

May 4, 2015

CITY COUNCIL AGENDA MEMORANDUM

SUBJECT:

Resolution No. 8914 regarding an investment in Performing Arts Center Eastside for the construction of Tateuchi Center.

FISCAL IMPACT:

Future costs associated with this Resolution would be requested in the 2019-2025 Budget and will be subject to final budget appropriation. Similarly, the next CIP (2017-2023) would need to be adjusted to fund the project. In the 2015-2021 Adopted CIP budget includes \$1 Million as a placeholder for possible future funding.

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POLICY CONSIDERATION:

Should the City invest additional public funds in support of Tateuchi Center and, if so, how much, when and under what conditions?

Previous Council actions:

- 2002: Council Resolution adopted No. 6670 supporting the Performing Arts Center Eastside (PACE) proposal to construct a performing arts center.
- 2006: Investment Principles for Cultural Facilities adopted.
- 2014: City Council Resolution No. 8695 authorized pursuing an MOU with PACE "...to advance public and private efforts to secure a major performing arts facility, the Tateuchi Center, in Bellevue for the benefit of the community and the entire Eastside." Mayor Balducci appointed Councilmember John Stokes to serve as Council's liaison for the PACE collaboration.
- 2014: Adopted budget for 2015-16 included a \$1M "placeholder" for Tateuchi Center, in anticipation of further study and decision by Council on the project

Comprehensive Plan:

The following Comprehensive Plan Policies support City participation in constructing performing arts facilities:

- **Economic Development: ED-17.** Recognize the economic development benefits of City and private sector investments in urban amenities like arts and culture, open space and recreational facilities, as well as high quality urban design. Strengthen the City's assets in these areas as an explicit component of the City's economic development strategy.
- **Urban Design: UD-36.** Encourage development, display, and performance opportunities for a wide range of artistic expression throughout the city.
- **Parks & Recreation: PA-14.** Develop partnerships with other public agencies and the private

sector to meet the demand for cultural and recreational facilities in the city.

Downtown Sub-Area Plan:

The **Downtown Sub-Area Plan** states as its vision: “To become the symbolic and functional heart of the Eastside Region through the continued location of cultural, entertainment, residential, and regional uses.” **Policy S-DT-11** encourages the development of major civic, convention and cultural uses within the Downtown.

Cultural Compass:

The **Cultural Compass**, which is the City’s Cultural Plan and a reference document for the Comprehensive Plan, acknowledges the need for a variety of performing arts venues in the community and specifically includes the PACE project as an example of how to accomplish its vision of a thriving Downtown.

- **Cultural Compass GOAL 5:** Develop a mix of flexibly designed, quality visual and performing arts spaces to serve Bellevue and Eastside organizations, artists, and residents.

BACKGROUND:

Securing a large performing arts center (PAC) in downtown Bellevue has been the subject of community discussions and many studies conducted over the last few decades. A chronology of efforts towards this end is included in this memo as Attachment A. As far back as 1982, the City commissioned an independent study on the feasibility of a large performing arts center. The topic was again studied by the City in 1986, 1990, and 1995. In 2002, Council voted to endorse what became the PACE project: a 2000 seat performing arts center to be located in downtown Bellevue. The City invested \$2M in the PACE project in 2009. In May 2014, the PACE Board and City signed a Memorandum of Understanding (MOU) which set the framework for a collaborative process to consider options for the financing and operation of Tateuchi Center (Attachment B).

In accordance with the MOU, a committee of City and PACE representatives has met regularly over the last year. Council has been briefed on the efforts of both the City and PACE. Information prepared for Council as a result of these efforts includes:

- a comparison of 14 performing arts venues regarding their financing, governance, and other information; ten are in the Puget Sound area and the rest are from other regions;
- a review of options for City financing of an investment in Tateuchi Center;
- a summary of public outreach activity;
- a feasibility study by B Squared Consulting to evaluate and update the operating *pro forma*, assess programming availability and anticipated utilization, identify and assess the potential market and audience demand, and identify any major risks surrounding possible additional City funding, and to provide relevant advice (findings and recommendations presented to Council at its February 9, 2015 Study Session); and
- a recently completed study of Tateuchi Center’s potential economic benefit for the region.

In addition, over the last year PACE has accomplished the following;

- added six new members to its board;
- reorganized its fundraising efforts including the addition of new fundraising staff expertise;
- committed substantial time to work with the City’s consultants on PACE’s budgets, operating and programming plans for Tateuchi Center, and updating these plans; and

- collaborated with City staff and Bellevue Arts Commission members to develop and provide presentations informing the public on Tateuchi Center and the City's "due diligence" efforts under the MOU to decide whether to make a substantial investment in Tateuchi Center.

At Council's February 9 Extended Study Session, Steven Bronfenbrenner of B² Consulting presented his findings and recommendations. Based on the feasibility of the project, the economic development it could stimulate and other benefits to the City from Tateuchi Center (with the revised design that includes an education center rather than a cabaret), B² Consulting concluded that a conditional financial commitment by the City to provide significant capital funding on a "last dollar in" basis would be a critical step in maximizing the likelihood of success of PACE's private fundraising effort.

The current capital gap to secure full construction/start-up funding is about \$138.4M. This does not include funding of an endowment but does include PACE's operating costs through the opening and first year operations of the facility. PACE may or may not be successful in meeting this challenge, despite the City's a conditioned funding commitment and statement of support. B² Consulting recommended in February when reporting to Council that if the City were to decide to make a funding commitment to PACE, it should occur soon – this spring – in order to sustain and support private sector fundraising.

At this point, the tasks identified under the MOU have been completed.

Decision on a City Investment in PACE

Based on the information and consultant recommendations generated by work under the MOU, staff recommends that, if Council decides to make a further investment in the PACE project, the City Manager should be directed to negotiate an agreement with PACE that generally includes the following conditions:

- an ownership interest in the property;
- a set of pre-conditions for releasing the funds, including the City's funding being the "last money in": and PACE completing fundraising by a certain date;
- a series of checks and balances to:
 - address the City's interest in ensuring that the public has broad access to the performing arts center programs;
 - ensure that Tateuchi Center engages the community as it develops its programming mix; and
 - confirm that its financial operations are run on a sustainable basis.

EFFECTIVE DATE:

If approved this Resolution will become effective immediately.

OPTIONS:

1. Adopt the Resolution authorizing the City Manager to begin negotiating a funding agreement with PACE in an amount not to exceed \$_____, subject to provisions protecting the public interest.
2. Do not adopt the Resolution to invest City funding in Tateuchi Center.

RECOMMENDATION:

Option No. 1.

MOTION:

Move to adopt Resolution No. 8914 authorizing the City Manager to begin negotiating a funding agreement with PACE in an amount not to exceed \$_____, subject to provisions protecting the public interest.

ATTACHMENTS:

- A. Chronology
- B. Memorandum of Understanding
- C. Proposed Resolution No. 8914