

**TESTIMONY BY FEDERAL WAY COUNCIL MEMBER JEANNE BURBIDGE
& FEDERAL WAY CITY MANAGER NEAL BEETS
BEFORE THE KING COUNTY LOCAL FINANCING OPTIONS TASK FORCE
WEDNESDAY, OCTOBER 1, 2008
FEDERAL WAY CITY HALL**

Good morning, both to Co-Chairs Senator Eide and Representative Hunter and to all the Task Force members and guests. We are very honored to have you here today in our community. I am Jeanne Burbidge, a City Council Member from Federal Way and one of those, along with Senator Eide, who helped incorporate the City of Federal Way a little less than two decades ago.

I'm here today to speak to you about our Federal Way Performing Arts Center project, and I am joined by Neal Beets, our City Manager. I will describe for you the vision and the policy goals that have led us to pursue this wonderful project, and Neal will give you an overview of specific actions and progress steps we have taken. Also, if you will indulge me, I would like to have a few of our performing arts supporters who are here today quickly introduce themselves

With that, let me tell you why there is such a community rally cry for this project -- the kind of project we believe you clearly envisioned when you formed this Joint Task Force to evaluate the future use of King County-specific revenue options to fund "*arts, cultural, and civic centers.*"

First, you need to know that, for as long as there has been a Federal Way, there has been a Federal Way Coalition for the Performing Arts which has dreamed of doing something about the city's lack of performance space. A 234-seat venue, the Knutzen Family Theater, opened in 1998, but it is in a hard-to-find neighborhood on the outskirts of our city far from I-5 and other amenities and it simply is ill-equipped to house performance and musical events.

That leaves our city, the state's 8th-largest with a population just under 90,000, having to send school groups, performance groups, and others *outside the city* to perform -- to Auburn or Burien or Sumner -- if *THOSE* aren't already booked. It also leaves the Federal Way School District, the 7th-largest in the state with a population of 120,000+, frequently in a bind. And you can imagine that the need and the demand for a larger performing arts venue has only continued to grow.

So, a couple of years ago, our City took the performing arts bull by the horns, if you will, and decided we needed to help lead this effort. The City adopted a strategic vision that listed the Performing Arts Center as a No. 1 priority, with the intent of locating this facility in the downtown core, where it would be not only easy to access and locate but also where it would be a catalyst for transforming and revitalizing our city center.

Next, after the 2007 Legislature, when members enacted "Public Facility District" legislation that for a while had provisions in it to include the Performing Arts Center, we responded to the input from lawmakers that we needed to do our "due diligence" on the specifics of a facility, and the project costs, and most importantly, feasibility. Our City funded a \$65,000 study by the well-known, Chicago-based firm CH Johnson Consulting and Seattle-based LMN Architects, and we told them to be conservative.

They issued a report indicating a 500-700 seat performing arts venue would be economically viable and an asset to our community, particularly if combined with a conference and meeting-room facility and a hotel property. And the feasibility study showed us the revenue and job generation from a downtown facility would be impressive:

*Well over \$1 million a year in new revenues for the State of Washington, when you look at sales tax, state B&O tax, and utility tax generated;

*200 ongoing jobs;

*\$1.4 million in new wages being paid

So the economics *do* work, and the City has committed to make this combined Arts Center and conference/meeting-room facility a partnership effort where we take the lead on the Performing Arts venue and the private sector takes the lead on the other properties. We also have honed in on downtown sites that are highly visible, easily accessible from Interstate 5, a short walk to restaurants and shopping, and in close proximity to the Federal Way Transit Center which has high-volume use both from Sound Transit and King County METRO.

Task Force Members, we envision the state partnering on about 1/3 of the financing of the Performing Arts Center – a similar cost-share as you did with the Kent Events Center set to open early in 2009. And we believe a Task Force recommendation – and ultimately state legislation – to include the Performing Arts Center in the “re-upping” and “re-purposing” of King County-only taxes, would be a very good decision for the state, a transforming catalyst for our community, and a fairness decision for South King County.

