



Finance & Asset Management Committee Meeting Minutes

Tuesday, August 18, 2015
4:30 p.m. to 6:00 p.m.
The Classroom

Committee Members Present: Gloria Skouge, David Ghoddousi, Betty Halfon, Patrice Barrentine, Ann Magnano

Other Council Members Present: Patrick Kerr

Staff Present: Ben Franz-Knight, Sabina Proto, Jay Schalow, Tamra Nisly, Jennifer Maietta, John Turnbull, Erica Bates, Dianna Goodsell

Others Present: Nancy Sherman, Joan Paulson, Chris Scott, Howard Aller, Chris Paris

The meeting was called to order at 4:01 p.m. by Gloria Skouge, Chair.

I. Administration

A. Approval of the Agenda

Per the Chairs request, Proposed Resolution 15-58: Authorization for Contract Authority - Repair and Preserve Existing Roof - Heritage House was included under the agenda as an action item under Section III, as item D.

The agenda, as amended, was approved by Acclamation

B. Approval of the Finance & Asset Management Committee June 16, 2015 meeting minutes.

There was not a quorum at the time of the approval of the June 16, 2015 Finance & Asset Management Committee meeting minute; this item would be approved at the corresponding September 21, 2015 meeting.

II. Announcements and Community Comments

Betty Halfon entered into the meeting at 4:09p.m.

Patrice Barrentine entered into the meeting at 4:10pm

III. Reports & Discussion Items

A. Review of the Financial Statements for July 2015

Sabina Proto, PDA Director of Finance presented a review of the Preliminary Financial Statements for July 2015. Sabina Proto discussed the PDA Balance Sheet with the Committee. She reported that there was a decrease from the prior month under Current

Assets. Designated cash showed an increase from the prior month due to the monthly contribution to the Capital Reserves Replacement Funds (CRRF) and a deposit of \$2,500,000 from the State related to parking mitigation. Restricted cash had increased due to the debt reserve account on the 2015 bond. Fixed Assets had increased due to the work completed under Capital Projects. Current Liabilities had increased due to the unearned State funds. Long Term Debt had decreased due to the payment on our 2009 bond. Our Net Position for the current year operating result was \$2,645,814. Lastly, under the Accounts Receivable Report, the accounts receivable increased in July 2015 compared to the balance of the prior month.

Under the PDA Operating Statement, the Total Revenue for the end of July 2015 was \$10,233,534 or over budget by \$568,736. The Total Operating Expense YTD was \$7,301,455 or \$136,991 under budget. The Net Operating Result YTD for the end of July was \$2,932,079 or \$705,727 over budget. The Net Result after Debt Service & Reserves included in the following Annual Budget was \$2,055,516, and for the end of July the actual amount year-to-date was \$1,671,402.

Lastly, Footnotes on the Operating Expenses reported the following: Commercial Revenue was over budget mainly in Percent Rent and Common Area charges. Residential Revenue was on track for July. Daystall Revenue was overall on budget; daily attendance had been lower during the first four months of 2015 but is steadily increasing. Surface and Garage Revenue was over budget, with the garage over budget by \$254,357. Overall Operating Expenses were under budget in most departments besides in Parking since this is mainly due to trending. Lastly the Percent Rent was \$291,404 over budget for the period from January 2015 through July 2015.

I. Checking Account Activity Report

The Checking Account Activity Report for the month of July 2015 was distributed to Dianna Goodsell, Executive Administrator.

