

Confluence Funding – Anything But A Sure Thing

I am surprised by the suggestion that the link between the Confluence Performing Art Center and the student housing project be broken. It was always my understanding that the two projects went hand in hand – that the student housing was intended for the art students that would be using the Performing Art Center. That they would effectively be “artists in residence.”

There has been some speculation that a possible justification is the belief that the funding in the 2015-2017 State budget is a sure thing. Actually, if the Board of Regents has any credibility, it is anything but a sure thing. In fact it is highly unlikely.

The Regents did provide some very specific criteria almost two years ago in October 2012, indicating that the development must follow five guiding principles if the State were to be involved. Only one condition of the five has been met - the one that requires the community to limit its request to \$25 million.

The principles and their status are as follows. I am quoting the principles verbatim:

Principle 1 - The entity or entities that will own and operate the private components of the Project's arts facilities must provide satisfactory proof of an independent guarantor or surety of the financial and operational obligations of the entity or entities.

There is no defined owner and thus no proof of an “independent guarantor or surety of the financial and operational obligations” for that owner;

Principle 2 - The Project's operating agreement must ensure that neither UW-Eau Claire nor the Board of Regents will be liable for more than their prorated share of operational costs.

There is no operating agreement and thus no assurance– at a minimum an owner is required for such an agreement to exist.

Principle 3 - The value of the public component of the Project's arts facilities must be directly proportional to the amount of the state investment in that component, as confirmed by independent audit.

The value of the public component (the \$25 million the community is supposed to raise) neither exists nor is auditable. In fact, we aren't close.

Let me go through the figures with you as they are confusing and seem to keep changing:

The total cost of the performing art center is \$50 million of which \$25 million comes from the State. We as a community need to raise the rest.

We do have pledges that are subject to multiple conditions from the County of \$3.5 million and from the City of \$5 million. There is also an assumption that there will be \$3 million of federal money available under the Federal market tax credit program.

The State, County, City, and Federal money total \$36.5 million. That leaves \$13.5 million for private donations.

But, the federal program has expired and has not been renewed. Thus an additional \$3 million must be raised. But, the City pledge is not forthcoming unless there is an additional \$2.5 million raised for an endowment fund.

That brings the total figure for private donations to \$19 million as shown in the spreadsheet on the following page*. Raised to date – we have pledges, and I stress the word, pledges – of \$5 million, some of which are multi-year pledges. Recall that the community’s amount needs to be auditable. Pledges are not auditable, simply because they are not enforceable. They are a promise of a gift and that kind of promise cannot be enforced. It is my understanding that actual cash payments received to date are small.

Principle 4 - The Project's development process must be conducted in cooperation with the State Department of Administration and in compliance with all project delivery requirements relating to fair competition and transparency.

There is no plan for fair competition or transparency. Such a plan requires that the entire project – development and the land itself – be thrown open for competition. Given the developer’s financial interests –the sale of the land it owns, performing the development work, and constructing the building – the project is anything but competitive or transparent. It is in fact the opposite – a sole source “take it or leave it” demand.

In short, if the Regents do observe the five guiding principles they enunciated, no funds will be provided for the 2015-2017 budget.

Much was made over Governor Walker’s visit and his apparent enthusiasm for the project. What was missed, however, was his reiteration that the principles had to be met before the State would move forward with funding.

Given the status of the State funding, it is highly unlikely that the Confluence theaters will ever be built. Subsidizing student housing on the site of the historical Confluence block benefits no one other than the current land owner and developer. The Council should put any further work on the project on hold.

***See next page for calculation of \$19 million figure**

***Calculation of Required Private Donations**

Confluence Performing Art Center – cost	\$50,000,000	
State Share	\$25,000,000	
City Pledge	5,000,000	
County Pledge (dependent on City)	3,500,000	
Federal Tax Credit*	<u>3,000,000</u>	
Total "Public"	\$36,500,000	
Net Remaining for Charity	\$13,500,000	
Add Back Federal Tax Credit	\$3,000,000	Program has Expired
Add City Endowment Requirement**	\$2,500,000	Part of City Pledge
Total required from Private Donations	<u>\$19,000,000</u>	

**Includes \$3,000,000 of funds that were to be secured from the Federal Net Market Tax Credit Program. That program has expired and it has not been renewed by Congress.*

***Raising a \$2.5 million endowment fund is a condition of the City's Pledge*