

January 5, 1997

Introduced By:

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96-1035.DOC (BD:bd)

Proposed No.:

96 - 1035

ORDINANCE NO. **12593**

AN ORDINANCE approving a capital financing plan for a major league baseball stadium; authorizing the issuance of limited tax general obligation bonds in an amount not to exceed \$336,000,000; and authorizing notes in anticipation of the issuance of such bonds.

BE IT ORDAINED BY THE COUNCIL OF KING COUNTY:

SECTION 1. Findings.

A. Under Chapter 1, Laws of 1995, 3rd Sp. Sess. (the "Act"), the Washington State Legislature established a comprehensive mechanism to construct, own, manage and finance a major league baseball stadium which enabled the county council to create a major league baseball stadium public facilities district and to issue bonds to provide part of the cost of building a major league baseball stadium, payable from an array of state and local taxes and other sources specified in that statute. Under the Act, the long term imposition of those taxes and other revenue sources was made dependent on certain requirements specified therein.

B. Ordinance No. 12000 found that there is a significant likelihood that the current ownership of The Baseball Club of Seattle (the "Club") will be forced by economic circumstances to sell the Mariners baseball franchise prior to or upon expiration of the existing Kingdome lease agreement between the county and the Club following the

1 conclusion of the 1996 baseball season, unless a decision is made to construct a new major  
2 league baseball stadium with a retractable roof and natural turf, financed through both  
3 public and private contributions on a basis that offers certain revenue-generating  
4 capabilities not presently available at the Kingdome.

5 C. Ordinance No. 12000 found that the presence of a major league baseball  
6 team in King County provides a public benefit to the citizens of King County. The  
7 presence of the Mariners has a positive impact on the local and regional economy and  
8 enriches the overall quality of life of the citizens of King County and of the State of  
9 Washington by providing both a source of wholesome, family-centered entertainment and a  
10 sense of enhanced civic pride. In addition, a new publicly-owned baseball stadium facility  
11 will provide a general public benefit as a potential venue for civic events, amateur athletics,  
12 concerts and other activities.

13 D. By Ordinance No. 12000, the county council, among other things,  
14 implemented the state's comprehensive mechanism to provide a major league baseball  
15 stadium by (1) creating the Washington State Major League Baseball Stadium Public  
16 Facilities District (the "PFD") and (2) imposing a sales and use tax, a restaurant, bar and  
17 tavern food and drink sales and use tax and a car rental sales and use tax, all consistent  
18 with the Act, to provide funds with which to proceed with the development of a major  
19 league baseball stadium (as the term "baseball stadium" is defined in RCW 82.14.0485(5))  
20 in King County subject to certain conditions.

21 E. In Section 5 of Ordinance No. 12000, the county council expressly provided  
22 that it would issue general obligation bonds for the purpose of funding the construction of  
23 the baseball stadium unless the county council were to determine that such a bond issue  
24 would likely result in (i) the county's current expense fund having to pay any portion of the  
25 baseball stadium debt service, or (ii) a reduction of the county's bond rating. The Act  
26 specifically provided that the county would have no obligation to issue bonds in an amount  
27 greater than that which would be supported by the tax revenues authorized and made

1 available by the Act. By Ordinance No. 12000, the county council formed an independent  
2 financial review committee (the "IFRC") to advise the county on the financial impacts of  
3 proceeding with the county's financing of the baseball stadium.

4 F. As authorized by Ordinance No. 12000, the county and the PFD entered  
5 into various agreements, including a financing agreement dated as of March 18, 1996 (the  
6 "Financing Agreement").

7 G. On November 27, 1996, the PFD fulfilled its obligation under Ordinance  
8 No. 12000, Section 7, by providing a comprehensive report that included information on  
9 final site selection, project design, mitigation, project budget, and a proposed financing  
10 structure as described in the Financial Plan contained therein.

