

## **The Cowles Company's Story about Revitalizing Downtown Spokane through the Redevelopment of River Park Square**

### **Downtown on the Decline**

The early 1990's were a pivotal time for the City of Spokane. Its downtown – the heart of the community and the Inland Northwest region – was on the decline.

River Park Square first opened in downtown Spokane in 1974, with Nordstrom as its anchor tenant. By 1994, 20 years later, two of the four downtown anchor department stores had closed and other retailers were closing up shop right and left. The streets and skywalk were lined with vacant storefronts. Merchants were abandoning the urban core. Streets were unsafe as crime was increasing rapidly. Nordstrom's lease was due to expire, and the large national retailer did not intend to renew unless dramatic efforts were undertaken to revive downtown. Retail industry experts predicted that if Nordstrom left, The Bon (Macy's) would follow, leaving two more major city blocks dark and boarded up. Urban blight was gaining momentum. Based on the experience of many other downtowns across the country, it was projected that the absence of these components in the urban core would trigger significant negative economic impacts for all of Spokane: lost jobs, fewer visitors, declining property values, diminished sales tax revenues for the City, and more.

By this time, the City of Spokane had developed a comprehensive vision and values statement unanimously adopted by the City Council that identified "creating a vital downtown core" as one of the City's top priorities.

River Park Square's owners, the Cowles Company, had a vision to redevelop River Park Square into an urban retail, dining and entertainment center with a parking garage spanning two blocks in the heart of downtown. Cowles is a fourth-generation, local family-owned business with a 100-year history of investing in the community to support and stimulate regional economic growth. The company became extremely concerned that if the health of the region's center of commerce eroded, it would have significant negative impacts on jobs, the City's tax base and regional economic prosperity.

### **The First Public-Private Partnership**

The City and the River Park Square ownership shared a joint commitment to reverse the downward trend and address revitalization of the downtown before it completely died. By 1995, a concept was developed for a revitalization project that would retain Nordstrom and The Bon (Macy's). The original River Park Square retail center would be redeveloped and expanded into a \$115 million progressive shopping, dining, and entertainment center with a parking garage that would serve the surrounding downtown neighborhood. The City's role was to address the need for an expanded public parking garage – a critical

component necessary for the downtown revitalization project to occur. The two parties formed a public-private partnership, a concept entirely new to the City of Spokane and its citizens.

Public-private collaborations, such as River Park Square, have been developed nationwide and have become increasingly critical to the successful economic redevelopment of America's cities. More municipalities are realizing the benefits of leveraging public and private resources to rebuild their urban centers. Similar collaborative, successful efforts have been completed in downtown Seattle, Albuquerque, Boise, Pittsburgh, San Antonio, Portland, Ore., and Indianapolis, just to name a few.

### **The City Buys the Garage**

The City of Spokane and the River Park Square owners negotiated a purchase price for the parking garage based on three independent appraisals. All negotiations were undertaken by both sides in good faith and with a common goal to revitalize downtown. Dozens of public hearings and meetings were held to inform and take input from the public.

After two years of discussion and open public debate, the City agreed to pay \$26 million for the garage, based on a projection of revenues prepared at the City's request by Walker Parking Co., an internationally recognized expert on parking structures. The Walker Report was a projection based on a set of assumptions with identified uncertainties.

The agreement between the owners and the City required River Park Square to use its own funds to renovate and expand the garage, and then sell it to a non-profit foundation, the Downtown Spokane Foundation. The Foundation issued bonds on behalf of the City to finance the garage purchase. The Foundation was then to lease the garage to the Spokane Parking Public Development Authority (PDA), established by the City, which would operate the garage. The PDA's scheduled lease payments to the Foundation were equal to the debt service payments due on the bonds. The Foundation would use the PDA's lease payments to make the semi-annual bond payments. The PDA would use parking revenue to make lease payments, operate the garage and make ground lease payments on the underlying ground, owned by River Park Square's owners. When the bonds were paid off in 2019, the Foundation would give the garage to the City. This flow of funds was stated in the bond offering statement, which also fully disclosed the projected cash flow, based on assumptions and risks as to numbers of cars parked, parking rates and length of stay of parked cars.

