



# FACILITIES 2000 WORKING GROUP

## RECOMMENDATIONS REGARDING PUBLIC ASSEMBLY FACILITIES IN SPOKANE COUNTY

Report to  
the Spokane City Council,  
the Mayor of the City of Spokane,  
the Spokane County Commission and  
the Board of Directors of the  
Spokane Public Facilities District

FEBRUARY 28, 2001

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**By the  
FACILITIES 2000 WORKING GROUP**

**Shaun Cross, Chairperson  
Ron Anderson  
Greg Bever  
Jeff Colliton  
Steve Corker  
Michael Edwards  
Al French  
Rob Fukai  
Patrick Jones  
Bill Moore  
John Roskelley  
Duane Sommers  
Tyrus Tenold  
Frank Tombari  
Jim West**

**FEBRUARY 28, 2001**

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- C. Newspaper Articles**
- D. Schedule of Meetings**
- E. John Stone's Riverfront Park Concept for Convention Center Expansion**
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**Exhibits**

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# I. EXECUTIVE SUMMARY

## BACKGROUND

On January 20, 2000, the Spokane City Council, Mayor of the City of Spokane, Spokane County Commission and Board of Directors of the Spokane Public Facilities District met in a joint session to discuss issues relating to the possible expansion of the Spokane Convention Center, specifically, and the region's public assembly facilities, in general. On that day consensus was reached to move forward with the development of a package that would include the possible expansion of the Convention Center. Consensus was reached at the same joint session to form a working or study group, with membership broadly representative but limited in number, charged with the following mission:

To work quickly, yet diligently, to identify a package of specific public facility projects, along with funding mechanisms and implementation strategies, for recommendation to the City, the County and the Spokane Public Facilities District.

Fifteen representatives, representing a broad cross section of the region, were named to a group, which subsequently became known as the Facilities 2000 Working Group.

The Facilities 2000 Working Group (the "Working Group") had its first meeting on February 1, 2000. The Working Group had its last meeting on February 28, 2001. During the thirteen months of its existence, the Working Group met every other week, with the meetings usually lasting two to three hours. The Working Group met a total of twenty-five times. Five separate committees were formed by the Working Group early on. Those committees also met on a frequent basis. Scores of meetings (by the Working Group and its committees) have taken place over the past thirteen months. In addition, numerous meetings have taken place between members of the Working Group and various concerned/interested residents of Spokane County.

All of the recommendations of the Working Group were reached by consensus. On the great majority of issues the members were unanimous in their decisions. Two members of the Working Group, Steve Corker and John Roskelley did not formally vote on the final recommendations set forth in this report. As elected officials, those individuals may be called upon to vote on the recommendations set forth in this report, either as is or in modified form.

## KEY RECOMMENDATIONS

The Working Group is of the unanimous opinion that Spokane will lose market share (in the convention center market) and will experience declining usage and revenues because of increased competition of other larger facilities in other communities throughout the Northwest if the existing Convention Center is not expanded. The Working Group views

as a significant factor the opportunity for Spokane County to take advantage of the 1/3 of 1% sales tax credit (the "Sales Tax Credit"). Under the Working Group's assumptions (3% annual growth in the county sales tax and a 5.5% discount rate), the 1/3 of 1% sales tax credit has a present value of approximately \$30 million. By statute, the Sales Tax Credit will be lost unless construction actually commences by December 31, 2002. Taking into consideration the updated recommendations of PricewaterhouseCoopers and the limited opportunity to access the \$30 million Sales Tax Credit, the Working Group unanimously recommends the expansion of the Convention Center as set forth below:

### **Convention Center Expansion**

#### **Preferred Site, Size and Cost**

The Preferred Site is located to the east of the existing Convention Center, running parallel to Spokane Falls Boulevard and extending towards Division Street. The existing exhibit hall, which contains 38,000 square feet of space, should be expanded to 125,000 square feet of space consistent with the updated feasibility study from PricewaterhouseCoopers. The cost estimate for this preferred alternative, including land acquisition costs, is approximately \$72,000,000.

#### **Alternate Site**

The Working Group, in order to allow the future negotiating team(s) flexibility in their deliberations and work, also recommends a backup alternate site. The alternate site for the new convention center is located to the south of the existing Convention Center facility and would encompass the construction of a new 125,000 square foot exhibit hall and support facilities. Spokane Falls Boulevard, Main Street, Washington and Bernard bound this site. This site would require the construction of several new support facilities and would not take advantage of the existing Convention Center infrastructure. In the event the alternate site becomes the Preferred Site, certain program requirements would have to be modified to fit the available funding.

With both the Preferred Site and the Alternate Site, the Working Group recommends a publicly owned, stand-alone project. The Working Group acknowledges and encourages the pursuit of joint development opportunities with adjacent property owners to provide private value enhancements to the project. This recommendation in no way precludes the formation of a future public/private partnership if it is deemed the best way to accomplish all or part of this project.

The Working Group also recommends that the Convention Center expansion be undertaken as a build to the budget program. The Group recognizes that many elements will have to be resolved in order to reach a final budget, including land acquisition costs and the development of a final design. Of the total package, however, the Working Group recommends a figure of not more than \$72,000,000 for the expanded Convention Center, inclusive of land acquisition costs.