City Manager Neal Beets will talk about the specific work we have done on the Performing Arts Center, but I want to leave you with a few closing points as to why it makes sense for this Task Force and the 2009 Legislature to include the Performing Arts Center:

- **You would be helping a community that has helped you.** Since 1990, we have been building a downtown from scratch, bringing in a series of new developments that otherwise might not have been there – and generating over \$90 million a year in sales tax and other revenue for the State;
- **You would be helping an area that is taking on much of the human and social services burden not only for King County but for our entire region and state.** 52% of our school students are on reduced or free school lunches. 41% of our households live below the poverty line. And cities in South King County host a greater percentage of affordable housing for low-income renters than any other area of the county.
- **Finally, as a matter of fairness,** you would be partnering with a part of King County that has not received nearly the proportion of arts funding that other areas of King County have. And you would be ensuring that our large and growing community could construct a facility so that our own school-children and performers will not have to leave Federal Way in order to perform, or act, or sing their next line.

Now I'll turn it over to Neal.

Thank you Madam and Mr. Co-Chair. Council Member Burbidge has done a great job of painting the policy picture for you as to why a Performing Arts Center is so critical to our community. Now I'd like to list for you a number of the steps we have taken, so that you know the work product and the commitment involved in this project.

- **As Council Member Burbidge noted, we engaged the City Council and the public in a strategic vision and priority-setting exercise for Federal Way** – one where a Performing Arts Center emerged as a top priority.
- **We did our homework** – and we paid for it out of our own pocket. The CH Johnson and LMN Architects study was thorough, and conservative, and showed us a performing arts venue could work – in the right location and combined with the right amenities.
- **We involved our community.** A grass-roots group that includes many of the Federal Way Coalition for the Arts members has been meeting on a monthly basis for the past year and a half.
- **We have laid a strong foundation for private fund-raising.** The Federal Way Coalition of the Performing Arts, our grassroots arts group, has separately contracted with the Collins Group, one of the most highly-respected firms in our state in terms of giving specific, technical, broad-based advice to communities as to where, how, and how much they can expect to raise in a private fund-raising campaign. The Collins Group effort is now underway. This \$45,000 contract is being paid entirely by private citizens and corporations.
- **We have targeted a downtown site.** We are in active discussions with two private developers who would use the Performing Arts Center as an anchor tenant, and the Federal Way School District has come forward with a possible downtown site as well. We are very confident that we will have “site control” over a downtown site within the month – something we know you require for a number of your funding processes.
- **We have actively sought other sources of funding.** You stepped forward in the state's 2008 Supplemental Capital Budget with \$500,000 toward pre-construction activities, which we greatly appreciate. And we recently learned that our application for CTED's Building for the Arts program has been recommended for receiving \$325,000 – of course, pending the approval of a “BFA” appropriation level in your 2009-11 Capital Budget.
- **And we have stepped up with a funding plan.** In your packets are two documents that describe our funding plan. One is a spreadsheet that shows you the City is prepared to put its own funding, and its own bonding capacity, into this project to make it happen. The other document shows the overall funding plan whereby the City pays 2/3's of the total cost of the PAC, while the state, county and private sector are looked to for the final 1/3.

Co-Chairs Eide and Hunter, we feel like we have done the work and demonstrated the commitment to this project. We have the vision, and we have an engaged and supportive community. We now ask your help to assist us in getting to our final destination. With that, Council Member Burbidge and I are happy to answer questions. We also have Doug Levy, who works with many of you in the State Legislature, available if you have any questions regarding our legislative delegation or other contacts we have made in Olympia.

Federal Way Performing Arts Center FACT SHEET

The Federal Way Coalition of the Performing Arts and the City of Federal Way are looking to develop a 500-700 seat Performing Arts Center that would, together with over \$300 million in proposed public and private investments, serve as a catalyst for downtown redevelopment efforts and generate new jobs and revenue for the State of Washington, King County and the local community. The City has completed a feasibility study that shows a Performing Arts Center would be viable, particularly if combined with a conference center. The Performing Arts Center would be a community-based facility for a city that has a *passion* for the arts but *no adequate facilities* for the arts.

