



Pike Place Market Preservation and Development Authority (PDA)

**FINANCE COMMITTEE
Meeting Minutes**

**Tuesday November 20th, 2012
4:30 p.m. to 6:00 p.m.
Elliott Bay Room**

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

Other Council Members Present:

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

Others Present: Jill Andrews, Greg Knutson, Sharon Mukai, Chris Scott, Mike Smith

The meeting was called to order at 4:30p.m. by Matt Hanna, Chair.

I. Administrative

- A. Approval of the Agenda
Proposed Resolution 12-91 was stricken from the agenda
The agenda, as amended, was approved by acclamation.

- B. Approval of the October 16th, 2012 Minutes
The minutes were approved by acclamation.

II. Announcements and Community Comments

None

III. Review of the Financial Statements for October 2012

A. PDA Operating Statements

Sabina Proto discussed the Balance Sheet and PDA Operating Statement ending for the Month of October. Under Current Assets there was reduction on the Unrestricted Cash Balance which was caused by several payments for capital expenditures that were processed in October. She reported the following: The Designated Cash increased due to the monthly contribution to the CRRF Reserve. The Current Liabilities decreased mainly in the Accounts Payable category. The Long Term Debt decreased due to the monthly payments on loans, mortgage and bonds. The Net Operating Capital had increased overall. Current Operating Result increased from the prior month and the Levy Funds received in total as of today is \$ 64.67 million; amount received in 2012 YTD is \$6.12 million.

Sabina Proto reported under the Accounts Receivable Activity Report, the accounts receivable decreased overall in October. There was an increase in AR Residential due to some retroactive rent increases; billing for Stewart House Tenants will be collected in November. The Total Revenue for the end of October 2012 was \$12, 087, 592 or over budget by \$297,117. The Total Operating Expense was \$ 8, 585, 9745 or under budget by \$ 318,875. The Net Result for the end of October was \$ 3 501,618 which was \$ 615, 992 over budget. The Net Result after Debt Service & Reserves: Annual Budget was \$707, 091 and the actual YTD amount exceeds the budget by \$616,042.

Sabina Proto presented the Revenue in the Operating Statement and stated that the Commercial Revenue was over budget by \$ 71,462. She added overall there was good performance of the Percent Rent. She noted that we are caught up in the Office Rent; in the prior months we had been under budget due to the unanticipated construction impacts of the Levy Phase II. She added that one of the ATM's has not been operational for several months. She stated that CAM is under budget because the loss of revenue for the US Bank space. Direct utilities are under budget because of the vacancies in commercial spaces during construction; this is associated with less spending on the electricity, water and sewer expenses. She stated that Residential Revenue variance was on track due to the growing occupancy; this was anticipated for the second part of the year. The Daystall Revenue had less attendance that what had been budgeted for Crafts. There was more revenue with locker rent, performer permits and late fees. Lastly, the Surface, Miscellaneous Revenue and the Garage Revenue were over budget. The garage was over budget by \$ 98,000, which was better than anticipated. She noted that we have been in participation with the AWWV Parking Mitigation Program since July 1st, and per agreement with the City of Seattle, we received a \$14,000 monthly fee, \$ 56,000 up to date in collection on fees from July through October 2012.

Sabina Proto lastly reported that the Operating Expenses were over budget in some departments and under budget in others. She reported that we have had additional needs for temporary work in the Residential and Daystall department. She also added that here have been some staffing vacancies in Management as well as differences in the timing of the invoices from the budget trending. She stated the following: there had been extensive repair on the fire panel in the garage, credit cards fees were over budget due to the increase in revenue, insurance rates were lower than budgeted and marketing spending would increase during the last quarter. She noted that the Percent Rent spreadsheet presents the performance of the percent rent, concluding that the Percent Rent was over budget by \$97,000 YTD, \$108,000 over budget over the same period last year. She lasted reported that the Capital Reserve Status Report represents the amount contributed to the reserve, and the amount spent year to date out of the capital reserve. The Capital Reserves total was \$ 10,157,709 as of 10/31/2012. Total Capital Expenditures (budgeted) was \$761,169 as of 10/31/2012. The amount spent on the Waterfront Design and Development was \$459,374.

