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REPORTING ON YOURSELF

An Independent Analysis of The Spokesman-Review's Coverage of and Role in the Spokane River Park Square Redevelopment Project

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requested by

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INTRODUCTION

How well a newspaper reports on itself and its role in the business life of the community is a significant measure of its commitment to the citizens it serves.

That is the larger issue underlying the discussion of The Spokesman-Review's coverage of the Cowles Co. involvement in the development of downtown Spokane. As a major property owner and commercial influence in the Inland Northwest, the Cowles Co., which publishes The Spokesman-Review, was an integral part of the news during the redevelopment of River Park Square (RPS).

Would the newspaper have reported on this development differently had the Cowles Co. not been involved? Critics inside and outside The Spokesman-Review have said that its coverage did not meet sound journalistic standards. That is, they believe that another company would have been treated differently and received greater scrutiny.

That such criticism would emerge is not surprising, given the potential for conflict between the journalistic function of any publishing company and the often-diversified business interests of its owners. Sound journalistic practices are not necessarily in conflict with sound business practices, but without great care and considerable transparency, they can appear to be.

How that conflict, whether real or perceived, is resolved inevitably affects public knowledge of the issues involved, and, ultimately, the newspaper's credibility. Because this role of the press in helping to inform citizens' decisions is crucial to the process of self-governance, it should be a newspaper's first priority.

When considering The Spokesman-Review's coverage of the RPS redevelopment project, we adopted as our guiding principles the following provisions of the respective codes of ethics of the Society of Professional Journalists (SPJ) and the Associated Press Managing Editors (APME):

SPJ Code of Ethics

Act Independently

Journalists should be free of obligation to any interest other than the public's right to know.

Avoid conflicts of interest, real or perceived.

Remain free of associations and activities that may compromise integrity or damage credibility.

Disclose unavoidable conflicts.

Be vigilant and courageous about holding those with power accountable.

Deny favored treatment to advertisers and special interests and resist their pressure to influence news coverage.

APME Code of Ethics

Integrity

The newspaper should report the news without regard for its own interests, mindful of the need to disclose personal conflicts. It should not give favored news treatment to advertisers or special-interest groups.

It should report matters regarding itself or its personnel with the same vigor and candor as it would other institutions or individuals. Concern for community, business or personal interests should not cause the newspaper to distort or misrepresent the facts. . . .

Independence

The newspaper and its staff should be free of obligations to news sources and newsmakers. Even the appearance of obligation or conflict of interest should be avoided.

Our inquiry does not attempt to determine who was right or wrong about the economics and legalities of redeveloping River Park Square. Squads of lawyers and investigators have spent thousands of hours and millions of dollars on that task. To date, no one has been convicted of any criminal wrongdoing in connection with the project.

Nor does this report attempt to cover many of the issues already so thoroughly addressed by The Inlander and Camas Magazine; those exhaustive critiques stand on their own.

Instead, this report addresses the question of how well The Spokesman-Review performed in its RPS coverage, focusing on some stories that highlight specific ethical issues the paper encountered as the coverage unfolded. It then discusses actions the paper took then and should take now to deal with these issues.

The potential conflict in a one-newspaper town where the parent entity also engages in significant non-journalistic activities is not peculiar to Spokane and The Spokesman-Review. For that reason, the report concludes with recommendations any publisher should consider in order to operate with greater journalistic integrity.

More generally, this report may serve as a case study for other journalists who face similar issues, and for students of journalism during their professional training.

Our report is divided into four sections:

- (1) Introduction
- (2) Narrative and Analysis
- (3) Findings and Recommendations
- (4) Additional Background Information

Note: *In the following Narrative and Analysis, all cited stories, documents and interview audio files are accessible from the Washington News Council's and The Spokesman-Review's web sites.*

NARRATIVE AND ANALYSIS

In May of 1994, when Stephanie Craft stumbled onto a brochure someone had tossed away at the Las Vegas Convention Center, The Spokesman-Review reporter figured she had found the biggest story of her brief newspaper career.

In 10 pages, the brochure outlined plans for a major redevelopment of Spokane's downtown River Park Square (RPS) shopping mall. It showed the architects' drawings of the new mall's soaring glass atrium and block-long facade. For Craft, then 29 with just two years of professional reporting experience, the brochure confirmed the whispers from her sources that big things were being planned for Spokane's faded downtown. The key, the sources said, was River Park Square.

But there was a problem. RPS was owned by the Cowles family, and the Cowles also owned The Spokesman-Review. Indeed, Cowles Publishing Co., the family's holding company (which changed its name to just Cowles Co. in 2006) had significant financial interests in much of what went on in Spokane – the newspaper, a television station, large pieces of real estate, a paper mill, timber holdings, insurance, and trucking.

Craft's sources chuckled when she pressed for more information about the plans for RPS. "They would sort of joke with me and say why didn't I just go upstairs," she now recalls (Craft interview in audio file).

"Upstairs" was the sixth floor of The Spokesman-Review's turreted headquarters, where Cowles Publishing was centered. Betsy Cowles, the company's chairman, and her brother, Stacey, the company's president and the publisher of The Spokesman-Review, had offices on the sixth floor. The newspaper's newsroom was two floors below.

Craft had asked to attend the 1994 convention of shopping-center developers in Las Vegas – her first out-of-state reporting trip – to nail down the make-over rumors. Mark Hester, the business editor, had approved the trip. But Cowles executives weren't talking about their plans for RPS. As she wandered through the convention center, Craft came upon Betsy Cowles and RPS manager Bob Robideaux. The pair looked surprised and uncomfortable when she approached them, and they brushed off her questions.

But the brochure and the presence of Cowles and Robideaux at the convention were enough for Craft. She hustled back to her hotel room to write her story.

Her lead offered details about the enlarged mall. It would grow from 225,000 square feet to 330,000. Nordstrom, the anchor tenant, would be enlarging its RPS store, reassuring news for other downtown businesses. Craft fleshed out her story with comments from local realtors and odds and ends of information she had picked up from the convention.

On her flight back to Spokane the next morning, Craft was elated. She grabbed a copy of the paper as she walked into the newsroom, looking for her story. It was there, below the fold on the front page, but something was missing.

Instead of her breaking-news lead, the story (#1 in document file) was topped with a bland generic paragraph about the convention. River Park Square wasn't mentioned until the fifth paragraph, and Nordstrom received only a scant reference.

Robideaux was quoted as dismissing the whole thing as simply “conceptual” and one of “lots of ideas we are exploring.”

When Craft went to Hester to ask what had happened to her scoop, Hester said the paper’s editor, Chris Peck, had rewritten the story (Hester interview in audio file). Robideaux had called from Las Vegas, Peck later said (story #2 in document file), complaining that it was too soon to disclose details of the developer’s RPS plan.

Robideaux’s call and Peck’s response weren’t unusual for The Spokesman-Review, says Hester, now sports editor at The Oregonian. Peck decided to change Craft’s lead, he says, adding: “It happens in newspapers everywhere, every day.”

But the treatment of Craft’s story, like much of The Spokesman-Review’s River Park Square coverage, was far from journalism as usual.

Good newspapers, especially papers like The Spokesman-Review with its reputation for aggressive reporting, do not tailor stories to meet the subject’s wishes. Craft’s news was particularly sensitive. Over the next decade, the RPS redevelopment touched off a torrent of controversy in Spokane, spawning nearly two dozen lawsuits and an IRS investigation. It tore apart the city’s political structure and pulled down its bond rating. The Spokesman-Review’s coverage of RPS raised questions about the paper’s editorial judgment, ethics, and impartiality that persist today.

