Fifth Avenue, Suite 800  
Seattle, WA 98104

Copies to: King County Prosecuting Attorney's Office  
Civil Division  
Attn: Chief Civil Deputy  
King County Courthouse  
516 Third Avenue, Room W400  
Seattle, WA 98104-2362

Copies to: King County Council  
Attn: Council Chair  
King County Courthouse  
516 Third Avenue, Room 1200  
Seattle, WA 98104

**Copies to:** City of Seattle Parks and Recreation Department  
Attn: Nathan Torgelson (City-County Representative)  
100 Dexter Avenue North  
Seattle, WA 98109-5199

**ArenaCo:** McCullough Hill Leary, PS  
Attn: Jack McCullough  
701 Fifth Avenue, Suite 7220  
Seattle, WA 98104

**Copies to:** Jeffer, Mangels, Butler & Mitchell LLP  
Attn: Daniel Grigsby  
1900 Avenue of the Stars, 7th Floor  
Los Angeles, California 90067

**Executed as of the date first written above**

**THE CITY OF SEATTLE**  
a Washington municipal corporation

  
By: Michael McGinn  
Its: Mayor

**KING COUNTY, WASHINGTON**  
a political subdivision of the State of Washington

  
By: Dow Constantine  
Its: County Executive

**WSA Properties III, LLC, a Delaware limited liability company:**

By: Horton Street, LLC, a Delaware limited liability company  
Its: Manager

\_\_\_\_\_  
By: Christopher Hansen  
Its: Manager

**Executed as of the date first written above**

**THE CITY OF SEATTLE**  
a Washington municipal corporation

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By: Michael McGinn  
Its: Mayor

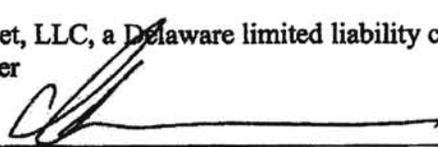
**KING COUNTY, WASHINGTON**  
a political subdivision of the State of Washington

---

By: Dow Constantine  
Its: County Executive

**WSA Properties III, LLC, a Delaware limited liability company:**

By: Horton Street, LLC, a Delaware limited liability company  
Its: Manager



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By: Christopher Hansen  
Its: Manager

## **APPENDIX 2**



## MEMORANDUM

DATE: April 17, 2013  
TO: Interested Street Vacation Reviewers  
FROM: Moira Gray, Seattle Department of Transportation, Street Vacations  
SUBJECT: Proposed Vacation of Occidental Avenue South; Clerk File 312905

The Seattle City Council has received a petition from WSA Properties et al to vacate Occidental Avenue South between South Massachusetts Street and South Holgate Street in the SODO Industrial area for a proposed professional basketball arena. If you are interested in submitting preliminary comments on the initial proposal please review the attached materials describing the vacation request and proposed project. Your comments will become part of the permanent public record and will be included in the recommendation to the City Council. **Return your comments to:** Moira Gray, Seattle Department Transportation, PO Box 34996, Seattle, Washington 98124-4996, or e-mail comments to [moira.gray@seattle.gov](mailto:moira.gray@seattle.gov).

Please be sure that your name is clearly identifiable and if you are responding as a representative or staff of a public agency, private company or community group please include your title and organization's name when returning your comments.

### PETITIONER:

WSA Properties et al

### PETITIONER CONTACT:

Jessie Clawson and Jack McCullough, McCullough Hill Leary PS, 206.812.3388,  
[Jessie@mhseattle.com](mailto:Jessie@mhseattle.com) / [jack@mhseattle.com](mailto:jack@mhseattle.com)

### COMMENTS REQUESTED BY:

**We are asking for your comments on the initial submittal by May 31.** However, comments are accepted throughout the review period.

Please contact Street Vacation Staff at 684-8272 if you have any questions. Thank you for your review and timely response.

### Attachments:

SDOT Vacation Documents



**SDOT Street Vacation Initial Petition Submittal Summary – Occidental Avenue South between South Massachusetts Street and South Holgate Street**

**Petitioner:** WSA Properties et al

**Project Address:** 1700 Occidental Avenue South

**Clerk File:** 312905

**DPD Project #:** 3014195 (Application for the development of a multi-purpose sports arena)

**Right-of-way proposed for vacation:** one block of Occidental Avenue S between the south margin of S Massachusetts Street and the north margin of S Holgate Street.

**Neighborhood:** SODO Industrial District

**Current Zoning:** Industrial Commercial (IC-85) in the Stadium Transition Overlay area

**Site Description:** The project site is comprised of an approximately 8.1 acre parcel of land bounded on the west by 1<sup>st</sup> Avenue S, on the north by S Massachusetts Street, on the east by a Burlington Northern Santa Fe Railway Company parcel, and on the south by S Holgate Street. Occidental Avenue S bisects the project site. This block of Occidental is 680 feet long and 60 feet wide and totals 40,800 square feet. It is paved and provides access and parking between S Holgate Street and S Massachusetts Street. North of S Massachusetts Street, Occidental continues for one block and terminates at Edgar Martinez Drive S. South of S Holgate Street, Occidental continues for seven blocks to S Hinds Street.

The Petitioner owns all of the parcels on both sides of the right-of-way proposed for vacation. Warehouses occupy the east side of the block. There are a variety of uses on the west side including restaurants, warehouses, storage and parking. The proposed development will utilize the entire site and all existing buildings will be demolished.

**Reason for Vacation:** The project site is bisected by Occidental Avenue S. The proposed vacation would consolidate the property through the elimination of the intervening right-of-way.

**Project Summary:** The proposed project consists of a multi-purpose basketball arena of approximately 700,000 square feet with a seating capacity of 20,000. Activities in the facility would include: professional basketball and potential professional hockey; concerts; retail, restaurant and concession operations, and media and broadcast activities. Support areas include arena and team operation offices and locker rooms. A team training facility with approximately 40,000 additional square feet would be attached to the main arena at the northeast corner of the site.

The main entry area would be located at the northwest corner of the site at 1<sup>st</sup> Avenue S and S Massachusetts Street. A terraced public plaza entry of approximately 26,000 square feet with stairs, landscaping and water features would lead up to the elevated concourse entry and two

public basketball half courts. Two additional ground level entrance lobbies would be located along 1<sup>st</sup> Avenue S at either end of the main arena building with access to the upper concourse level. Retail and restaurant uses are proposed along 1<sup>st</sup> Avenue S. Elevated view decks are proposed at the northwest corner of the site between 1<sup>st</sup> Avenue S and the main entry plaza. An additional public plaza of approximately 9,000 square feet is proposed on the north side of S Massachusetts Street between 1<sup>st</sup> Avenue S and Occidental Avenue S across from the main entrance plaza on the project site. The service entrance is proposed at the south east corner of the site on S Holgate Street. An access road is proposed on the eastern margin of the project between S Holgate Street and the Seattle Mariner's parking garage parcel to the north. No new parking facilities are proposed for the project. The project is proposing a variety of sustainability features on site.

It is estimated that during a typical calendar year, the arena would be active for approximately 150-200 events. The events would occur at various times of the day with the majority occurring during the evening hours. A typical NBA event lasts approximately 4 hours including pre and post game activities.

