



Finance & Asset Management Committee Meeting Minutes

Tuesday, March 20th, 2018

4:00 p.m. to 6:00 p.m.

Classroom

Committee Members Present: Ray Ishii, Gloria Skouge, David Ghoddousi, Paul Neal

Other Council Members Present:

Staff/ Consultants Present: Mary Bacarella, John Turnbull, Sabina Proto, Jay Schalow, Matthew Holland, Tabitha Kane, Karin Moughamer

Others Present: Chris Scott, Howard Aller, Joan Paulson, Nick Setten

The meeting was called to order at 4:04 pm by Ray Ishii, Chair.

I. Administration

A. Approval of the Agenda

The agenda was approved by acclamation.

Devin McComb entered the meeting at 4:08 pm

B. Approval of the Finance & Asset Management Committee February 20th, 2017 Minutes

The February 20th, 2017 meeting minutes were approved by acclamation.

II. Announcements and Community Comments

Joan Paulson asked for clarification on the work being done by SOJ. Joan stated there was a proposal in the fall for SOJ to complete the work at MarketFront but does not believe there was a resolution seeking additional funds. There was a proposal recently for \$97,000 but not resolution to increase funding for that line item. She would like to know how additional work is being accomplished by SOJ without having approval on a resolution by the Council since the contract is greater than \$10,000.

III. Reports & Discussion Items

A. Review of the PDA Financial Statements for February 2018

Sabina Proto reviewed the financial statements for February 2018 stating that per the balance sheet everything is going smooth and consistent. The PDA is up to date on contribution to CRRF, contribution to debt service accounts, all bills have been paid, and Sabina highlighted the net position current year result is \$729,155. There is a slight decrease in accounts receivable from the prior month. There are a few delinquencies in commercial and residential but they are under control. The operating statement shows the PDA is over budget by \$206,806 and the total operating expenses are under budget \$365,853 with a new result after debt service and reserves over budget by \$572,657.

David Ghoddousi asked why surface parking is below budget, noting it's always performed well. Sabina responded maybe the budget was overstated.

Sabina Proto continued by reviewing the footnotes on the Operating Statement. Commercial revenue is over budget by \$92,662 and residential revenue is over budget by \$15,048 while Daystall revenue is slightly under budget, mostly in farm and locker rent. Surface revenue is slightly under budget, and is lower than the same time last year, while the garage is over budget by \$69,217. Operating expenses over all are under budget, but Sabina believes we will catch up on spending later in the year. Percent rent is over budget by \$35,324 and over the actuals from the same period last year. The Capital Replacement Reserve is \$10.9 M which includes allocation of the 2017 surplus. Lastly, Capital Projects Report provides the status and year to date spending on different Capital Projects the PDA is working on.

Mary Bacarella noted next month's report will include the list of capital projects discussed during internal meetings with asset management and maintenance.

Ray Ishii noted that expenses are below budget across the board, including some categories that he wouldn't think to fluctuate such as administration and residential management. Ray also asked how the numbers compare to the same period last year. Sabina Proto responded the numbers are in line but she can see research specific areas.

Ray Ishii noted the Percent Rent spreadsheet and asked if there is already a trend to indicate that sales will be down this year. Sabina Proto responded it's too early to tell and she hasn't heard anything from commercial that they are concerned.

Matt Holland noted that an anchor tenant space left vacant by Bella Umbrella was empty during December that could be part of it.

Paul Neal asked if the budget is created with the intention to remain flat through the year with the goal to balance out by the end. Sabina Proto responded the budget fluctuates and is not intended to be flat. It's based on departmental needs.

Ray Ishii asked if there are larger amounts that haven't been accrued for January or February. Sabina Proto responded no, but will look into the difference which could possibly result from reimbursements for staffing for WASH LLC and there have been some staffing movements.

Sabina Proto noted it's very common for the PDA to be under budget in operating expenses in February.

i. Checking Account Activity Report

Sabina Proto handed the Checking Account Activity Report to Karin Moughamer.

