



Pike Place Market Preservation and Development Authority (PDA)

**FINANCE & ASSET MANAGEMENT
Meeting Minutes - DRAFT**

**Tuesday, September 20, 2011
4:30 p.m. to 6:00 p.m.
PDA Conference Room**

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

Other Council Members Present: Jill Andrews

Staff Present: Ben Franz-Knight, Ryan Yale, Sabina Proto, Jay Schalow, John Turnbull, Jennifer Maietta,

Others Present:

This meeting was called to order at 4:31pm by Bruce Lorig

Others Present:

I. Administration

- A. Approval of Agenda
The agenda was approved by acclamation.
- B. Approval of August 16th, 2011 Minutes
The minutes were approved by acclamation.
- C. Announcements and Community Comments
None.

II. Review of Financial Statements for August 30, 2011

A. PDA Operating Statements

Sabina reported on the Operating Statements and stated that we continue to perform very well in revenues, and are under budget in expenses. We have implemented the revisions approved by the Council last month and going forward we will be using the revised budget. She noted that the Percent Rent has been the highest ever as of the end of August. The Residential Revenue is currently over budget, however, it is expected that the vacancies will increase for the rest of the year. We are experiencing some delays on filling the Sanitary residential units, in addition to the Stewart House project requiring some vacant units in order to relocate tenants during the construction project.

She stated that Farm and daystall revenue have increased, however, weather and temperature have contributed to a later start for the farm season.

Finally, the net operating result after the required reserves and debt service to date is \$1,085,564 exceeding the budget projections by \$557,965.

Matt Hanna arrived at 5:39pm

Sabina gave an overview of the financial statements and stated that the following are additional notes on the Balance Sheet and PDA Operating Statement that were reported at the September 20th, 2011 PDA Finance and Asset Management Committee Meeting.

Balance Sheet:

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Current Assets increased mainly because of the higher receivable from City of Seattle in August than July.

Designated Cash increased because of the monthly budgeted contribution to CRRF, and the transfer of the New Markets Tax Credit funds from PPM QB2 related to the NMTC2 capital projects .

Restricted Cash decreased because of the payment made to TURNER Construction out of the Retainage Account.

Current Liabilities- decreased due to reduction of the liability related to the TURNER Retainage.

Long Term Debt decreased due to the monthly payments on loans, mortgage and bonds.

Net Operating Capital – increased overall. Current Operating Result increased from the prior month. Levy Funds received in total as of today is \$51.2 million, and the amount received in 2011 YTD is \$10.5 million.

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Accounts Receivable Activity Report – account receivable decreased during August, and the delinquency rate continues to be very low.

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PDA Operating Statement:

Total Revenue for the end of August is \$8,775,959, or over budget by \$ 179,903

Total Operating Expense is \$6,163,779 or under budget by 377,857

Net Operating Result for the end of August is \$2,612,180, which means \$557,760 over budget.

Net Result after Debt Service & Reserves: Annual Budget is \$1,179,679, and actual YTD is \$1,085,564.

The Contribution to the Pension Plan approved by Council for the amount of \$263,000 was done in April.

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Footnotes on the Operating Statement

Commercial Revenue is over budget. This is due to: lower vacancy than budgeted; CAUT and COMA are under budget due to the reduced CAUT and COMA rates for the relocated tenants; good performance of the Percent Rent. Direct Utilities is under budget due to the vacancies related to the renovation.

Residential Revenue is over budget. This is due to the impact of the budget revision, but the variance will decrease during the upcoming months.

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Daystall Revenue : There is a lower attendance in the Daily Farmers and Crafts compared to the same period of the last year, however the attendance is higher than budgeted.

Surface Revenue is over budget and a higher amount compared to the same period of the last year.

Garage Revenue is over budget ; YTD amount is higher compared to the same period of the last year.

Parking is up overall due to the stronger economy, automated equipment, stronger controls and better management.

Market Foundation contributed a larger amount from what was budgeted.

Miscellaneous Revenue is over budget due to more filming and Trade Marks.

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Operating Expenses are under budget almost in all departments. We have had some staffing vacancies; also in some instances the timing of the invoices is different from the budget trending. Surface Lots Expense is over budget. This is because of the Management Fee which is higher than budget; increase of the Surface Lots Revenue has caused increase of the Management Fee payable to the Republic Parking.

In the Utilities section, Electricity, Water & Sewer are under budget. We believe that the vacant commercial spaces, cooling tower and improved system are the reasons for less consumption of Electricity and Water & Sewer. We believe that there are some utility bills yet pending, which are related to the new meters. Pest Controls continue to be a high expense due to the bed bug treatment in several buildings.

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Percent Rent spreadsheet presents the performance during the first 8 months of the current year, as well as how they compare to the same period in 2010 and 2009. So far, we are doing very well in this category- over revised budget by \$ 72K.