Project Description and Market	
Project	Performing Arts Center 500 – 700 seats
Proposed Location	In the City Center with I-5 visibility and direct access via an HOV ramp. The location would be an integral part of the City's downtown redevelopment strategy.
Market Area and Demand	The City conducted an independent Feasibility Study which concluded that a 500-700 seat performing arts center is feasible in Federal Way and will have a primary market area of 20 miles. That means residents of communities in South King and North Pierce counties such as Des Moines, Kent, Burien, NE Tacoma, Fife, Puyallup, Milton and Edgewood all could be served by the new facility.
Other Key Findings	<ul style="list-style-type: none"> ▪ Suburban arts centers are flourishing throughout the country. ▪ Federal Way demographics are at par or above comparable communities. ▪ The Performing Arts Center will operate in the mid- to upper-quartile of similar facilities in terms of demand. ▪ Multiple arts venues in the same market area could build synergy that would <i>contribute to</i> and not detract from each other. <ul style="list-style-type: none"> ▪ Federal Way can leverage the performance facility with a conference center and a hotel. ▪ A Federal Way conference center is ideally positioned to capture consumer shows, exhibitions and the banquet/social gathering market.

Cost and Funding

Development Cost	\$39 - \$49 million
Preliminary Funding Proposal	City: \$24 - \$26 million State: \$10 - \$15 million Arts Grants: \$3 - \$5 million Private: \$2 - \$3 million
Projected Operating Costs	\$200k - \$250k annual subsidy – the City is willing to take this on in order to establish a major, long-term community asset

Economic Impact

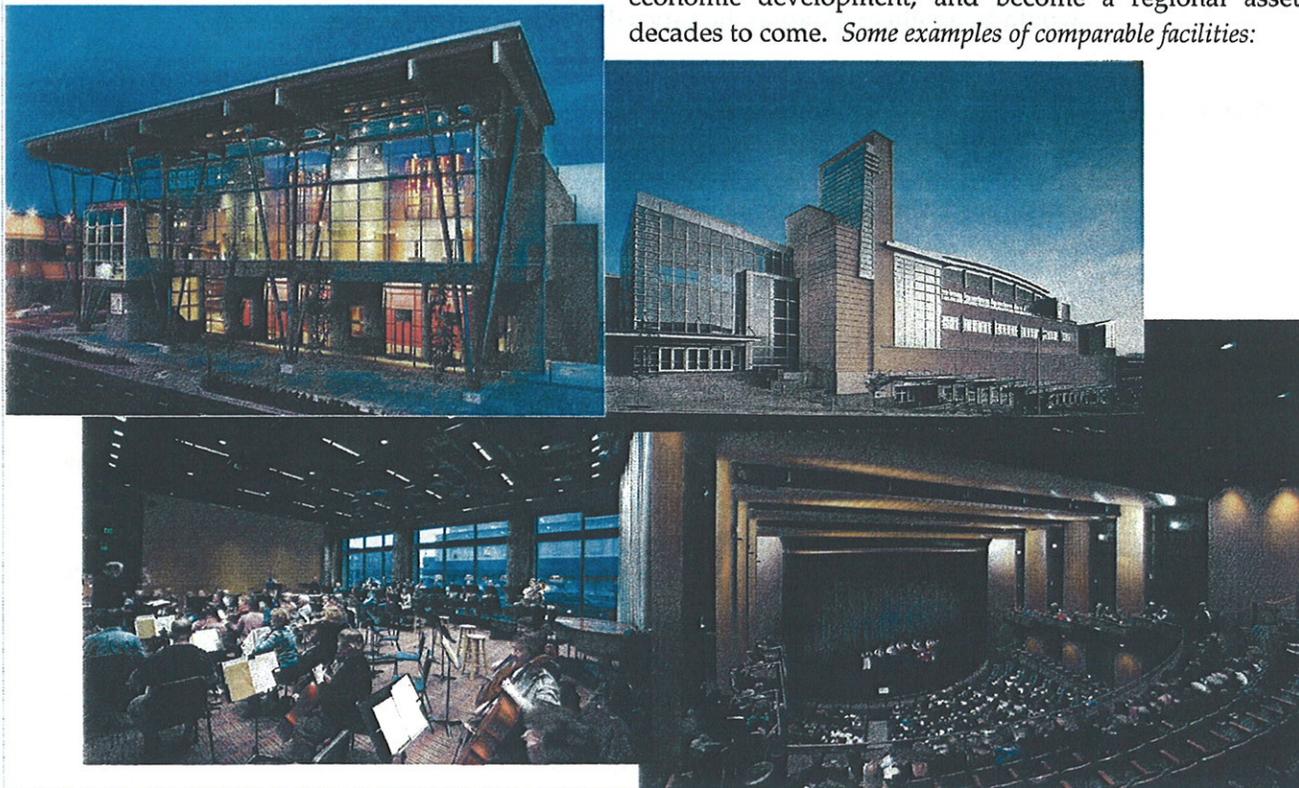
Total Consumer Spending	\$6 million/yr; \$85 million in "Present Value" over 25 years
Total Employment	60 FTE ongoing jobs. (Combined with a conference center, that number jumps to 200 FTE ongoing jobs.)
Wages/Earnings	\$1.4 million/yr; \$20 million "Present Value" over 25 years

