

Analysis of the Hanford Reach Interpretive Center Richland, Washington



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Executive Summary

AECOM was hired by the Washington State Department of Commerce to conduct an independent financial feasibility review on behalf of the Richland Public Facilities District (RPFD) pursuant to RCW 35.57.025. We examined the potential costs to be incurred by the RPFD related to the development of the Hanford Reach Interpretive Center (HRIC) and the adequacy of revenues or expected revenues to meet those costs. Our findings are detailed in the attached report. Here we present our major concerns associated with construction costs, debt service and operations.

The project has an extensive history and has gone through several significant changes since the Richland Public Facilities District (RPFD) was formed in 2002. In 2011, the Richland City Council replaced Board members when their terms expired and in 2012, the RPFD named a new CEO resulting in a team focused on making the HRIC become a reality. An in-kind donation from MSA/Lockheed included an evaluation of the Center's design and plan. Their recommendations led to RPFD to adopt a campus approach and downsize the initial building so it can be built with available funds. Additional buildings will be added as funds are raised. Acknowledging that trust from the community has also been challenged, the HRIC is being forthcoming in its progress and is working diligently to rebuild partnerships. Considerable work has been done by the RPFD, HRIC and supporters in order to move this project forward with the goal of having the facility open in 2014.

Construction Costs

There is considerable pressure to build the HRIC. This project has been under development for more than 10 years. Phase 1 was originally bid in May 2012 and only one firm responded with a cost proposal higher than expected. No offer was made and the bid was re-released on December 15, 2012. A contract was issued to Apollo, Inc. for \$2.92 million with construction to begin in March 2013. Phase 2, intended to be awarded in January 2013, is valued at \$3.35 million. Construction will begin in June.

- AECOM believes the cost for constructing Phase 2 may be undervalued compared to construction costs for similar facilities. Although the winning bid for Phase 2 came in at \$3.35 million, an average of \$240 per square foot for the 14,000 square foot facility, it is possible that construction costs may be higher than anticipated based on AECOM's experience and supplemental research.
- Another concern is the timing. Phase 1 includes the site work and utilities while Phase 2 is the facility. Typically the site work is completed before the facility can be built. The Project Manager indicated that the phases could be done simultaneously.

Debt Service

The \$7 million in bonds, issued in March 2004, are being paid back through a combination of sales tax revenue and lodging tax receipts.

- Retail sales appear healthy in the region, increasing even during the recent economic downturn when many communities saw declines. The expected contribution from the 0.033 percent sales tax in Richland has been exceed from 2005 to 2011. This has been augmented with a larger than expected share of revenue from the Benton County PFD sales tax receipts as well as \$125,000 in hotel tax revenues. Though funds from the Benton County PFD make up only a small share of the revenues used to service the debt, if another facility were to be developed in Benton County, the distribution of their sales tax revenues might change and negatively impact the RPFD.
- If the RPFD were unable to meet its debt service requirements, the City will be obligated to loan money to the RPFD to cover its debt obligation. However, the RPFD is required by the Washington State Auditor's Office to maintain a debt service balance of \$250,000 to help cover potential shortfalls though the RPFD has not missed a payment. In addition, the RPFD collected more than what was owed on its debt obligations from 2008 to 2011 and has been able to use surplus funds for operations.

Operations

The pro forma data August 2012 was evaluated here. Data from comparable facilities was used to evaluate some of the operating metrics proposed for the Hanford Reach Interpretive Center.

- Examining performance and financial data from other facilities revealed that all of the facilities at one point or another operated at a deficit. Fundraising efforts are highly variable. The HRIC may be understaffed based on projected attendance levels.
- Per capita admissions relative to adult ticket price is higher at the HRIC than any of the other facilities profiled. This may reflect underestimating the number of reduced price or free tickets given to students, groups, event attendees and members. If this is the case, the admission revenues will be less than projected. Per capita retail sales also appear high compared to other facilities, by as much as half.
- The HRIC is working with the U.S. Department of Energy (DoE) to assume partial responsibility of the B Reactor Tour when the building opens. This tour is projected to bring in a considerable revenue stream for the HRIC, the largest share of income at nearly 30 percent. However, by setting the price at \$30, there may be a significant drop in participants since the DoE currently offers this tour at no cost.
- The HRIC will remain highly dependent on donations, in kind support and gifts to support its operations, capital campaign and build the endowment, similar to other museums, interpretive centers and non-profits. However, with uncertain economic times and no dedicated paid staff for development (though fundraising is part of the CEO's responsibilities), fundraising becomes even more difficult. The Community Campaign Steering Committee (CCSC), is set to launch after construction begins, to raise the additional monies needed. The CCSC has developed a strategic plan of action with a detailed list of funding priorities, amounts for each and a timeframe in which the

funds are needed. That said, if there are shortfalls in ongoing support revenue, the HRIC will operate at a loss, even with their revenue projections that appear optimistic.

Conclusion

The RPFD and the staff at the HRIC have worked incredibly hard to make the dream of building an interpretive center a reality. Funds are in place to start construction on the site work and facility early in 2013. However, projections for operations appear optimistic, particularly the tour revenue and admissions streams. Programming has begun and tours are being developed so revenue projections can be adjusted if necessary. Fundraising will be complicated due to continued difficult economic times though the Tri-Cities region is poised for growth . It also seems that the facility could be limited by its staffing capabilities and reliance on in kind services and volunteers.

The Richland Public Facilities District and the City of Richland should continue to monitor construction and operations costs and consider what they will do in case revenue expectations and continued support are not met by the proposed Hanford Reach Interpretive Center.

Introduction

AECOM reviewed materials from the Richland Public Facilities District (RPFD) in regard to the proposed Hanford Reach Interpretive Center (HRIC) as required by Chapter RCW 35.57.025. Effective March 1, 2012, an independent, financial feasibility review is required to be performed prior to any of the following events:

- The formation of a public facilities district under this chapter,
- The issuance of any indebtedness, excluding the issuance of obligations to refund or replace such indebtedness, by a public facilities district under this chapter, or
- The long-term lease, purchase or development of a facility under RCW 35.57.020.

In this instance, the PFD has been formed and debt has been issued. AECOM was hired by the Washington Department of Commerce to review documents pertaining to the construction and operation of the HRIC by the RPFD.

As stated in Chapter RCW 35.57.025(2), this review must “examine the potential costs to be incurred by the public facility [facilities] district and the adequacy of revenues or expected revenues to meet those costs.” Keeping this at the forefront of our analysis, we present our findings here as they relate to the lease agreements, debt issuance, construction costs and proposed operations.

Project History and Lease Agreements

Soon after the Hanford Reach was named a national monument by President Clinton in 2000, a group was formed with a common vision to develop a facility that would highlight the area’s rich natural and political history. The mission of the HRIC is to “provide interpretive experiences that enhance recreation, conservation, history, science, the arts and other educational opportunities for learners of all ages. The intent is to provide our children and families with a sense of who their community is, where it came from and where it is going.”

The Richland Public Facilities District (RPFD), formed under RCW 35.57.010, was created on July 16, 2002 with the Richland City Council’s adoption of Ordinance No. 180-02. Under RCW 35.57.010, the City has the authority for form a public facilities district for the purpose of acquiring, constructing and maintaining a regional center, which may be a special events center. Among the conditions the City put

on the RPFD in the Ordinance, is that the District shall take no action that might impose liability upon the City.