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Capital Reserve Status Report represents the amount contributed to the reserve, and the amount spent year to date out of the capital reserve.

B. Capital Projects Statement

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Status of the Capital Projects – There are 32 projects in the Capital Projects list. Eleven of them are completed, six are deferred and the rest are in progress. The reason few projects were put on hold is because of the renovation work in these particular areas.

III. **Other Reports and Action Items**

- A. **Action Item:** Proposed Resolution **11-81:** Authorization for Contract Authority – Exclusive Lease Listing Agreement – Ewing & Clark Incorporated – Specific lease spaces within the Leland & Fairley Building

Ben introduced the resolution and stated that we are looking to take advantage of the number of vacancies currently in the Market, with a strong focus on the Hillclimb area. He noted that we want to seek the best possible tenants to provide a successful mix of tenants. He added that the total amount not to exceed of \$50,616 will be paid in increments and will most likely not begin until 2012 and spread out over a number of years and increments.

Jennifer gave an overview of the resolutions and stated that at present there is approximately 9,600 square feet of commercially viable leasable space that can contribute substantially to the successful activation of the Hillclimb area and direct and intentional recruitment of potential tenants will help ensure selection of the most qualified and appropriate businesses. She noted that the combination of the development of the terraced areas of the Hill Climb, and higher than normal vacancy rates due to temporary moves and intentional vacancies through Phase I and II of renovation presents a unique opportunity in the history of Market to recruit a broader range of commercial tenants than previously possible and marketing and leasing these premises by obtaining the services of a commercial brokerage firm has been identified as one part of a comprehensive recruitment strategy designed to take advantage of this unique opportunity. As

part of obtaining commercial brokerage services, the PDA solicited five commercial brokerage companies. She stated that following the review of the proposals and interviewing the best candidates Ewing & Clark, Incorporated has been selected to enter into an Exclusive Lease Listing Agreement specific to the above identified vacancies and adjacent Hillclimb terraced areas. She asked that the Council authorize the PDA to enter into an Exclusive Lease Listing Agreement for the above identified spaces with Ewing and Clark Incorporated and approves broker fees not to exceed \$50,616 inclusive of broker fees, to be allocated out of the General Funds, paid for the initial lease term of any fully executed Lease Agreement and for the first option term upon being exercised.

Matt Hanna motioned to place Resolution 11-81 on the consent agenda for the September PDA Full Council Meeting.

Gerry Kumata moved, Bruce Lorig seconded

A discussion of Resolution 11-80 followed

Approval of Lease Proposals

Approve: Lorig, Kumata, Skouge, Ghodoussi, Hanna

Against: 0

Abstain: 0

The motion to move Resolution 11-81 was passed by acclamation

V. Staff Reports:

A. 2012 Budget Process Update

Ben discussed the budget process and stated that we have received the first drafts of proposed budget from individual departments. He inquired if there were any specific goals of the committee that they will like to see within the budget process. Ben noted that the 2012 budget will be a conservative one due to the state and unpredictability of the current economy. Ben added that a distinct difference from last year will be winding down the Lasalle NMTC, which amounts to a payment due to US Bank of \$709,000. These funds can be taken from reserves and/or the annual operating budget and the PDA's recommendation will be submitted next month. He stated that some increases will include the standard cost of living and salaries. In addition, there will be an increase on the facilities due to two new restrooms,

Bruce discussed the change in staffing and suggested there should be someone to assist the committees and Council.

Matt commented on the wind down of the tax credit for the Lasalle and stated it would be good to understand the overall burdens and benefits. Matt noted that the national economy really has not had a profound effect on the market's performance. Matt discussed the disconnect between the two and suggested we focus more on the trending of the market performance as an indicator instead of relying too much on outside macroeconomic forces.

Gerry stated that he feels the market has been very fortunate over the last few years and suggested that at some point in time we could see a far dire economic downturn that may affect the market. He suggested some sort of contingency plan in case the economy decreases by 10 - 15 percent and inquired on how will the market meet this challenge.

David stated that some businesses are doing well and some are not and he would be interested in seeing a breakdown of both sides of sales.

Jill noted that we have already lost one tenant from lack of business that it is noticeable and when we start losing businesses is where the Market should really be of concern.

Sabina discussed the upcoming meetings regarding the budget process.

Gloria noted that there will be a conflict in the October 18th, meeting and suggested it begin earlier.

IV. Items for the Consent Agenda

Resolution 11-81 was moved to the Consent Agenda

V. Checking Account Activity Report

The Checking Account Activity Report was distributed to Ryan Yale, Executive Assistant

VI. Public Comment

Jennifer Maietta commented on the mercantile sales being down and stated the PDA has been sensitive to the tenants especially with the down economy.

VII. Concerns of Committee Members

VII. Adjournment

Meeting was adjourned at 5:47 p.m. by Matt Hanna Chair.