**Public Benefit (as Proposed by the Petitioner):** The Petitioner is proposing the following public benefits:

- A terraced public plaza entry of approximately 26,000 square feet at 1<sup>st</sup> Avenue S and S Massachusetts Street with stairs, landscaping and water features on the northwest corner of the site
- Additional public plaza of approximately 9,000 square feet on the north side of S Massachusetts Street between 1<sup>st</sup> Avenue S and Occidental Avenue S
- Elevated view decks
- 2 public basketball half courts
- Increased building setbacks and sidewalk widths
- Public art
- Sustainable building features

**Additional Information:**

- The entire initial vacation petition submittal may be accessed at the City of Seattle City Clerk webpage [www.seattle.gov/leg/clerk](http://www.seattle.gov/leg/clerk), search legislative records for: Clerk File 312905 or [Occidental Petition](#)
- Additional DPD information on this project may be accessed at the DPD planning webpage [www.seattle.gov/dpd/Planning/](http://www.seattle.gov/dpd/Planning/), at Urban Design search:

Seattle Design Commission information - go to archive of minutes, keyword "Arena", or [Seattle Design Commission](#)

Design Review Process information - search Project Number 3014195 or [DPD Design Review](#)

Street Vacation:  
Occidental Ave S

Petitioner:  
WSA Properties et al

Clerk File: 312905

Zoning:  
IC-85

Stadium Transition  
Overlay

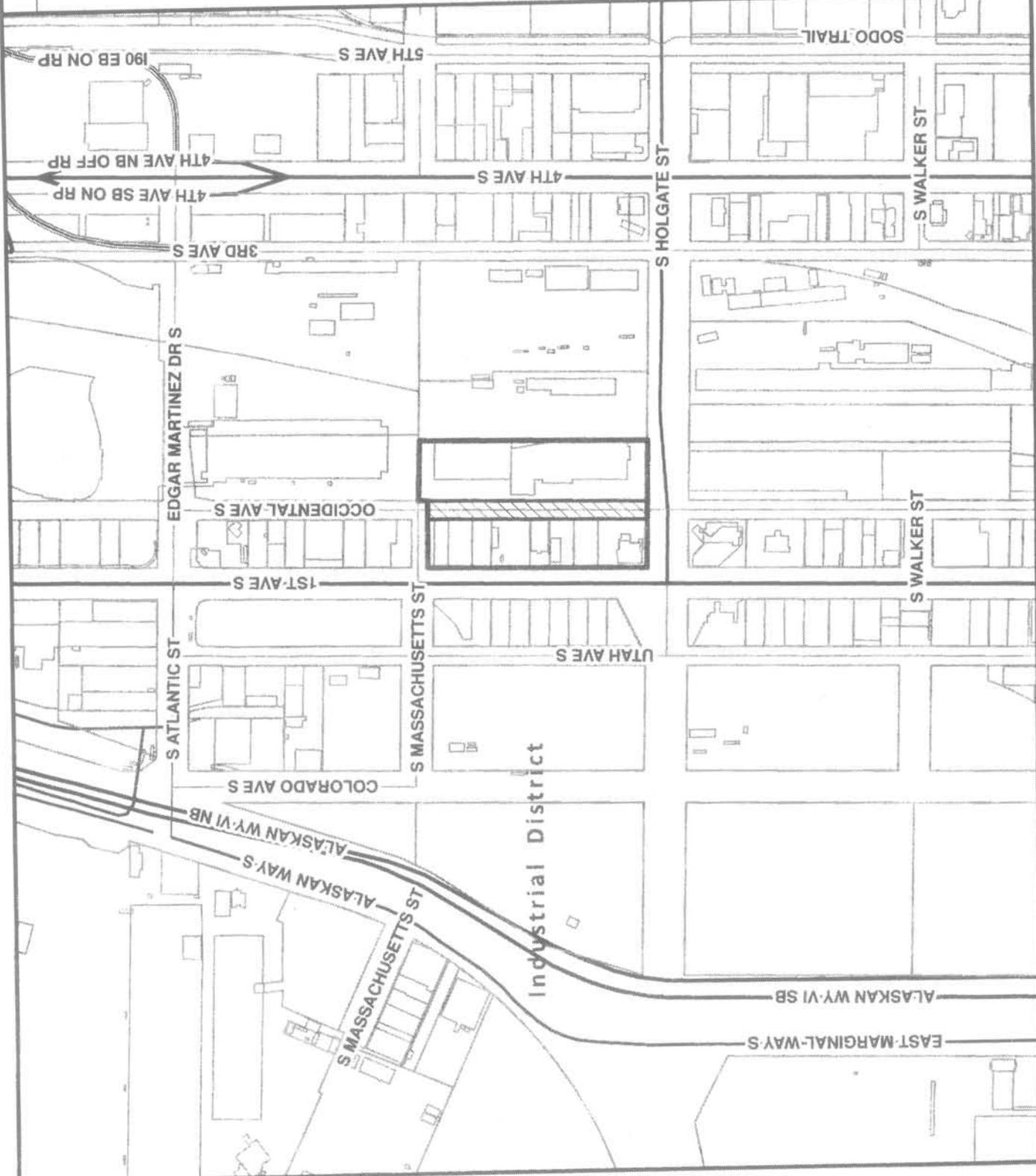
Project  
Boundaries

Proposed  
Vacation  
40,800 sf

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Technology and Telecommunications  
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merchantability, accompany  
this product.

Coordinate System:  
State Plane, NAD83-41,  
Washington, North Zone  
Orthophoto Source:  
Pictometry

PLOT DATE: April 2013  
AUTHOR: Street Vacations  
J.dave



Vacation of Occidental Ave S between S Holgate St and S Massachusetts St



Street Vacation:  
 Occidental Ave S

Petitioner:  
 WSA Properties et al

Clerk File: 312905

Zoning:  
 IC-85  
 Stadium Transition  
 Overlay

-  Project Boundaries
-  Proposed Vacation 40,800 sf
-  Previous Vacations

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Coordinate System:  
 State Plane, NAD83-91,  
 Washington, North Zone  
 Orthophoto Source:  
 Pictometry