Once established, a PFD can levy a sales tax on the gross retail sales within the district's boundaries, up to a rate of 0.033 percent. This is actually a shift of revenues from the state sales tax so there is no additional cost to the taxpayer. The revenues are to be used to acquire, construct, finance and/or operate a regional center which will stimulate economic development. At the time of the RPFD's formation, the City of Richland estimated that \$8.5 million would be diverted to the RPFD from this revenue stream over 25 years. The District may also tax the Center's admissions (up to 5 percent) and a parking lot at the facility (up to 10 percent). The RPFD may impose a local sales tax up to 0.2 percent to finance, design, construct, remodel, maintain or operate public facilities. This additional local tax needs to be approved by the voters.

On July 29, 2002, the Benton County PFD was established to support the projects of Richland and Kennewick PFDs. The original interlocal agreement stated that the RPFD would help several projects including the expansion of the Columbia River Exhibition of History, Science and Technology (CREHST) and the Academy of Children's Theatre. In January 2002, the CREHST and Friends for the Hanford Reach National Monument signed a memorandum of understanding to work together to do a common project with joint fundraising. The RPFD chose to fund and support this joint CREHST/HRIC project. Approximately a year later, the Environmental Science and Technology Foundation (ESTF) which oversees the CREHST Museum, voted to become part of the HRIC when the building is completed and no longer operate independently.

In April 2003, consultants were hired to evaluate the geo-technical and cultural aspects of the proposed sites with the site on the northeast portion of South Columbia Point near the Columbia River as the preferred location. This study was completed in July and approved by the City Council in August. The City of Richland agreed to allocate \$125,000 per year in lodging tax funds to the project.

Apollo, Inc. was hired by the RPFD in November 2003 through a public bidding process to begin initial site remediation and construction to extend utilities to the site, which began in December. A separate Request for Proposals was issued to design the center. Jones and Jones Architects and Landscape Architects, Ltd. were selected in December 2003. According to the bond documents, the initial Regional Center was to be constructed in two phases. Phase I was a 12,625 square foot facility with projected costs, including the debt service, of \$15.3 million. Phase II was a 41,375 square foot facility with a projected cost of \$21.1 million. The bonds were issued to provide funds needed for Phase I. A \$7 million bond sale was issued in February 2004.

The project moved very slowly, in part due to the cultural significance of the proposed site, which became eligible to be listed on the National Register of Historical Places in early 2009, and the various federal agencies tied to the site. The HRIC was required to conduct a cultural survey to assess the significance of the site. Federal permits were difficult to acquire. In the end, the site at Columbia Point was determined not to be feasible due to federal permitting requirements since the land is historically significant to the Confederated Tribes of the Umatilla Indian Reservation.

Another site within Richland was chosen – 18 river view acres in the west end of Columbia Park. In July 2011, after an environmental assessment, undertaken by the U.S. Army Corps of Engineers, revealed “findings of no significant impact,” the RPFD signed a sublease with the City of Richland, which leases the land from the U.S. Army Corps of Engineers, Walla Walla District. Since this is federal land, this is a federal project pursuant to the National Historic Preservation Act. The lease is for 46 years (through March 26, 2054) which is what remains of a 50 year lease between the City and the Corps. If the lease between Richland and the Corps is extended, the RPFD will have the right to extend its sublease accordingly (for two consecutive periods of 24.5 years each).

The lease specifies that the building on the site will be “no less than 10,000 square feet and no more than 75,000 square feet.” The original plan for an 80,000 square foot facility was scaled back in 2006 to 61,000 square feet with the elimination of 19,000 square feet of office space. The planned budget was \$40.5 million as of December 2010, with \$26 million raised primarily from federal, state and local government sources.

Also in July 2011, the Reach Board and the RPFD board entered into a contractual agreement to raise the necessary capital costs for construction, operations and endowment for the new HRIC building. The RPFD remains legally responsible for the facility and its operations. In September 2011, the RPFD authorized the formation of a Foundation Board that will operate and raise funds for the endowment fund. The Board’s long-term goal is to generate five percent interest annually to be paid to the HRIC for operational support purposes. There was a ground breaking ceremony in October 2011.

Ten years after forming, with millions raised and spent with still no building, the RPFD replaced the CEO and the Richland City Council appointed new Board members when terms expired with the goal of delivering on the promise of building an interpretive center. With increasing pressure to build a facility, the RPFD utilized a portion of MSA/Lockheed’s in-kind donation to evaluate the Center’s design and plan. Based on recommendations from MSA/Lockheed’s June 2012 report, the RPFD voted to terminate the contract with the architect and instead develop a campus model using the funds in hand to build the first building. Future buildings will be added as funds are raised through earned income and donations. The current plan is to build an initial 12,000 to 17,000 square foot center with exhibit space, multi-purpose space and an unfinished basement. The estimated project cost is \$11.7 million. The RPFD has \$10.6 million in dedicated funds as of December 2012. The Community Campaign Steering Committee (CCSC), is set to launch after construction begins, to raise the additional monies needed. The CCSC has developed a strategic plan of action with a detailed list of funding priorities, amounts for each and a timeframe in which the funds are needed.

The current design attempts to make the space as multi-use as possible. In regard to operations, the HRIC has been streamlined. In addition to four full-time and four part-time staff, the HRIC will rely on “on-call” hourly staff, in-kind donations of people’s time, loaned executives and volunteers to assist with tasks such as programming, leading tours, marketing and even fundraising. The staff at HRIC is working with community organizations such as the Tri-Cities Visitor and Convention Bureau as well as the Boys and Girls Club to design programs to meet their groups’ needs.

As part of its sublease with the City, the RPFD is obligated to include monetary set asides. The contingency fund is to protect the City since it is ultimately responsible for what is developed on the Army

Corps of Engineers land, not the RPFD. If the lease were to be revoked, this money would pay to restore the land or help convert the facilities to alternate uses.

In November 2012, the City Council agreed to amend its sublease with the RPFD at their request. Due to the smaller size of the facility, the City of Richland determined that it was unnecessary to require the RPFD to hold as much money in reserve for contingencies as originally requested. The amended sublease calls for a \$250,000 bond reserve, a three month operating reserve and a contingency fund based on \$18 per square foot of building space, up to \$1 million. The RPFD has five years to build up the fund. The amended sublease agreement also gave the RPFD more time to begin construction.

Considerations

- Over the last ten years, multiple sites have been evaluated, various plans have been paid for, and millions have been raised and spent. However, there is still no building. There is considerable pressure from the community, donors and other backers to get the facility built and operating. Adopting a campus model and downsizing the initial building are indicators that the RPFD and HRIC are being prudent while still addressing these concerns. In addition, considerable effort has been taken to rebuild trust in the community and keep them informed of changes and progress. While the RPFD and the HRIC staff appear confident and determined to build the interpretive center with the funds in hand, care needs to be taken not to rush the process.
- There has also been a considerable amount of forgiveness for the Hanford Reach Interpretive Center. Deadlines to meet obligations have been extended repeatedly, most recently in November 2012 by the City. And despite the lessons learned from the past, there was a \$135,000 shortfall this year for operations. In August 2012, the RPFD approved the transfer of funds from the debt service account to the operations account to cover the gap. While this should carry the HRIC through the end of the year, if more money can't be brought in, they will likely need another such transfer in early 2013. With the looming fiscal cliff and threats of another recession, securing additional funding from outside sources at this time might be very difficult. A formal community fundraising effort will launch once construction begins.