11 H. On December 16, 1996, the IFRC reported that the PFD's Financial Plan,  
12 which requested the County to issue tax-exempt long term general obligation baseball  
13 stadium bonds in the amount of \$296,000,000, and taxable long term general obligation  
14 bonds of the related baseball stadium parking facilities in the amount of \$21,000,000 was  
15 based on conservative revenue projections and would be unlikely to cause the county's  
16 current expense fund to pay any portion of baseball stadium debt service or reduce the  
17 county's bond rating. The IFRC also commented on ways to manage the risk of cost  
18 overruns inherent within such a complex construction project.

19 I. On December 24, 1996, in response to King County Motion 9991, the PFD  
20 and the Club executed the Ballpark Operations and Lease Agreement (the "Lease  
21 Agreement") a binding lease which the parties represent meets the terms set forth in the  
22 Act and Ordinance No. 12000 and, among other things, provides for payment by the Club  
23 of capital costs of stadium and related parking construction in excess of that provided by  
24 proceeds of the county's bonds.

25 J. To provide funds for construction and construction contingencies and in  
26 accordance with Section 201(3) of the Act, the PFD on January 2, 1997, requested that the  
27 amount of tax exempt general obligation baseball stadium bonds be \$310,000,000 and the

1 amount of taxable general obligation baseball stadium parking bonds be \$26,000,000. In  
2 accordance with the debt issuance policy set forth in Section 5 of Ordinance No. 12000 and  
3 based on information set forth in the report of the IFRC, the amounts projected to be  
4 available from the taxes and revenues authorized under the Act provide coverage of the  
5 projected debt service on such bonds at a ratio that is expected neither to reduce the  
6 county's bond rating nor materially increase exposure of the county's current expense  
7 fund.

8 K. Section 201(4) of the Act and Section 3 of Ordinance No. 12000 provide  
9 that the continuing imposition of certain taxes authorized by that statute and ordinance,  
10 respectively, shall be dependent upon the county executive's certification to the  
11 Washington State Department of Revenue that a professional major league baseball team  
12 has made a binding and legally enforceable contractual commitment to: (1) play at least  
13 ninety percent of its home games in the new baseball stadium for a period of time not  
14 shorter than the term of the bonds issued to finance the baseball stadium's initial  
15 construction; (2) contribute \$45,000,000 toward the costs of the baseball stadium and  
16 certain related costs; and (3) share a portion of the profits generated by the new baseball  
17 stadium. The county executive is expected to execute such certification on or prior to  
18 January 13, 1997.

19 L. The county council intends by a separate ordinance to levy taxes pursuant to  
20 Section 203(1) of the Act and pledge such taxes to the payment of principal of and interest  
21 on taxable bonds issued to finance the parking facilities related to the baseball stadium.

22 M. The county council finds that upon the county executive's making the  
23 certification described in recital "K" above, the requirements of Section 201(4) of the Act  
24 shall have been met and that issuance of the Bonds in accordance with this ordinance will  
25 achieve the debt issuance policy of Section 5 of Ordinance No. 12000 and Section 4.1 of  
26 the Financing Agreement.

