

**CITY COUNCIL AGENDA TOPIC**

Ordinance (1) authorizing execution of a funding agreement with KidsQuest Children’s Museum to provide up to \$10,000,000 in funds over the next two biennia to be used by KidsQuest to open a new facility in Bellevue, and (2) amending the City of Bellevue 2025-2026 General Fund budget to increase the appropriation by \$4,500,000 from the Long-Range Planning Reserve to fund the initial installment.

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**EXECUTIVE SUMMARY****ACTION**

This Ordinance 1) authorizes the use of \$9,500,000 in previously identified funds from the Long-Range Planning Reserves to support KidsQuest Children’s Museum (KidsQuest) in pursuing a new facility in Bellevue, and 2) amends the 2025-2026 General Fund budget to increase the appropriation by \$4,500,000.

The associated funding agreement is for KidsQuest to acquire, renovate, and build exhibits for an expanded facility in Bellevue.

**RECOMMENDATION**

Move to adopt Ordinance No. 6915

**BACKGROUND/ANALYSIS****Background**

KidsQuest offers high quality children’s programing and is the only children’s museum on the Eastside. Due to the intense need for family-friendly, educational opportunities, KidsQuest has reached the design capacity of their current facility, serving 220,000+ children and families per year in 17,000 square feet. The museum has two options for the future – limit the number of families served while raising admission prices or expand into a facility that allows the museum’s costs to be shared among many more families. They have asked for city support to lean into their mission as an affordable, inclusive museum through the construction of an expanded facility.

In 2024, KidsQuest applied to the city’s Art and Cultural Capital Facility Grants for funding support to expand their service capacity. Recognizing the need in our community, City Council, as part of the 2025-26 budget, identified up to \$10 million in the Long-Range Planning Reserves for the purpose of supporting a new, expanded facility for KidsQuest.

KidsQuest has since entered into a Purchase and Sale agreement with the Bellevue Arts Museum to acquire the Steven Holl Building at the intersection of the Grand Connection and Bellevue Way. In September 2025, the council awarded KidsQuest funding for Phase 1 of this project: \$500,000 for study and early design of the facility. Funding being considered tonight is \$9,500,000 for building and land acquisition, repairs and renovations, and exhibit construction.

Addressing the need for more museum capacity aligns with council's Strategic Target Area Objective 2.6: Build up Bellevue's arts providers' organizational capacity to increase the breadth and depth of artistic and entertainment offerings for Bellevue's residents and visitors.

### **Project Costs & Securing Public Investment**

The cost to purchase the approximately 36,000-square foot museum, then build the needed exhibits and an endowment to ensure long-term financial health, is estimated to be \$67 million. City support would represent about 15% of overall costs. KidsQuest has outlined a fundraising strategy that includes public, private, and corporate contributions as well as the sale of their current building/land assets in Downtown Bellevue.

All public investment will be secured via a variety of security instruments including a Deed of Trust, Restrictive Covenant, and Promissory Note executed between KidsQuest and the City, and an Intercreditor Agreement and Priority and Subordination Agreement with Kemper Development Company to reflect their interest in the new facility property. Public benefit delivery will be guaranteed for 20 years from the opening of the new museum.

### **Delivery of Public Benefit**

In exchange for public funding from the city, KidsQuest will deliver specific public benefit over the life of the contract. Some items included in the contract are:

- Operation of KidsQuest as a museum consistent with national museum standards, open to the public during regular hours, subject to reasonable admission standards for a period of not less than 25 years from the date of execution.
- Partner with the city to design and deliver targeted expanded programs designated to fill gaps in current needs for out of school time education options for families.
- Work with childcare facilities to deliver expanded education programs in arts and science beyond simple care for families.
- Partner with the city to provide free access and programming for the families staying in the Safe Parking program or other children being served by the city.
- Work with the Bellevue School District and King County Library System to deliver enhanced programs in arts and sciences.
- Add programming to extend the museum's targeted age range into middle and high school students, for example through a "first place of work" program.
- Include an ex-officio seat on the Museum's Board of Directors, during the term of the contract, to ensure strong partnership and fiscal oversight.