This narrative is based on interviews with many of the key participants in the RPS coverage, as well as some of the subjects and critics of that coverage. The underlying research also included the examination of court records, relevant documents, and outside commentary about the newspaper’s reporting on RPS, as well as the coverage itself. Some of that documentation is available online for those who wish to review it for themselves.

Issue: The Spokesman-Review was slow to probe RPS finances

Since Stephanie Craft’s initial story on May 19, 1994, The Spokesman-Review has published thousands of stories mentioning RPS. For a year after Craft’s initial piece, most offered only glancing references to the mall or were simply journalistic cheerleading – news items about likely tenants, features on the mall’s new movie theaters, columns urging public support for RPS, and the like.

What Spokesman-Review readers did not get were many details about the project’s intricate financial underpinnings that the developer and Spokane’s city officials were quietly cobbling together.

Hester, the former business editor, says that while The Spokesman-Review was not pulling its punches on RPS, the story wasn’t viewed as a political story or an investigative effort.

“I think one of the things some people have missed,” Hester says, “is that early on the things people were concerned with were different from the things that became the controversy.”

Former editor Peck agrees. “The general public was not hanging on every word about RPS,” he says (interview in audio file). The paper was busy with other things, he says, such as northern Idaho’s white supremacists and Washington State University’s Rose Bowl-bound football team.

“Some elements of the community certainly thought RPS was a big thing,” says Peck. “But, as an editor, you have to edit the paper for the larger community. One of the worst things you can do is ride one horse into the ground. And we really tried hard not to do that.”

Indeed, the paper’s next piece of significant financial information about RPS was a short article on April 29, 1995 – nearly a year later (story #2 in document file). The story disclosed that the Spokane City Council was planning to seek a federal loan from the Department of Housing and Urban Development for \$22.65 million, with most of the money going to the Cowles Co. to expand the Nordstrom RPS store. Six weeks later, on the eve of a June 13 council vote on seeking the HUD loan, another story disclosed that the city was deciding whether to buy the RPS parking garage from the Cowles for \$14 million (story # 3 in document file).

Without attribution or much detail, the story cited “supporters” of the financial plan as saying it would keep Spokane from becoming an “urban wasteland.” Opponents, also unnamed, complained the plan would be “corporate welfare.”

It was a curious, bare-bones treatment by the city’s lone daily newspaper for such a major step, one that would lock the City of Spokane into a controversial public/private partnership with the Cowles family.

Neither article, for example, provides information about the city’s pledge of its future HUD block-grant money as collateral for the RPS loan. Under the commitment, if the economics of the project went sour – which happened – Spokane would be required to tap federal funds it had targeted for redeveloping the city’s struggling neighborhoods to cover the HUD debt. Nor were there details about how the garage would generate enough income to pay the debt on its bonds.

“There were so many obvious problems (with RPS) that were never written about,” says O. Yale Lewis, a Seattle-based attorney hired by the Spokane City Council in 2000 to examine the project’s finances (Lewis interview in audio file). Lewis, an expert in public development authorities and author of the state’s legislation on public/private ventures, became a sharp critic of the project’s financial structure. In an interview for this report, he said that Spokesman-Review reporters seemed almost uninterested in dealing with problems he uncovered in the RPS financing.

The Spokesman-Review reporters asked “canned questions” about the project, Lewis recalls. “None of the questions ever seemed to want insight,” he adds.

“I thought it was probably the least professionally responsible reporting job I had ever experienced,” he says.

A more detailed analysis of the paper’s early handling of RPS was done in 1998 by Stephen Blewett, head of the journalism program at Eastern Washington University (#5 in document file). Blewett, a former Spokesman-Review reporter and editor,

examined the paper's RPS coverage for 1997, a critical year, when the city was deciding whether to join the Cowles in the mall's makeover.

His conclusion: During that year, the paper's coverage was heavily weighted in favor of the project.

Blewett's analysis broke down The Spokesman-Review coverage into nine categories. RPS proponents received the most favorable treatment in seven; the paper's coverage was rated neutral in two others, and none favored the project's critics.

Where "more pro-development speakers were cited, they were more often cited first, and there were more of them cited in the stories. And when the story was predominantly 'pro,' it was more often in a prominent location in the newspaper" (Blewett interview #20 in audio file).

Blewett does not believe that the Cowles family deliberately set out to bias its newspaper's RPS coverage. But he singled out the paper's longstanding "no surprises" policy, permitting Stacey Cowles, and sometimes Betsy Cowles, to review and direct the editing of stories that involved the family and its enterprises. In addition to raising conflicts of interest, Blewett concluded, the policy was likely to lead to self-censorship by newspaper staffers.

"Even editors of the paper after the fact admitted that the (no surprises) practice almost certainly affected editorial decision-making in the River Park Square coverage," Blewett's study concluded.

Issue: The "no surprises" policy

No one seems certain when The Spokesman-Review adopted its "no surprises" policy. Chris Peck, the paper's editor from 1982 to 2001, calls the policy "a vestige of an earlier era" (Peck interview in audio file).

"The Cowles family said, decades before, that when we are referenced in our own newspaper, we really hope that the names, faces, and facts and figures related to our family and family businesses are accurate," Peck recalls.

Betsy Cowles also described the "no surprises" policy in a deposition that was part of a long-running lawsuit brought by investors in the RPS garage bonds alleging securities fraud. In the deposition, Cowles said that under the policy she did not "edit" articles before they appeared in The Spokesman-Review.

"I recall instances," she said, "where a fact was incorrect and I would call the city desk and say, 'No, the project is not an \$80 million project, it is now a \$100 million project,' that sort of thing."

The "no surprises" policy was mentioned in a 1988 staff handbook, and possibly in earlier staff memos, but few of The Spokesman-Review reporters and editors interviewed for this report could recall reading about it. Most said they learned of the policy from newsroom chatter. "It was well known in the newsroom," says Alison Boggs, who covered RPS and is now the paper's business editor (Boggs interview in audio file).

“It had some value,” says Peck, now editor of The (Memphis) Commercial Appeal. The Spokesman-Review, he says, “had a long and kind of embarrassing history of screwing up” family facts. Editors, aware of the policy, often ended up making late-night calls to the publisher to check some minor fact, he says.

Finally, Peck recalls, “I said, ‘Look guys, let me be the conduit to the publisher for fact-checking things related to the family.’”

RPS stories fell under the “no surprises” rubric. When a story about the project was ready to run, Peck sometimes would read it to Stacey Cowles on the telephone or carry the edited copy to the sixth floor. Betsy Cowles got involved “a few times,” he says, as the project got more complicated.

Betsy and Stacey Cowles say their fact-checking of Spokesman-Review copy amounted to no more than corrections of minor items about family members. “My understanding back to when I was a child,” Betsy Cowles says, “was, ‘if the newspaper can’t get it right about its own entities – make mistakes, factual mistakes, which happened – how can they get it right about somebody else?’” (Betsy Cowles interview in audio file).

But on more than one occasion, Betsy Cowles directed that more substantial changes be made to The Spokesman-Review RPS copy before it was published, according to the paper’s reporters and editors.

On Oct. 22, 1996, reporter Boggs filed a story on a legal challenge to the city’s participation in RPS. The story focused on the mall’s parking garage, a key element in the RPS financial structure.

In court documents, Betsy Cowles’ files show that, the night before the story ran, Cowles scribbled changes to several key numbers in the margin of Boggs’ edited story (#6 in document file). A copy of the story with her amendments was included in documents filed in a federal court securities lawsuit over RPS.

Cowles’ alterations were significant. For example, in her original copy, Boggs said the cost of renovating and expanding the parking garage would be \$8.6 million. Cowles’ notes changed that figure to \$20 million. At the time, Cowles was negotiating to sell the garage to the city, and the higher valuation would have boosted the sales price.