Debt Issuance

On March 1, 2004, the Richland Public Facilities District issued limited sales tax bonds worth \$7 million. The bonds will bear interest payable semiannually on April and October 1st. The bonds will mature on April 1, 2028. The bonds were issued pursuant to section 35.57.030 of the Revised Code of Washington (RCW) and the bond resolution. The bonds will be used by the RPFD to construct a museum and interpretive center and pay the issuance costs of the bonds such as bond rating fees and bond insurance premiums. Issuance costs were \$208,300 leaving \$6.7 million for the district after adjusting for the net original issue discount of \$64,352.

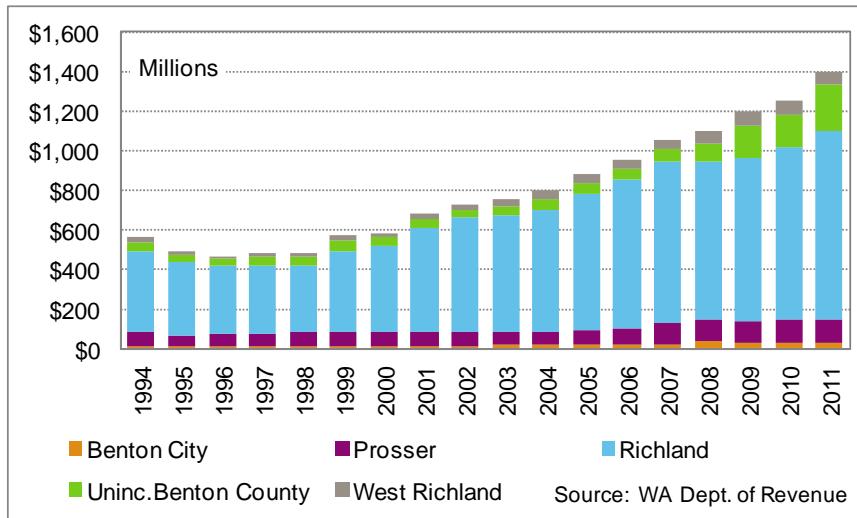
Pledged revenues include sales and use taxes imposed by the District, sales and use taxes to be paid by the interlocal agreement from the Benton County Public Facilities District and lodging taxes to be paid by an interlocal agreement from the City of Richland.

- According to RCW 82.14.390, the PFD may levy a sales and use tax within the District's boundaries up to 0.033 percent. This amount is credited against the State sales tax so the overall rate to the taxpayers does not increase. The sales tax is collected at the point of sale by the retailers, remitted to the State and then redistributed back to the PFD. The RPFD imposed the 0.033 percent sales tax in Resolution No. 03-02, which was adopted on July 29, 2002. This tax can be collected for 25 years and will expire on September 1, 2027.
- The Interlocal Agreement with the Benton County PFD was formed on July 29, 2002. The Benton County PFD imposed a 0.033 percent sales tax effective January 1, 2003 through 2027 in all areas of the county where such sales tax is not collected by another PFD. That includes all incorporated and unincorporated areas of the county excluding the cities of Kennewick and Richland. There is a formula for distributing these funds to the Kennewick and Richland PFDs with 80 percent distribution based on population and 20 percent distributed at the discretion of the Benton County PFD.
- In addition, the City of Richland agreed to pay a portion of its lodging tax to the District, \$125,000 annually from 2004 through 2029, so long as the bonds are outstanding.

Operating revenues from the HRIC are not pledged to repay the bonds. If the RPFD is unable to make scheduled payments of principal or interest on the bonds, the City will make loans to the District pursuant to the Contingent Loan Agreement dated January 1, 2004 between the RPFD and the City.

The following chart shows retail sales in areas of Benton County that will be collecting the 0.033 percent sales tax dedicated for these bonds. This includes Benton City, Prosser, Richland, West Richland and the unincorporated areas. Kennewick has its own PFD.

Figure 1 – Taxable Retail Sales in Select Areas of Benton County



Retail sales have experienced considerable growth, even during the recent national economic downturn. In 2011, retail sales in these areas reached \$1.4 billion. Data from the Washington Department of Revenue shows that the RPFD received approximately \$358,000 in tax distributions in 2011. In addition, the RPFD receives \$125,000 annually from lodging tax receipts and some funds

from the Benton County PFD from sales tax receipts gathered outside Richland and Kennewick. With retail sales growing at a compound annual growth rate of 7.5 percent since 2001, this revenue stream appears very healthy. However, the first two quarters of 2012 experienced a 7.7 percent decline in retail sales from 2011.

The following table shows the debt service requirements for the RPFD as outlined in the bond documents. In 2011, the debt service payment was \$422,470 with expected contributions from the Benton County PFD, lodging tax and sales tax rebate totaling \$464,733. Although the retail sales tax may not always cover the amount owed on the bonds, the \$125,000 annual pledge of lodging tax revenues covers the gap and allows for a surplus which can be used for operations.

Table 1 – RPFD Estimated Cash Flow

Year	Debt Service	Benton Co. PFD Contribution*	City Lodging Tax	Sales Tax Rebate**	Total Available for Debt Svc.	Debt Svc. Coverage	Excess above Debt Svc.
2004	\$161,522	\$31,488	\$125,000	\$230,238	\$386,726	2.39	\$225,204
2005	\$375,895	\$32,196	\$125,000	\$239,448	\$396,644	1.06	\$20,749
2006	\$378,845	\$32,921	\$125,000	\$249,026	\$406,947	1.07	\$28,102
2007	\$386,645	\$33,662	\$125,000	\$258,987	\$417,649	1.08	\$31,004
2008	\$399,033	\$34,419	\$125,000	\$269,346	\$428,765	1.07	\$29,732
2009	\$405,820	\$35,193	\$125,000	\$280,120	\$440,313	1.08	\$34,493
2010	\$412,007	\$35,985	\$125,000	\$291,325	\$452,310	1.10	\$40,303
2011	\$422,470	\$36,795	\$125,000	\$302,978	\$464,773	1.10	\$42,303
2012	\$432,070	\$37,623	\$125,000	\$315,097	\$477,720	1.11	\$45,650
2013	\$440,733	\$38,469	\$125,000	\$327,701	\$491,170	1.11	\$50,437
2014	\$448,645	\$39,335	\$125,000	\$340,809	\$505,144	1.13	\$56,499
2015	\$460,801	\$40,220	\$125,000	\$354,441	\$519,661	1.13	\$58,860
2016	\$472,008	\$41,125	\$125,000	\$368,619	\$534,744	1.13	\$62,736
2017	\$482,252	\$42,050	\$125,000	\$383,364	\$550,414	1.14	\$68,162
2018	\$491,323	\$42,996	\$125,000	\$398,698	\$566,694	1.15	\$75,371
2019	\$504,222	\$43,964	\$125,000	\$414,646	\$583,610	1.16	\$79,388
2020	\$515,910	\$44,953	\$125,000	\$431,232	\$601,185	1.17	\$85,275
2021	\$526,141	\$45,964	\$125,000	\$448,481	\$619,445	1.18	\$93,304
2022	\$535,000	\$46,999	\$125,000	\$466,421	\$638,420	1.19	\$103,420
2023	\$547,480	\$48,056	\$125,000	\$485,077	\$658,133	1.20	\$110,653
2024	\$563,335	\$49,137	\$125,000	\$504,481	\$678,618	1.20	\$115,283
2025	\$577,300	\$50,243	\$125,000	\$524,660	\$699,903	1.21	\$122,603
2026	\$589,463	\$51,373	\$125,000	\$545,646	\$722,019	1.22	\$132,556
2027	\$604,937	\$52,529	\$125,000	\$567,472	\$745,001	1.23	\$140,064
2028	\$618,613	\$53,711	\$125,000	\$590,171	\$768,882	1.24	\$150,269
Total	\$11,752,470	\$1,041,406	\$3,125,000	\$9,588,484	\$13,754,890	1.17	\$2,002,420