B. MarketFront Funding

Sabina Proto reviewed a spreadsheet showing the sources of MarketFront funding, including the budget and funds spent to date. Sabina began by noting the City of Seattle owned the MarketFront site and they decided to convey the site to the PDA. MarketFront included 300 parking spots which is in response to waterfront redevelopment and the loss of city parking,

therefor the City granted \$34,000,000 to the project. MarketFront is independent of waterfront redevelopment and as soon as funding could be secured, the project would start. In 2015 the city ordinance was passed to enter into a Development Agreement with the PDA, strictly designed for MarketFront construction. Invoices were submitted to the City before funds were released. This was the first funding received for the project and comprised 46% of the budget. Additional funding was received from WSDOT in the amount of \$6M with the caveat the PDA will retain affordable short-term parking rates for a period of time. Of the \$6M, \$1,450,000 has been spent on construction and the rest is sitting in reserves. A State Grant for \$800,000 (minus administration costs) was awarded for construction costs. Market Foundation raised \$6M and kept \$150,000 for tenant improvements of Market Commons.

Sabina Proto continued with an over view of the bond proceeds. In June 2015 the PDA issued its own Pike Place Market Bonds, Series A and Series B. Series A is a special obligation and funding bond, the aggregate amount is \$19.5 M for 20 years. Series B special obligation bond, the aggregate amount is \$4.5M with a 5 year term. It comes with an option for early redemption on or after December 2018. The purpose to issue the bond was acquisition and construction of the garage and to refund existing obligations. The True Interest Cost was 3.976% rating with a rating of A-.

Sabina continued by reviewing the housing sources. Housing has low income tax credits and the investor is US Bank Corp for 15 years. A total of \$9.4M was received in a variety of grants for housing.

Lastly, there is a New Market Tax Credit. Morgan Stanley is the investor and they participated in a portion of the commercial piece. The gross NMTC is \$3M and after a deduction of reserves and closing costs the net is \$2.3 M.

Sabina Proto explained why the Bond was structured in Series A and Series B. When the project was started it wasn't clear what the philanthropy piece would bring in or the NMTC. If fundraising went well then those funds could be used to pay off Series B early. The PDA can use the bond proceeds to pay off the Series B. The intention is to pay off Series B early, but will depend on what the Council decides.

The total budget is \$72,728,602. Most of the project has been completed, with the exception of tenant improvements, with \$335,832 remaining in the budget. There is \$96,524 left over but that is being used for miscellaneous expenditures.

There is a retainage balance owed to Sellen in the amount of \$2,684,022 and to date only \$1,622,993.21 has been paid. \$1,061,000 is being withheld until the leak issue is resolved.

Paul Neal asked how the Market Foundation arrived at raising \$6M. Sabina Proto responded the Market Foundation said \$6M was what they said they could raise. Ray Ishii added that usually a fundraising feasibility study is completed prior to fundraising commitments.

Mary Bacarella asked if Ben Franz-Knight made a specific ask to the Market Foundation. Sabina Proto responded she believes Ben worked with Lillian Sherman to arrive at \$6M. There was some concern about the ability to get to \$6M which is why bond funds were secured.

David Ghoddousi asked for more information on the \$6M committed by WSDOT, noting that \$1,450,000 was assigned to the project. Sabina Proto responded the remaining funds are in reserves to be used for anything, including a few obligations that are being negotiated.

Ray Ishii asked how much the Series B was for. Sabina Proto responded \$4.5M.

C. Audit Reports for LaSalle Senior Housing LLC and Western Avenue Senior Housing LLC
Sabina Proto noted this is the first audit for WASH LLC and audits have been taking place for LaSalle since 2006. The audits are completed and normally the auditors don't appear before Committee for these smaller audits, but they will attend for the Qualic B audits. The PDA is the managing member and there are investors. For WASH its US Bank Corp and LaSalle is National Equity Fund (NEF). The auditors send a report accompanied by a letter to managing member and investors. That letter includes qualitative aspects of accounting practices, difficulties encountered in performing the audit, corrected and uncorrected misstatements, disagreements with managements, management representations, management consultations with other independent accountants, significant issues discussed with management prior to retention and supplementary information.

For both WASH and LaSalle there were no findings or management letter. The report they issued was an unqualified opinion, which is the best you can have.

Ray Ishii asked what the likelihood is the PDA will get paid the management and membership fees for WASH. Sabina Proto noted that LaSalle is up to date and doing well. For LaSalle the reserve will need to be spent down, which is \$1,015,000.

