

FIRST & GOAL
I N C O R P O R A T E D

September 19, 2014

William A. Longbrake
Chairman
Washington State Citizen Commission for Performance Measurement of Tax Preferences
1300 Quince Street SE
P.O. Box 40910
Olympia, WA 98504-0910

Re: Response of First & Goal Inc. to Chairman's Questions for Stakeholders and Expedited Preference Commentary

Dear Chairman Longbrake:

In 1996, the Seattle Seahawks were moving to California. Then King County Executive and later Governor Gary Locke asked Paul Allen to save the team. Mr. Allen agreed, but only if the public would help finance a new stadium. In 1997, the Washington Legislature and the organization representing the then potential purchaser of the Seattle Seahawks, struck a bargain, which was endorsed by a majority of the voters of the state of Washington. The bargain contained much give and take, and both the potential purchaser and the public stood to gain significant benefits and accept significant responsibilities.

In consideration of the State participating in the funding of a new football and soccer stadium and exhibition center, up to a hard cap, and ongoing incentives, the potential purchaser would purchase the Seahawks and keep the team in King County, and also cover the balance of the funding of the stadium and have ongoing obligations. The then potential purchaser, now the owner, has more than kept its part of the bargain. The State, on the other hand, is considering renegeing on its part of the bargain.

The team has exploded as fan favorite in the city, state, the region, and, in no small part because of its military outreach, nationally and internationally. The team won the first major men's professional sports championship for this region in almost two generations, and is the reigning Super Bowl Champion. The team is now considered to be one of the elite franchises in the National Football League. The team is a major, sought-after, participant in the Seattle non-profits community as well. The City, State and region should be proud of what the Seahawks have done and are doing.

The stadium has been acknowledged as being one of the very best stadiums in football, and has become the envy of the National Football League owing to the team's

rabid and vocal fan base. In fact, the 12s™ are a significant factor in the team's on-field success.

The current owners of the Seahawks also fulfilled the commitment to bring major professional soccer to Seattle, the Seattle Sounders FC of the MLS, and the stadium has fulfilled its promise as a great venue for soccer as well as football. The Sounders have the best attendance in MLS, and the stadium has hosted many friendly matches with major international soccer powers.

The stadium exhibition center is always busy hosting flat shows and other events. The stadium project overall is the economic engine for the state that was promised, bringing significant out-of-state money into Washington, providing jobs, and significant tax revenues. It is, in short, an overwhelming success for the public, for the Seahawks, and for Seahawks and Sounders fans everywhere.

The bargain between the State Legislature and the Seahawks had numerous provisions of give and take. Some of the key provisions had explicit sunset terms, but others did not, and were intended to survive the duration of the relationship between the team and the Public Stadium Authority which is governed by the master lease provided for by the legislation.

The Seahawks ownership and management have continually performed, indeed over-performed, their obligations. Up until now, the public has also fully performed its obligations. But now it is considering reneging on some of its obligations. The Legislature should not renege on the bargain, and the Commission should recommend against so reneging, for the reasons discussed below.

Background

The Washington State Citizen Commission for Performance Measurement of Tax Preferences (the "Commission") has scheduled approximately sixty-two (62) tax preferences for the 2014 expedited review process. At their May 16, 2014, meeting, the Commission requested stakeholders to provide comments in support or in opposition to the tax preferences identified by the Commission for further feedback from the public.

As part of the 2014 expedited review process, the Commission has identified two tax preferences that are very important to Football Northwest LLC, the owner and operator of the Seattle Seahawks, a franchise of the National Football League (NFL), and First & Goal Inc., the master tenant of CenturyLink Field, the world-class, multi-purpose stadium and exhibition center (the "Stadium") in Seattle, Washington (collectively, the "Stadium Stakeholders"). The two tax preferences are:

1. **Football and Soccer Stadium and Exhibition Center Parking (Sales Tax)** (RCW 82.08.02875). This section exempts stadium and event center parking from retail sales and use tax. The text of the tax preference reads as follows:

The tax levied by RCW 82.08.020 does not apply to vehicle parking charges that are subject to tax under RCW 36.38.040.