* Assumes 2.25% growth

** Assumes 4% growth

Source: Bond documents

Table 2 – Tax Distribution to Richland PFD

	Est. Sales Tax Rebate	Distribution to Richland PFD	Surplus/ Deficit
2004	\$230,238	\$224,695	-\$5,543
2005	\$239,448	\$249,246	\$9,798
2006	\$249,026	\$273,276	\$24,250
2007	\$258,987	\$300,511	\$41,524
2008	\$269,346	\$277,278	\$7,932
2009	\$280,120	\$298,557	\$18,437
2010	\$291,325	\$322,942	\$31,617
2011	\$302,978	\$357,622	\$54,644

Sources: WA Dept. of Revenue; Bond documents

Using data from the Washington Department of Revenue annual reports on local sales and use tax distributions, we compared projected revenues from the sales tax rebate as outlined in the bond documents to actual tax distributions to the Richland Public Facilities District from 2004 to 2011. With only one exception in 2004, the amount received by the RPFD exceeded expectations. In addition to this revenue stream, the HRIC predicts that they will receive approximately \$66,000 from the Benton County PFD annually in addition to \$125,000 in lodging tax revenues to help service the debt.

The following table presents data from the HRIC that shows the actual amounts generated by revenue stream that were used to pay off the debt from 2008 to 2011. The data differs slightly from estimates in the table above which could be attributed to differences in when the funds are reported versus distributed. Even during the worst part of the recession, the HRIC was able to meet its debt obligations. Surplus funds are used for operations.

Table 3 – Revenues and Payments Toward Debt Service, 2008-2011

	Sales and Use Tax		Investment			Debt	
	Richland	Benton County	Hotel Tax	Interest	Total	Service	Surplus
2008	\$301,693	\$90,576	\$125,000	\$13,312	\$530,581	\$399,033	\$131,548
2009	\$301,517	\$60,536	\$125,000	\$7,037	\$494,090	\$405,820	\$88,270
2010	\$329,204	\$109,184	\$125,000	\$6,566	\$569,954	\$412,007	\$157,947
2011	\$357,844	\$70,620	\$125,000	\$5,846	\$559,310	\$422,470	\$136,840

Source: HRIC

Considerations

- The debt service payment is heavily dependent on retail sales in Richland and Benton County. If retail sales in the area were to significantly decline, the RPFD may have difficulty making its payments.
- If the RPFD were unable to meet its debt service requirements, the City will be obligated to loan money to the RPFD to cover its debt obligation. However, the RPFD is required by the Washington State Auditor's Office to maintain a debt service balance of \$250,000 to help cover potential shortfalls though the RPFD has not missed a payment. In addition, as noted above, the RPFD collected more than what was owed on its debt obligations from 2008 to 2011.
- Though nothing is planned, if other facilities were to be built in Benton County under the Benton County PFD, the limited discretionary funds the HRIC receives could be lowered.

Construction Costs

The HRIC is being constructed in two phases. Phase 1 will provide for the site work and infrastructure. Phase 2 is for the design and construction of the HRIC.

Phase 1

The construction contract for Phase 1 was re-issued by the City of Richland on January 15, 2013. The original Request for Bids was released in May 2012 but there was only one response and no offer was made. The original bid for this Phase included construction to build a road and extend utilities to the site. Specifically it requested estimates for: asphalt street and parking lot, concrete curb, gutter and sidewalk, illumination systems, potable water main, sewer systems, storm water drainage systems and landscaping as well as a 100 seat amphitheater.

The City of Richland had obtained a federal transportation grant of \$2.9 million to fund the project. The estimated value of the contract was \$2.75 million. However, only one bid was submitted with a base bid of \$3.4 million. The total bid, with add-ons for the 100 seat amphitheater and optional parking lot lighting, was \$4 million. The bid was ultimately rejected since there was no way to determine if it was fair.

According to articles in the *Tri-City Herald*, city officials indicated that differences in the projected cost and the bid were attributed to the "tricky" terrain and the potential for discovering cultural artifacts on the site, which would halt construction. Also, the lack of bids could have been due in part to the timing since construction companies may have already scheduled work for the summer.

On December 15, 2012, the City of Richland re-released the bid for Phase 1. In the interim, the City recently recaptured \$712,000 in federal funds that had been earmarked for the previous site in Columbia Point. A complete copy of the original Phase 1 bid was not reviewed here. However, based on the press release in the *Tri-City Herald* and information on the City of Richland's website, the contract has an estimated value of \$2.85 million (slightly higher than the original bid) and includes construction of the following: asphalt street and parking lot, concrete curb, gutter and sidewalk, illumination systems, potable water main, sewer systems, retaining walls, amphitheatre, storm water drainage systems and landscaping. It also includes a 500 seat amphitheater. Sealed bids were due on January 7, 2013. Five bids were received and Apollo, Inc. of Kennewick was awarded this contract worth \$2.92 million. The project is expected to start on March 15, 2013 and be completed by October 15, 2013.

Phase 2

On September 14, 2012, the Richland PFD issued a call for Expression of Interest (EOI) for the design and construction of the proposed HRIC. The EOI described the building as a 12,000 to 17,000 square foot, pre-engineered metal building structure with an unfinished, daylight basement with:

- 6,000 to 7,500 square feet of exhibit space
- 2,000 to 3,500 square foot entry hall/tour center
- 800 to 1,200 square feet for a 50 seat auditorium

- 1,400 to 3,800 square feet for miscellaneous supporting areas that would include multipurpose classroom/conference room, gift shop, café, administration space, storage, building systems, receiving and restrooms.

The request for qualifications was sent out in early October and ten responses were received. The top three firms were selected to submit full proposals including costs and scheduling by late December. A design/build team was selected in January 2013 and the contract is currently under negotiation.

Construction is to begin no later than June 2013 with an estimated completion date of March 2014. The cost of the project is \$3.35 million with a 10 percent contingency, which does not include the site work or exhibits, which have been funded separately. To date, \$3.7 million has been raised for this facility.

MSA/Lockheed Martin has donated the time and services of a staff member to serve as the Project Manager to assist with major decisions as they relate to the construction of the HRIC.

The anticipated costs for the build out include approximately \$2.5 million for exhibits and \$150,000 for furnishings, fixtures and equipment (FF&E). FF&E are the items that go into the building and may include furniture, appliances, electronics, storage equipment, etc. The U.S. Fish and Wildlife Service has pledged the funds needed for the exhibits while the HRIC is fundraising to cover the costs of FF&E.