When Boggs’ story ran, the reporter’s original \$8.6 million figure had been replaced with Cowles’ \$20 million figure (story #7 in document file).

In an interview, Betsy Cowles acknowledged that the notes scribbled in the margin of Boggs’ copy were hers. “That writing was mine,” she said of the notes on Boggs’ story. “It would have been out of my files,” she says of the copy. “I made notes on a lot of things.”

But Cowles says the actual changes to the story were made in The Spokesman-Review’s newsroom, not in her office. “If Chris Peck had called and said, ‘Is it really 8.6?’ I would say, ‘Yeah.’ If in fact he did call me and the number was 20, I would say, you know, ‘The number is 20.’” Cowles says she cannot recall the exact sequence of the changes in Boggs’ copy, but, she adds, “My role was always the developer’s side. I was the developer. I didn’t edit whatever the paper ran.”

Cowles, who is an attorney, may be splitting hairs. Peck insists his memory about the story's handling is also hazy, and other editors on duty that night say they can't recall who changed Boggs' copy. But what is clear is that the final editing of the story was influenced by Betsy Cowles.

Much later, in August of 2003, Spokane hired a Seattle-based construction firm to review the final cost of the renovated RPS parking garage. The engineers' report, according to documents filed in the bond-holders' federal securities case, says the structure's final construction cost was \$9.9 million. Stacey Cowles contends this figure was developed for litigation purposes and the actual cost was much higher.

The paper's "no surprises" rule remained in effect until 2001. Peck ended it, but he still defends the policy. "My feeling was there was an opportunity, or a necessity, to be as accurate as we could," he says. "I do not think it was misused by the Cowles family."

Issue: Chris Peck's advocacy on RPS

In 1996, while Spokane's city council was moving toward a critical vote on whether to lock Spokane into a long-term financial commitment to RPS, Peck decided to speak out on the controversial project.

Peck, who often represented The Spokesman-Review at civic and business gatherings, had been a columnist when he was hired. As editor, he occasionally wrote Sunday columns, expressing opinions on subjects such as community and family life.

This time, however, Peck decided to take a more controversial tack. On Oct. 17, 1996, while the city council was debating whether to issue nearly \$30 million in revenue bonds to buy the renovated RPS parking garage from the Cowles, Peck wrote a column urging a yes vote (story #8 in document file). Was \$30 million too much to pay for the garage?, Peck asked rhetorically in his column. His answer: No. The figure represented "fair market value" for the garage.

Peck's column raises significant journalistic concerns. Nowhere is Cowles Co. – his employer – mentioned as the beneficiary of the bond issue. Nor is the company's dual role as the developer of RPS and owner of The Spokesman-Review mentioned. If Peck was going to express his opinion, he also should have mentioned in the column that he was editing news stories about RPS.

Peck's reference to "market value" could also be misleading. Traditionally, "market value" is a term of art used by appraisers to describe what a structure such as the RPS garage would sell for to a third party. But the developer had rejected the "market value" appraisal method. Instead, over the objections of two city appraisers, the developer pressed the city to employ a less-used "investment value" appraisal method, based on projections of the garage's future earning capacity. The "investment value" appraisal inflated the garage's purchase price from around \$15 million, the figure the IRS concluded the garage was worth, to close to the \$26 million Cowles Co. was seeking from the city.

“We believed that was the best approach to use, given the nature of what was being appraised,” Betsy Cowles would later testify about the “investment value” appraisal method. “So, therefore, yes, it was in the best interest of the developer.”

Whether Peck understood the difference between “market value” and “investment value” isn’t clear. “To be honest,” Peck says, referring to RPS finances, “I’m no expert on the economics. That was just not my area of expertise.”

But Stacey Cowles should have recognized the difference. As president of Cowles Publishing, and a vice president of the family’s development companies, Cowles, who has an MBA, closely followed the appraisal negotiations. The developers had their own appraiser, who suggested using the “investment value” method.

At the same time that the developer was urging the city to employ the “investment value” appraisal, Stacey Cowles, was also sitting in The Spokesman-Review’s publisher’s chair. Under the “no surprises” policy Cowles normally vetted all RPS stories before publication, but says he did not read Peck’s columns before they appeared in the paper. In any event, Spokesman-Review readers would have to wait nearly eight years for a detailed explanation of who benefited from the two appraisal methods (Jim Camden’s story #9 in document file).

In 1998, Peck waded even more deeply into the RPS dispute. In a Jan. 18 column, he attacked Spokane Mayor John Talbott and other opponents of the project. Talbott, a retired aerospace employee, had been elected on an anti-RPS platform. “One civic terrorist or obstructionist can stop the work of many,” Peck wrote after the new mayor announced he would challenge HUD’s loan to RPS.

In a second column two months later, Peck called Talbott’s HUD-loan opposition “civic terrorism,” and accused the mayor of “blowing smoke” at the project.

Talbott says he found Peck’s characterizations disturbing. “Being called a terrorist, even back then,” he says, “was not something you just tossed off” (Talbott interview in audio file).

During his term as mayor, Talbott made no secret of his opposition to the RPS public/private partnership. The developer structured the partnership for its own benefit, he says, leaving the city to bail it out if the HUD loan wasn’t covered. Talbott and The Spokesman-Review were also adversaries; the paper editorially opposed his candidacy in 1997.

“There was ample evidence out there that these kinds of projects were failing left and right around the country,” says Talbott. “It was brought to the reporters’ attention, but there was no attempt to my knowledge by The Spokesman-Review to do any kind of in-depth investigative reporting regarding allegations that were circulating throughout the city about how this project was going.”

Peck says he sees no problem in his attacks on Talbott. “The role of the paper is to be engaged in the civil discourse of the community,” he says. “The column I wrote was about a public figure, John Talbott, and the public figures who were supporting him,” says Peck. “They were civic terrorists.”

“I know this caused some heartburn among some reporters, and we had discussions on it,” Peck says. His columns, he says, were never intended to be personal attacks against Talbott and other anti-RPS critics. “I’d have a cup of coffee today with those folks,” he says.

Peck’s public advocacy for RPS, and his attacks on its critics at the same time he was editing news stories about the project, did raise concerns in The Spokesman-Review newsroom. Oliver Staley, a city hall reporter who sometimes covered RPS issues, says Peck’s columns were “a source of some internal embarrassment” for some of the newspaper’s reporters. Staley, now a reporter for Bloomberg News Service in New York City, says Talbott would sometimes refer to Peck’s broadsides at his weekly meetings with local reporters.

“It was the kind of thing that made you squirm,” Staley says (interview in audio file).

Stacey Cowles now says Peck’s columns attacking Talbott were a mistake. “In hindsight,” says Cowles, “he should not have been the one to put his name on columns supporting the project or attacking critics of the project. It created a snowball that got much bigger than it needed to be in terms of critics’ ability to beat us over the head with it.”

In 1996, Peck created additional dismay among some Spokesman-Review staffers when he began inserting a boilerplate paragraph in many of the news stories about the project. “No tax dollars,” the insert said, “would be used to pay for the garage.”

Although Peck’s assertion was technically correct – the garage was funded with bonds issued by a non-profit agency, the Spokane Downtown Foundation, and the bonds were to be repaid from the structure’s operating revenues backed by city parking-meter revenues – it also was misleading. The garage was so tightly bound to the entire RPS project that, as the project’s finances unraveled, the distinction became academic. The developer was, indeed, tapping millions of federal and local tax dollars for RPS, and the garage was a critical part of the RPS finances.

Peck is vague about who initiated the “no tax dollars” insert, but he says he discussed it with Stacey and Betsy Cowles. “It came up in the discussions with them. They never said, ‘Put that in the story or take it out,’” he recalls. “My goal was to reflect the full nature of the project and not letting those who were either wholly for the project or against it write the story for us.”