Sales and Use Tax Generation

Total Sales and Use Tax	\$391,000/yr, or \$5.5 million "Present Value" over 25 years
State Portion	\$280k/yr, or \$3.9 million in "Present Value" over 25 years. (The Feasibility Study also anticipates an additional \$658,000/yr in sales and use tax revenue from a conference center. If State B&O and utility tax revenues are factored in, a conservative estimate for new revenue generation is well over \$1 million/yr.)
County/Regional Portion	\$74,000/yr, or \$1 million in "Present Value" over 25 years
City Portion	\$37,000/yr, or \$520,000 "Present Value" over 25 years

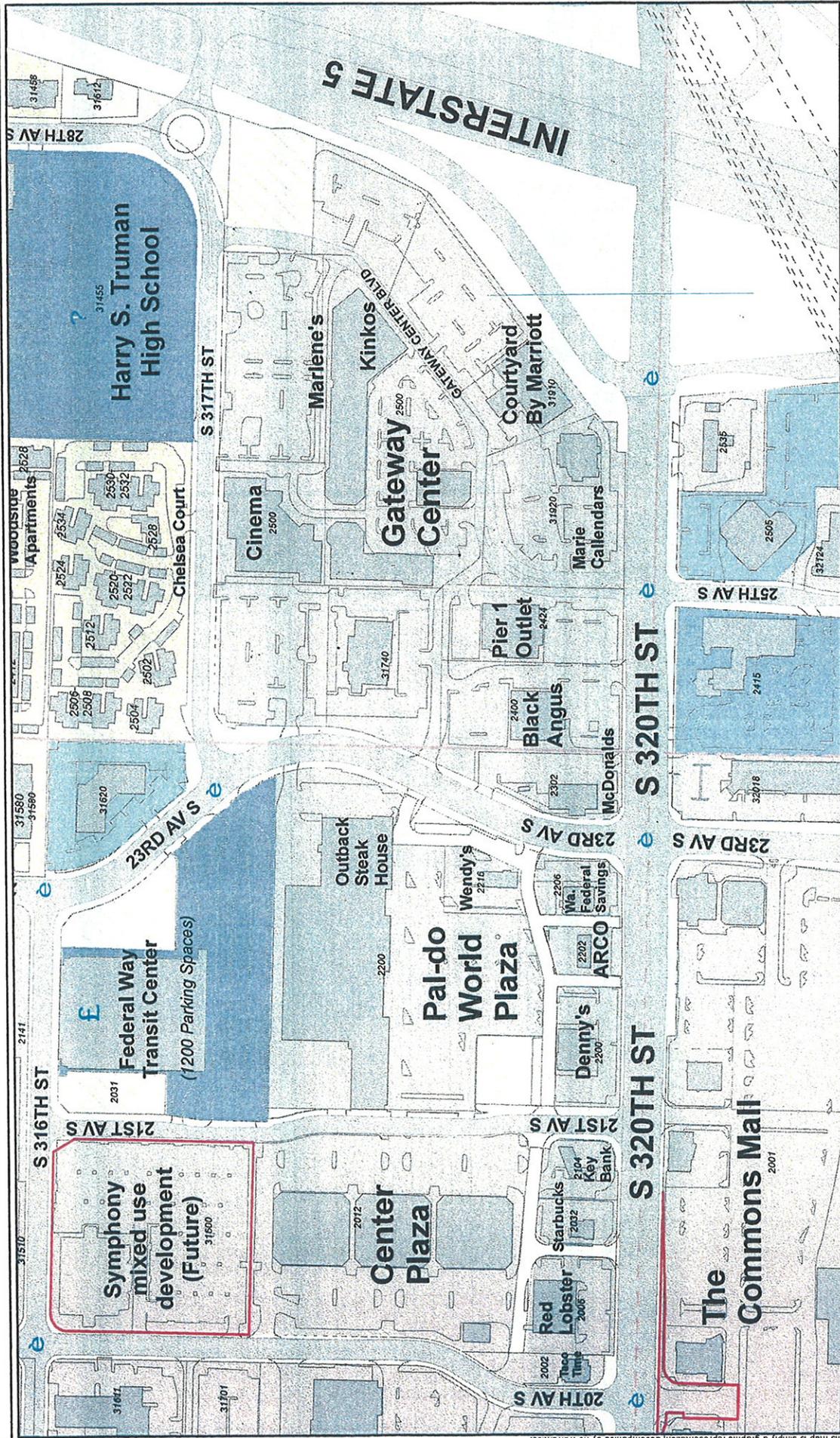
Similar Facilities

Citizens and community leaders, together with LMN Architects, visited a number of performing arts venues in the region. The proposed Federal Way Performing Arts Center will be designed to have a similar attractive visual impact and appropriate performance amenities that will serve a wide variety of community needs, contribute to economic development, and become a regional asset for decades to come. *Some examples of comparable facilities:*



City of Federal Way
 Performing Arts Center (700 seats / 43,000 sq ft) & 30% Parking
 Proposed Funding Plan*

Development Cost and Funding Sources	Total	2008	2009	2010	2011	2012	2013	2014 - 2041	2042	2043
PAC Development Cost:										
Land Acquisition	4,000,000	4,000,000	-	-	-	-	-	-	-	-
Preliminary Design	500,000	500,000	-	-	-	-	-	-	-	-
Architectural & Engineering	4,725,000	-	1,181,250	3,543,750	-	-	-	-	-	-
Permits, Hookup Fees & Testing	600,000	-	-	1,126,418	-	-	-	-	-	-
Project Admin, Financing, & Legal Expense	1,575,000	-	236,250	866,250	472,500	-	-	-	-	-
Construction, including Escalation & Sales Tax	31,500,000	-	-	7,875,000	15,750,000	7,875,000	-	-	-	-
Parking (30% cost of 700-stall shared parking structure)	4,200,000	-	-	1,050,000	2,100,000	1,050,000	-	-	-	-