2. **Football and Soccer Stadium and Exhibition Center Entertainment Areas (Leasehold Excise Tax)** (RCW 82.29A.130(15)). This leasehold exemption applies to all interests in the public or entertainment areas of the stadium and event center. The text of the tax preference reads as follows:

The following leasehold interests shall be exempt from taxes imposed pursuant to RCW 82.29A.030 and 82.29A.040:

(15) All leasehold interests in the public or entertainment areas of a stadium and exhibition center, as defined in RCW 36.102.010, that is constructed on or after January 1, 1998. For the purposes of this subsection, "public or entertainment areas" has the same meaning as in subsection (14) of this section, and includes exhibition areas.

In connection with its review, the Commission, in its August 6, 2014, draft, asks stakeholders to provide comments on the following questions:

1. Is there evidence that the tax preference achieved its purpose, as noted in the 2014 tax preferences reports? Please provide any relevant evidence.
2. Does the preference provide benefits in addition to those stated in its intended or implied purpose?
3. Does the economic activity stimulated by this tax preference exceed the loss of revenue to the state?
4. Does this preference have negative consequences? For example, were other industries, workers, or the environment harmed by activities stimulated by this tax preference?

Finally, the May 16, 2014, draft also asked, "Should the Commission consider recommending termination of the [Stadium Tax Preferences]?" The Stadium Stakeholders offer the following responses to the questions put forward by the Commission.

Guidelines for Reviewing Tax Preferences

When conducting full reviews of tax preferences, state law (RCW 43.136.055) mandates that the Joint Legislative Audit and Review Committee (JLARC) be guided by the following factors, among others, as relevant to each particular tax preference:

1. Public policy objectives that might provide a justification for the tax preference, including but not limited to the legislative history, any legislative intent, or the extent to which the tax preference encourages business growth or relocation into this state, promotes growth or retention of high wage jobs, or helps stabilize communities;
2. Evidence that the existence of the tax preference has contributed to the achievement of any of the public policy objectives;
3. The extent to which continuation of the tax preference might contribute to any of the public policy objectives; and
4. The extent to which the tax preference may provide unintended benefits to an individual, organization, or industry other than those the legislature intended.

Review of the Stadium Tax Preferences under the expedited review process should be guided by these same factors. Were the JLARC and the Commission to fully review the Stadium Tax Preferences through the lens of the above factors, the Commission would conclude not only are the public policy objectives being achieved, but a number of other concomitant benefits are being achieved as a result of the bundle of stadium legislation that included the Stadium Tax Preferences.

Public Policy Objectives Are Being Met

The Stadium Tax Preferences were first passed in 1997, and were approved by the legislature and the people of Washington state. During the 1997 legislative session, HB 2192 (the "Stadium Act") decisively passed the legislature, passing 56-41 in the House and 28-21 in the Senate. It was signed into law by Governor Locke on April 26, 1997. As part of Mr. Allen's commitment to transparency and democracy of the process (Mr. Allen also refunded the state for the cost of the special election), the Stadium Act contained a provision that required this legislation to be put before the voters of Washington for approval. On June 17, 1997, the Stadium Act was submitted to a vote of the people of the state of Washington as Referendum 48, with the Official Ballot Title:

Shall a public stadium authority be authorized to build and operate a football/soccer stadium and exhibition center financed by tax revenues and private contributions?

The Stadium Act was approved by the voters and codified into state law, effective July 17, 1997. The Stadium Tax Preferences (Retail Sales/Use Tax Exemption on Parking (RCW 82.08.02875) and Leasehold Excise Tax (RCW 82.29A.130(15)) are two

important and original elements of the Stadium Act approved by the voters. Unlike many other tax preferences that the Commission is considering terminating, which are only passed by the legislature and signed into law, the Stadium Tax Preferences faced, and passed, an extra level of scrutiny by the people of Washington state. A majority of voters passed Referendum 48, and committed to entering into this agreement.