PLOT DATE : April 2010  
 AUTHOR : Street Vacations  
 J drive



Vacation of Occidental Ave S between S Holgate St and S Massachusetts St

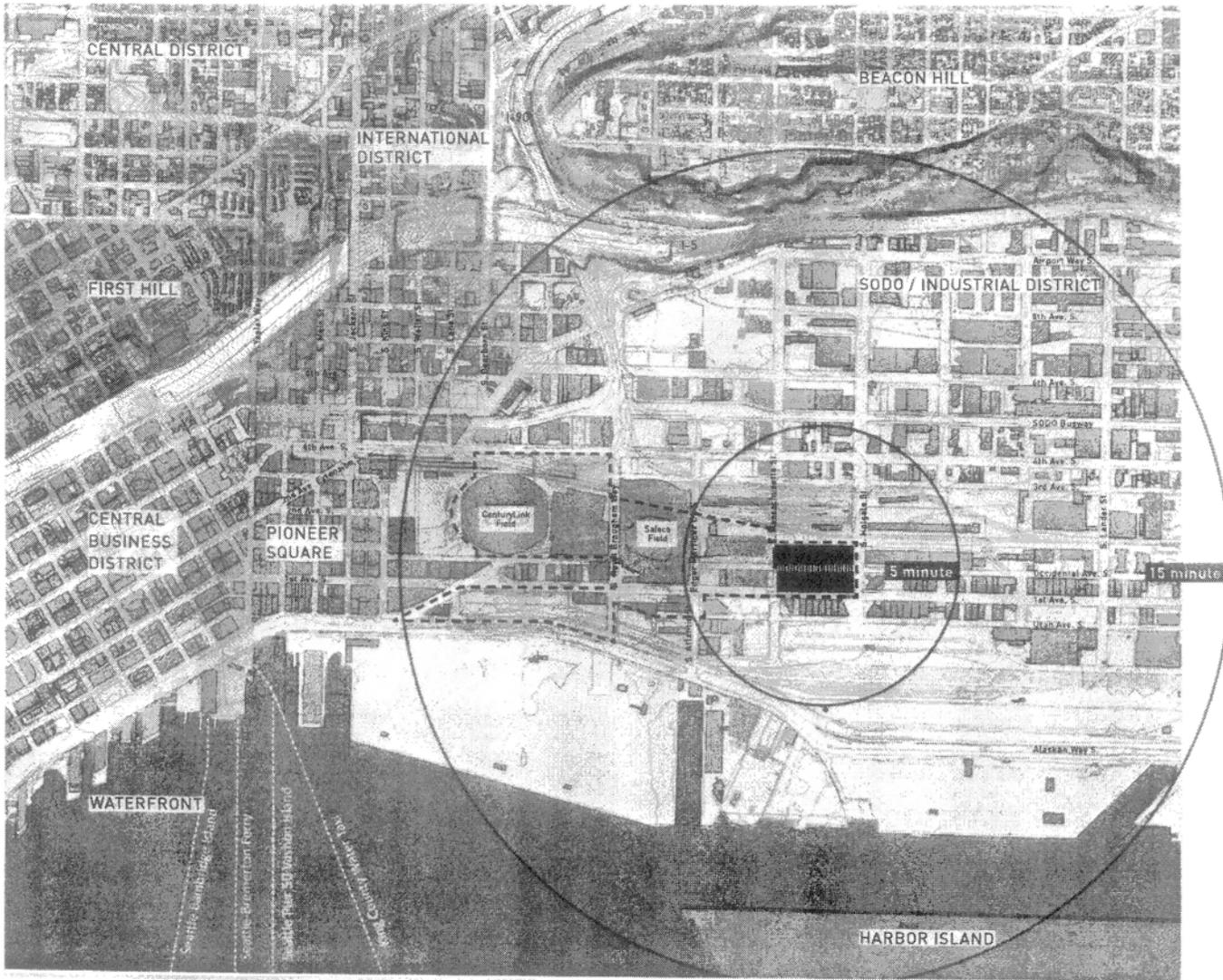


THE PROJECT'S ADDRESS IS 1700 1ST AVENUE SOUTH, SEATTLE, WASHINGTON. IT IS WITHIN THE BLOCK BOUNDED BY SOUTH HOLGATE STREET TO THE SOUTH, TRAIN TRACKS TO THE EAST, 1ST AVENUE SOUTH TO THE WEST, AND SOUTH MASSACHUSETTS STREET TO THE NORTH. THE PROJECT IS LOCATED IN THE INDUSTRIAL COMMERCIAL-85 ZONE, AND IS LOCATED IN THE STADIUM AREA OVERLAY AND THE GREATER DUWAMISH MANUFACTURING INDUSTRIAL CENTER OVERLAY. THE SITE IS WITHIN THE DOWNTOWN DESIGN REVIEW BOARD'S BOUNDARIES.



**360** SEATTLE ARENA  
MARCH 12, 2013

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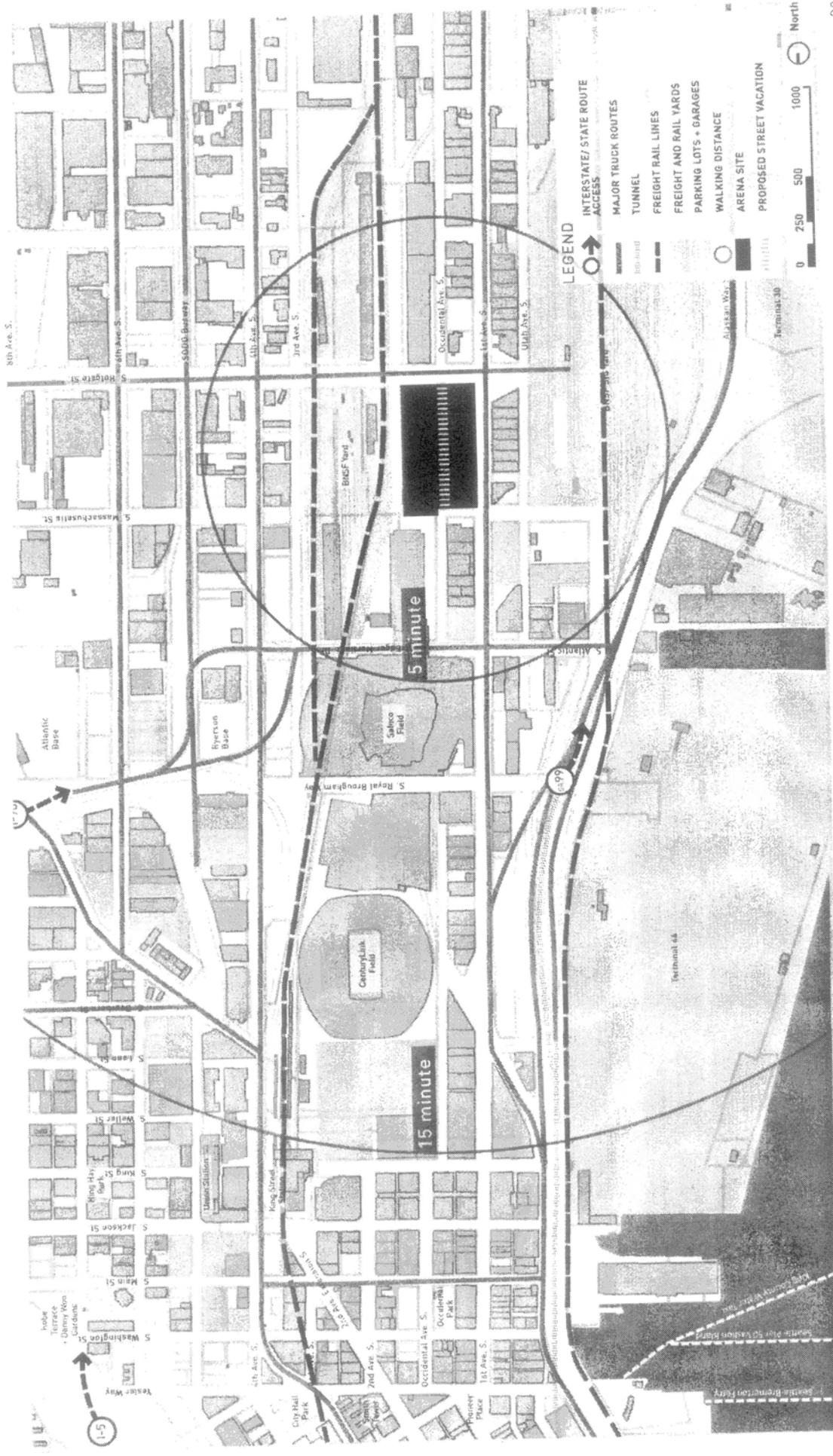


- LEGEND**
- PIONEER SQUARE
  - CENTRAL BUSINESS DISTRICT
  - INTERNATIONAL DISTRICT
  - HARBOR ISLAND
  - SODO/INDUSTRIAL DISTRICT
  - BEACON HILL
  - FIRST HILL
  - CENTRAL DISTRICT
  - WALKING DISTANCE
  - STADIUM TRANSITION AREA OVERLAY
  - ARENA SITE
  - PROPOSED STREET VACATION
- SOURCE: CITY OF SEATTLE ECONOMIC DEVELOPMENT