1 SECTION 2. Authorization of Baseball Stadium Bonds and Notes.

2 A. Authorization of Bonds. Pursuant to the policy established in Section 5 of  
3 Ordinance 12000 and the requirements of Section 201(3) of the Act, the county council  
4 hereby authorizes the issuance and sale of not to exceed \$336,000,000 aggregate principal  
5 amount of its limited tax general obligation bonds (the "Bonds") for the purposes set forth  
6 in Section 201(3) of the Act including design and other preconstruction costs and costs of  
7 issuance and sale of the Bonds. The Bonds shall be issued in one or more series, at such  
8 times as the county shall deem advisable, shall be in such denominations and forms, shall  
9 be dated, shall bear such interest rate or rates, shall be payable at such times, shall have  
10 such options of payment prior to maturity, shall provide for such additional funds and  
11 accounts and shall contain and shall be subject to such provisions and covenants as  
12 hereafter shall be fixed by ordinance. The Bonds shall mature in not to exceed 20 years,  
13 and shall bear interest (which may be fixed and/or variable) at a true interest cost, taking  
14 into account a payment agreement, if any, that results in debt service on the tax exempt  
15 portion of the Bonds (the "Tax Exempt Bonds") such that the average ratio of "Tax  
16 Exempt Available Revenues, Excluding Lottery Revenues"(defined as the sum of the  
17 projected restaurant/tavern tax revenues, car rental tax revenues and sales tax credit  
18 revenues as set forth in the IFRC report) to annual debt service on the tax exempt portion  
19 of the Bonds (less an amount equal to the projected lottery revenues for such year as set  
20 forth in the IFRC report) shall equal at least 1.2:1.0 for the years 1999 through 2016 (the  
21 "Coverage Requirement"). The Bonds shall be registered as to the owner or owners  
22 thereof. The various series of Bonds may bear interest that is taxable or tax-exempt under  
23 the United States Internal Revenue Code of 1986, as amended (the "Code"). The Bonds  
24 shall be limited tax general obligations of the county and shall be payable from those taxes  
25 and other revenues specified in the Act and in Ordinance No. 12000 and from other money  
26 of the county legally available therefor, all as shall be provided by ordinance. Payment of

1 principal of and interest on the Bonds shall be secured by the full faith, credit, taxing  
2 power and resources of the county.

3 The director of the office of finance (the "director") is authorized and directed to  
4 arrange for the sale of the Bonds to Smith Barney, on behalf of a consortium of  
5 underwriters, so long as the terms of the Bonds offered and the sale are consistent with this  
6 ordinance, and to recommend to the county council an ordinance setting forth the terms,  
7 conditions, covenants and other matters relating to the Bonds. The director is authorized to  
8 negotiate one or more payment agreements pursuant to Ch. 39.96 RCW subject to council  
9 approval. The county council hereby authorizes and directs the director (i) to review and  
10 approve the information contained in the preliminary official statement (the "Preliminary  
11 Official Statement") prepared in connection with the sale of each series of the Bonds;  
12 (ii) for the sole purpose of the Bond purchasers' compliance with Securities and Exchange  
13 Commission Rule 15c2-12(b)(1), to "deem final" that Preliminary Official Statement as of  
14 its date, except for the omission of information on offering prices, interest rates, selling  
15 compensation, delivery dates, ratings and any other terms of the Bonds dependent on such  
16 matters; and (iii) to authorize the distribution of the Preliminary Official Statement to  
17 prospective purchasers of the Bonds. The director is hereby authorized and directed to  
18 review and approve on behalf of the county a final official statement with respect to the  
19 Bonds to be prepared immediately subsequent to the sale thereof.

20 The Bonds may not be sold unless and until: (1) the county executive has made a  
21 certification to the Washington State Department of Revenue in accordance with  
22 Section 201(4) of the Act and Section 3 of Ordinance No. 12000; (2) the national rating  
23 agencies that rate the outstanding bonds of the county have confirmed that the sale of the  
24 Bonds will not reduce the bond rating of the county; and (3) the financial advisor to the  
25 county has certified to the county that the debt service on the Bonds satisfies the Coverage  
26 Requirement.

1           B.     Authorization of Notes. In anticipation of the issuance of the Bonds, the  
2 county council hereby authorizes the issuance and sale of one or more limited tax general  
3 obligation bond anticipation notes (the "Notes"), and pledges to the payment thereof the  
4 proceeds of the Bonds, those taxes and other revenues specified in the Act and in  
5 Ordinance No. 12000, and other money of the county legally available therefor. The Notes  
6 shall be issued in an aggregate principal amount of not to exceed \$336,000,000 to provide  
7 part of the funds with which to pay part of the costs of acquiring, constructing, owning and  
8 equipping the baseball stadium, including design and other preconstruction costs. Such  
9 Notes may evidence a line or lines of credit, shall be outstanding for a period not in excess  
10 of one year, and shall bear interest (which may be fixed and/or variable) at a rate or rates  
11 not in excess of twelve percent per annum. Such Notes shall be registered as to the owner  
12 or owners thereof. The various series of Notes may bear interest that is taxable or tax-  
13 exempt under the Code. The director is designated pursuant to RCW 39.50.030 to carry  
14 out the issuance and sale of the Notes and to determine the dates, price, interest rates,  
15 terms, conditions, covenants and other details relating to the Notes, all consistent with this  
16 ordinance.

