

September 26, 2016

CITY COUNCIL STUDY SESSION ITEM

SUBJECT

Staff report and recommendation regarding Performing Arts Center Eastside (“PACE”) Tateuchi Center funding request.

STAFF CONTACTS

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POLICY ISSUES

This memo accompanies the draft Funding Agreement negotiated by staff pursuant to the Term Sheet authorized by Council Resolution No. 8914 adopted May 5, 2015, as the framework for negotiation of a Funding Agreement between the City and Performing Arts Center Eastside dba Tateuchi Center.

DIRECTION NEEDED FROM COUNCIL

☒ Action
☒ Discussion
☐ Information

BACKGROUND/ANALYSIS

This presentation provides Council with the opportunity to review and comment upon the draft Funding Agreement negotiated with PACE for the construction of it. We are seeking Council feedback on the negotiated Funding Agreement for Council approval, as well as a request recently received from PACE’s Executive Director, John Haynes, seeking an extension of time in which to meet its fund-raising obligation from September 30, 2016 to September 30, 2017, as well as adjustment of other dates and deadlines associated with this project.

In late 2013 PACE representatives approached the City seeking new funding for the Tateuchi Center, the performing arts facility proposed for construction in downtown Bellevue. The City had previously entered into a Funding Agreement with PACE to provide \$2 million in funding for PACE to aid in covering the costs of architectural and engineering services for the design of the facility. This Funding Agreement was entered into in 2009.

The request for additional funding made in 2013 was for substantial additional funds, as a catalyst to incentivize substantial public and private investment still needed to fund construction of the facility. In early 2014 Council passed Resolution 8695 setting out a framework for collaborating 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.” This collaborative process included public outreach, comparison of the PACE model with other performing arts facilities in the region, identification of financing options, an economic benefits study and a feasibility study for the facility and its proposed programming.

The process culminated in Council’s adoption, in May 2015, Resolution No. 8914, stating the “City’s intention to make a capital investment of up to \$20 million in the Tateuchi Center under certain conditions,” and directing negotiation of a contract with PACE. The Resolution also contained a list of the conditions to be negotiated as follows:

- Securing a substantial real property interest in the Tateuchi facility as security for the investment, together with an obligation to repay the investment if the facility is not operated as a public performing arts center for 50 years;
- Providing the public investment on a “last-dollars” in basis, that is, dependent upon PACE first securing the balance of funding necessary for the project, by September, 2016;
- Inclusion in the project of an education center with a flexible configuration that can adapt to a wide variety of programming and studio theatre presentations;
- Timely completion of the project;
- Securing 50 years of public programming commitments from PACE consistent with the terms of the 2009 20-year agreement between the City and PACE;
- PACE’s completion of a programming study including local public engagement to ensure programming desirable to the public;
- Limitations on the commercial or unrelated use of the facility consistent with current law relative to PACE’s state property tax exemption;
- The City, PACE and Bellevue Convention Center entering into a facilities cooperation framework;
- No commitment to funding of operations; and such other terms and conditions deemed appropriate and consistent with the City’s established principles for investing in cultural facilities.

Between May and December 2015, City staff and consultants negotiated with PACE and its representatives to reach agreement on a Term Sheet that has served as the foundation for drafting of a formal Funding Agreement.

The Term Sheet formally approved by Council on December 14, 2015 includes all of the conditions contained in Resolution No. 8914. Some specific elements include:

- A firm \$20 million (as opposed to “up to”) City investment contingent upon execution by PACE of all required preconditions;
- A proposed property interest recorded in favor of the City in the form of a recorded restrictive covenant secured by a deed of trust;
- PACE’s obligation to operate the Tateuchi Center as a performing arts facility for 50 years or to reimburse the City on a pro rata basis if it ceases to operate sooner;
- City obligation “last dollar in” following completion of construction;
- Timely completion of project by October 2019;

- Inclusion of an education center available for a variety of programming;
- Access by the City for public events up to five times annually;
- Collaboration with the Convention Center regarding programming;
- Programming study and completion of a business plan;
- Limitations on commercial use of the facility;
- No funding from City for operations.

The draft funding Agreement negotiated over these past several months includes all of these conditions as well as additional provisions that are consistent with the Council's Cultural Arts funding principles and the existing Funding Agreement between the City and PACE (which will be superseded by this Agreement) such as regular financial reporting and access to programming for the public, low income and disabled persons.

ALTERNATIVES

At this time we are seeking Council direction on the finalization of the Funding Agreement. The alternatives are:

- Provide feedback on whether the draft Funding Agreement has met the principles contained in Resolution No. 8914 and if so, direct staff to finalize the Funding Agreement with PACE for \$20 million funding for reimbursement of capital costs to bring forward for Council approval in October 2016. Specific direction will be necessary on the PACE requests for additional time to meet its fundraising obligation (from September 30, 2016 to September 30, 2017) and other deadlines imposed in the Agreement such as completion of construction in October 2020.
- Do not direct staff to proceed to negotiation of a Funding Agreement for \$20 million funding for reimbursement of capital costs with PACE and provide alternative direction to staff.

RECOMMENDATION

Direct staff to proceed to finalize the Funding Agreement for \$20 million funding for reimbursement of capital costs with PACE to bring forward for Council approval at a meeting in October 2016.

ATTACHMENT

Draft Funding Agreement

AVAILABLE IN COUNCIL DOCUMENT LIBRARY

N/A