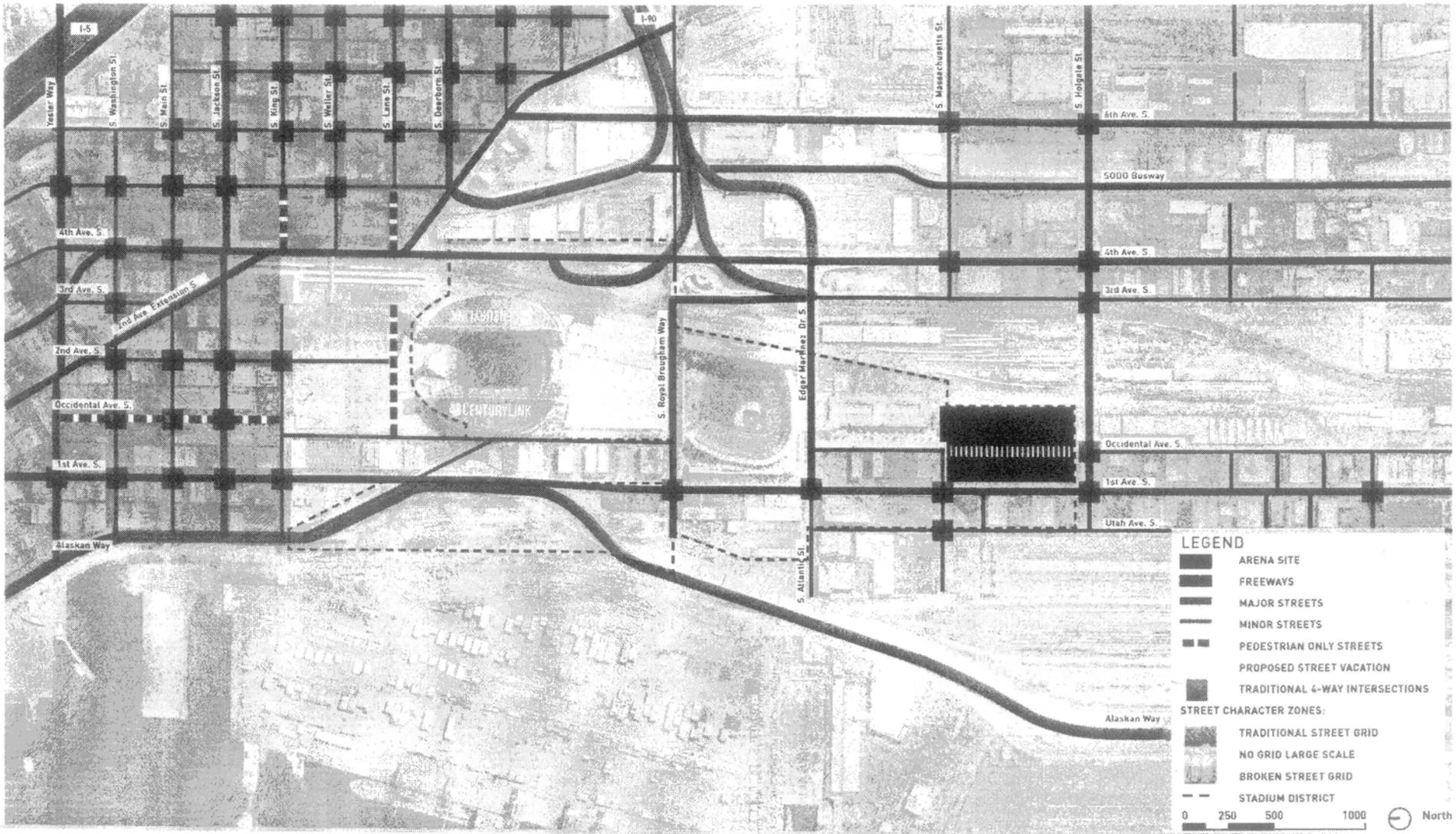


**360 SEATTLE ARENA**  
MARCH 12, 2013

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SEATTLE ARENA PROJECT  
ARCHITECT: HOK  
ENGINEER: PERKINS+WILL  
PLANNING: PERKINS+WILL  
LANDSCAPE ARCHITECT: PERKINS+WILL  
INTERIOR ARCHITECT: PERKINS+WILL  
EXTERIOR ARCHITECT: PERKINS+WILL  
LIGHTING DESIGNER: PERKINS+WILL  
SOUND DESIGNER: PERKINS+WILL  
VIDEO DESIGNER: PERKINS+WILL  
AV DESIGNER: PERKINS+WILL  
FURNITURE DESIGNER: PERKINS+WILL  
SIGNAGE DESIGNER: PERKINS+WILL  
GRAPHIC DESIGNER: PERKINS+WILL  
PUBLISHED: MARCH 12, 2013