17           No Notes may be sold unless and until the county executive has made a  
18 certification to the Washington State Department of Revenue in accordance with Section  
19 201(4) of the Act and Section 3 of Ordinance No. 12000.

20           C.     Note Redemption Fund; Note Covenants. A special fund of the county  
21 known as the "Limited Tax General Obligation Bond Redemption Fund" (the "Note  
22 Fund") has heretofore been created in the office of the manager of the treasury division of  
23 the county. The Note Fund shall be drawn upon to pay the principal of and interest on the  
24 Notes. The full faith, credit, taxing power and resources of the county are hereby  
25 irrevocably pledged for the prompt payment of the principal of and interest on the Notes as  
26 the same shall become due. The county hereby irrevocably covenants and agrees so long  
27 as the Notes remain outstanding and unpaid, to set aside and pay into the Note Fund out of

1 the proceeds of the sale of the Bonds, or from other funds of the county legally available  
2 therefor without a vote of the people, such amounts as are required to pay the principal of  
3 and interest on the Notes as the same shall become due. The county hereby further  
4 irrevocably covenants that it will issue the Bonds or refunding bond anticipation notes in  
5 an amount sufficient, together with all other funds of the county legally available for such  
6 purpose without a vote of the people, to make the payments required by this ordinance to  
7 be made into the Note Fund as the same shall become due. In addition, the county hereby  
8 pledges to the payment of the Notes and covenants to deposit into the Note Fund upon  
9 receipt amounts that the county receives from the State of Washington in accordance with  
10 the Act.

11 D. Execution of Notes. The Notes shall be signed on behalf of the county by  
12 the manual or facsimile signature of the county executive, shall be attested by the manual  
13 or facsimile signature of the clerk of the county council, and shall have the corporate seal  
14 of the county impressed or a facsimile thereof imprinted thereon. In case either of the  
15 officers who shall have executed the Notes shall cease to be such officer or officers of the  
16 county before the Notes so signed shall have been delivered or issued by the county, such  
17 Notes may nevertheless be delivered and issued, and upon such delivery and issuance shall  
18 be as binding upon the county as though those who signed the same had continued to be  
19 such officers of the county. Any Note may be signed and attested on behalf of the county  
20 by such persons as at the actual date of execution of the Note shall be the proper officers of  
21 the county although at the original date of such Note any such person shall not have been  
22 such officer of the county.

23 E. Application of Proceeds of the Notes. The proceeds of the Notes after  
24 payment of costs necessary and incidental thereto and the costs of issuance of the Notes  
25 shall be deposited into the appropriate fund of the county and paid to the PFD for the  
26 purposes authorized herein.



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SECTION 3. Severability. If any one or more of the covenants or agreements provided by this ordinance to be performed by or on the part of the county shall be declared by any court of competent jurisdiction to be contrary to law, then such covenant or covenants, agreement or agreements, shall be null and void and shall in no way affect the validity of the other provisions of this ordinance or of the Bonds or the Notes.

INTRODUCED AND READ for the first time this 23<sup>rd</sup> day of December, 1996.

PASSED by a vote of 8 to 5 this 6<sup>th</sup> day of January, 1997

KING COUNTY COUNCIL  
KING COUNTY, WASHINGTON

Jane Hague  
Chair

ATTEST:

Gerald A. Peterson  
Clerk of the Council

APPROVED this 10<sup>th</sup> day of January, 1997

Ray Soder  
King County Executive