As part of its own financial commitment to bring about downtown revitalization, and in order to make the bonds more secure and attractive to investors, the City, in Ordinance 31823 pledged to set aside parking meter revenues annually in a fund. The parking revenue would be loaned to the PDA for operating expenses and ground lease payments if the garage revenues were ever insufficient (after

payment of the semi-annual bond payments) to pay those expenses. The City Council's unanimous vote in favor of the Ordinance followed three years of extensive public process, which included detailed presentations, lengthy public hearings and meetings. The project was supported by more than 1,200 supporters, who gathered 8,000 signatures, through an independent special interest group called Friends of Downtown.

The Foundation issued the bonds in September 1998. River Park Square's owners renovated and expanded the parking garage, as promised. Shortly after the urban retail center reopened in August 1999, showcasing a highly sought after line-up of regional and national retailers many establishing stores in Spokane for the first time, the owners sold the completed garage to the Foundation in September 1999. For a variety of reasons, garage revenue was less than expected. There was enough revenue to pay the bondholders, however, the PDA did not have enough money to pay operating expenses and ground lease payments.

Meanwhile, an opposition group, well organized and well-funded largely by competitive interests, was formed and worked tirelessly to fuel controversy, block progress and prevent business solutions for the troubled garage.

In early 2000, the PDA asked the City for the required loan under Ordinance 31823. By this time, the majority of the elected leadership at City Hall had changed. Council members who had voted unanimously in favor of the Ordinance three years earlier were replaced by many different City Council members who now voted contrary to legal advice and to the law to renege on the City's pledge under the Ordinance. The Council took affirmative action not to fulfill the City's obligation to make the loan. River Park Square sued the City in state court to enforce the pledge.

In the meantime, the value of the bonds on the market had fallen. In April 2001, in coordination with the City's outside legal council, seven mutual fund bondholders and a trustee for other bondholders initiated a securities fraud lawsuit in federal court. They sued the City, the River Park Square ownership, Walker Parking, the Foundation, and the bond and legal professionals who were involved in the bond issue, asserting claims of fraud and misrepresentation. The City in turn sued Walker Parking, its own bond lawyers, and the mall owners. The City claimed that River Park Square had misled it into participating in the project. A federal court judge dismissed all of the City's claims against the developer for lack of evidence.

A state judge ruled in 2003 that the City was required to loan parking meter funds to the PDA. An appeals court affirmed that decision. The City still did not honor the pledge; and asked the Washington Supreme Court to hear a further appeal. The Supreme Court declined further review.

Prior to a federal trial scheduled for the spring of 2005, an agreement was reached between the City and River Park Square resolving the legal dispute. The agreement was a result of strong leadership and commitment by involved parties. The election of a new mayor and some new City Council members allowed for mediation discussions with elected officials and city staff that led to resolution of the complex issues. The end to years of costly litigation signaled great progress for Spokane.

### **Downtown Spokane is Thriving**

Today, downtown Spokane is a thriving hub of 24-7 activity. More than \$3 billion in new investment by a wide range of developers, small-business owners, entrepreneurs and the public sector has led to hundreds of new projects downtown. A new convention center, restoration and opening of the historic Davenport Hotel and Fox Theater, new condos and lofts, shops, restaurants, night clubs and art galleries have accelerated economic growth in the City's core. The impacts are significant: beyond the creation of hundreds of new jobs and generation of much-needed tax revenues for the City of Spokane, the community is back on the map as a regional destination. Its renaissance played into the community's ability to host the 2007 US National Figure Skating Championships and propel tourist attraction and spending to historic highs. The public has benefited through new tax revenues that help support city services, such as mass transit, schools and public facilities. In the center of it all, River Park Square is thriving as a lively destination for dining, shopping and entertainment.

### **Looking Ahead: A Bright Future**

Cowles Company is proud of its investment in downtown and in the resulting successful renaissance that sprang from the redevelopment of River Park Square. Those involved in putting the project together and making it happen -- both in the private and the public sectors -- agree it was the right thing to do for the community and that they would do it again, even though the ensuing litigation that distracted the community for years was a travesty.

In the future, Cowles Company will continue its legacy as a company that significantly cares about and invests in the communities it serves throughout the Inland Northwest. Cowles Company will continue to invest in the growth and expansion of its business interests strategically investing in projects that will positively impact the region's economy. It will also continue to support philanthropic initiatives throughout the Inland Northwest by sharing 5 percent of its net income annually. It is supporting the development of the University District and Washington State University's Applied Science Lab as an opportunity to advance industry research and position the region for global competitiveness. It is a proponent and supporter of the community-wide effort to restore and reopen the Fox Theater as a performing arts center. Cowles Company remains committed to its employees, its customers and its community.