But again, Peck’s insert did bother some Spokesman-Review staffers. “When you get to things like HUD grants and stuff, it’s kind of hard to argue there was no federal tax money,” says Richard Wiens, one of the paper’s assistant city editors during part of its RPS coverage (Wiens interview in audio file). Boggs says she complained when Peck’s unattributed insert appeared in her stories. “It made me very uncomfortable,” she says. Her editors, she says, told her: “This was a fact, so we can state it as a fact” (Boggs interview in audio file).

Issue: Ignoring warnings on RPS

Shortly before 6 p.m., on Jan. 27, 1997, as the Spokane City Council was preparing to hold its weekly public session, council members and reporters were handed a summary of a report on the RPS parking garage by the accounting firm of Coopers & Lybrand.

In late 1996, the council had already rejected Plan A – floating city revenue bonds to purchase the rebuilt garage from the developer. Plan B set up the Spokane Downtown Foundation, hastily put together by the city and the developer to sell \$31.5 million in tax-exempt bonds for the garage.

At its meeting, the council was to decide whether to pass an ordinance pledging about \$1.6 million per year to the foundation from Spokane’s parking meter revenues. The money would be used as a backup if the garage failed to generate enough income to meet its operating costs and rent. Later, the bondholders’ debt service would be added to the obligation. The city’s backing would also ensure that the bonds would get a higher rating, and a lower rate of interest, boosting the ceiling on the size of the bond issue.

In essence, the ordinance put the city’s seal of approval on the RPS garage redevelopment. But before going ahead, the council had hired Coopers to double-check the revenue projections for the garage. Those projections, mainly by Walker Parking Consultants, a nationally recognized expert on the subject, portrayed the renovated parking garage as a surefire moneymaker.

But some of Walker’s numbers were not well-supported. For example, the Indianapolis-based consulting firm was predicting that Spokane residents would flock to pay the new \$1.50-an-hour parking fee the RPS garage was planning to charge, even though there already were an estimated 6,000 parking stalls in downtown Spokane. There were questions, too, about whether Nordstrom and AMC, the mall’s theater operator, would go along with the developer’s decision to hike the parking fee by 50 percent above the present \$1-per-hour fee. And would adding 25 percent more parking spaces to the existing garage really increase its first-year profit by 1,000 percent, as Walker was predicting?

In depositions in the bondholder lawsuit, a Walker official said he based the projections on numbers supplied by the city and the RPS developer. City officials testified the numbers came from the developer. The numbers were important, because without adequate cash flow from the garage, the bond holders would not get paid, and the complex RPS financing structure would begin to unravel.

Boggs had already reported that Sabey Corp., a competing mall developer, had disputed Walker’s projections. Sabey officials had given the council a report calling the RPS garage a gamble that would be “mortgaging the city.” In her story on the Sabey report, Boggs quoted Betsy Cowles’ response: “It’s too bad Mr. Sabey doesn’t see the vision.”

But Coopers had more bad news for the council that evening. The “investment value” appraisals the developer had pressed the city’s assessors to use significantly overvalued the garage, the accounting firm said. Moreover, Walker’s revenue projections

for the garage also were way too high, Coopers said. And the steadily mounting value Cowles was placing on the parking structure – from \$12 million in mid-1995 to \$30 million in 1997 – was questionable.

Nonetheless, council members, who had only a short time to skim Coopers' findings, unanimously passed the ordinance, locking the city into RPS.

Boggs, who was covering the council meeting, was also rushed. Controversy over the garage was growing, and more than 80 people had signed up to speak. Boggs stayed long enough to hear Coopers describe its findings and hear Betsy Cowles urge a "yes" vote on the parking-meter revenues. When the ordinance passed, she rushed back to The Spokesman-Review newsroom to write her story before the paper's 11:30 p.m. deadline.

That story focused on the council's decision, but briefly mentioned Coopers' concerns (#10 in document file). The accounting firm's findings were still bothering her when she came into the newsroom the next morning. She discussed the Coopers report with two other reporters, Jim Camden, who covered politics, and Kristina Johnson, the city hall reporter. The three went to Peck seeking permission to probe more deeply into the issues that Coopers had raised. Peck turned them down.

"He felt the decision had been made by the city council, so it was somewhat old news, and we were going over ground that had been covered," says Boggs. The editor told Boggs and the other reporters that the paper would continue to cover RPS, but only as a running daily story. There would be no investigative probe.

Peck says his decision reflected his view that the paper was doing an adequate job of covering RPS. "What was the point, at that point, of going back? To what? After they had already voted?" he says now. "Let's think about journalism here. The vote is taken. We report on that. And we go on." Three years later, on Jan. 21, 2000, a Spokesman-Review article by Camden reported: "Fewer shoppers than expected are parking in the River Park Square garage, and the structure is not generating enough revenue to make an upcoming payment on its bonds" (story #11 in document file).

Coopers' concerns had proved accurate. By 2004, Camden reported an independent auditor's findings that the garage had lost money almost from the day it reopened in 1999. From 2000 through 2004, he wrote (story #12 in document file) the garage lost between \$3.7 million and \$4.2 million annually, forcing Spokane to dip into parking-meter revenues – cash that would have gone toward street repairs – to pay the bond holders.

So scant were the parking-garage revenues that the Spokane Public Parking Development Authority, the garage's overseer for the city, cut off payments from its parking-meter fund to the structure's operators, ruling that the garage was so unlikely to turn a profit that the parking-meter money constituted an unauthorized gift to the developers. The cutoff caused Wall Street to lower the garage's bond rating to junk-bond status, then downgrade the city's bonds as well, costing taxpayers additional cash.

Alison Boggs says that as the RPS story became more complicated, and so top heavy with numbers and confusing financial jargon, the paper's editors developed "a revulsion" when she showed up at the city desk with a new story about the mall.

Others, however, did probe RPS more deeply. Camas, an on-line magazine put out by three local investigative reporters, would win national awards for its coverage of the project. The Inlander, the city's alternative weekly, and KXLY, the local ABC television affiliate, all broke stories about the project.

But none of them had the reach or impact of The Spokesman-Review. Peck's decision not to probe Coopers' concerns meant the paper's readers would not learn important details about RPS finances until 2000 – well after the city had committed to the project. The newspaper's *magnum opus* on RPS, a package of some 50 stories spread over four days, appeared in 2004, nearly 10 years after Craft's initial story.

Did The Spokesman-Review cover the RPS story adequately, especially during its early years? "My critique of the coverage is we covered the opponents' point of view extremely well," says Stacey Cowles (interview in audio file). Indeed, Cowles says he urged Peck to press for more aggressive coverage of both Coopers' concerns and those of the RPS supporters. One thing that Cowles says would have served Spokesman-Review readers better would have been an early detailed picture of the project's cash flow.

"I pushed Chris to do this," Cowles says. But he acknowledges the project never made such a cash-flow chart available to reporters. "There were so many moving parts," he says.

Boggs, who spent 2½ years filing stories during the project's formation, now says she doesn't believe the paper handled the RPS coverage adequately. "We did a decent job covering it on a spot-news basis," she says, "but a deal of that magnitude, with the issues being raised on a pretty regular basis in a pretty substantive way, would have demanded it would have been set aside to delve into on an investigative basis."

Issue: The Nordstrom lease memo

Another key piece of the RPS financing package was Nordstrom's lease (story #13 in document file). Under the RPS financing plan, the retailer's rent would be passed through the developer to help pay off the HUD-backed loan. If Nordstrom's rent, or any other piece of the financing package, fell significantly below the anticipated number, Spokane would have to make up the shortfall from the community-development block-grant cash it received from HUD.