The winning bid by DGR*Grant Construction, Inc., Terence L. Thornhill, Architect, Inc., P.S., and JUB Engineers came in at \$3.35 million. The HRIC is holding \$350,000 in contingency funds. The 14,000 square foot facility is estimated to cost an average of \$240 per square foot. The plan includes:

- 2,010 square foot entry hall
- 2 galleries with a total of 6,508 square feet
- 578 square foot DVD room
- 1,507 square foot multi-purpose room
- 3,397 of ancillary space, ticketing, concessions, retail and offices
- 10,009 square foot unfinished basement.

Compared to similar-sized facilities, the cost per square foot might be low. AECOM's research shows that interpretive centers have been more costly to construct. Trying to focus on similarly-sized interpretive centers and facilities built in the Pacific Northwest, we found that interpretive centers built earlier were larger and cost less than \$300 per square foot. More recently, similarly-sized interpretive centers have been built for \$325 to \$600 per square foot.

- The National Historic Oregon Trail Interpretive Center in Baker City, Oregon was constructed for \$270 per square foot. The 23,000 square foot facility opened in 1992. When adjusted for inflation, that is approximately \$420 per square foot.

- The Lewis and Clark National Historic Interpretive Center in Great Falls, Montana was built for \$6 million, approximately \$240 per square foot. The 25,000 square foot facility opened in 1998. In today's dollars, that is roughly \$335 per square foot.
- The Trinity River Audubon Center is an interpretive center in Dallas, Texas opened in 2008; it was built for \$325 per square foot (\$340 per square foot in 2012 dollars), excluding site work and exhibits.
- In Elko, Nevada, the 16,000 square foot California Trail Interpretive Center was built for \$9.5 million, almost \$600 per square foot. It opened in June 2012.
- Expected to open in 2014, the Maryland Heritage Interpretive Center has estimated construction costs at \$475 per square foot for a 15,500 square foot center. This does not include FF&E or site work.

Considerations

- The City re-released bids for Phase 1 work and secured additional funds. Work will begin March 15, 2013. Although the Project Manager indicated that the phases could be completed simultaneously, it may be difficult to complete Phase 2 without the site work and utilities put in place.
- Although the winning bid for Phase 2 came in at \$3.35 million, it is possible that construction costs may be higher than anticipated based on AECOM's experience and supplemental research.

Operations

AECOM was provided three pro formas to review with projections for future operations: December 2009, March 2012 and August 2012. The focus here is on the most recent, which aligns with the current construction plans of a smaller initial building and is summarized below.

Table 4 – Pro Forma for Proposed HRIC, August 2012

	Year 0	Year 1	Year 2	Year 3
Income				
Admissions	\$135,400	\$108,320	\$111,570	\$114,914
Memberships	\$26,290	\$30,675	\$35,145	\$39,620
Store sales (gross)	\$50,008	\$40,006	\$41,206	\$41,441
Tours	\$179,000	\$179,000	\$179,000	\$179,000
Adult education programs	\$91,200	\$91,200	\$91,200	\$91,200
Rental	\$73,950	\$73,950	\$73,950	\$73,950
Endowment income	\$50,000	\$50,000	\$100,000	\$100,000
Total	\$605,848	\$573,151	\$632,071	\$640,125
Support Revenue				
Start up fund				
Annual fund and major gifts	\$50,000	\$50,000	\$50,000	\$50,000
Corporate sponsorship	\$100,000	\$100,000	\$100,000	\$100,000
Foundations	\$50,000	\$50,000	\$50,000	\$50,000
Government grants	\$8,750	\$12,500	\$12,500	\$12,500
Benefit events	\$50,000	\$50,000	\$50,000	\$50,000
In-kind services	\$25,000	\$25,000	\$25,000	\$25,000
Total	\$283,750	\$287,500	\$287,500	\$287,500
Total Operating Income	\$889,598	\$860,651	\$919,571	\$927,625
Expenses				
Administration	238,819	238,819	238,819	238,819
Finance and store	119,484	114,483	114,483	114,483
Programs	241,948	241,948	241,948	241,948
Operations	78,861	80,732	82,658	84,643
Total	679,112	675,982	677,908	679,893
Surplus/Deficit	210,486	184,669	241,663	247,732

Source: HRIC

HRIC will rely on part-time workers, loaned executives, volunteers, interns and in-kind staffing to help with the programming, tours, landscaping, ticket and retail sales as well as administrative duties including marketing and fundraising.

The HRIC is working with an experienced guide, who is a volunteer, and other organizations to develop 15 standard tours. While some of them are directly tied to the site such as the Hanford Reach boat and hiking tours as well as the B reactor tour, there are others where it is not clear what role the HRIC would play such as brewery, winery, farm, wheat and irrigation tours. Some of the tours will be guided. Guides will receive a \$100 honorarium which is factored into the price of the tours. Tours will be promoted through the HRIC as well as the Tri-Cities Visitor and Convention Bureau, hotels, partner organizations and other community groups.

For educational programming the HRIC is working with the North Cascades Institute and Educational Service District 123 to develop classes and certificate programs. The HRIC recently formed an Education Advisory Committee comprised of representatives from local school districts, Washington State

First year attendance is estimated at 25,000 visitors with a 20 percent drop in the second year. Fifteen percent of the visitors are anticipated to be school children from grades kindergarten through high school (3,850 kids). In addition to general admission to view the exhibits and galleries at the HRIC, the facility plans to host events, develop educational programming, host concerts in the amphitheater and develop tours, all of which should bring revenue to the facility.

As part of its efforts to reduce costs and streamline operations, permanent staff at the HRIC has recently been reduced. The current staff of four full-time workers will open the building with support from four part-time employees. In addition, the

University, Columbia Basin College among others to develop educational programming that meets the needs of the surrounding region including targeting students, adults and professional development for educators. They have also partnered with the Mt. Adams Institute to develop natural resource internships for veterans.

Comparable Facilities

Tax-exempt organizations are required to submit a federal 990 form annually to the Internal Revenue Service (IRS). It provides information on the organization's mission, programs and finances. AECOM analyzed the operating data from four regional interpretive centers as reported on the 990s to better understand the current market. The High Desert Museum was included since it was used as a comparable facility for the original design. However, it is much larger and more developed in terms of programming and exhibits than the HRIC will be initially.

Table 5 – Comparable Facilities

Facility	Location	Attendance	Adult Admission
Columbia River Gorge Interpretive Center	Stevenson, WA	19,542	\$10
Fort Walla Walla Museum	Walla Walla, WA	25,100	\$7
High Desert Museum	Bend, OR	155,000	\$15
Yakima Valley Museum	Yakima, WA	27,000	\$5
Hanford Reach Interpretive Center	Richland, WA	25,000	\$8

NP = Not provided

Source: Official Museum Directory

Data from the 990s from all the facilities showed high degrees of variation in terms of fund raising and expenses from year to year. The Columbia River Gorge Interpretive Center in Stevenson, Washington operated at a loss from 2007 through 2010 of at least \$200,000 per year. Though admissions and membership revenue has been fairly stable, there were fluctuations in donations. However, costs consistently exceeded revenues. When reviewing the following tables, every effort has been made to ensure the data is consistent from year to year. However, that may not always be the case. Not all facilities report data the same way, which also results in some difficulty making comparisons.

The following table presents operating income for the four comparable facilities. What is striking is the inconsistency in donations from year to year. In addition, each of these facilities has operated at a loss at some point during the time frame presented. In 2009, the Fort Walla Walla Museum received a large gift or grant, far exceeding other years' contributions. Two of the four years reported experienced losses. The Yakima Valley Museum had a similar spike in contributions one year, which also helped offset losses in the two following years. Finally, the High Desert Museum experienced a significant loss in 2008. While contributions increased nearly fivefold from 2007 to 2008, so did expenses.

