



## Finance Committee

### Update on Financing the Washington Center for the Performing Arts (WCPA) Siding, Roof, and Mechanical Equipment Repairs

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**Title:**

Update on Financing the Washington Center for the Performing Arts (WCPA) Siding, Roof, and Mechanical Equipment Repairs

**Issue:**

The cost to repair the Washington Center for the Performing Arts siding, roof, and mechanical equipment exceeds the funding available in the Building Repair and Replacement Fund 029.

**Committee Recommendation:**

None.

**City Manager's Recommendation:**

Recommendation to fund the project through Department of Commerce grant if awarded, Building Repair and Replacements Funds, and General Obligations Bonds.

**Staff Contact:**

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**Background and Analysis:**

In October 2011, City Council directed staff to begin design of the Washington Center for the Performing Arts (WCPA) siding replacement project. Recognizing a funding shortfall in the Building Repair Fund, City Council requested that the Finance Committee explore financing options.

Early on in this project, staff reconsidered the schedule for replacing the deteriorated roof and roof-top mechanical units. There were several advantages to doing the work at the same time as the siding repair (see below).

1. Reduces the overall cost of the three projects
2. Less disruption to the Downtown area
3. Less risk of leakage into the building because of the essential connection between the roof and the siding

The architect's estimate to do this additional work is \$700,000. The Finance Committee and City Council supported staff's recommendation to add the needed roof and HVAC repairs into the overall project. The resulting total funding need is estimated between \$4,200,000 and \$4,350,000.

Staff researched funding options for the repairs over the past several months. At this time, there are three sources of funds - Building Repair and Replacement Fund 029, a potential grant from the Department of Commerce, and financing through General Obligation Bonds. Staff pursued a Public Works Trust Fund loan, however, the WCPA project was determined to be ineligible.

**Neighborhood/Community Interests (if known):**

1. The WCPA stated this project will reinvigorate enthusiasm in the Washington Center for the Performing Arts and Downtown Olympia.
2. Both the Olympia Downtown Association and Olympia Junior Programs submitted letters of support to the Department of Commerce Building for the Arts Program.

**Options:**

1. Finance entire project through General Obligation Bonds and use Building Repair and Replacement to fund the annual debt service
2. Defer the project until funding is available

**Financial Impact:**

The budget impact of the WCPA project, including replacing the roof and roof-top mechanical equipment, is estimated to be between \$4,200,000 and \$4,350,000. The design expenses were covered by the Building Repair and Replacement Fund 029, however, there are insufficient funds to cover the construction. The remaining amount needed is \$3,800,000 (Design Option B), or \$3,960,000 (Design Option C). Design Option C will only be constructed if the WCPA receives an \$816,000 grant from the Department of Commerce Building for the Arts Program. That will reduce the amount needed to be financed to \$3,144,000.

The WCPA will be notified in August/September if this project is recommended to the Governor for funding. If it is ultimately approved, the funds will be available in September 2013 for reimbursement of eligible expenses the City incurred.

Following is a summary of the amount to be financed and the annual debt service payment. The amount of the annual debt service will depend on the terms at the time of issuing bonds.

**Design Option B. No grant funding**

|                       |                       |
|-----------------------|-----------------------|
| Amount to be financed | \$3,800,000           |
| Annual debt service   | \$262,000 - \$300,000 |

**Design Option C. Grant funding**

|                       |                       |
|-----------------------|-----------------------|
| Amount to be financed | \$3,144,000           |
| Annual debt service   | \$220,000 - \$250,000 |

The debt service under both options will be funded through the Building Repair and Replacement Fund. This will have a direct impact on the City's ability to address the \$1.4 million annual deficit of known projects for the 13 City-owned buildings. Over the past two years, the CFP allocated \$600,000 toward building repair and replacement. The annual debt service for the WCPA project will take approximately half of the available funds.