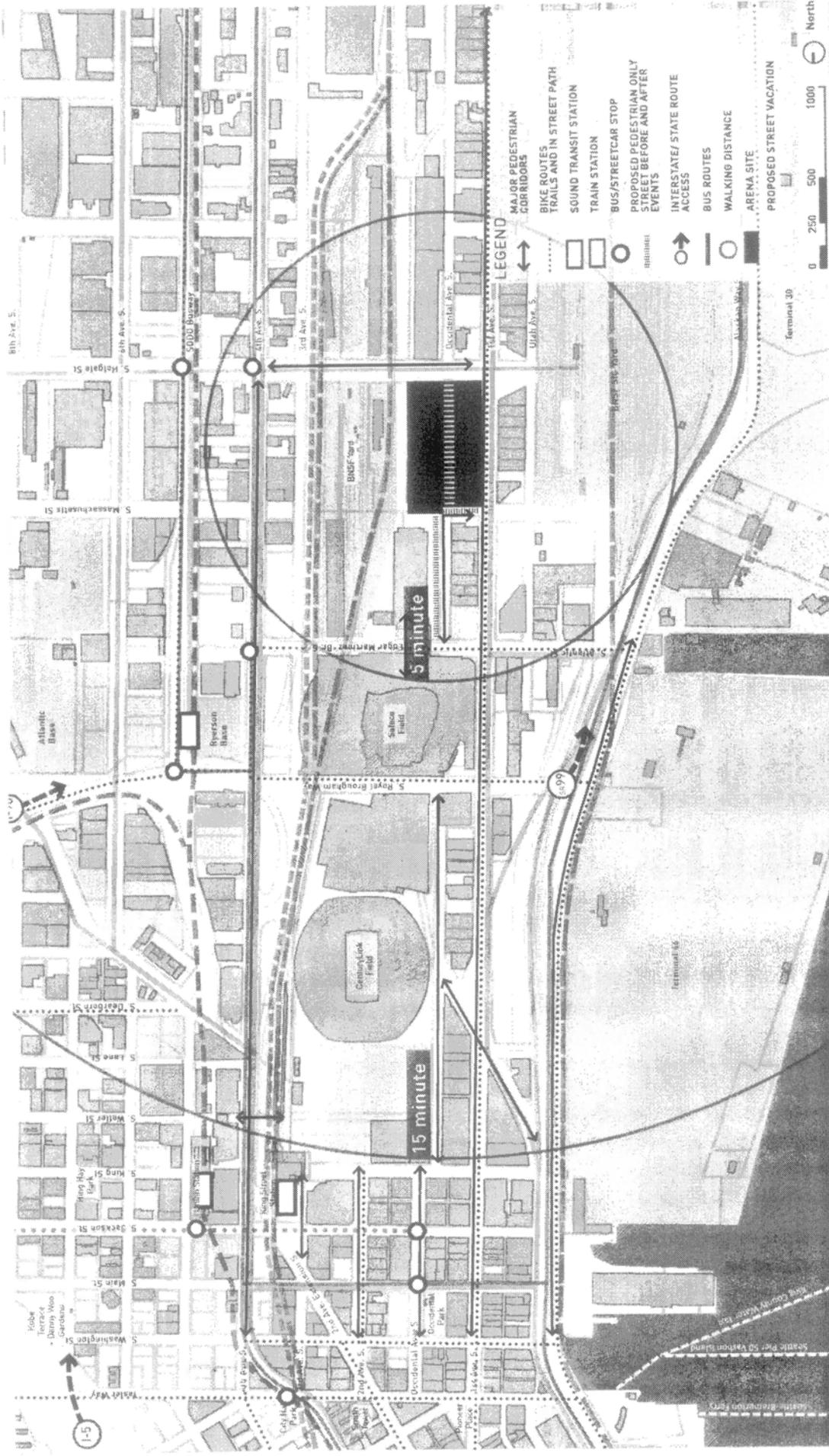


# SEATTLE ARENA

MARCH 12, 2013

SWPT/COM/000117

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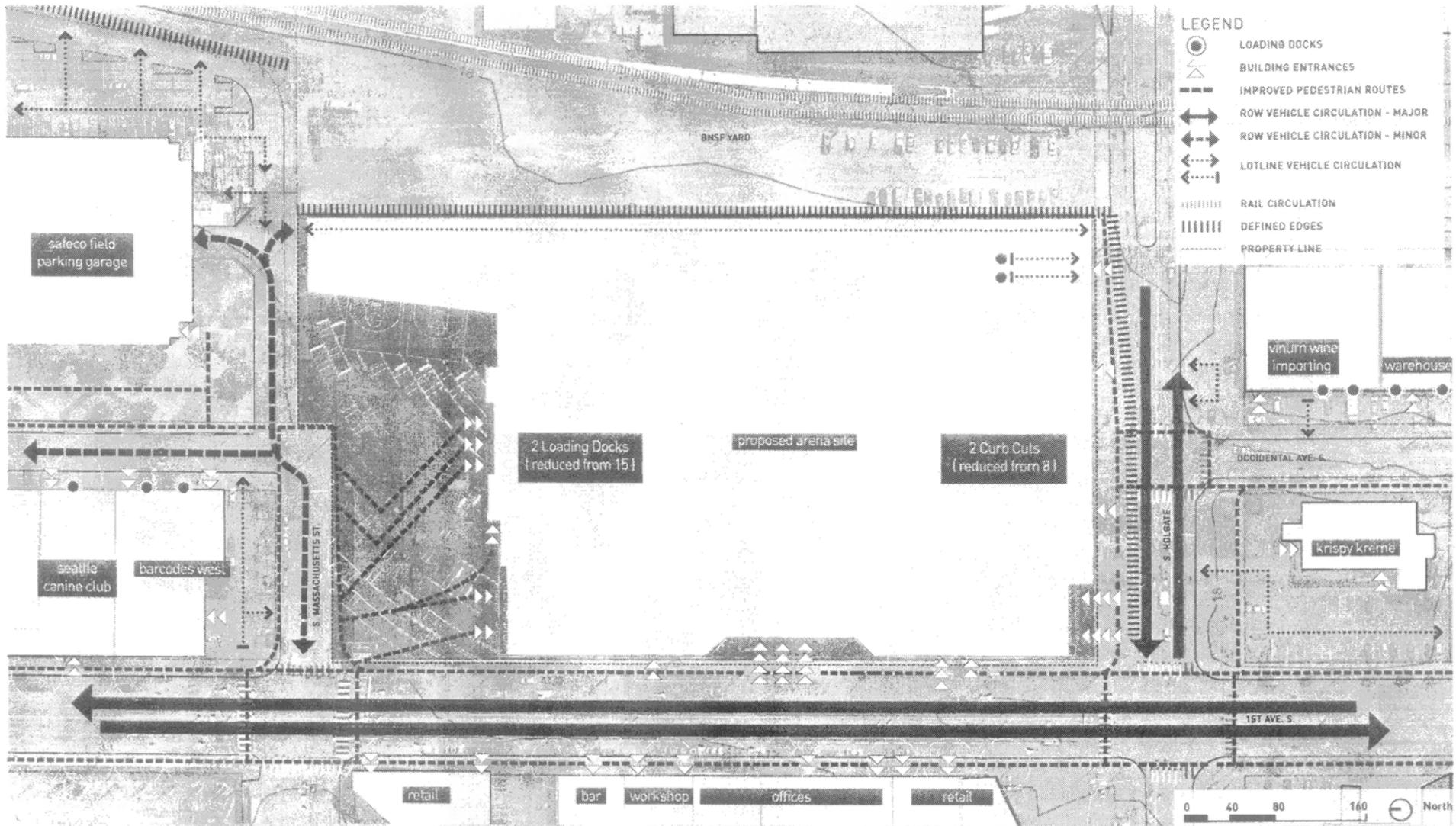
- LEGEND**
- MAJOR PEDESTRIAN CORRIDORS
  - BIKE ROUTES
  - TRAILS AND IN STREET PATH
  - SOUND TRANSIT STATION
  - TRAIN STATION
  - BUS/STREETCAR STOP
  - PROPOSED PEDESTRIAN ONLY STREET BEFORE AND AFTER EVENTS
  - INTERSTATE/STATE ROUTE ACCESS
  - BUS ROUTES
  - WALKING DISTANCE
  - ARENA SITE
  - PROPOSED STREET VACATION



**SEATTLE ARENA**  
MARCH 12, 2013

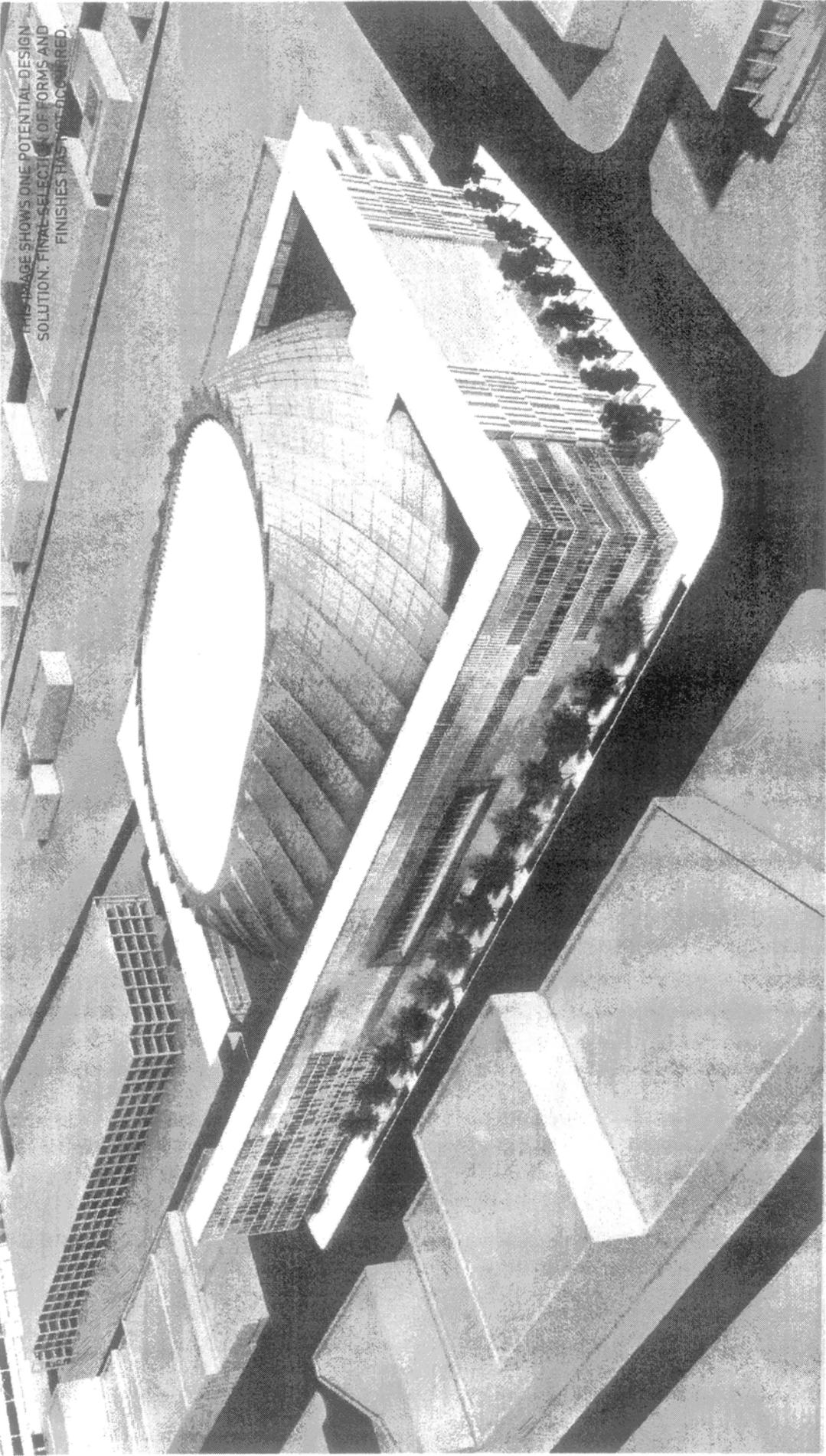


360 CONSULTANTS  
 360 CONSULTANTS, LLC  
 1000 1st Avenue, Suite 1000  
 Seattle, WA 98101  
 Tel: 206.461.3600  
 Fax: 206.461.3601  
 www.360consultants.com