Table 6 – Operating Information for Comparable Facilities

	Columbia River Gorge Interpretive Center			
	2007	2008	2009	2010
Contributions, gifts, grants	\$62,573	\$66,018	\$130,286	\$74,007
Admissions	\$74,329	\$71,632	\$71,364	\$73,584
Membership dues	\$6,201	\$6,460	\$5,735	\$5,873
Investment income	\$3,444	\$3,240	\$423	\$237
Special events and activities		\$32,141	\$31,018	\$30,242
Gross sales of inventory		\$10,004	\$10,271	\$13,074
Other revenue	\$191,207	\$146,495	\$127,099	\$163,341
Total	\$337,754	\$335,990	\$376,196	\$360,358
Salaries	\$146,029	\$171,268	\$145,415	\$156,220
Other expenses	\$446,072	\$432,003	\$438,216	\$424,440
Total	\$592,101	\$603,271	\$583,631	\$580,660
Excess or deficit	-\$254,347	-\$267,281	-\$207,435	-\$220,302

	Fort Walla Walla Museum			
	2008	2009	2010	2011
Contributions, gifts, grants	\$291,705	\$2,510,791	\$446,668	\$440,041
Membership dues	\$27,481	\$28,580	\$31,245	\$31,968
Investment income	\$43,673	\$30,391	\$30,071	\$23,248
Gross sales of inventory		\$17,153	\$25,701	\$25,433
Other revenue	\$21,849	\$1,113	\$5,948	-\$3,731
Total	\$384,708	\$2,588,028	\$539,633	\$516,959
Salaries	\$277,113	\$247,967	\$289,780	\$341,929
Other expenses	\$132,643	\$119,817	\$141,421	\$251,416
Total	\$409,756	\$367,784	\$431,201	\$593,345
Excess or deficit	-\$25,048	\$2,220,244	\$108,432	-\$76,386

	High Desert Museum			
	2007	2008	2009	2010
Contributions, gifts, grants	\$361,708	\$1,780,671	\$1,891,411	\$1,422,616
Program service revenue	\$288,546			
Admissions		\$1,036,440	\$967,350	\$954,708
Membership dues			\$330,957	\$353,006
Educational programs and services		\$146,703	\$228,139	\$220,932
Investment income	\$16,468	-\$209,014	\$179,878	\$259,632
Special events and activities		\$153,304	\$136,530	\$148,442
Gross sales of inventory		\$171,869	-\$67,479	\$363,739
Other revenue	\$13,984	\$0	\$0	\$512,181
Total	\$680,706	\$3,079,973	\$3,666,786	\$4,235,256
Salaries	\$304,911	\$1,912,723	\$1,837,913	\$1,850,349
Other expenses	\$261,583	\$1,697,197	\$1,536,752	\$1,919,292
Total	\$566,494	\$3,609,920	\$3,374,665	\$3,769,641
Excess or deficit	\$114,212	-\$529,947	\$292,121	\$465,615

	Yakima Valley Museum		
	2008	2009	2010
Contributions, gifts, grants	\$1,525,195	\$233,561	\$514,475
Program service revenue	\$62,561		\$34,335
Admissions		\$26,678	\$30,442
Membership dues		\$36,744	\$26,929
Investment income	-\$155,418	-\$26,128	\$77,196
Special events and activities		\$86,568	\$6,293
Gross sales of inventory		\$9,106	\$10,861
Other revenue	\$125,918	\$103,696	\$80,779
Total	\$1,558,256	\$470,225	\$781,310
Salaries	\$333,617	\$370,683	\$372,118
Other expenses	\$471,101	\$453,076	\$470,302
Total	\$804,718	\$823,759	\$842,420
Excess or deficit	\$753,538	-\$353,534	-\$61,110

Source: IRS 990s

Admissions, Memberships and Gift Shop Sales

In 2008, the HRIC conducted an Audience Assessment survey. Participants indicated that they would be willing to pay \$10 for admission. Current general admission fee is set at \$8 for adults, and \$6 for seniors and students, reflecting the smaller scale of the project since the survey was conducted. First year attendance is estimated at 25,000, falling 20% in the second year of operations but adjusting for population growth in the region. Attendance

Table 7 – Projected First Year Attendance

Type of Visitor	Total	Share
School groups	3,850	15.4%
Students	7,700	30.8%
Seniors	3,850	15.4%
Adults	9,600	38.4%
Total	25,000	100%

Source: HRIC

is shown in the adjacent table with school groups and seniors each making up 15 percent of visitors.

Table 8 – Summary Statistics for Comparable Facilities

Facility	Attend	Adult Ticket	Per Capita Admissions
Columbia River Gorge Int. Center	19,542	\$10.00	\$3.80
Yakima Valley Museum	27,000	\$5.00	\$1.10
High Desert Museum	155,000	\$15.00*	\$6.20
Hanford Reach Int. Center	25,000	\$8.00	\$5.40

* Summer rate, winter rate is \$12

Sources: Official Museum Directory and IRS 990 forms

We next compared per capita admissions which looks at total revenue from admissions divided by attendance. This measure accounts for guests not paying full price or any admission such as groups, members and event attendees. With \$135,400 in admissions revenue, the average per capita admission price is \$5.40

in the first year of operations. This compares to \$6.20 at the High Desert Museum, which also has the highest adult ticket price among facilities surveyed, and \$3.80 at the Columbia River Gorge Interpretive Center. The per capita admission is 41 percent of the adult ticket price for the High Desert Museum and 37 percent at the Columbia River Gorge Interpretive Center. This compares to nearly 68 percent for the HRIC, higher than any of the comparables here. In museum planning, the number of visitors paying less than the full price (such as students, seniors or groups) or no-fee admissions (complimentary passes, event attendees and members) are often under estimated which may be the case here. The HRIC will search for donors to sponsors to underwrite the costs of free tickets.

The HRIC estimates 500 memberships in the first year, increasing to 700 by the fourth year of operations. The HRIC will begin actively soliciting memberships in 2013. They are also negotiating reciprocal agreements with regional museums to enhance HRIC memberships while the building is under construction. Once the facility opens, the HRIC, as a member of the Association of Science-Technology Centers (ASTC), will be able to negotiate memberships with the Oregon Museum of Science and Industry (OMSI) in Portland, Oregon and the Pacific Science Center in Seattle, Washington so HRIC members will be able to attend these facilities at no cost.

Table 9 – Per Capita Retail Sales

Facility	Retail
Columbia River Gorge Int. Center	\$0.70
High Desert Museum	\$1.30
National Historic Oregon Trail Center	\$1.00
Yakima Valley Museum	\$0.40
Hanford Reach Int. Center	\$2.00

Sources: Official Museum Directory and IRS 990 forms

the gift shop will be small.