The developer regarded the details of Nordstrom's lease as proprietary information, and they were a tightly held secret. But in 1998, a memo by two city attorneys describing their concern about the terms of the lease was leaked to Camden (story #14 in document file).

Camden met with the paper's senior editors, urging that The Spokesman-Review do a story based on the leaked information. According to the memo, Nordstrom's lease said that, if RPS did not maintain its tenant occupancy above 70 percent, the retailer's rent would drop from \$1.3 million annually to \$520,000. That could force the city to tap its block-grant funds to make payments on the HUD-backed loan to RPS.

Peck conferred with Stacey Cowles on what to do about the leaked memo. He says he also talked with Duane Swinton, the newspaper's attorney, who also represented

the RPS developer. Peck says he may have consulted with another Seattle law firm as well.

“There was no question that the document itself wasn’t a public document,” says Peck, who rejected Camden’s story plea. The developer had promised Nordstrom that details of the lease would remain confidential, Peck explained. If the paper published the memo, Nordstrom could back out of the lease and RPS would collapse.

“It wasn’t public,” Peck says. “Was the purpose of that something that was going to materially affect the story, or was it something that was designed to do harm? And I think, honestly, it was designed to do harm.” Stacey Cowles says that while he conferred with Peck on the memo, it was the editor’s decision not to publish it. “I agreed with it,” he says. The decision was based, he says, on a standing policy at the paper: “We do not publish proprietary information. It’s standard journalism ethics. ‘Do no harm’ is one of the tenets.”

If The Spokesman-Review had such a policy of keeping proprietary information out of its stories, no one else at the paper recalls it. “He may have thought that was the policy,” says Peck. “I’d respectfully disagree with him.”

In any event, the paper sat on its scoop. Instead of a story, Swinton, in his role as the developer’s attorney, began searching for the leaker of the memo. Camden quickly moved it to a union attorney for safekeeping.

On Jan. 8, 1999, The Wall Street Journal published a front-page story on Spokane’s boiling RPS controversy (story #15 in document file). The piece included key details from the Nordstrom memo – the Journal had obviously gotten its own leaked copy.

With faxes of The Journal’s story flying around the city, Peck and Stacey Cowles decided The Spokesman-Review would continue to remain silent about Nordstrom’s lease.

“The project did not hinge or fall on that particular document,” Peck says. “The fact we didn’t publish it was neither, in my view, a sign of some conspiratorial act, nor was it something that, when it was published, had made much difference at all.”

“The Wall Street Journal did it and we followed up,” Peck says. “In the arc of the story, did the information get out? Yeah, it did.”

The Spokesman-Review published details of the lease on March 8, 2000. The story, by Camden, noted that the Washington Supreme Court had ruled the lease was now a public document. The paper’s story did not mention Swinton’s earlier efforts to block publication of the information.

Issue: Duane Swinton's dual role

Ask most journalists in Spokane about Duane Swinton and they sing the attorney's praises. As The Spokesman-Review's First Amendment specialist, Swinton has a reputation for aggressively prying information out of reluctant, or embarrassed, government agencies and keeping angry subjects of the newspaper's articles at bay.

"He was a very good lawyer and a very good advocate for getting stuff into the paper," says Mark Hester, The Spokesman-Review's former business editor. Stacey Cowles calls Swinton, "without question the best First Amendment, public-access attorney in the state."

But RPS was a problem for Swinton and for The Spokesman-Review. As the Cowles family attorney, Swinton represented both the newspaper and the rest of the Cowles' enterprises, including RPS. Indeed, Betsy Cowles testified that part of Swinton's legal fees from Cowles Co. came from the proceeds of the RPS parking garage bonds.

Steve Smith, the Spokesman-Review's present editor, says reporters began expressing concerns about Swinton's dual role a month or so after he arrived at the paper in 2001. "Duane's a wonderful guy," says Smith, "but he's in a conflict of interest."

Smith, who says he did not consult with Stacey Cowles, excluded Swinton from providing legal advice on RPS stories, although he continued to represent the paper on other stories. "We knew Duane could not represent both the paper and the project from the start. There was a conflict there," says Stacey Cowles, who went along with Smith's decision. "Our decision was, Duane is our corporate counsel. He recused himself from anything to do with RPS and the paper."

For his part, Swinton says that he did not act as the paper's attorney on its RPS stories. While he was often called for comment as the RPS attorney, he says, the newspaper's reporters never raised concerns about his dual role as the attorney for RPS and for the paper. In addition, he says he never took part in any pre-publication reviews of RPS stories.

"If they had come to me," Swinton says, referring to the paper's RPS coverage, "I wouldn't have reviewed them, because I would have thought that would have presented a conflict."

But on at least two occasions, Peck did ask Swinton for advice about River Park Square. Both times, Swinton says, he referred the editor to Bill Holt, a First Amendment specialist based in Tacoma.

One of those occasions, Swinton and Peck agree, involved Camden's leaked Nordstrom memo. According to Peck, while he was deliberating what to do with the memo, he asked Swinton if the document was covered by Washington's open-records law.

"I remember talking to Duane about it," Peck recalls. "I said, 'Is this a public document?' And he said, 'No.' I said, 'If you weren't going to publish it, why wouldn't you?' and he made the case. And I said, 'As a newspaper, if you were going to publish it, what would you say?'"

As the two talked, Peck says Swinton mentioned the conflict between his role as the paper's lawyer and as the attorney for RPS. "He was dealing with an RPS issue and it had to do with the paper, because the Nordstrom lease was an RPS issue. The question I asked him was, 'What does the statute say about this document?'"

Peck says Swinton opined that the memo wasn't covered by the open records law. Swinton's opinion, he says, was a factor in his decision not to publish a story on the memo.

Peck also described the discussion with Swinton in an interview in 2004 with Spokesman-Review reporter Jim Camden. "I found his argument persuasive," Peck says in the story (#16 in document file).

Swinton's recollection is a bit different. "I was down at the newspaper and he and I rode down in the elevator together," he says of his conversation with Peck. "He said they had obtained some information about the Nordstrom lease. He asked me not, could they publish it, or should they publish it, or were they legally barred from publishing it, but kind of, I think, as the lawyer for the developer, what impact publication would have generally."

Swinton says he told Peck publication of the memo would be "problematical," because Cowles would have trouble explaining to the retailer why its paper had published details of a confidential lease.

Later, after The Wall Street Journal published information from the same memo (story #15 in document file), Swinton threatened to force city officials to swear under oath that they had not leaked the information to the paper. He says his legal threat was not directed at the media.

"I wasn't intending to send a message to anybody except the City of Spokane and the people we were trying to deal with in good faith about a project that had a huge impact on the community," he says.

Perhaps not. But to Spokesman-Review reporters and editors holding the leaked information, it certainly would have been difficult not to be concerned that the newspaper's lawyer was leading the hunt for the leaker.

Richard Wagoner, a city desk editor who handled RPS stories, says many reporters and editors in The Spokesman-Review's newsroom found problems with Swinton's position at the paper.

"He had what many of us believed was a conflict on River Park Square," says Wagoner, now an editor at The Seattle Times. Wagoner says staffers did express concerns to Swinton about his dual role. The lawyer, Wagoner says, shrugged it off. "I don't believe he perceived it as much of an issue as a number of people in the newsroom perceived it," he says.

From an attorney's perspective, Swinton is probably correct that he did not have a formal conflict of interest on RPS, since throughout the whole project he was only representing one client – Cowles Co. But to journalists, that may be a fine distinction. The conflict would have been Swinton's dual roles as advocate for competing arms of the Cowles family ventures, including The Spokesman-Review.