- LEGEND**
- LOADING DOCKS
  - △ BUILDING ENTRANCES
  - IMPROVED PEDESTRIAN ROUTES
  - ⇄ ROW VEHICLE CIRCULATION - MAJOR
  - ⇄⇄ ROW VEHICLE CIRCULATION - MINOR
  - ⇄⇄⇄ LOTLINE VEHICLE CIRCULATION
  - ⋯ RAIL CIRCULATION
  - ▤ DEFINED EDGES
  - PROPERTY LINE

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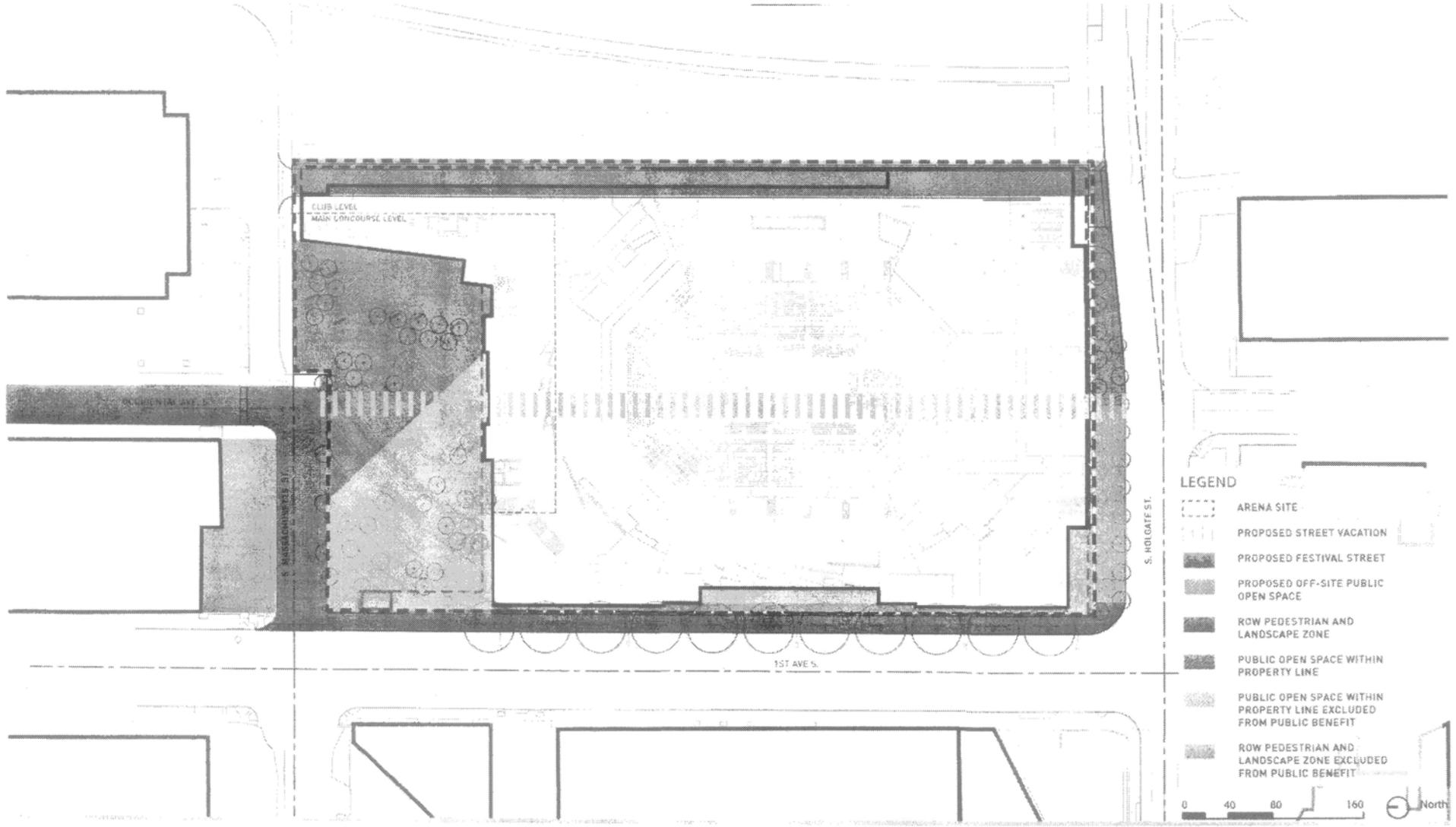
THIS IMAGE SHOWS ONE POTENTIAL DESIGN SOLUTION. FINAL SELECTION OF FORMS AND FINISHES HAS NOT OCCURRED.

**SEATTLE ARENA**  
MARCH 12, 2013



360 ARCHITECTURE AND INTERIOR DESIGN  
 360 ARCHITECTURE AND INTERIOR DESIGN





**LEGEND**

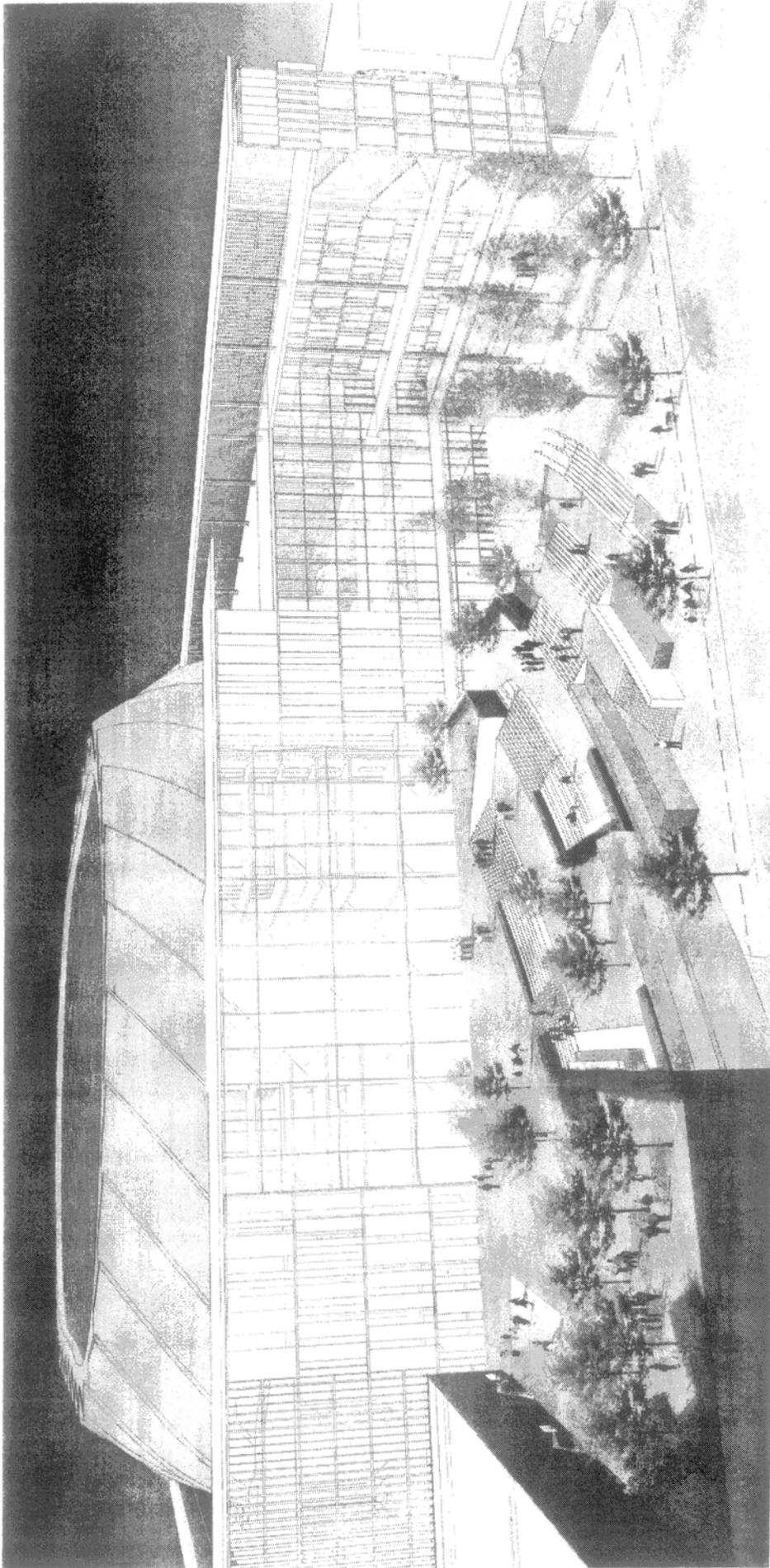
- ARENA SITE
- PROPOSED STREET VACATION
- PROPOSED FESTIVAL STREET
- PROPOSED OFF-SITE PUBLIC OPEN SPACE
- ROW PEDESTRIAN AND LANDSCAPE ZONE
- PUBLIC OPEN SPACE WITHIN PROPERTY LINE
- PUBLIC OPEN SPACE WITHIN PROPERTY LINE EXCLUDED FROM PUBLIC BENEFIT
- ROW PEDESTRIAN AND LANDSCAPE ZONE EXCLUDED FROM PUBLIC BENEFIT