II. Action Item: Proposed Resolution **15-54**: Unwinding of the NMTC Financing for Leland Fairley and PPM Hillclimb

Sabina Proto introduced the resolution which states that the PDA was formed as a not-for-profit public corporation pursuant to RCW 35.21.660, 35.21.670, 35.21.730, and 35.21.755, and Seattle Municipal Code Ch. 3.110, to implement objectives of the Pike Place Market Historical District Ordinance 100475, the Historical Preservation in the Pike Place Market Historical District, and the redevelopment plan for the Pike Place urban renewal area, and;

Whereas, The PDA participated in a New Markets Tax Credit financing (“NMTC Financing”) under Section 45D of the Internal Revenue Code of 1986, as amended (the “Code”) to finance improvements and lease property (the “Project”) commonly known as the Leland Building, Fairley Building and Pike Place Market Hillclimb (collectively, the “Property”), and;

Whereas, In furtherance of the Project, the PDA formed Pike Place Market QALICB, a Washington nonprofit corporation (“QALICB”) that is exempt from federal income tax under Section 501(c)(3) of the Code, for the sole purpose of collecting income from the Property, and turning over income from the Property to the PDA, and;

Whereas, In furtherance of the Project and to enable the Project to benefit from the NMTC Financing, the PDA was authorized to make a loan to Facilitators Investment Fund VII, LLC, a Missouri limited liability company (the “Fund”) in the principal amount of Ten Million Five Hundred Fifty-Seven Thousand Seven Hundred Eighty-Two and No/100 Dollars (\$10,557,782) (“Leverage Loan”), and;

Whereas, In furtherance of the Project and to enable the Project to benefit from the NMTC Financing, the QALICB borrowed one or more “qualified low-income community investment” loans, as defined in Section 45D of the Code, in the aggregate amount of Fourteen Million One Hundred Eleven Thousand Four Hundred Thirty-Six and No/100 Dollars (\$14,111,436) from (a) Kitsap County NMTC Subsidiary Allocatee Seven, LLC, a Washington limited liability company, as evidenced by that certain Promissory Note A dated as of February 24, 2009, in the amount of Five Million Five Hundred Eighty Thousand and No/100 Dollars (\$5,580,000.00), (b) Kitsap County NMTC Subsidiary Allocatee Eight, LLC, a Washington limited liability company, as evidenced by that certain Promissory Note B dated as of February 24, 2009, in the amount of Four Million Six Hundred Fifty Thousand and No/100 Dollars (\$4,650,000.00), and (c) Kitsap County NMTC Subsidiary Allocatee Nine, LLC, a Washington limited liability company, as evidenced by that certain Promissory Note C dated as of February 24, 2009, in the amount of Three Million Eight Hundred Eighty-One Thousand Four Hundred Thirty-Six and No/100 Dollars (\$3,881,436.00) (collectively, the “QLICI Notes”), and;

Whereas, In connection with the NMTC Financing, the PDA was authorized to enter into that certain Lease by and between the QALICB, as lessee, and PDA, as lessor, and the related Memorandum of Lease (collectively, the “Lease”), and;

Whereas, In furtherance of the Project, the PDA was authorized to enter into that certain Property Management Agreement by and between the QALICB, as master tenant, and the PDA, as property manager (the “Property Management Agreement”), and;

Whereas, The NMTC Financing compliance period required the QLICI Loans to remain outstanding for seven-years (“Compliance Period”). The Compliance Period ended on February 24, 2015, and the unwind of NMTC Financing has been substantially completed in accordance with the terms of the NMTC Financing (the “Unwind”). As a result of the Unwind, the PDA is now the sole member of the Fund, and the PDA, as the sole member of the Fund, is now the indirect holder of the QLICI Notes, and;

Whereas, in furtherance of the Project and in accordance with the Unwind, the PDA desires to take the following actions (collectively, the “PDA Actions”):

- i. to forgive the QLICI Notes and enter into a loan satisfaction agreement with the QALICB;
- ii. to terminate the Property Management Agreement by entering into a Termination of Property Management Agreement;
- iii. to take in all service contracts entered into by the QALICB, by entering into an assignment and assumption of service contracts and intangibles;
- iv. to terminate the Lease;
- v. to accept all assets, liabilities, obligations, and personal property owned by the QALICB by entering into a contribution agreement in accordance with the dissolution and winding up provisions of RCW 24.03 *et seq*;
- vi. to dissolve the Fund, pursuant to the Missouri Revised Statutes Chapter 347.045 *et seq.*, as the sole member of the Fund;
- vii. to dissolve the QALICB, pursuant to the Revised Code of Washington Section 24.03 *et seq.*, as the sole member of the QALICB.