D. MarketFront Pavilion Demonstration Rental Program

John Turnbull briefed the Committee on upcoming plans for the summer to activate the MarketFront Pavilion. This will be a rotating line-up of local, weekly guest artisans. This will:

- Draw local shoppers by offering something new
- Offer local artisans a brief Pike Place Market selling experience
- Provide opportunity for community building and organizational partnerships
- Generate potential Daystall and Highstall recruits

Guest artisans referred by partner organizations including Seattle Made, Ventures, Urban Craft Uprising.

Two or four days options will be priced at:

- Fri-Sat (\$100); Sun-Mon (\$80); or Fri-Mon (\$160)

Mary Bacarella added this information is part of a larger plan to activate MarketFront that includes proposals from farm and marketing.

David Ghoddousi asked how the Chief Seattle Club did last summer. John Turnbull responded they did well when they were onsite last summer and they are just on the edge of the craft tables.

David Ghoddousi asked if people will be creating goods on site. John Turnbull responded probably not but on occasion there might be onsite demonstrations.

David Ghoddousi asked staff to be conscience of the Hildt-Licata agreement and crafter seniority. John Turnbull stated staff is very conscience of that but that agreement does not apply to that space and that these programs are experimental on the north pavilion. The south pavilion is used for daystall crafters. These are vendors that can't participate in the daystall program as they don't grow all the products in their foods or they are craft vendors that don't want to make the attendance requirement.

Paul Neal asked if there are additional operating costs for the program. John Turnbull responded Daystall there may be additional costs for specialty tables for use in the Pavilion.

Paul Neal asked what metrics will be recorded for the program. John Turnbull responded he will be sitting down with David Dickinson and Zack, but the original goal is \$5,000. Mary Bacarella will provide the Committee the revenue goal.

Devin McComb likes the idea and asked how it will be advertised. John Turnbull responded partner organizations will help to market the events and the PDA Marketing team will also promote, but not as strongly as this will be during the summer with high traffic at the Market.

Ray Ishii asked if there are goals to reach out to communities that are underrepresented. John Turnbull responded there is nothing specific planned at this point. Mary Bacarella added that Urban Craft Uprising has a lot of diverse crafters making great stuff.

David Ghoddousi asked if sales reports will be collected for these vendors. John Turnbull responded he plans to collect that information, just as it's collected from farmers at satellite markets and on Pike Place but there will not be a percentage rent applied.

Paul Neal stated he likes this program and feels it's innovative. If it works, he would like to see it expand.

IV. Action Items

A. Proposed Resolution **18-10**: Authorization for Contract Authority – Excavate and Repair Alibi Room Sewer Line

John Turnbull introduced proposed resolution **18-10** which states:

WHEREAS, the Pike Place Market Preservation and Development Authority (PPMPDA) was chartered by the City of Seattle pursuant to RCW 35.21.730 et. Seq with the mission of promoting enterprises essential to the functioning of the Pike Place Market, including the preservation and expansion of the low-income residential community, the promotion and survival of small businesses , and the expansion of services to the public market and community; and,

WHEREAS, on Sunday, March 4th an issue with the sewer line was discovered, forcing the Alibi Room to close for business; and,

WHEREAS, on Thursday, March 8th a blockage was located in the sewer line running underneath Post Alley; and,

WHEREAS, in order to maintain the viability of the Pike Place Market buildings the PPMPDA determined that emergency sewer line repairs connected to the Alibi Room were necessary.

NOW, THEREFORE, BE IT RESOLVED that the PPMPDA Council authorizes the PPMPDA Executive Director or her designee to approve payment to **STOP Inc.** in an amount not to exceed \$57,890.35, furthermore, the Executive Director is making appropriate steps to recover costs through insurance claims or billing the tenant.

The funds for this project will be drawn from the Contingency Budget GL 160960-00.

John Turnbull noted that Mary Bacarella notified Matt Hanna and now there are conversations taking place to determine how much can be recovered through insurance.

Paul Neal moved the proposed resolution and Gloria Skouge seconded the motion.

Paul Neal asked if the amount is consistent with similar projects in the past. John Turnbull responded it's a little bit higher in order to restore the cobblestone. However, the repair was just outside the cobblestones so the quote should come down by \$7,000.