0 40 80 160 North

**360 SEATTLE ARENA**  
 MARCH 12, 2013

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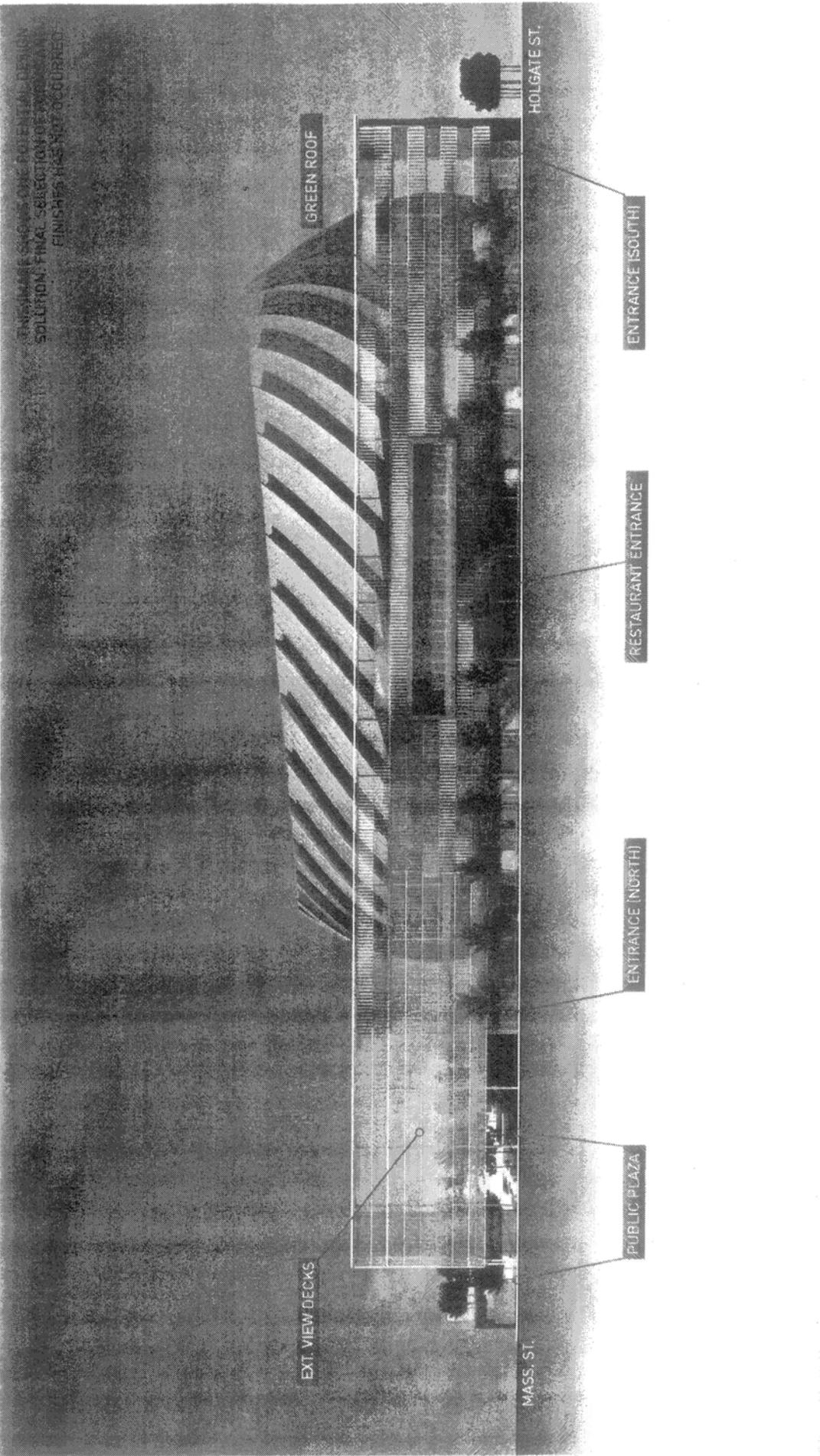
**SEATTLE ARENA**  
 MARCH 12, 2013

360° COMMUNICATIONS  
 2000 4th Avenue, Suite 1000, Seattle, WA 98101  
 Phone: (206) 461-3600 | Fax: (206) 461-3601  
 www.360comm.com

**68 PUBLIC BENEFIT: BIRDS-EYE PERSPECTIVE LOOKING SOUTH**

Architectural rendering of the Seattle Arena, showing the stadium's structure, surrounding plaza with trees and walkways, and adjacent buildings.

RENDERING SHOWS CORE POTENTIAL DESIGN SOLUTION. FINAL SELECTION OF MATERIALS AND FINISHES HAS NOT OCCURRED.