There will be a small gift shop in the HRIC. Staff estimates \$3 per adult visitor and \$2 per student on retail sales, averaging to \$2 per visitor. However, using data the HRIC provided and excluding the outlier from the Columbia Gorge Discovery Center (per capita spending was \$10 per visitor, which is unusually high), per capita retail spending ranged from \$0.70 to \$1.30 per person. We believe that this range will be more appropriate for the HRIC since

Revenue from admissions, memberships and the gift shop are part of earned income. A metric often used to evaluate the “health” of a museum is the share of earned income to total income. The remaining income includes gifts, donations and investment income. For the HRIC, this starts at nearly 63 percent, and tapers down to about 58 percent assuming that the size of the endowment is doubled by year three as expected. The investment income includes all the support revenue. In the worst case scenario

presented with no support revenue, the earned income share jumps to 92 percent in the early years and 84 percent with the endowment increase.

Table 10 – Share Earned Income of Total Income

Facility	2007	2008	2009	2010	2011	Avg.
Columbia River Gorge Int. Center	80.5%	79.4%	65.3%	79.4%		76%
Fort Walla Walla Museum		12.8%	1.8%	11.7%	10.4%	5%
High Desert Museum	44.4%	49.0%	43.5%	60.3%		51%
Yakima Valley Museum		12.1%	55.9%	24.3%		23%
Hanford Reach Interpretive Center						60%

Source: IRS 990s

The adjacent table presents the share of total income that is earned for the comparable facilities for the years in which data is available.

available. With four years of operating estimates, the HRIC averages 60 percent. The Columbia River Gorge Interpretive Center is similarly high at nearly 76 percent, but operates consistently at a deficit. The High Desert Museum has 51 percent of its income from sources such as admissions, memberships, programming and retail sales.

Staffing

The pro forma includes salaries and benefits for four full-time workers and wages for four part-time associates. Wages total \$343,297 and are not projected to increase during the first four years of operations. However, there are bonuses built in for the CEO, up to \$9,000 per year, for meeting targets such as awarding the Phase 2 contract, completing Phase 2 construction and the opening of the interpretive center.

The HRIC will be highly dependent on volunteers. Looking at staffing data for similar facilities in the Pacific Northwest, we found that many work with minimal paid staff and a high volume of volunteers. Using data from the Official Museum Directory, we averaged staffing needs by attendance. On average, a facility with 25,000 visitors would have 6 full-time staff, 6 part-time staff and approximately 125 volunteers.

Table 11 – Staffing Needs of Comparable Facilities

Facility	Location	Attendance	FT Staff	PT Staff	Volunteers
Columbia Gorge Discovery Center	The Dalles, OR	23,066	8	10	38
Columbia River Gorge Interpretive Center	Stevenson, WA	19,542	4	5	25
CREHST	Richland, WA	13,000	4	5	65
Fort Walla Walla	Walla Walla, WA	25,100	9	2	300
High Desert Museum	Bend, OR	155,000	42	2	250
Yakima Valley Museum	Yakima, WA	27,000	3	4	107
Hanford Reach Interpretive Center	Richland, WA	25,000	4	4	NP

NP = Not provided

Source: Official Museum Directory

The HRIC hopes to develop their volunteer program by incorporating volunteers from CREHST and B Reactor Museum Association (BRMA), an all volunteer association of individuals and groups working to

preserve the historic B Reactor on the Hanford Nuclear Site as a public museum, and capitalize on their experience and expertise. In addition, HRIC will recruit student volunteers that need to complete 15 to 30 hours of community service in order to graduate as well as volunteers from other local conservation and environmental groups.

Events, Classes and Tours

The HRIC is primarily designed to be an education facility, but the 2,010 square foot entry hall will be designed to provide a gathering place for special events. More and more weddings, corporate events and meetings are looking for unique venues as will be offered here. The auditorium, conference room, class rooms and the amphitheater would also be available for rent. The HRIC priced these venues using data from other interpretive facilities in the Pacific Northwest. Event revenue is estimated at \$73,950.

Educational programs and programs open to the general public will include lectures, presentations, classes for students and adults, demonstrations and volunteer training. The adult education programs will be modeled after those offered by the North Cascades Institute. The HRIC estimated that the adult education programs would generate \$91,200 in income.

Table 12 – Tours

Tour	Cost	Duration
Ice Age	\$50	6 hours
Wine Tours	\$50	6 hours
B Reactor	\$30	4-5 hours

Source: HRIC

The HRIC listed 15 potential tours though little information on the HRIC's role in those tours was provided. They did provide pricing for three tours where it is assumed staff and volunteers at the HRIC will be primarily responsible for delivering the experience. They are shown in the adjacent table. Tour revenue is estimated at \$179,000, the largest income category representing 28 percent of earned income. The HRIC will begin developing these tours and

plans on offering 18 tours with 15 to 20 people on each during 2013. According to HRIC staff, the tour program will be managed by a person under contract whose fee will be paid by a donor. The fee for service is estimated at \$5,000 for 2013. She will plan, coordinate and guide a portion of the tours and will schedule guides for the remaining tours.

Since 2009, the Department of Energy (DoE) offers 60 tours annually of the Hanford Site with approximately 10,000 visitors each year. The dates are limited (2 tours per day on 30 dates from April through October) and reservations are accepted on a first-come, first-serve basis through an online reservation system. A small number of tickets are set aside for special groups and walk-ups. The tour lasts approximately 5 hours and is free. There is a tour of the site as well as a 75 minute guided walking tour of the B Reactor. The tour highlights the ongoing clean up efforts as well.

The HRIC is working with the DoE to take over some aspects of the B Reactor tours once their facility opens. The DoE will continue to schedule the tours, accept reservations and provide the tour guides. The HRIC will be the starting point of the tour. They will collect the money, check IDs and provide transportation. In addition, they will provide the background information on the Manhattan Project and the Hanford site through their interpretive center to prepare visitors for the tour. The DoE hopes to donate artifacts it has in storage to the HRIC. The HRIC will assume the cost for providing transportation. .

The HRIC will charge \$30 per person for the tour and anticipates 6,400 visitors per year, which is a 36 percent reduction from current figures due to the switch from a free tour. At \$30 per person, that is

\$192,000 in revenue, higher than the revenues projected in the August 2012 pro forma for all tours (\$179,000). Going from a free tour to \$30 per person is a significant jump in price. Since it is a regional attraction, most people living in the immediate area will know of the change which could result in far fewer people participating than the HRIC is projecting, especially initially. However, visitors from outside the region may not be aware of the difference. It is difficult to project the potential impact on attendance.

For comparison on pricing, we looked at other facilities and parks that offer paid tours.

- The High Desert Museum offers special, guided tours of its facility for groups. The basic tour is 30 minutes and costs \$75 for a group up to 25 people plus admission. With 25 adults, that would be \$11 per person. The most expensive is a Behind the Scenes Wildlife Tour which offers guests the opportunity to see what it's like to care for wild animals. It is 45 minutes and costs \$250 for up to 12 people plus the cost of museum admission. Assuming a full group of adults, the cost with the group admission rate is \$29 per person.
- Guided cave tours at Carlsbad Caverns National Park in New Mexico range from \$8 to \$20 plus the cost of admission to the park (\$6 for adults).
- There are two tours of the Lehman Caves at Grand Basin National Park in Nevada. The hour long tour is \$8 for adults and the Grand Palace Tour (90 minutes) is \$10 for adults.
- There are two tours of Hoover Dam administered by the Bureau of Reclamation. The 30 minute power plant tour is \$11 for adults, the 1 hour Hoover Dam Tour is \$30. Both include admission to the visitor center which is \$8 per adult.
- In Yellowstone National Park, a private concessioner provides many different tours ranging from several hours to all day. For \$79 (plus admission to the park), adults can take an all day tour of Yellowstone (11 hours).
- Similarly, a full day bus tour of Yosemite National Park is \$82 for adults, also offered by a private concessioner.
- An escorted tour of the Statue of Liberty and Ellis Island, by a private tour company, is \$49 for adults.