While Smith says Swinton no longer handles the paper's RPS stories, his firm, Witherspoon, Kelley, Davenport & Toole, still does most of the paper's legal work. Last year, Smith says, the firm billed more than \$100,000 for its work on newsroom issues. Swinton estimates the newspaper accounts for between 10 percent and 20 percent of his firm's total Cowles Co. billings.

Smith acknowledges that Swinton's dual role within the Cowles Co. poses at least the perception, if not the fact, of a conflict. But in a small city like Spokane there aren't many attorneys with Swinton's First Amendment expertise, he says.

Smith and Stacey Cowles say they have discussed finding another lawyer for the newspaper. Other concerns have pushed the issue aside for the past year or two, they say. "The problem is mine, not the Cowles'," Smith says. "I could make a decision to take our legal work somewhere else, but I've chosen not to."

Issue: Did The Spokesman-Review self-censor its RPS coverage?

The Spokesman-Review has often seen its reporters move on to major newspapers across the country, in part because of its reputation for encouraging aggressive reporting. But when the RPS story came along, other developments were at play in The Spokesman-Review's newsroom.

Stacey Cowles, who became the publisher in 1993, was moving to put the paper on a more business-like footing. For the first time that anyone could recall, budgets were tightened and staff cuts were discussed in the newsroom. With RPS, Stacey and Betsy Cowles – "co-equals" in Betsy's words – were also the family's new generation of leaders embarking on their first major financial undertaking.

After their father, William Cowles, 3rd, died in 1992, Betsy became chairman and Stacey president of the company. The RPS renovation was their first major project.

The newspaper's young reporters and editors were aware that probing into RPS would cause reactions on the sixth floor.

And while the Cowles were generally considered hands-off managers at the newspaper, RPS would not be the first family business to receive special treatment by newspapers it owned.

Chuck Rehberg, who became the paper's business editor after Mark Hester left in 1996, tells this story:

In 1970, when he was a new environmental reporter for The Spokane Chronicle, an afternoon paper then published by The Spokesman-Review, Rehberg says he was sent to cover a news conference on local pollution sources. At the session, a state official identified Spokane's two major polluters: Kaiser Aluminum's smelter and rolling mill and Cowles' paper mill. Rehberg filed his story, quoting the official, but when the story appeared the next day, many of the references to the paper plant were gone.

Rehberg, who is now a media member of the Washington News Council, says he doesn't believe the cuts in his story were ordered by the paper's publisher at that time.

“I think it was more self-censorship (by the editors),” he says. “There’s always a built-in suspicion about covering the company that owns you.”

As The Spokesman-Review’s business editor, Rehberg also handled RPS stories. At least one was significantly altered at the Cowles’ direction, he says. The story, filed in 1998 by Oliver Staley, described Nordstrom’s new Seattle headquarters, comparing it to the retailer’s store in RPS. “He came back with a good story,” says Rehberg.

Following the “no surprises” directive, Rehberg discussed Staley’s copy with Stacey Cowles. The publisher read the story, and then passed it on to Betsy Cowles, who also read it, Rehberg says.

“Her take was, ‘Are we doing a story that says Nordstrom is doing everything in Seattle and not very much in Spokane?’” Rehberg recalls. “They’d look at certain references and say, ‘How are the readers going to react to this or that?’”

“We had that discussion for a little while,” Rehberg says, “and I think there was a little more give-and-take than just spelling changes in the editing process.”

Staley says he was told to rewrite the Nordstrom story, incorporating the owners’ suggestions. He declined and Rehberg rewrote it. When it appeared, the comparisons between the Seattle and Spokane stores had been, in Rehberg’s words, “toned down,” although Rehberg says Staley’s work was still “pretty much intact.”

Staley says he was “disappointed and a little shocked” at being ordered to rewrite the story, giving the Spokane store a more positive spin. The then-26-year-old reporter, who had been at The Spokesman-Review for just three months, says it caused him to re-think his future at The Spokesman-Review.

“It was the kind of story that I don’t think was unusual in any other context,” he says. “But of course this was not any other context.”

Overall, says Staley, incidents like the Nordstrom story produced a lack of editorial enthusiasm to pursue RPS stories. “As a new hire,” he says, “I looked to my editors for guidance about what stories to go after, and I didn’t sense much interest in anything to do with RPS beyond the necessary minimum.”

Issue: Unreported links between RPS and the sixth floor

In April of 2004, shortly before the securities case over RPS was to go into federal court, The Spokesman-Review published a review of the previous ten years of the controversy. The stories – dozens over four days by reporter Jim Camden – were a remarkable undertaking, both for their breadth and for the introspective look they took at The Spokesman-Review’s own internal conflicts, including stories that Camden says “were delayed or never written” (story #17 in document file).

Camden had unsuccessfully pressed the paper to do some of those stories, including a deeper probe into the Coopers & Lybrand findings in 1997 and publication of the leaked memo on the Nordstrom lease a year later. Despite rejecting his efforts, he says, the paper did its best to present an extremely complicated story. The 2004 series

“was designed to give people the information that would allow them to put everything together,” he says.

Smith calls Camden’s series, which he helped to edit, “if not a mea culpa, an acknowledgment that our journalism had been flawed at some levels.”

As such, the series offered a fairly good recapitulation of the RPS story. It identified a number of RPS issues The Spokesman-Review missed the first time around and quoted former editor Chris Peck saying, “We should have been more aggressive, sooner, on the issue of explaining the financial details and the rationale for why the deal was perceived by some as good and by some as not good” (story #17 in document file).

But The Spokesman-Review’s 2004 series also underscores a broader problem for the paper. What is missing from Camden’s reprise – and from the paper’s overall reporting on RPS – is any serious effort to follow the story to The Spokesman-Review’s own sixth floor. A few examples:

- The Internal Revenue Service (IRS) audit division’s investigation, titled “Proposed Adverse Determination (Final)” (#18 in document file), and documents in the bondholders’ securities lawsuit show that the Cowles and their agents were deeply involved in every step of the project’s financing. Betsy Cowles and Swinton directed the formation and operation of the Spokane Downtown Foundation, selecting the non-profit’s board, helping to hire its bond counsel, and filing its articles of incorporation. Swinton acted as the foundation’s registered agent for most of its first year (#18 in document file, page 13). The foundation was supposed to be a neutral buffer between the city and the RPS developer, issuing \$31.5 million in tax-exempt bonds and negotiating the \$26 million purchase price for the RPS parking garage the city was selling to the Cowles.

While The Spokesman-Review recorded the day-to-day political fighting over the garage, the paper ignored the role its owners and their attorney were playing in the foundation. The IRS determination called the foundation’s garage transaction “smoke and mirrors” (#18 in document file, page 21). The IRS document said the deal was so skewed to benefit the Cowles that “the interest paid to bondholders is not excludable from gross income under section 103 of the Internal Revenue Code.” (The proposed IRS ruling, like all such determinations, was subject to appeal within 30 days. Indeed, an appeal was filed by the Spokane Downtown Foundation and its law firm, Preston Gates Ellis, which resulted in the adoption of a January 2006 “Closing Agreement on Final Determination” that left the bonds’ tax-exempt status intact. The IRS did not give any reason for its reversal and did not retract any other parts of the ruling. But by then the city had bought out the bondholders for \$32 million and retired the bonds, making the issue moot.) The paper reported the IRS’ original audit findings (#19 and #20 in document file), but failed to look deeper into the Cowles’ role. Instead, Betsy Cowles was quoted as dismissing the IRS audit investigation as a “witch hunt.”