There was a brief discussion that followed

Bruce Lorig commented on the projected Capital Reserve Contribution and the option of trending the actuals each month.

Ben Franz-Knight noted that the City of Seattle would like to renew the parking agreement with the PPM PDA. He added that by January we should have a resolution to bring forward to the committee.

Matt Hanna requested to have a separate revenue and expense report prepared for the PPM Satellite markets.

IV. Checking Account Activity Report

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

V. Presentations and Discussion Items

A. Budgetary Review of Proposed Spending Resolutions

Review of Proposed Resolution **12-82: Authorization for Contract Authority - Old Brewery Tenant - LaSalle Building**

Ben Franz-Knight briefly reviewed Proposed Resolution 12-82 out of the Asset Management Committee. He noted that during the process of the work in the Old Brewery space in the LaSalle building it was discovered that there were unforeseen conditions; this led to an additional \$824.76 change order to complete the wok contracted.

There was a brief discussion that followed.

Review of Proposed Resolution **12-86**: Authorization for Contract Authority - SRG Partnership, Inc. - Architectural Services

Ben Franz-Knight reviewed Proposed Resolution 12-86 out of the Asset Management Committee. He noted that the resolution is for services regarding Levy design work; primarily Contract Administration and bid document preparation services for the windows on Western. He noted that the work done on the windows on Western would be completed in phases.

There was a brief discussion that followed regarding the specific type of work performed for the windows on Western and correction to the language in the resolution.

David Ghoddousi inquired about the levy funds available. He noted that there should be a future discussion on what to do with the remaining amount of levy funds.

Ann Magnano noted that the language in the resolution should be corrected adding “services of collection and preparation of bid documents” to the description of work performed.

B. Exit Process of NMTC Financing -LaSalle

Sabina Proto discussed the exit process for the LaSalle New Market Tax Credit NMTC commercial financing. She reviewed a memo regarding the Exit Process of the NMTC Financing for LaSalle and provided the following documents for reference: Resolution 04-51 Approving the LaSalle - Creamery Development Project; Resolution 05-79 New Market Tax Credit Resolution for the LaSalle -Creamery Development Project; Section of the Put and Call Agreement that states the fee to be paid to USBC; Section of NMI XI LLC Operating Agreement - Termination Fee. All of the documents distributed during the discussion were included with the minutes. She noted that the PPM PDA undertook the LaSalle Creamery Project during 2004 and 2005. The project had included two distinct components: Construction of the new space for the Senior Center and additional commercial spaces on the southwestern corner of Pike Place Market; Construction of the residential space which provided additional and rehabilitated low income units. Each of the project components had different sources of funding. She noted that the benefit for the NMTC financing allowed the PDA to build a new asset; this provides financial and social services benefit to the PDA and community. The baseline net result of the NMTC LaSalle financing was a gain of \$ 1,756,954. She noted that that Exit Process would not be easy and will come with some costs. The Exit Process is scheduled for December 28th, 2012.

There was a brief discussion that followed regarding the NMTC Financing Exit Process for LaSalle.

C. HUD - New rule regarding usage of the Residual Receipt Reserve to offset HAP voucher payments

Sabina Proto briefly discussed a memo regarding the “New Regulation” Section 8 Housing Assistance Payments (HAP) Contracts: Use of Residual Receipts Reserve to Offset Project-Based Section 8 Housing Assistance. The memo has been included with the minutes. She noted that HUD Multifamily Housing has issued a Housing Notice H2012-14 with the intent of using the Project’s Residual Receipts to offset monthly HAP voucher payments. The new rule will impact the Pine Residential building; this will result in a reduction of Designated Cash and Residential Revenue for December 2012 and January 2013.