As a simple proxy for how much people are willing to pay for recreation, we examined the price of movies in the area. For three movie theaters, the price of an adult, evening admission ranged from \$9.50 to \$10.25. Assuming a two hour film, comparable pricing for a 5 hour tour is approximately \$25.

Although the price of the HRIC tour may fall into similar ranges as the facilities profiled above, the major concern is the jump in price from free to \$30. Staff at the DoE has also expressed concern over the pricing and worries that it may be a deterrent since it will cost \$120 for a family of four to participate. While the HRIC should cover its cost for admission, program administration and transportation they may want to consider lowering its markup. (Note: We are waiting for visitor information and transportation costs from the DoE which will help inform this analysis.)

Regarding other area tours, the HRIC is working closely with the Tri-Cities Visitor and Convention Bureau to develop programming that is currently lacking in the area and can be easily marketed to tour groups, conferences and meetings.

Endowment and Support Revenue

The current endowment is \$1 million, a donation from Battelle, with expected annual interest income of \$50,000. The endowment is managed by the HRIC Foundation which has the goal of doubling it by the third year of operations. Though not currently invested, the HRIC anticipates the endowment could generate 5 percent interest once it is.

The process of getting the HRIC built has taken up considerable time and cost millions of dollars. This process has worn on the community. In 2012, two donors pulled their funding from the project (a total of \$500,000). However they are willing to reconsider pending significant progress. In fact, Washington River Protection Solutions, a company that had withdrawn its financial support, recently provided funding for education programs. While there is a commitment from large employers in the region such as MSA/Lockheed Martin, some of the smaller donations on which a regional facility like this might depend, might be more difficult to attain.

After the first year of operations, the HRIC estimates that it will raise \$287,500 in the form of corporate sponsorships, donations, foundations, government grants, benefit events and in-kind services. The HRIC will approach local businesses to help pay for exhibits, both permanent and traveling, scholarships for students and lecture series. There are several large contractors in the area. The HRIC will apply for grants from foundations as well as government agencies. It will host several fundraising benefits annually hoping to raise \$50,000. The HRIC is also seeking in-kind services for facility maintenance, printing and media. The High Desert Museum has been very successful in hosting special fundraising events as shown in the data from the federal 990 forms. The Columbia River Gorge Interpretive Center has consistently raised approximately \$30,000 for three years through similar events.

The CEO, Lisa Toomey, has a background in fundraising and will work with the Community Campaign Steering Committee and the Reach board to raise needed funds. Due to limited resources, efforts will be targeted and collaborative. If the support revenue and in-kind services were not attained, the HRIC would operate at a loss each year.

Operating Expenses

Expenses are classified as administration, finance and store, programs and operations. They include salaries, insurance, professional services such as legal and accounting, the cost of goods sold at the store, programming expenses, exhibit building and normal operating expenses such as postage, phones, utilities, supplies and janitorial services, etc. Annually, general operating expenses total approximately \$680,000, of which salaries make up nearly 51 percent. In 2013, the HRIC anticipates that operating costs will be offset by new income streams from tours and memberships.

Considerations

- Repeat visitation is crucial for smaller, regional facilities. By rotating the exhibits and having temporary displays, it will keep the material fresh. Including lectures, classes and other programming

on the site will also keep people returning. This is a good way to grow membership and get volunteers. The tours should appeal to out-of-town visitors.

- We have not found a similar facility offering as much programming as the HRIC plans to offer. Coordinating and running 15 tour programs is very ambitious for a facility. Leading 15 different tours with volunteers requires lots of volunteers versed in many different aspects of the region. Since this is a significant revenue stream for the HRIC, the success of these programs is critical.
- The Hanford B Reactor tour is quite popular with approximately 10,000 visitors annually. Currently, the tour is offered free of charge. It's not clear what will happen to visitation when a \$30 fee is put in place. The HRIC anticipates a 36 percent drop. That percentage could be higher. However, if tours are not provided, the costs to provide those tours are not incurred. The cost for adult education programs and tours is 10 percent less than the revenue they generate.
- The HRIC is depending on volunteers to help run the facility and its core programs. They estimate they will need the equivalent of 13 full-time employees 5 to 6 days a week. Often volunteers work several hours, but not a full 8 hour shift like employees. They are often not available to work every day. Therefore the HRIC will need a significant number of reliable volunteers in order to develop and lead the programs, run the gift shop, be guides in the gallery and offer general office support. Relying on so many volunteers for key aspects of this facility can be risky.
- If built, the proposed performing arts center in Kennewick may take away from some of the events potentially being hosted in the planned amphitheater.
- It may not be realistic to hold salaries constant through the first four years of operations, though the current staff are aware of this.
- Ongoing fundraising may be complicated by the project's past, uncertain economic times and no dedicated paid staff leading the effort, though the CEO's responsibilities include fundraising.
 - The HRIC will be raising funds simultaneously for operations, capital and an endowment. This may be difficult to coordinate without dedicated staff. Raising funds for operations is always more difficult as people want to actually see what their donations have helped create.
 - The past several years have been challenging for non-profits to raise funds. The difficult economy makes it harder for donors to give which includes business sponsorships and donations for auctions at events. In order to maximize fundraising, several different methods need to be used including board donations, benefit events, foundation proposals, government grants, planned giving, direct mail, online appeals, etc. This takes considerable time, effort and coordination. Without paid staff dedicated to marketing and development, this will be difficult to manage. According to GuideStar, an online resource that tracks non-profit information and trends, organizations with paid staff focused on fundraising are more successful at reaching their fundraising goals. In 2011, only half of the organizations that had part-time staff available or partial time from full-time staff members working on fundraising met their annual goal. This increased to 60 percent with one full time dedicated staffer and 71 percent with up to 4 staffers.

- There is some fatigue in the community which may affect fundraising efforts. According to an article in the Tri-City Herald, in May 2012, two local donors revoked \$500,000 in pledged donations. Both Bechtel National and Washington River Protection Solutions (WRPS) indicated that they would be willing to reconsider donating money to the project when they see “major progress.” On a positive note, WRPS recently began funding educational programs.
- Further complicating fund raising efforts is the threat of falling back into recession as the federal government considers curtailing spending. If an economic relapse occurs, businesses may face shortfalls and most households could be paying higher taxes. Until these national financial issues are decided, the uncertainty may be enough to prevent people and businesses from donating.

Conclusions

The RPFD and the staff at the HRIC have worked incredibly hard to make the dream of building an interpretive center a reality. During the past year the project has undergone a significant transformation that has streamlined operations and focused efforts on constructing the first building. The RPFD and HRIC staff have also been working to rebuild trust in the community. Though funds should be in place to start construction on the facility early in 2013, assuming no major cost adjustments, the projections for operations appear optimistic, particularly the tour revenue and admissions streams. Fundraising will be complicated due to continued difficult economic times. It also seems that the facility will be limited by its staffing capabilities and reliance on in kind services and volunteers. The Richland Public Facilities District and the City of Richland should consider what they will do in case revenue expectations and continued support are not met by the proposed Hanford Reach Interpretive Center.

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