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ATTORNEYS

MEMORANDUM

COPY

To: Judy Olson, Eastern Washington Representative for Senator Patty Murray
From: Mike Ormsby
Date: December 3, 1997
Subject: Update Briefing on Downtown Spokane—Riverpark Square Project

I understand that Senator Murray has been asked to meet with a group of individuals who have concerns about the Riverpark Square Project in Downtown Spokane (the "Project"). These individuals probably have concerns about both the City's involvement and the loan guaranty and grant from the Department of Housing and Urban Development ("HUD"). Obviously, there is nothing Senator Murray can do about the policy and political decisions which have been made by the Spokane City Council, but I suspect she may be encouraged to again intervene with HUD to either stop or slow down the Project.

Briefly, this memorandum will touch on the current status of matters, from the City's perspective, with HUD and the expected push by proponents of the Project for Senator Murray to intervene with HUD as a result of the recent municipal elections here in Spokane.

(1) Status of Matters with HUD. I have not been intricately involved with the City's dealings with HUD, but understand there has been quite a process and a great deal of discussion and negotiation between the City and the Developer, as well as the City and HUD. According to the City, the HUD application has been analyzed from both an economic and public benefit standpoint and found acceptable. Currently the HUD application is being analyzed by both the City and HUD on a "collateral basis." Obviously, both the City and HUD want to make sure that the loan is properly collateralized and that there is an acceptable repayment stream for the portion of the loan guaranteed by HUD funds. (According to the Developer's attorney, the HUD/City review is as vigorous and detailed as that done by commercial bankers.)

Paul Webster of HUD should complete this review process within the next week, at which time the City can move forward and resolve administrative issues with the HUD office in Seattle (contract management and other review issues). The involvement of HUD loan guarantees in this Project ensures the application of the Davis-Bacon Act, which guarantees good, high-paying construction jobs in downtown Spokane. Additionally, the Compass Group (the administrator for numerous union pension plans) is looking at providing the construction financing for the construction of the parking facility.

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(2) Recent Spokane City Election. As you know, Mayor Jack Geraghty was defeated by John Talbott in the City election by approximately 400 votes. David Sabey, the owner of the Northtown Mall, together with companies controlled by Mr. Sabey, contributed approximately \$35,000.00 to committees opposed to the re-election of Mayor Geraghty. While the Project was an issue in the election, I think polls done by both candidates show that there is a huge amount of concern about downtown Spokane and that public sentiment on this Project is approximately equal in both camps, with at least one-quarter of the voters not expressing support for or opposition to the Project. Additionally, the component of the Project that seems troublesome to most voters is not the HUD loan guarantee or grant, but rather the City of Spokane's pledge of contingent parking meter revenue for the bonds that will be issued to construct the parking facility, which will ultimately be transferred to the City of Spokane.

In an election decided by 400 votes, there are a number of issues that could affect the election one way or the other. I think there are at least three other issues that had a larger impact on the mayoral election than the Project, including:

(1) The Anti-Incumbency Feeling. In any election, the incumbent will have created some enemies and Mayor Geraghty was no exception.

(2) The Lincoln Street Bridge Project. This is probably the single largest issue which contributed to voters opposing Mayor Geraghty and supporting his opponent. The bridge is a very controversial Project and is currently the subject of at least two lawsuits and a great deal of public discord.

(3) Mayor Geraghty's Personal Life. Unfortunately, the Mayor has been in the process of a divorce and failed to make some alimony payments last Fall and Winter, which became the subject of a newspaper article. That certainly never helps a candidate in any community, particularly Spokane.

It would obviously be presumptuous of me to suggest the appropriate response and requested action of the group meeting Senator Murray. While somewhat controversial (in Seattle as well), the HUD program exists to encourage re-development and the creation of jobs. As long as no federal rules or regulations have been violated (and I have heard no allegations from anyone that they have), is it appropriate for Senator Murray to intervene, particularly with the backdrop that the local elected policy makers (the Spokane City Council) have concluded that they support the Project and want to go forward? If, as the Project proponents may suggest, the recent election shows a lack of support for the Project, then their avenue to stop it should be to ask the City Council to reverse itself.

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On that subject, Mayor-Elect Talbott has been quoted as saying that he:

"Generally supports the Project, but opposes some components of the financing of the Project. He does not support bringing the Project up again for another vote because the vote has already been taken and the Council has decided how it wishes to move forward. I now view my job as making sure that both the Developer and the City live up to the letter of their agreement and that the City does no more or no less than they are required to do under the agreements that have been executed."

It would appear that Mayor-Elect Talbott will not be leading a charge to re-examine the Project.

This issue is very complicated. Should you have any questions or need any additional information, please do not hesitate to call me. Thank you.

Dictated but not read to avoid delay

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