The legislative intent and public policy objectives of the Stadium Act, including the Stadium Tax Preferences, were made resoundingly clear through public statements by government officials (including two former governors supporting the Stadium Act), civic leaders and private stakeholders supporting the Stadium Act. The stated benefits include:

- Objective 1: Saving professional football in the Pacific Northwest
- Objective 2: Bring a Major League Soccer franchise to Seattle.
- Objective 3: Building a publicly owned, world-class stadium and exhibition center (i) through a public/private partnership, with public investment capped at \$300 million financed through a combination of bonds, tax credits, designated state lotteries and, importantly, no increase in sales, property or general taxes and (ii) that the community can utilize for consumer shows, community festivals and the like.
- Objective 4: Ridding taxpayers of the financial burdens of the Kingdome, including retirement of the Kingdome's approximately \$125 million debt, and \$40 million in repairs.
- Objective 5: Providing \$10 million for statewide youth athletic facilities.
- Objective 6: Providing at least ten percent (10%) of the stadium seats at affordable prices and a Luxury Suite to the general public.
- Objective 7: Improve public schools.
- Objective 8: Improve Downtown Seattle and the Stadium community.
- Objective 9: Provide responsible stewardship of the Stadium community through cleanup after events.
- Objective 10: Promote diversity and inclusivity through hiring.

The Stated Public Policy Objectives are Being Met, and Exceeded

- Objective 1: Saving Professional Football in the Pacific Northwest

Today, the Seattle Seahawks are the reigning Super Bowl Champions. It was not that long ago, in 1996, that the Seahawks, then under the ownership of Ken Behring, were committed to leave Seattle for California. Against this dismal backdrop, at the explicit personal request of then King County Executive Gary Locke, Mr. Allen purchased an option to buy the team from Mr. Behring. After securing the option, the Seahawks ownership then made a public pledge to Seattle and the state of Washington, promising to keep the Seahawks in Seattle in consideration of the public's commitment to contribute a package of public dollars, tax credits, tax incentives and other items toward the development, construction and operation of a world-class football and soccer stadium and exhibition center facility (sometimes referred to herein as "Event Center"), and adjoining parking facilities. The public contribution to the development and construction was subject to a \$300 Million hard cap, and the ownership agreed to cover the balance of the cost, which he did. The Washington Legislature passed the Stadium Act, Chapter 220, Laws of 1997, dated April 26, 1997. The Stadium Act incorporated all of the rights and obligations of the public and the ownership, their grand bargain. This was submitted to a statewide vote as Referendum 48, which passed and became law effective July 17, 1997. Based on the passage of the Stadium Act, and in good faith reliance on it, Mr. Allen purchased the Seahawks.

Objective 2: Bring Major League Soccer to Seattle

With the opportunities made possible by the Stadium Act, the Stadium Stakeholders were successful in securing rights to a Major League Soccer Franchise, the Seattle Sounders FC. By all measures, the Sounders are an unqualified success. The team leads the MLS in all positive measures, including ranking number one in attendance, averaging nearly twice as many as the next closest MLS franchise.

Objective 3: Build a Publicly Owned, World-Class Stadium and Exhibition Center, While Capping Public Investment

As promised, the Stadium, now known as CenturyLink Field and Event Center, was developed and constructed, and opened for business in 2002, with the public contribution hard-capped at \$300 Million. Athlon Sports, a premiere sports media and marketing company, ranks CenturyLink Field as the second best stadium out of all 32 NFL stadiums, second only to the historic Lambeau Field.¹

In addition to the 10-12 NFL contests and 17-25 MLS matches annually, the Stadium and Event Center play host to more than 200 events, including graduations and community fundraisers. Additionally, over 5,000 people tour the facility annually. In

¹ <http://athlonsports.com/ranking-best-and-worst-nfl-stadiums-2013#31>

total, the facility attracts roughly 2 million patrons annually from across the region and Canada.

CenturyLink Field also provides financial and marketing support for several neighborhood events, and provides neighborhood organizations with the opportunity to use appropriately sized meeting rooms in the facility for community meetings, rent free.

The Stadium was not only constructed, but unlike the Kingdome, it has been well-maintained for 14 years without a single penny in increased taxes. Funding has been exclusively provided by the Football Stakeholders and public funds originally authorized by the Stadium Act, including the Washington State Lottery. In fact, the Washington State Lottery Program is promoted annually through a combination of purchased and in-kind stadium advertising and community outreach efforts. Since 1998, promotional support has risen annually by 4 percent. For example, during the 2013 Seahawks season, more than \$1.87 million in lottery program promotion was achieved.

