



Pike Place Market Preservation and Development Authority (PDA)

COUNCIL MEETING MINUTES – JANUARY 2009

Thursday, January 29th, 2009
4:00 p.m. to 6:00 p.m.
PDA Conference Room

Council Members: Jim Savitt, Ann Magnano, Gloria Skouge, Patrick Kerr, John Finke, Theresa Alexander, Bruce Burger, David Ghoddousi, Matt Hanna, Gerry Kumata

Staff Present: Carol Binder, Anita Neill, Bill Stalder, Teri Wheeler, Scott Davies, Noa O'Hare, James Haydu, Matt Holland, Cecilia Hall, John Turnbull, Tyler Jamison, Steve Nelson, Sabina Proto

Others Present: Haley Land, Tom Graham, Ellen von Wandruszka, Marlys Erickson, Joice Barnard, Gerry Johnson

The meeting was called to order at 4:02 p.m. by Jim Savitt, Vice Chair on behalf of Jackson Schmidt, Chair.

Theresa joined at 4:04 p.m.

I. Administration

- A. Adoption of Agenda
David moved and Anne seconded.
The agenda was approved by acclamation.
- B. Review and Approval of Minutes of December 23rd, 2008.
Approved by acclamation
The Minutes were approved by acclamation.

II. Comments of the Market Community

- A. Pike Place Market Merchants Association
- B. Constituency
Tom Graham noted that the auditor election held at last weeks constituency meeting was not valid according to PDA Charter and Constituency bylaws. He was researching the validity and would report back to the PDA.

John Finke joined at 4:06 pm

- C. Daystall Tenants Association
- D. United Farmers Coalition
- E. Market Area Merchants Association
- F. Pike Market Performers Guild

G. Other Public Comment

Hailey Land noted that he felt there was not proper public notice regarding the New Markets Tax Credit meetings. His concern was that the proper compliance process was not followed to allow for public input. Jim responded that compliance was very important to the PDA, was followed closely and would be discussed in detail today. Jim noted that both versions of the NMTC analysis should be promptly posted to the website.

III. **Consent Agenda**

The consent agenda was moved and accepted by acclamation.

IV. **Objective Discussion: Comprehensively educate Council and obtain their full support of the financing vehicle.**

Carol handed out the outline for discussion of the renovation and New Markets Funding.

Gerry Johnson, the PDA lawyer from K & L Gates, gave a brief history of the levy project and the agreement with the City, which includes the ability to leverage the levy funds for New Markets. He then described the PDA Charter and the Charter Process required as described from Article XV of the Pike Place Market Preservation and Development Authority ("PDA") Charter ("Charter"). The Charter requires a Special Disclosure and Review process for "actions that may have substantial effect on the merchants, tenants, residents, lessees, licensees, and social organizations in the Market Historical district."

Gerry J. continued to describe and explain the New Market Tax Credits that had become available from the Kitsap Housing Authority. They were unable to use these funds in a Kitsap project, and the Market now had the opportunity to obtain them. The PDA was moving quickly and diligently to complete all requirements before the deadline. Part of the requirements included a schedule of notices and meetings.

Theresa questioned if it was required for Phase I renovation projects to be completed before using the tax credits on non-levy projects. Gerry J. responded that while the PDA was required to complete all levy projects as outlined by the City ordinance they do not have to be completed first.

Theresa questioned who needed to apply these tax credits before they expired. John F. responded that Kitsap County had one year to invest otherwise their tax credits from the Federal government would be rescinded. John F. further explained in detail the process for the investors.

There was further discussion regarding the risks associated with the tax credit allocation process and the possibility of any future NMTC opportunities should the Council pass on this one. John noted that other opportunities may not be as attractive because these investors were motivated to get these funds and any future opportunities would involve the same process and structure.

John Fike reviewed the New Markets Structure and Flow of Funds. He noted that in order for the PDA to obtain these funds the PDA would borrow funds from a commercial lender for the bridge loan which would later be reimbursed by the City from the Levy funds. These funds would then go through the investment fund and down to the QALICB entity. The U.S. Bank was the equity investor and would get tax credits in return. John F. noted that the PDA cannot be the lender and recipient of the funds so they must go through a separate entity. The PDA created non profit entity, or QALICB so as to have no possibility of private commercial benefit. John also mentioned there would be no real property transfer to the new entity, but a leasehold interest.

U.S. bank and the PDA must both invest in an investment fund held by U.S. Bank, The investor and receiver of these funds must have legally separate identities but can be related. Therefore the PDA created a QALICB entity which would be run by the PDA executive committee, which would in turn master lease the Fairley and Leland for the PDA, the QALICB would in turn pay the PDA rent. John noted that after 6 years the structure would collapse.

Gerry Johnson described the property lease and management agreement between the PDA and PPM QALICB. The PDA would master lease the Fairley and Leland buildings along with the Hillclimb corridor to the QALICB, a 501 C 4 not for profit entity. The QALICB entity was formed and controlled by the PDA. The board members were the Executive committee members of the PDA Council.

Theresa noted that she would like to view all the by-law documents before the Council votes at the February 19th meeting.