- The Spokesman-Review also missed an opportunity to clearly describe its owners’ efforts at setting the garage’s sale price in 1997. Under pressure from the developer, Walker Parking Consultants, the firm hired by the city to determine the garage’s worth, ratcheted up its valuation of the garage, from \$15 million in 1995 to \$26 million in 1997, though nothing about the garage circumstances had changed.

According to court documents and the IRS investigation, Walker received most of the baseline data for its projections from RPS manager, Bob Robideaux, who described himself in another lawsuit as the Cowles' "water carrier."

- The newspaper failed to examine the Cowles' role in the city's decision to bypass the usual "market value" appraisal method for the garage and use the more costly "investment value" method. The latter boosted the garage's value by as much as \$10 million. The Spokesman-Review noted the IRS's allegation that the developer "required" the city to use the "investment value" appraisal (#19 and #20 in document file) but didn't follow up. Nor did it pursue court testimony by the city's two appraisers and city real-estate manager, Dennis Beringer, that Robideaux and Betsy Cowles had pressed the investment-value method on the city over their objections. In its ruling, the IRS called the appraisal choice "nothing more than a notch in (a) post of public deception" (IRS ruling, document #18 in file).

- Still another missed connection was the developer's demand that, in the event of a shortfall on the debt payments for the \$22.65 million HUD loan, the city would have to exhaust its HUD block grant funding before it could tap the family's pledge of financial backup (#21 in document file). The paper merely noted in its 2004 series that the developer had put up collateral for the loan.

If, as Chris Peck told Jim Camden in 2004, The Spokesman-Review originally missed the importance of RPS as a developing political and financial story, covering it simply as a routine downtown business-development story, that mistake in editorial judgment continued well after other reporters and editors outside the paper – and even some inside it – saw the story line shift.

Why weren't these and other trails followed by a paper known for its aggressiveness? Richard Wiens, the former assistant city editor who handled some of the RPS coverage, notes that the Cowles family had an invisible but intimidating presence inside and beyond The Spokesman-Review newsroom that was intensified by their stake in RPS.

Wiens, now deputy city editor at The (Colorado Springs) Gazette, calls his years of editing RPS copy, "Journalism Ethics 101."

"We were living in it," he says. "But we weren't writing about it."

FINDINGS AND RECOMMENDATIONS

While Chris Peck was still editor in 2001, he conducted a “Credibility Roundtable” discussion with about two dozen selected members of the public and Spokesman-Review reporters. He also has been a national leader in “civic” or “community” journalism as that concept has evolved nationally. He put theory into action in Spokane by assigning top-level journalists to work with sectors of the community that might be under-reported or under-represented in letters and commentaries published in the newspaper.

Peck’s successor, Steve Smith, has promoted the “transparent” newspaper, opening up the Spokesman-Review newsroom to public scrutiny by a variety of means – including online webcasting of daily news meetings, to which members of the public are regularly invited. The newspaper’s online interaction with readers and links to local bloggers has attracted favorable national attention. Smith also has spoken at local service clubs and at public forums regarding the newspaper’s coverage of major issues, including the River Park Square development.

These are laudable steps that have put the newspaper on a path to valuable and sustained interaction with the community. But they have not been enough.

There is a tension in most news organizations between the demands of aggressive journalism and the owners’ needs to make a profit. During the research for this report, it became clear that this tension was even more significant in a city such as Spokane with a single daily newspaper owned by a family with deep business, philanthropic, and social roots in the community. That conflict manifested itself in The Spokesman-Review’s coverage of the River Park Square project.

Where publishers have extensive business interests, as does the Cowles family, readers’ interests may be secondary at times. At that point, readers depend on editors to have their interests uppermost in mind. An editor must provide the push-back against pressures from the publisher, publisher’s relatives, or other business people in their organization to compromise the pursuit of quality journalism.

The risks in fulfilling that editorial obligation go with the territory. Fortunately, while most people who own newspapers may push the editor as far as they can when their other interests are at stake, they also will give the editor the freedom to do the job for which he or she was hired.

If there is a moral to this RPS story, it is that the publisher-editor relationship got in the way of the public interest in the reporting of a sequence of events of great importance to Spokane’s citizens.

FINDING 1

- The newspaper did not investigate thoroughly in a timely manner and report promptly and forthrightly the financial structure of RPS.
- The newspaper suppressed financial information of importance to decision-makers and the public at-large, but potentially unfavorable to developers.

RECOMMENDATION 1: The Spokesman-Review has a well-deserved reputation for careful and aggressive reporting. That should be the same standard in its reporting of news concerning the Cowles Co. Newsroom management should consider emphasizing its intent in that regard by creating a “Cowles Co.” beat. It should staff that beat with an experienced reporter assigned to look routinely at all aspects of the Cowles Co. operations – journalistic, political, environmental, financial (including development of land it owns). Alternatively, the paper should consider retaining a knowledgeable, but independent, outside editor – not an after-the-fact ombudsman – to press for and oversee continuing coverage of Cowles Co. enterprises. The existence and function of either job should be well publicized so the community knows the paper is watching itself and its ownership. Citizens of Spokane were well served during the River Park Square developments by other publications, both inside and outside Spokane, as noted in this report. The public would benefit even more if The Spokesman-Review were to apply the same kind of scrutiny to itself and its Cowles Co. affiliates that it routinely applies to other aspects of the community’s life.

FINDING 2

- Ownership’s involvement in news stories it deemed sensitive was inappropriate.

RECOMMENDATION 2: Although the “no surprises” policy was eliminated in 2001, situations will continue to occur where informing the newspaper’s owners of pending stories is appropriate. There is no question that the newspaper’s owners should know what’s being published about them before the paper hits the newsstand. However, Cowles Co. representatives should be given the same opportunity to influence the choice and content of news articles prior to publication as any other source or subject, no more and no less.

FINDING 3

- A news editor overseeing the reporting of a controversial issue involving the owners of the newspaper should not advocate a particular outcome.

RECOMMENDATION 3: Departures such as these from customary newsroom policies and practices are not now, and have not been, the norm at The Spokesman-Review. That they come into question now is, again, a result of the tension between the ownership's other business interests and sound newsroom practices. An editor involved in supervising news coverage should avoid even a perception of conflict by not taking a public position on an issue in these circumstances. News reporting and editorial opinions should remain separate.

FINDING 4

- The Spokesman-Review suffers from the potential for self-censorship of the news product by reporters and editors.

RECOMMENDATION 4: The mere fact that the Cowles family owns The Spokesman-Review and other companies that will be newsworthy on occasion sets up a perceived conflict of interest. That should be recognized, not ignored, and openly discussed within the staff as a whole as well as with the Spokane community at-large. Issues such as this are the grist of many a newsroom conversation; they will better serve The Spokesman-Review if they are made more visible in and outside the newsroom. As noted earlier, Spokesman-Review editors have reached out to their readers boldly and in innovative ways that invite their scrutiny of newsroom processes and decisions. To give greater momentum to measures such as these, the Cowles Co. should consider even more significant approaches to negating the realities and perceptions of conflict of interest. It should explore possible ways of separating the newspaper from other business interests. Members of the Cowles family – including the publisher – should vest the editor of the newspaper with the authority to make any and all decisions about news coverage of Cowles business interests. He or she should be instructed to direct the staff to cover those interests and issues with the same energy and aggressiveness that they do other significant news stories in the community.

FINDING 5

- The same attorney simultaneously influenced decisions on related business and newsroom matters.

RECOMMENDATION 5: The Spokesman-Review should find a separate law firm from the one used by the Cowles Co. generally. No matter how they might try to avoid conflicts, Duane Swinton and the firm of Witherspoon, Kelley project the perception of a conflict of interest, particularly with respect to stories involving the Cowles Co.'s

interests. Newspaper employees may lack confidence in advice given by the same lawyers who represent the subject of their stories. In a city the size of Spokane with a company whose reach is as long and varied as that of the Cowles Co., the public may have a similar impression. With the technology now available, lawyers expert in news-media law can efficiently provide advice from other cities. Avoiding the perception of a conflict outweighs the advantage of having the newspaper's lawyer standing by the editor's desk.