Moreover, despite the fact that CenturyLink Field and Event Center is owned by the public, the Stadium Stakeholders accept that properly maintaining, renewing, and improving the public's asset to a first-class industry standard is a priority and the Stadium Stakeholders have honored that priority since inception. Since opening in 2002, an additional \$57.7 million has been invested in the stadium and event center by the Stadium Stakeholders, an amount that well exceeds the public resources available for facility improvements.

Objective 4: Rid the Public of the Kingdome's Financial Burden

The remaining debt on the bonds for the Kingdome, approximately \$125 million, was eliminated by the Stadium Act, along with costs of required repairs to the Kingdome, a building whose two major tenants were abandoning it. Without baseball and football, the Kingdome could not even operate at break-even, let alone pay off its debt.

Objective 5: Fund Youth Athletics

A donation of \$10 million by Mr. Allen was made for youth athletic facilities. More than 180 pools, tennis courts, gyms, and sports fields have been built and improved statewide through this grant program.

Objective 6: Provide Affordably-Priced Seats and Luxury Suites to the Public

Each football season, ten percent (10%) of the spectator seats in the Stadium are offered for sale to the public at a price which is no greater than the average of the lowest

ticket prices charged by all NFL teams. During the 2012 season, roughly 12.8 percent of tickets were available for sale at this affordable price.

In addition, access to a luxury suite is also provided to selected ticket holders as a ticket upgrade for each home game. The "12th Seahawk" Suite Program provides five lucky fans, selected at random each home game, with access to four seats, free parking, and refreshments during the game. With the addition of Major League Soccer, the suite program was expanded to include Seattle Sounders FC matches. To date, over 2,400 Seahawks fans and over 1,200 Sounders fans have enjoyed the program.

Objective 7: Improve Public Schools

The Stadium Act required that twenty percent of the Event Center's net profits are donated to Washington's Permanent Common School Fund to provide capital funds for public school improvements. To date, over \$2 million has been contributed to public schools.

Objective 8: Improve Downtown Seattle and the Stadium Community

CenturyLink Field and Event Center is committed to working with area businesses, community organizations and residents to enhance the vibrant neighborhoods surrounding the stadium. As part of this commitment during construction, \$6.1 million in grants for more than 100 local projects were awarded through the South Downtown Foundation. Today, the facility continues to support adjacent neighborhoods and be a responsible neighbor. Open communication lines remain with neighborhood groups through email updates and quarterly Community Partnership Forums where the facility operator shares information about upcoming events, solicits input, and responds to neighborhood issues.

Objective 9: Neighborhood Cleanup After Events

Responsible community stewardship includes mitigating the impacts of large stadium events – particularly traffic and post-event clean-up. The facility hires traffic control officers to assist in moving vehicles in/out of the neighborhood. Through a post-event trash collection and trash can maintenance program, areas surrounding the stadium well beyond its 500 foot perimeter are also cleaned.

Objective 10: Promote Diversity and Inclusion

In developing the Stadium and Event Center, an economic investment of \$81 million in contracts with minority and women business enterprises (M/WBE) was achieved. Apprenticeship participation reached an unprecedented 19 percent, and 25.4 percent of

the workforce was comprised of women and minorities. An ongoing commitment to M/WBEs continues through the procurement of goods and services used to operate the stadium and event center. Since opening, over \$4.57 million has been procured from M/WBE firms. Additionally, prevailing wage requirements apply to all capital projects undertaken at the facility.

Additional Benefits are Being Achieved

As a result of the Stadium Act, including the Stadium Tax Preferences, this world-class facility has enabled the Football Stakeholders to provide economic stimulation to its business and community neighbors. Below are only a few programs developed or supported by the Football Stakeholders, all with an intent to create or foster pride and a sense of satisfaction:

Highlighting Local Business Achievement: Economic development for neighborhood small businesses is another area of need identified by the stadium's adjacent neighborhoods. In response to this need, the facility developed and operates a community concessions program designed to market selected neighborhood businesses during stadium events. Under the program, the stadium concessionaire purchases products directly from neighborhood restaurants and makes them available for sale in the stadium. Products are sold from a specially branded neighborhood concessions stand, as well as from other locations within the stadium. Digital signage is used to market the products as sourced from local restaurants.

