



**SPOKANE CITY COUNCIL**  
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**COUNCIL MEMBERS:**

August 21, 1998

**ORVILLE BARNES**  
 MAYOR PRO TEMPORE

**PHYLLIS HOLMES**  
**ROBERTA GREENE**  
**JEFF COLLITON**  
**CHERIE RODGERS**  
**ROB HIGGINS**

This statement is being issued by five current members of the seven-person Spokane City Council to reiterate the Council's continuing support for the City of Spokane's participation in the downtown redevelopment project pertaining to River Park Square.

Since the issue of the downtown redevelopment project was first presented to the Council in June of 1995, the Spokane City Council, of which the Mayor is only one member, has never wavered in its continuing and enthusiastic support for the project which is estimated to result in more than 800 jobs for area residents, \$3 million in annual tax revenues to the City of Spokane, and revitalization of the downtown core whose economic, social and visual life has been slowly draining away.

The City Council's instructions to the City staff concerning the garage portion of the River Park Square project are contained in an Ordinance adopted by the City Council on January 27, 1997, and two Resolutions of the Council adopted two weeks earlier. The majority of the Council hereby reiterates to the Spokane City staff, as evidenced in the Ordinance and Resolutions, to approve the issuance of the revenue bonds by the private Spokane Downtown Foundation, the proceeds of which will be used by the Foundation to purchase a parking garage that is a key part of the River Park Square project and downtown revitalization generally.

The Council's support for the City's facilitation of a Section 108 HUD guaranteed loan to the Developers as part of the funds to be used for construction of the project is evidenced in the City Council Resolution adopted July 27, 1998, approving the loan documents between the City and the Department of Housing and Urban Development. Loan documents between the City and the Developer had been approved by the Council several months before that.

In order to correct the misinformation contained in Mayor Talbott's press release of August 20, 1998, the contents of which were not discussed in advance with the five members of the City Council whose signatures appear below, the following points must be made:

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1. The issuance of the bonds by the Spokane Downtown Foundation is not conditioned on the bonds attaining a rating of BBB or better. Neither the Ordinance adopted by the City Council on January 27, 1997, approving the City's pledge of parking meter revenues as a back-up to support payment of land lease and operation maintenance payments concerning the garage, nor the two resolutions adopted by the Council on January 13, 1997, authorizing the Spokane Downtown Foundation to go forward with issuance of the bonds and setting out the Council's agreement to accept delivery of title to the garage at no cost to the City when the bonds are paid off, contain any reference to the bonds having to attain a BBB rating. The majority of the Council is satisfied that the BBB- rating that has been accorded to the bonds by Standard & Poors places the bonds at an acceptable investment grade. Prudential Securities, which will underwrite the bonds, has commented that the difference between a BBB and a BBB- rating is a "distinction without merit."
2. It should be pointed out that any legal opinion provided to Mayor Talbott concerning issuance of the bonds was not provided by the City Attorney's staff, which has opined a BBB rating is not a condition for issuance of the bonds.
3. The Mayor's statement that the bond rating is "low" is his choice of words only. The bonds are investment grade and, according to the underwriters, are marketable in an interest-rate environment that is extremely favorable to the Foundation and to the Public Development Authority, which is to receive fifty percent of any net revenue remaining following payment of debt service on the bonds and operation and maintenance and lease payments concerning the garage facility.
4. The Mayor's comment in his press release that it is "unacceptable" that the City will negotiate a new land lease with the Developer once title to the garage passes to the City in twenty years, reflects the Mayor's misunderstanding of the project. The lease between the City and the Developer that will come into effect when the City acquires title to the garage states that the land lease will be based on "fair market" value. The reason that no agreement has been reached now concerning the amount of those payments is because it is

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- difficult to know twenty years in advance what the fair market value of the land will be. Furthermore, under the Internal Revenue Service regulations that authorize the Foundation to issue the bonds, it is not permissible to bind the City to future land lease payments prior to the time the City takes title to the garage.
5. A cost benefit analysis for bond insurance performed by Prudential Securities indicates that the benefits in terms of decreased debt service is marginal and therefore the Developer indicates that bond insurance will not be purchased.
  6. Since the complaints that have been filed with the IRS and the SEC by an individual residing in Pennsylvania have not been made available to the City Council, it is difficult to respond to the specific points raised in the complaint. However, the press release that has been promulgated by the complaining party has been reviewed by bond counsel, who are prepared to issue an opinion that the interest on the bonds issued by the Foundation are, indeed, tax exempt, and that the disclosures concerning the bond issue are accurate in all material respects.
  7. The purchase price of \$26 million that the Foundation is paying for the garage was the result of long negotiations involving the Foundation, the City and Developer, and is primarily based on two MAI appraisals commissioned by the City of Spokane relating to the garage and the income stream that is expected to be generated upon completion of the garage expansion and renovation. The garage has been operating profitably for some twenty-four years, currently contains 750 car parks, and was originally constructed for approximately \$7.5 million. The purchase price takes into account not only the expansion of the garage by approximately 554 car parks and renovation of the current garage to a state-of-the-art facility, but also factors in the expected revenue as indicated in parking studies that have also been commissioned by the city.

The five City Council members whose signatures appear below continue to strongly support downtown revitalization and the River Park Square project. Any attempt by Mayor Talbott to derail the project, by either reneging on the City's support of the bond financing or the section 108 HUD guaranteed loan, will be adamantly opposed by these five Council members. In addition, there is simply no need for further

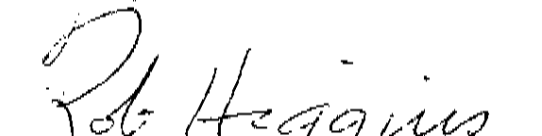
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public hearings on this matter. Numerous public hearings have exhaustively analyzed and discussed this project. The latest public hearing in the spring of this year encompassed ten hours of public testimony, ninety percent of which was strongly in favor of downtown revitalization and the River Park Square project.

We continue to favor progress for the citizens and City of Spokane and support the River Park Square project as the mechanism for retaining downtown Spokane as the economic, civic and social heart of the Inland Northwest.

  
PHYLLIS HOEMES

  
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