



Pike Place Market Preservation and Development Authority (PDA)

**FINANCE COMMITTEE
Meeting Minutes**

**Tuesday, March 20th 2012
4:00 p.m. to 5:30 p.m.
PDA Conference Room**

Committee Members Present: Matt Hanna, Bruce Lorig, Gloria Skouge, Ann Magnano, David Ghoddousi, Gerry Kumata

Other Council Members Present:

Staff Present: Ben Franz-Knight, Ryan Yale, Sabina Proto, Jay Schalow, Dianna Goodsell

Others Present: Sharon Mukai

This meeting was called to order at 4:02 by Bruce Lorig, Vice-Chair

Others Present:

I. Administration

- A. Approval of Agenda
The agenda was approved by acclamation.
- B. Approval of February 21st, 2012 Minutes
The minutes were approved by acclamation.
- C. Announcements and Community Comments
None

Matt Hanna arrived at 4:05

II. Review of Financial Statements for February 2012

- A. PDA Operating Statements
Sabina reported on the Operating Statements and stated the PDA is currently financially strong. She added the PDA continues to perform well in Revenues, with total Operating Expenses under budget. She discussed the Balance Sheet and PDA Operating Statement that were reported at the March 20th, 2012 PDA Finance Committee Meeting and stated that: The Current Assets decreased mainly in the Unrestricted Cash category, which was higher at the end of January. The Designated Cash increased because of the monthly budgeted contribution to CRRF. The Restricted Cash decreased due to the payment of the Retainage owed to Turner Construction, which was related to Phase III of the Renovation. The Current Liabilities decreased mainly in the Accounts Payable because of the substantial Levy invoices payable for the end of January. Another reason for the reduction of current liabilities was the payment of the accrued Retainage to Turner Construction. The Long Term debt decreased due to the monthly payments on loans, mortgage and bonds. She added that our Net Operating Capital increased overall while our Current Operating Result increased from the prior

month. The Levy Funds currently received is \$ 61.9 million, and the amount received in 2012 YTD is \$3.4 million. The Accounts Receivable Activity Report saw a slight increase in account receivables in February, and the delinquency rate continues to be very low.

She reported that the Total Revenue for the end of February 2012 was \$ 2,049,565, or over budget by \$ 27,914, while the Total Operating Expense was \$ 1,515,234 or under budget by \$170,188. The Net Result after Debt Service & Reserves Annual Budget is \$742,335 and the actual YTD is \$100,578.

Sabina presented the Revenue in the Operating Statement and stated that the Commercial Revenue is under budget by \$3000 as result from the unanticipated impact of Phase III of Renovation. She added overall there was good performance of the Percent Rent. She stated the Residential Revenue is under budget because of the vacancies in the Sanitary Building. She further explained it was taking longer to fill the vacant units; Stewart and Livingston Baker purposely have vacant units available to relocate tenants during construction in the Stewart Building. It was noted that rent credits were provided to the relocated Stewart tenants. In continuation of the Revenue reports, The Daystall and Surface Revenue is on track overall and the Garage Revenue is over budget which is better than expected. Other Miscellaneous Revenue is over budget due to a one time contribution from Chase Bank in the amount of \$150k. The amount recognized for the year 2012 is \$30K. She explained the amount was not budgeted because it was not known at the time of Budgeting.

Sabina stated that the Operating Expenses are under budget in the majority of the departments. She reported there have been some staffing vacancies, as well as the timing of invoices was different from the budget trending. She added that the Percent Rent spreadsheet presents the performance of the percent rent, concluding the performance is good in this category over budgeted by \$13k. The Capital Reserve Status Report represents the amount contributed to the reserve, and the amount spent year to date out of the capital reserve. Status of the Capital Projects shows the update of the work performed and the funds spent for the Capital Projects approved I the budget.

III. **Checking Account Activity Report**

The Checking Account Activity Report was distributed to Dianna Goodsell, Administrative Services Coordinator.

IV. **Other Reports and Action Items**

- A. **Action Item:** Proposed Resolution **12-23:** New Bank Account for the Farm Program (SNAP Program and Credit/Debit Cards)

Sabina introduced the resolution which proposes that The Pike Place Market PDA open a new account for the Farm Program (SNAP Program and Credit/Debit Cards) with Bank of America and Merrill Lynch. It is requested that the following banks be, and hereby are, authorized to honor and pay checks or other appropriate orders for the payment or withdrawal of money drawn in the name of Pike Place Market Preservation and Development Authority (PPMPDA) in this new account, and all accounts set forth below:

Ann moved, Gerry seconded

Approve: Bruce Lorig, Gloria Skouge, Matt Hanna, David Ghoddousi, Gerry Kumata, Ann Magnano

Against: 0

Abstain: 0

Resolution 12-23 passed by acclamation

- B. **Action Item:** Proposed Resolution **12-24:**Amendment of the Property Management Agreement between PPM PDA and PPM QALICB

Sabina introduced the resolution which states that the PDA has carefully reviewed the 2011 Management Fee Agreement and is requesting additional payment of Management Fee from PPM QALICB for year 2011. The Property Management Agreement between PPM PDA and PPM QALICB states: "PDA shall be

entitled to additional management fees as agreed by the parties from time to time.” Based on the actual performance of the QALICB during 2011, which has exceeded the projected revenues provided on the financial model for PPM QALICB; this performance has created excess cash in PPM QALICB books. It is requested that the PDA Council hereby authorizes the PDA Executive Director, or his designee, to approve policy terms and conditions in consideration for PDA’s performance pursuant to the Management Fee Agreement, Master Tenant shall pay to PDA a one-time Additional Fee in the amount of Two Hundred Thousand Dollars (\$200,000.00).