There was a brief discussion that followed

VI. Other Reports and Action Items

A. Action Item: Proposed Resolution 12-88: Adoption of 2013 PDA Operating and Capital Projects Budgets

Ben Franz-Knight introduced the resolution which states that the PDA is a public corporation responsible for the efficient development and operation of the Market and for the effective provision of services designed to preserve and promote the economic health of the Market and its tenants consistent with the Urban Renewal Plan, the Historic District Ordinance and Guidelines, the PDA Charter, deed restrictions, and other City and State ordinances and laws; and, as a public corporation, the PDA operates on a non-profit basis, where any excess of revenues over expenditures is reinvested in the Market; and, the PDA desires to communicate to the Market community and the public the bases for its financial, operational and

other policy and program decisions; except for HUD contract rents, the PDA's operations are not subsidized by public funds and rely on rental and miscellaneous income for its total operating and capital revenues; and,

the Budget schedule and summary were made available to tenants; the PDA Council's Finance & Asset Management Committee conducted working sessions, considered public testimony, and suggested amendments to the 2013 Proposed Budget; and has recommended adoption of the 2013 Budgets; and the 2013 Operating and Capital budgets are approved as a whole, with the exception of the Employee Pension contribution which will be determined in February 2013 based on the 2012 Final Operating Statements.

NOW, THEREFORE, BE IT RESOLVED, that the PDA Council does hereby adopt the 2013 PDA Operating and Capital Budgets as outlined in the 2013 Budget Document attached hereto as Exhibit A,

AND BE IT FURTHER RESOLVED, that the PDA Council affirms its established budget, revenue and operating policies as follows:

- (1) All tenant sectors of the Market bear a responsibility for PDA costs incurred to serve the Market's operating and capital needs as a whole, and to fulfill the public interest purposes of the PDA, to preserve and promote the traditional character of the Market;
- (2) The PDA Council recognizes that external economic conditions and competitive pressures affect Market businesses and residents and attempts to prudently and sensitively take these factors and their potential effects into account in setting revenue estimates and requirements and in conducting its property management responsibilities in the course of the year;
- (3) The Market is operated as an integrated whole with services distributed in accordance with ongoing maintenance and operations requirements, current and future capital needs, and needs for response to critical or emergency demands. The flexibility created by operating the Market as a whole, instead of as independent and exclusive separate and individual buildings or tenant groups, enables the PDA to maximize efficiency and responsiveness to community-wide and Market-wide needs, while still providing attention to individual tenant needs.

This operating mode, combined with the PDA's fulfillment of Charter-mandated public interest and preservation objectives, does not lend itself to a strict relationship between costs and revenues from individual buildings or between costs and revenues from individuals or groups of tenants. While costs and revenues can be estimated for subgroups of Market facilities and tenants, it is not appropriate from a policy or operational standpoint to develop the budget and operate the Market on a strict cost center basis.

Gloria Skouge moved, Gerry Kumata seconded

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

Abstain: 0

Resolution 12-88 passed unanimously

B. Action Item: Proposed Resolution **12-89:** Management Fee Payable to the Market Foundation for the Arcade Lights Event on October 12th, 2012

Sabina Proto introduced the resolution which requests that the PDA Council hereby approves to pay Market Foundation a Management Fee in the amount of \$11,687 for their services provided during the Arcade Lights event on October 12th, 2012. The calculation of the Management Fee is done based on the Management Agreement between PDA and Market Foundation for this event which states: For the services provided PDA will pay Market Foundation a Management Fee which will be calculated \$1 for each token collected by the vendors plus 20% of the total sales at the Exit Store, less applicable taxes.

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|-------------------------|----------|
| Tokens from vendors | \$13,012 |
| 20% of Exit Store sales | \$ 0 |

Less taxes _____ (\$ 1,325)

Total Due to Market Foundation **\$11,687**

Gerry Kumata moved, Ann Magnano seconded

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

Abstain: 0

Resolution 12-89 passed unanimously

C. **Action Item:** Proposed Resolution **12-91:** Employee Retirement Plan Mandatory Distribution Amendment

This item was stricken from the agenda.

VII. Items for Consent Agenda

Resolution 12-89 was moved to the Consent Agenda.

VIII. Public Comment

None

IX. Concerns of Committee Members

None

X. Adjournment

The meeting was adjourned at 5:44 p.m. by Matt Hanna

Meeting minutes submitted by:

Dianna Goodsell, Administrative Services Coordinator