3D RENDERINGS: WEST BUILDING ELEVATION

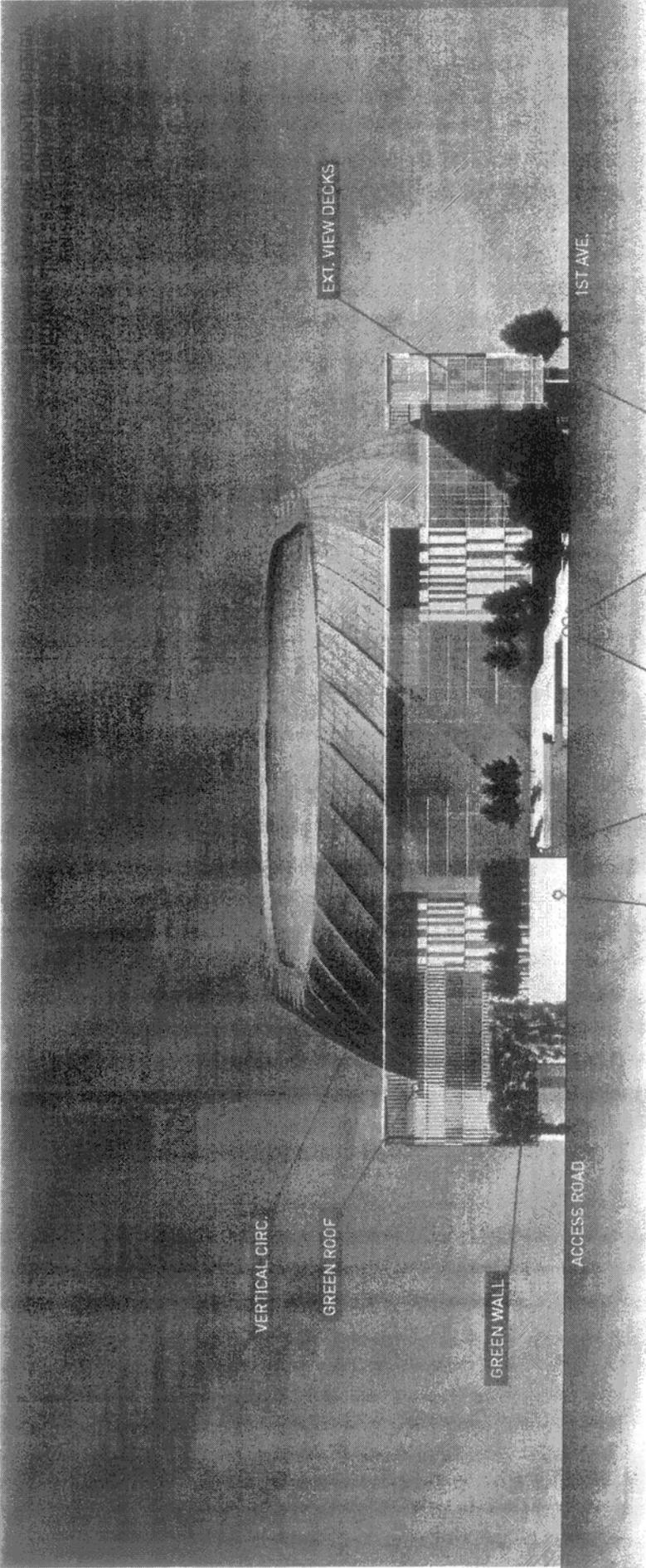
SEATTLE ARENA  
MARCH 12, 2013



360 ARCHITECTURE  
1000 1st Avenue, Suite 1000, Seattle, WA 98101  
Tel: 206.468.3600  
www.360architect.com







VERTICAL CIRC.

GREEN ROOF

GREEN WALL

ACCESS ROAD

TRAINING FACILITY

GRAND STAIR

PUBLIC PLAZA

EXT. VIEW DECKS

1ST AVE.

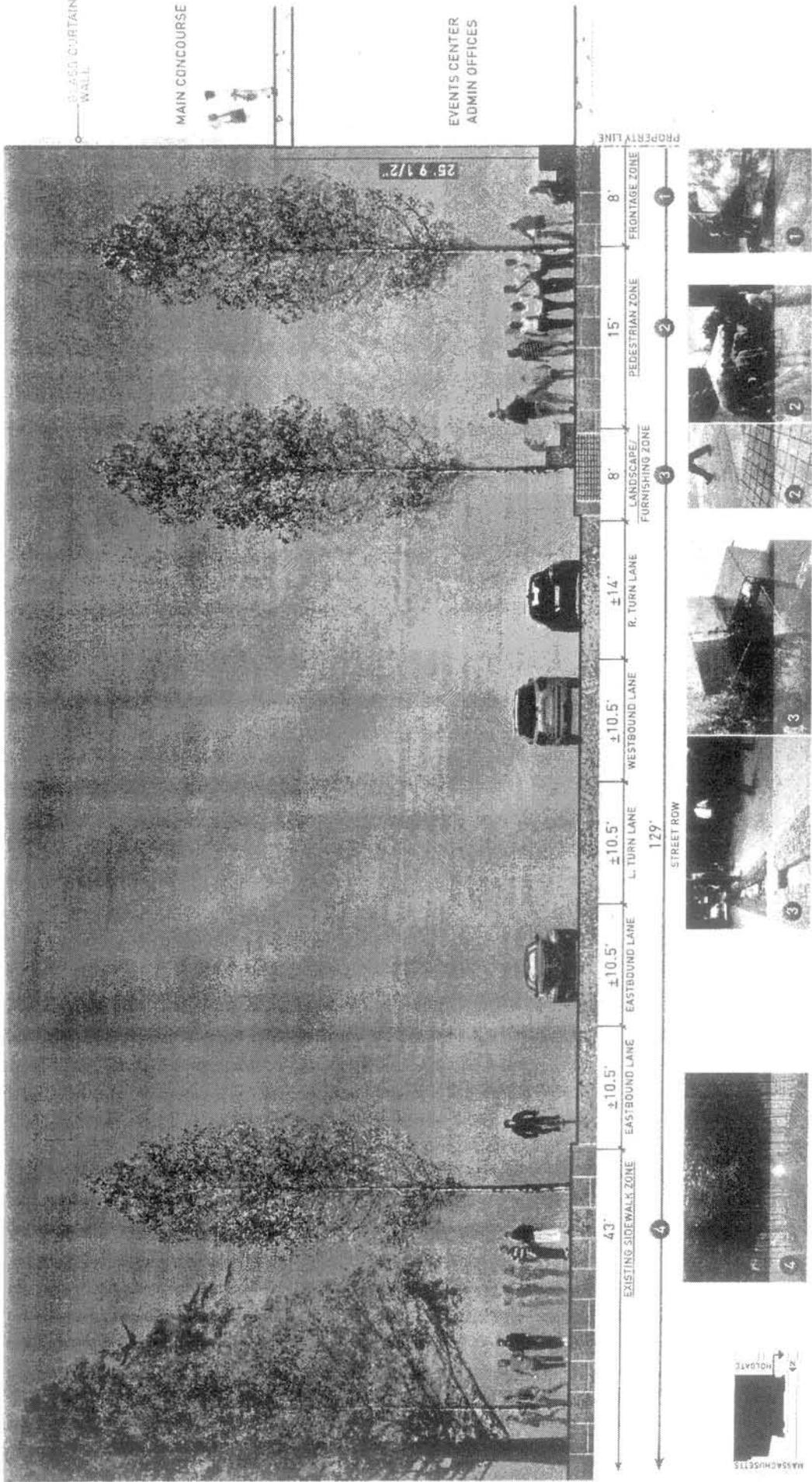
**SEATTLE ARENA**

MARCH 12, 2013



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GLASS CURTAIN WALL

MAIN CONCOURSE

EVENTS CENTER  
ADMIN OFFICES

25' 9 1/2"

PROPERTY LINE

129'  
STREET ROW

0 4 8 16



85  
SOUTH HOLGATE STREET SECTION VIEW WEST

SEATTLE ARENA  
MARCH 12, 2013



Architectural rendering of the Seattle Arena project, showing a street section view west. The drawing includes various zones, lanes, and a property line. It also features a scale bar, a map of Massachusetts, and a title block with the project name, date, and logo.

No. 70006-5

**COURT OF APPEALS FOR DIVISION I  
STATE OF WASHINGTON**

INTERNATIONAL LONGSHORE  
AND WAREHOUSE UNION,  
LOCAL 19,

Appellant,

v.

CITY OF SEATTLE, a Washington  
municipal corporation; and KING  
COUNTY, a Washington county,

Respondents,

And

WSA PROPERTIES, III, LLC, a  
Delaware limited liability company,  
dba ArenaCo,

Necessary Party.

DECLARATION OF SERVICE

FILED  
COURT OF APPEALS DIV I  
STATE OF WASHINGTON  
2013 APR 25 PM 4:09

I, Tina K. Kaps, declare as follows:

I am the legal assistant to attorney Peter Goldman, attorney for Appellant herein. On April 25 2013, I served a copy of OPENING BRIEF OF APPELLANT INTERNATIONAL LONGSHORE AND WAREHOUSE UNION, LOCAL 19 and this DECLARATION OF SERVICE via first class mail, postage prepaid, on the following parties:

Roger D. Wynne  
Jeffrey S. Weber  
Assistant City Attorneys  
Seattle City Attorney's Office  
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Seattle, WA 98124-4769  
*Attorneys for City of Seattle*

Michael J. Sinsky  
Devon Shannon  
Senior Deputy Prosecuting Attorneys  
King County Prosecuting Attorney  
W400 King County Courthouse  
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Seattle, WA 98104  
*Attorneys for King County*

John C. McCullough  
Courtney E. Kaylor  
Ian S. Morrison  
McCullough Hill Leary, PS  
701 Fifth Avenue, Suite 6600  
Seattle, WA 98104  
*Attorneys for WSA Properties*

I declare under penalty of perjury under the laws of the State of Washington that the foregoing is true and correct to the best of my knowledge.

DATED this 25th day of April, 2013.

  
\_\_\_\_\_  
Tina K. Kaps  
Legal Assistant  
615 Second Avenue, Suite 360  
Seattle, WA 98104  
(206) 223-4088