Gerry moved, Ann seconded

Approve: Bruce Lorig, Gloria Skouge, Matt Hanna, David Ghoddousi, Gerry Kumata, Ann Magnano

Against: 0

Abstain: 0

Resolution 12-24 passed by acclamation

V. Staff Reports

A. Auditor’s Report for LaSalle Senior Housing LLC for year-end December 31, 2011

Sabina gave a presentation on the Auditor’s Report for LaSalle Senior Housing LLC for the year-end December 31, 2011. Peterson Sullivan LLP conducted the Independent Auditor’s Report. The financial statements included in the audit were the LaSalle Senior Housing, LLC Balance Sheets, Statements of Operations, Statements of changes in member’s Equity and Statements of cash flows. They concluded that the financial statements audited present fairly, in all material respects, the financial position of the Company as of December 31, 2011 and 2010, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States. Peter Sullivan LLP also included: Report over Internal Control over Financial Reporting and on Compliance and other Matters based on an Audit of Financial Statements Performed in Accordance with Government Audition Standards, Independent Auditor’s Report on Compliance with Specific Requirements Applicable to Major HUD Programs and Independent Auditors’ Report on Compliance with Specific Requirements Applicable to Fair Housing and Non-Discrimination.

In addition The Supplementary Information Required by HUD reported data on the Balance Sheet, Profit and Loss, Statement of Changes in Member’s Equity, Statement of Cash Flows, Schedule of Surplus Cash and Statement of Changes in Fixed Asset Accounts for the LaSalle Senior Housing LLC.

B. Discussion about the Pike Place Market Long Term Debt

Sabina discussed the PDA’S Long Term Debt including matters on payments and future refinancing of the outstanding debt, which is listed below:

- Note Payable City of Seattle (PC-I Land): Until recently there has been no resulting revenue from the Garage to be shared with the City of Seattle. However, per the existing agreement, the note is due by 11/1/2017 (when the PC-I Bond matures). After 2017 Garage will be debt free, which will allow PDA to acquire new debt.
- US Bank Permanent Loan: The payment of \$709,126 already has been budgeted for 2012 and it will be paid during this year.
- Pine Commercial Mortgage: We are unable to refinance until 90 days prior to the maturity date because this mortgage comes with a high maintenance fee of 11% on the outstanding balance. We will refinance this loan starting 90 days before 12/1/2015. The revenues from this building will continue to be used for paying off this debt.
- PC-I Bond Payable: There is only 5 years left on this bond and it is known that during the last years of the debt, the interest amount decreases considerably. For this reason, it is currently not feasible to refinance this bond for the remaining years, especially when considering the closing costs and other

fees associated with the refinancing. After 2017, the Garage will be debt free, which will then allow the PDA new prospects to acquire new debt.

- **PDA 2009 Bond:** The City of Seattle is the issuer of this Bond and the PDA is under obligation to stay under this agreement with the City of Seattle. It can only be refinanced with the rest of the City's issue (within which it is embedded).
- **Pine Residential Bond:** This cannot be refinanced until 90 days before the maturity date because this bond comes with a high maintenance fee, 11% on the outstanding balance. We will refinance this bond 90 days before 7/1/2015. The revenues from this building will continue to be used to pay off this debt.

She reported the Total Long Term Debt totals \$ 44,310,748 and the amount to be paid in full totals \$15,231,301. She stated we are currently are in a strong position financially regarding the prospect of acquiring new debt. She added however, we do have master leases on two buildings for the PPM QALICB and six buildings tied to the PPM QB2. She noted the revenues generated by these buildings are pledged to pay the outstanding QLICI Loans for QALICB and QB2, respectively. The tax credit period for QALICB ends in 2016 and 2018 for QB2, which will then allow us to have more flexibility in acquiring new debt. She finished of stating that the PDA is reimbursed from QALICB and QB2 and the revenues generated from the reimbursements from both entities can be pledged for acquiring the new debt.

Matt Hanna commented on the Pine Commercial Mortgage which has a substantial Balloon payment of over 3 million scheduled (Maturity date 12/01/2015). He recommended in looking at opportunities of refinancing sooner than later if it is economically favorable. He indicated he would like the committee to be more assertive in the undertaking of the long term debt for the future.

A question and answer period followed

VI. Items for the Consent Agenda

Resolution 12-23 and 12-24 were moved to the Consent Agenda

VII. Public Comment

None

VIII. Concerns of Committee Members

Ann brought up concerns with the existing coordination of committee activities and updates. She would appreciate more cohesiveness between all the committee meetings since they are interrelated. She also brought up concerns of the current Asset Management schedule. After a brief discussion, general consensus of the committee believed it was appropriate in recommending the restored meeting time of 4:30pm instead of 4:00pm. An amended resolution will be submitted to full Council.

IX. Adjournment

Meeting was adjourned at 5:31 p.m. by Matt Hanna Chair.

Meeting minutes submitted by:
Dianna Goodsell, Administrative Services Coordinator