Furnishings, Fixtures & Equipment	1,900,000	-	-	-	-	1,900,000	-	-	-	-
Total Expenditures	49,000,000	4,500,000	1,417,500	14,461,418	18,322,500	10,825,000	-	-	-	-
Proposed Funding Plan:										
Bond Financing	30,000,000	-	-	10,000,000	10,000,000	10,000,000	-	-	-	-
City Sources \$20 Million										
State Sources \$10 Million										
City Sources										
City - REET Funds for Capital	5,500,000	-	4,000,000	1,500,000	-	-	-	-	-	-
Private Sources										
Land Donation	4,000,000	4,000,000	-	-	-	-	-	-	-	-
Potential Private Funding	2,000,000	50,000	500,000	1,000,000	450,000	-	-	-	-	-
Potential Arts Grants	2,000,000	-	600,000	1,200,000	200,000	-	-	-	-	-
State Sources										
Pre-design Funding (2008 Session)	500,000	500,000	-	-	-	-	-	-	-	-
Proposed State Earmark (Bridge Funding)	5,000,000	-	-	2,500,000	2,500,000	-	-	-	-	-
Total Sources	49,000,000	4,550,000	5,100,000	16,200,000	13,150,000	10,000,000	-	-	-	-
* Bond Financing and Repayment										
City Debt Obligation/Annual Payment	\$ 1,032,081	-	-	-	688,054	1,376,108	2,064,162	1,032,081	-	-
Proposed PFD or Other Funding for Bond Payment	\$ 1,032,081	-	-	-	-	-	-	1,032,081	1,376,108	688,054
Total Bond Repayment	30,000,000	-	-	-	688,054	1,376,108	2,064,162	2,064,162	1,376,108	688,054



Legend:

Existing Land Use: Parks	Natural Features: Public Facilities: Park & Ride Lot
Commercial	Surface Water
Institutional (Private)	Streams
Institutional (Public)	Wetlands
Office	

Land & Boundaries:

City Owned Property

Built Environment:

Traffic Signal	Traffic Signal (Fire)
Residential (Multi-Family)	BPA Powerline
Residential (Single Family)	Building
Vacant Land	Paved Area
Street	

Natural Features: Public Facilities:

Park & Ride Lot
Public School, College

Map Notes: Landuse designations were obtained from county assessor records.

Map Date: 7/2008
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