**Additional County Projects**

The Working Group also recommends, for inclusion in a potential funding package to be presented to the voters of Spokane County, the expansion and improvement of the Spokane County Fair and Expo Center. The expansion and improvement of the Spokane County Fair and Expo Center, referred to as Master Plan 2000, is expected to cost \$11.8 million.

In addition to the expansion and improvement of the Spokane County Fair and Expo Center, the Working Group recommends that an additional \$7.2 million be dedicated to projects which, like the Fairgrounds, would be sited outside the Spokane City limits. The Working Group does not have a specific recommendation for the use of this additional \$7.2 million and believes the Spokane County Commissioners should decide how those funds will be spent.

**Finance and Legal**

The Working Group recommends a bond issue totaling \$94.4 million. Of this total, the Working Group recommends that \$19 million be dedicated to projects (other than the Convention Center) which are sited outside the city limits. This amounts to slightly more than 20% of the total bond issue of \$94.4 million.

The recommended breakdown on the funding package is as follows:

(In millions)

Convention Center	\$72.0
Spokane County Fair and Expo Center	\$11.8
Additional County Projects	\$ 7.2
Reserves, Bond Insurance and Related Costs	<u>\$ 3.4</u>
Total	\$94.4

The Working Group recommends that the governments of the City of Spokane and County of Spokane support the creation of a new public facilities district (“PFD”) to facilitate the construction of the expanded Convention Center, the proposed improvements to the Spokane County Fair and Expo Center and yet-to-be-named facilities outside the Spokane City limits. The new PFD would own and operate most of the facilities described in this report. To conform to the enabling legislation (RCW 35.57.02 and 36.100.030), the Working Group has presumed that the new PFD will own all of the Spokane Center’s properties, with the exception of Albi Stadium.

The Working Group recommends that underwriting of the bonds be split among the three relevant entities in the following manner: 40% by the City, 40% by the County and 20% by the new PFD. Bonds issued by the County and City would be general obligation bonds. Bonds issued by the new PFD would be revenue bonds, that is to say, bonds backed by the revenues flowing to the new PFD. A portion of the bonds will have to be zero coupon bonds, since two of the revenue streams (for the new PFD) will not commence until 2018.

In its financial assumptions, the Working Group has conservatively assumed that (1) the bonds will be issued at an interest rate of 5.50%; (2) the PFD's reserves will grow at an annual rate of 5.25%, and (3) the County's sales tax revenues will grow at a rate of 3% per annum.

At the time of the issuance of this report, various legal issues remained to be resolved. For example, the current PFD legislation requires ownership by the PFD of any asset built or improved with sales tax credit funds. Some County officials have made it clear any addition to the Fairgrounds funded by new PFD dollars should not be owned by the new PFD. Efforts are underway to remove this hurdle, either legally or legislatively. In the event, however, that this legal hurdle cannot be removed and even technical ownership by the PFD is viewed as unacceptable by the County, then the Working Group simply recommends that \$19 million be set aside from the \$94.4 million total for projects which are sited outside the City limits and designated by the County Commissioners (or their representatives) at some future time.

The Working Group recommends that a transfer (and not a sale) of Spokane Center (excluding Albi Stadium) take place. The transfer would be made by the City of Spokane to the new PFD. The Group also recommends that outstanding City debt (due to existing improvements in the Spokane Center) continue to be paid by the City. In other words, the Group recommends the City retain the existing indebtedness for Spokane Center.

The weight of legal authority suggests that two countywide public facilities districts can be created, so long as each PFD performs an independent function and so long as each PFD looks to a separate source of tax revenue. Nonetheless, in the absence of the passage of clarifying legislation (which is pending) and the willingness of a law firm to issue an unqualified opinion on the bonds, the existing Spokane Public Facilities District ("SPFD") may be the only entity which is in a position to take on the projects covered by this report. Therefore, given the time constraints which exist in order to access the Sales Tax Credit, the Working Group recommends that the Spokane Public Facilities District undertake a complete analysis and review of all of the recommendations, financial assumptions and financial models set forth in this report.

This report does not contain any specific recommendations regarding Albi Stadium. Nonetheless the Working Group believes the community should discuss the future of Albi Stadium. The Working Group views Albi Stadium as a great community resource, one which should not be ignored in the future.

In addition, the Working Group respects very much the work which has surrounded the creation of the Inland Northwest Technology Education Center ("INTEC"). Future groups reviewing the recommendations of the Working Group should consider possible synergies between the expansion of public facilities in Spokane County, including the Convention Center, and the goals of INTEC.

#### **Consolidated Operations and Management**

The Working Group recommends that the management and operation of as many of the public assembly facilities as practical should be unified in order to realize efficiencies. Adoption of the Unified Management Plan (Exhibit T) would result in approximately \$400,000 in annual operating cost reductions for the Arena (Spokane Public Facilities District) and Spokane Center alone. The Working Group recommends that the new PFD explore these same types of efficiencies through cooperative agreements with the Spokane Public Facilities District.

#### **County Vote**

Finally, the Working Group recommends that the package of projects (ultimately approved by the recipients of this report) should be presented to the voters of the County of Spokane in September of 2001.