Creating Local Jobs: CenturyLink Field and its service providers give preference in hiring to local residents from neighborhoods surrounding the facility. The facility also partners with YouthForce, a program of the Boys and Girls Clubs of King County, providing low income, at risk teens with internship opportunities during Seahawks and Sounders FC games. In 2013, 160 YouthForce teens and young adults were employed on game days; 13.8 percent of which reside in the local neighborhoods.

Being a Leader in Sustainability: The recycling program at CenturyLink Field and Event Center continues to make remarkable progress towards contributing to a more sustainable environment. In 2013, the program successfully diverted over 93 percent of the waste stream (1,139 tons) from the regional landfill, and recycled 5,017 gallons of cooking oil which was converted into 4,515 gallons of biodiesel fuel sold in the Seattle area. Battery operated hand towel dispensers were also replaced with manual dispensers, diverting 1,270 pounds of batteries annually from the waste stream.

Promoting Conservation: Energy conservation is another initiative undertaken at the facility. With a total of 3,750 individual solar panels installed over 80 percent of the roof, CenturyLink Field Event Center has the largest solar energy array in the State of

Washington. An estimated 585,000 kWh of electricity was saved through solar generation in the project's first year of operation. Use of products certified environmentally friendly is another priority. In 2013, 90 percent of all housekeeping supplies purchased for use in the facility were "green" products. Additionally, an electronically activated water system is used to clean most areas of the stadium, further reducing the use of cleaning agents.

Promoting Art and Culture: A voluntary private contribution of \$1.75 million from First & Goal Inc. enabled the creation of a public art program. Twelve local artists were commissioned to produce original works of art which are permanently displayed at CenturyLink Field and Event Center for the public to enjoy, including paintings, sculpture, photography, lights, and a video – all of which contribute to community pride.

Revocation of the Stadium Tax Preferences Sets a Bad Precedent

As stated above, the Stadium Act was a bargain between the public and the Stadium Stakeholders, agreed upon on the basis of a public/private partnership and a foundation of mutual trust. There were mutual promises made and an understanding was reached that both the public coffers and the private money of the Stadium Stakeholders would combine to build and operate a successful, world-class Stadium and Event Center. The Stadium Act was the result of a very transparent process where each side's promises and benefits were laid bare for voters to review, comment and make their preferences known. The legislature, then Governor Gary Locke, and the voters of the state of Washington all approved the Stadium Act, with the Stadium Tax Preferences included. Given the high public policy benefits afforded by the Stadium Act, the integrity of that public/private trust will be put in jeopardy by revocation of the Stadium Tax Preferences. The Legislature should not renege on its bargain.

Moreover, repealing of the Stadium Tax Preferences, renegeing on its bargain, will have a significant detrimental effect on the efficacy of the tax incentives proposed as a governmental tool in the future to spur development. This is an issue of honor and trust. The Stadium Stakeholders have fully held up their end of their bargain. If the State reneges on the deal, even in part, the message is sent that the State cannot be trusted to honor such a deal. This, of course, sends a counter-productive message to future actors who must rely on the State's word.

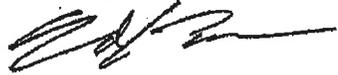
Stadium Stakeholders Urge Against Terminating the Stadium Tax Preferences

The Stadium Stakeholders respectfully urge the Commission to recommend against terminating the Stadium Tax Preferences. The State should not renege on its deal.

Response of First & Goal Inc. to Chairman's Questions
September 19, 2014
Page 11 of 11

I am available to provide additional comments or to answer any additional questions from the Commission.

Sincerely,



Ed Goines
General Counsel & Vice President of Government Affairs
First & Goal Inc.

EG:ja

cc: Commissioners, Citizen Commission for Performance Measurement of Tax Preferences
Representative Kathy Haigh, Chair, Joint Legislative Audit & Review Committee
Keenan Konopaski, Legislative Auditor, Joint Legislative Audit & Review Committee