Gerry continued to explain the QALICB arrangement between the tenants and the PDA. A hand out of the bylaws of the PPM QALICB and the certificate of incorporation to the PPM QALICB was distributed. There was further discussion regarding the master lease agreement and worse case scenarios or possible problems that could arise. The Council directed several questions to Gerry, who replied he would note all these questions and suggestions, answer the questions in writing for the record, and would consider changes to the documents based on these discussions.

Carol handed out the New Market Tax Credits Special Disclosure Levy and Non-Levy projects Consolidated Notice Process. Carol reviewed the schedule and noted the statutory and charter notice requirements.

The PDA Council meeting on February 19th would review the new markets transaction, authorization of QALICB, approval of phase one of renovation project, master lease, management and development agreement.

There was a lengthy discussion regarding risk and unforeseen risks associated with the transaction. John F. noted that this was a typically structure and was a good opportunity with good terms that may not be as good on the next opportunity for an allocation. There was further discussion and question that if this opportunity for a tax credit was not taken would there be other opportunities. Because of the questions and need for careful consideration, it was determined to have an additional special meeting of the PDA Council to further address these questions that arose today, have opportunity for more questions and understanding of the transaction by the Council, and to have the special tax credit counsel, Tom Nelson, available to Council members at that meeting. So a special meeting of the PDA Council will be held in addition to the public hearing on February 9.

V. Staff and Committee Reports

Staff and committee reports were skipped due to lack of time.

VI. Review of Action Items

- A. **Action Item:** Proposed Resolution **09-03:** Authorization for Contract Authority – Sanitary Deck Design.

There were no questions and no discussion.

Bruce Burger moved it and Theresa seconded.

For: Jim Savitt, Ann Magnano, Gloria Skouge, Patrick Kerr, John Finke, Theresa Alexander, Bruce Burger, David Ghoddousi, Matt Hanna, Gerry Kumata

Against:

Abstain:

Proposed Resolution 09-03 passed unanimously.

- B. **Action Item:** Proposed Resolution **09-04:** Authorization for Contract Authority – Garage Parking Controls Automations System Design – PCI Parking Garage.
Steve Nelson explained there was an oversight in the calculated amount of the resolution and has been amended to reflect the correct amount, from \$19,415 to \$32,340.

Bruce moved and David seconded.

Patrick questioned if a Request for Qualifications was sent out. Steve replied that it was for the design portion only. He further explained that there were only two responses to the RFQ. The designer that was selected was highly qualified and would complete the work themselves instead of contracting it out.

For: Jim Savitt, Ann Magnano, Gloria Skouge, John Finke, Theresa Alexander, Bruce Burger, David Ghoddousi, Matt Hanna, Gerry Kumata
Against: Patrick Kerr
Abstain:

Proposed Resolution 09-04 passed.

C. **Action Item:** Proposed Resolution **09-05:** Authorization for Contract Authority – Relocation of Madame Lazonga’s Tattoo – Relocated to 1527-1529 Western Avenue.

Carol briefly explained the resolution; she noted that it was necessary to relocate the shop due to the renovations. There was a rush to complete the necessary modifications to the new space before the renovations begun in April. There was some discussion regarding the wording and amount written on the proposed resolution. It was decided that the following amendment would be made to the proposed resolution,

Starting with the amount of \$69,086.38, this would be changed to... \$40,000 for the execution of relocating Madame Lazonga’s Tattoo, with a limit of a total of \$15,000 in additional tenant improvement costs paid by the PDA.

Gerry moved and David seconded.

John Turnbull and Tyler Jamison gave a detailed update of the arrangement with the tenant.

Gerry moved and David seconded the amendment to the proposed resolution.

For: Jim Savitt, Ann Magnano, Gloria Skouge, John Finke, Theresa Alexander, Bruce Burger, David Ghoddousi, Matt Hanna, Gerry Kumata
Against: Patrick Kerr
Abstain:

Proposed Resolution 09-05 passed.

VII. Food and Farming Strategy Discussion (if time allows)

Time did not allow for review of the Food and Farming Strategy.

VIII. Public Comment

Haley had a few questions regarding the New Markets Tax Credit. He questioned what the total benefit the Market would receive from the New Market Tax Credits, what was the worst case scenario, and what was the nature of the non levy work. John responded that it was the amount that the investor puts in minus other fees and closing, about 2.8 million, and funds for the non levy work items that were not included in the agreement with the City.

IX. Concerns of Committee Members

Ann read a paragraph from the Mount Vernon Magazine regarding the economy and the small business mind set that would return the economy around. She read it as an inspiration to the Market and the merchants in these tough economic times.

Theresa suggested to Council that they thoroughly review and understand the QALICB by-laws.

Jim noted that if concerns developed they should bring it up in an email discussion and not wait for the meeting on February 19th. To this Theresa added that she was concerned that there was no notice of the public meetings being held by the QALICB entity.

X. Adjournment

The meeting was adjourned at 6:15p.m. by Jim Savitt, Vice Chair on behalf of Jackson Schmidt, Chair.

Meeting minutes submitted by:
Anita Neill, Executive Assistant