### **Social Impacts**

KidsQuest offers \$5 admission price, a 70% discount from the regular entrance fee, for people on public assistance (WIC, Chip, EBT, and Apple Health) and distributes free passes through King County libraries and other community partners. Scholarships are available for memberships, classes, camps, and workshops. KidsQuest provides expanded opportunities and resources to families to support

childhood development and ensure those facing barriers to access can receive much-needed educational resources within their facility.

KidsQuest Children’s Museum sets the next generation up for success. “At-risk” students involved in arts are 23% more likely to attend college than peers with low arts involvement. Low-income students with access to cultural resources score higher in English and Math. Low-income students with a high level of arts experience in school are more likely to attend college, vote, and volunteer in their community (source: Arts Fund Social Impact Study, 2018).

### **Economic Impacts**

Bellevue is the cultural and economic heart of the Eastside, and the city recognizes the substantial cultural activity and economic benefits KidsQuest has brought to the community since opening its first location in 2005 at Factoria Mall. Since its inception, KidsQuest has continuously seen strong demand and in 2017 moved to its current location in Downtown Bellevue to accommodate that demand for service. In total, KidsQuest has served over 3 million people with high-quality experiences. Based on the city’s recent Arts & Economic Prosperity data, staff estimate that since first opening its doors, KidsQuest guests have generated approximately \$165 million in economic activity in Bellevue.

**Looking forward, the economic impacts that will be generated by the expanded facility are estimated to be over \$24 million per year.** Within the first year of the expanded facility’s operation, the public will see a 140% return on investment and a 5,900% return on investment within the 25-year public benefit window.

### **Next Steps**

If approved, staff will finalize the Phase 2 funding agreement, and work with KidsQuest to record the Deed of Trust, Promissory Note, Restrictive Covenant, and record an Intercreditor Agreement and Priority and Subordination Agreement between the City and Kemper Development Company who will retain some rights to the former Bellevue Art Museum property

## **POLICY & FISCAL IMPACTS**

### **Policy Impact**

This work advances Bellevue City Council’s Strategic Target Area Objective 2.6: Build up Bellevue’s arts providers’ organizational capacity to increase the breadth and depth of artistic and entertainment offerings for Bellevue’s residents and visitors.

Additionally, Comprehensive Plan policies UD-14 through 16 and ED-14, 22, and 24, support developing, displaying, and performing various artistic expressions and cultural facilities. The policies also recognize the economic development benefits of art and cultural facilities and how they support community activity and gathering.

### **Fiscal Impact**

This project utilizes \$9,500,000 in funds held within the Long-Range Planning Reserves. Per section 8.2.3 of the city’s Comprehensive Financial Policies, the council must authorize spending of the reserve. This use of the reserve has been anticipated by city staff. Adopting this ordinance will amend the 2025-2026 General Fund budget by \$4,500,000. The remaining amount will be included in the 2027-2028 budget for council review later this year.

## **OPTIONS**

1. Adopt the Ordinance (1) authorizing execution of a funding agreement with KidsQuest Children's Museum to provide up to \$10,000,000 in funds over the next two biennia to be used by KidsQuest to open a new facility in Bellevue, and (2) amending the City of Bellevue 2025-2026 General Fund budget to increase the appropriation by \$4,500,000 from the Long-Range Planning Reserve to fund the initial installment.
2. Do not adopt the Ordinance and provide alternative direction to staff.

## **ATTACHMENTS**

- A. Phase 2 Funding Agreement between City of Bellevue and KidsQuest Children's Museum with attachments
  - B. Intercreditor Agreement
  - C. Priority and Subordination Agreement
- Proposed Ordinance No. 6915

## **AVAILABLE IN COUNCIL LIBRARY**

N/A