David Ghoddousi asked how far in the street the sewer line was. John Turnbull responded the sewer runs down the middle of Post Alley. There are two tenants connected to the line, Il Bistro and Alibi Room before probably picking up other businesses further down the street.

Ray Ishii asked if the normal bid procedure was followed. John Turnbull responded the normal bid procedure was not followed due to the emergency nature and there were a lot of unknowns of the situation. The company selected has done good work at the Market in the past.

Ray Ishii stated his concern with audits in the future since the normal bid procedure was not followed. He suggested making it clear that this is an emergency situation.

Devin McComb proposed a Friendly Amendment to revise the caption to read "Emergency Excavate and Repair Alibi Sewer Line."

Paul Neal and Gloria Skouge accepted the friendly amendment.

For: Devin McComb, Paul Neal, Ray Ishii, Gloria Skouge, and David Ghoddousi

Against: 0

Abstain: 0

Proposed Resolution **18-10** passed by a vote of 5-0-0.

V. Property Management

A. Residential Property Management Report

John Turnbull began vacancies are lower after an increase in January. Residential continues to see good results from the audits and there will be more audits next week. The Stewart house was reviewed last week and the report came back above satisfactory. The City did a site

inspection was WASH today and will do a site visit for triangle building soon. He has received approval to increase rents in a couple buildings with Section 8 contracts. A rent comparability study will be undertaken for Market House (First and Pine) to evaluate how rents will adjusted over five years. Kim Barreto has been transferred to primary site manager for Stewart House and WASH. The Senior Center is getting close to adding a part time assistant to help the resident advocate.

Devin McComb asked if there have been many questions from the residents with regards to the First Avenue streetcar. John Turnbull hasn't heard much but residents have been notified of the upcoming outreach meetings. John is a little concerned about some residents in First and Pine that are sensitive to sound. Mary Bacarella added there is no start date for construction.

VI. Public Comment

Joan Paulson stated she likes the MarketFront activation programming but would like to know how the program will be evaluated and how to improve in the future, if it's continued. With regards to the Alibi Room sewer repair, Joan suggested an investigation of what caused the clog and how to prevent it in the future.

VII. Closed Session

The Committee Chair stated that the committee would go into closed session at 5:10 p.m. to discuss the property management report and return into open session at approximately 5:30 p.m.

The committee entered into closed session at 5:11 p.m.

- A. Property Management Report - *Closed Session (RCW 42.30.110(c))*
- B. Review of Lease Proposals
 - i. Lease Renewal – Conscience Wear, 1501 Pike Place #402
- C. Review of Delinquency Report
 - i. Vacancy Report
 - ii. Current Lease Negotiations

The committee entered into open session at 5:35 p.m.

The committee discussed the property management report which included the delinquency and vacancy report along with the current commercial lease negotiations during the closed session.

VIII. Open Session

Proposed Resolution **18-11**: Lease Proposals – March 2018

| <u>Tenant</u> | <u>Term</u> | <u>Start Date</u> |
|-------------------------------|---------------|-------------------|
| Conscience Wear Tashi Dawa | Two (2) Years | March 1, 2018 |

David Ghoddousi moved the proposed resolution and Gloria Skouge seconded the motion.

For: Devin McComb, Ray Ishii, Gloria Skouge, David Ghoddousi, and Paul Neal

Against: 0

Abstain: 0

Proposed Resolution **18-11** passed by a vote of 5-0-0.

IX. Resolutions to be added to the Consent Agenda

David Ghoddousi recommended leaving it off Consent Agenda due to the friendly amendment to change the title. Ray Ishii agreed to leave it off Consent.

Proposed Resolution **18-11**: Lease Proposals March 2018 was added to the Consent Agenda.

X. Concerns of Committee Members

Paul Neal noted that with regards to MarketFront activation, his assumption is that the four bullet points listed on the handout are the qualitative goals and in addition there is a \$5,000 quantitative target. Mary Bacarella agreed.

Ray Ishii apologized for not providing a calendar for the rest of the year, but it's still in progress. In the future there will be a primer session on LIHTC (low income housing tax credit) and NMTC (new market tax credit.)

XI. Adjournment

The meeting was adjourned at 5:38 p.m. by Ray Ishii, Chair

Meeting minutes submitted by:

Karin Moughamer, Executive Administrator