Conclusion

These findings and recommendations conclude our report. We offer them as the basis for engaged discussions within the newspaper and the community, and hope that they will lead to a Spokesman-Review that earns renewed and sustainable trust from the public.

We also hope this report will be a cautionary tale to The Spokesman-Review and to other similarly situated publications around the country. Editors should not feel stifled by competitive pressures, but rather their publishers should embolden them to fulfill their journalistic obligations to their readers. Publishers must recognize that their publications, as businesses, bring a special obligation to the marketplace. That obligation is to the communities they serve.

BACKGROUND INFORMATION

This investigation and analysis was undertaken by the Washington News Council at the request of The Spokesman-Review.

Founded in 1998, the WNC is a non-profit organization whose mission is to help maintain public trust and confidence in the news media by promoting fairness, accuracy, and balance, and by creating a forum where the public and the news media can engage each other in examining standards of journalistic fairness and accountability. See www.wanewscouncil.org for more details.

Shortly after he became editor of The Spokesman-Review, Steve Smith publicly pledged that he would seek an independent review of the paper's River Park Square coverage.

In 2005, Smith informally approached the WNC to ask whether it would consider undertaking an "outside audit." Conversations took place between Smith, WNC Executive Director John Hamer, and WNC Media Members Chuck Rehberg and John Irby (now a WNC member emeritus). After several conversations, Smith asked the WNC to undertake the independent review.

The WNC acknowledges that it is rare for any newspaper or other media organization to ask for outside oversight – and even more rare for an editor to grant complete autonomy to those who are conducting the independent review. But that's what Smith proposed doing.

At Hamer's invitation, Smith came to Seattle on Feb. 4, 2006, to make a formal request and presentation to the full News Council at its annual board meeting. WNC members asked Smith about access, openness, independence, cost, and other matters. After Smith left, the board discussed the request at length and then voted unanimously to undertake the project. The board asked Cliff Rowe, a WNC media member emeritus, to be leader of the project team. Several other WNC members agreed to join the team. A few members said they would recuse themselves from any involvement because of professional or personal connections to Steve Smith and/or The Spokesman-Review.

The cost of the project was a major consideration. The Washington News Council is a small, non-profit organization with an all-volunteer board, one full-time staff member, one part-time assistant, and a limited budget.

Smith pledged that The Spokesman-Review would help underwrite the cost. He initially offered \$10,000, and then raised that to \$15,000 at the WNC's request. Council members unanimously agreed that the newspaper should not be the sole funder of the project, and pledged to match the paper's funds from other sources to cover the costs. The WNC designated \$5,000 from an Ethics and Excellence in Journalism Foundation grant for this project, with that foundation's approval, and added \$10,000 from its operating budget. The WNC is funded by a wide range of individuals, foundations, associations, corporations, and news-media organizations, plus revenues from its annual Gridiron West Dinner. (For a full list of donors, see www.wanewscouncil.org.)

The Engagement Letter

An important early task was to draft a Memorandum of Understanding between the Washington News Council and The Spokesman-Review to clearly define the scope and parameters of the project. That effort took several months of discussions and document exchanges. A final agreement, termed the “Engagement Letter,” was completed and signed by both sides in August 2006.

The letter read, in part: “Our engagement is to perform an analysis of (1) The Spokesman-Review’s coverage of River Park Square parking garage redevelopment project (the “RPS coverage”); and (2) the reporting guidelines, ethical standards, and related policies and procedures in effect at the time.”

The WNC agreed to “form an opinion whether the RPS coverage was fair, accurate, balanced, complete and consistent with the generally held ethical standards of newspaper journalism.” It also pledged to “make recommendations we believe will improve The Spokesman-Review’s coverage of events involving its owners and where a potential conflict of interest exists.”

One goal of the WNC from the beginning has been to use this report as a curriculum “case study” in college and high-school journalism classes statewide and/or nationwide. The engagement letter states: “On completion of the analysis and publication of the report, educational forums, school classes or professional appearances may be scheduled.”

The WNC project leader and team members hired an outside freelance reporter to conduct the primary research and interviews, and draft a report. Bill Richards, a former Washington Post and Wall Street Journal reporter, began work in the late summer of 2006. Richards met regularly with the WNC project leader, team members, and staff. The WNC team acted as his editors, but they were not directly involved in interviews or research. Richards was primarily responsible for the Narrative and Analysis section. The WNC project team took primary responsibility for the Findings and Recommendations. However, the final report represents the official position of the Washington News Council.

The Project Team

Bill Richards, Investigator / Writer – Bill Richards is a freelance journalist and was formerly senior staff writer and assistant San Francisco bureau chief for The Wall Street Journal. In 2003-2005, he was a contract writer for The Seattle Times, hired to cover stories relating to its Joint Operating Agreement dispute with the Hearst Corp. Richards was nominated by The Seattle Times for the 2004 Pulitzer Prize, and The Times won the 2004 Ancil Payne prize for ethics in journalism for his assignment. Richards lives in Indianola, Wash.

Cliff Rowe, Project Leader – Cliff Rowe has taught journalism at Pacific Lutheran University in Tacoma, Wash., since 1980. Prior to that, he was on the news and editorial-page staff of The Seattle Times for 11 years. He was previously a writer and editor with the Paddock Publications newspapers in the Chicago suburbs, a copy editor

with The Chicago Sun-Times, and a reporter with The (Portland) Oregon Journal. Rowe is a graduate of Pacific University in Forest Grove, Ore., and has a master's degree in journalism from Northwestern University. He has chaired the Society of Professional Journalists' national ethics committee. He served two 3-year terms as a media member of the Washington News Council, and is now a WNC member emeritus. Rowe lives in Burien.

Everett Billingslea – vice president, administration and legal affairs, Lynden Inc.; WNC public member.

Margaret Gordon – former dean, Evans School of Public Affairs, University of Washington; WNC public member.

David Schaefer – assistant director of public affairs, Port of Seattle; WNC president and media member.

Sandy Schoolfield – community volunteer; WNC treasurer and public member.

Stephen Silha – writer and director, Journalism That Matters; past WNC president and media member.

John Hamer – WNC executive director; former Seattle Times editorial writer.

Other Washington News Council Members (not part of Project Team)

Karen Seinfeld – former presiding chief judge, Washington State Court of Appeals, WNC chair.

Media Members

Mike Flynn – former president and publisher, Puget Sound Business Journal.

Peter Horvitz – chairman, president and chief executive officer, Horvitz Newspapers, Inc. (*joined WNC board in April 2007*).

John Knowlton – journalism instructor, Green River Community College.

Erik Lacitis – staff writer, The Seattle Times.

Jonathan Lawson – executive director, Reclaim the Media.

Martin Neeb – general manager emeritus, KPLU-FM; WNC vice president.

Chuck Rehberg – former associate editor, The Spokesman-Review.

Public Members

Steve Boyer – senior vice president, Rockey Hill & Knowlton.

Suzie Burke – president, Fremont Dock Co., WNC secretary.

Dr. Eddie Reed – instruction coach, Tukwila School District.

Paula Selis – senior counsel, Consumer Protection Division, Washington State Attorney General's Office.

Fawn Spady – co-owner, Dick’s Drive-In Restaurants, Inc.

Chris Villiers – director of Employee, Engineering & Manufacturing Communications, Boeing

The WNC would like to thank Charles G. Nordhoff, public member emeritus, for his valuable contributions to this report.