Now, therefore be it resolved that the PDA hereby reaffirms its commitment to and authorization of the PDA Actions and that the PDA will do all things, and execute and deliver any and all agreements, documents, certificates, and authorizations which may be necessary, convenient or advisable to accomplish all of the PDA Actions and to retain, authorize and instruct their attorneys and other consultants in regard to the foregoing, and;

Be it further resolved that the Executive Director of the PDA, on behalf of the PDA, is authorized to negotiate and determine the specific terms and conditions of each of the PDA Actions, as she/he determines would be reasonable and in the best interests of the PDA, and;

Be it further resolved that the Executive Director of the PDA, on behalf of the PDA, be, and hereby is, authorized to execute any and all documents and take all other actions authorized herein on behalf of the PDA, and;

Be it further resolved that the PDA hereby ratifies any documents previously executed on behalf of the PDA, in regards to the Unwind and PDA Actions on behalf of the PDA; and further ratifies all actions taken prior to date of this resolution in regards to the Unwind and PDA Actions on behalf of the PDA.

Ann Magnano moved, Betty Halfon seconded

For: Gloria Skouge, David Ghoddousi, Betty Halfon, Patrice Barrentine, Ann Magnano

Against: 0

Abstain: 0

Resolution **15-54**: Unwinding of the NMTC Financing for Leland Fairley and PPM Hillclimb was passed unanimously by the Committee by a vote 5-0-0.

III. **Action Item:** Proposed Resolution **15-55:** Employee Medical and Dental Coverage 2015-2016

Erica Bates provided a background of the resolution which included the Pike Place Market PDA Employee Medical and Dental benefit costs for the 2015-2016 policy year. She reported that there was only a 3 percent increase in total costs this year, which was very competitive for the current marketplace; the initial insurance proposal was estimated with a 14 percent increase from the previous year.

The resolution states that the PDA Council authorizes the PDA Executive Director or his designee to enter into contracts with Regence BlueShield for employee medical coverage, SunLife Insurance for employee life insurance and Washington Dental Service for employee dental coverage for 2015-2016 policy year in the amount not to exceed \$775,000.

Medical Coverage	\$691,000
Life Insurance	\$ 37,000
<u>Dental</u>	<u>\$ 47,000</u>
	\$775,000

- A cushion to account for a flux in number of employees was taken into account.

Ann Magnano moved, Patrice Barrentine seconded

There was a brief discussion that followed.

Ann Magnano inquired about the possibility of extending benefit coverage to the businesses and employees of the Market. She was curious in the potential costs and logistics for including the Market sector under the PDA Plan.

Erica Bates briefly discussed the challenges in being able to insure the numerous and diverse sectors of the Market, including the eligibility factors that affect rates and coverage; she said if requested by the PDA Council, we could look into the idea further.

For: Gloria Skouge, David Ghoddousi, Betty Halfon, Patrice Barrentine, Ann Magnano
Against: 0
Abstain: 0

Resolution **15-55:** Employee Medical and Dental Coverage 2015-2016 was passed unanimously by the Committee by a vote 5-0-0.

B. WISerg Harvester Update

Tamra Nisly reported on the WISerg Harvester Update. Chris Paris, Mechanical Engineer from WISerg was available at the meeting to answer questions regarding the Harvester machine. She had also provided an updated presentation on the Harvester

concept along Pike street, including detailed images of the machine in its proposed location.

Ben Franz-Knight noted that we have a lot of work on the front with recycling and rerouting the Market's waste; this also includes educating our tenants.

David Ghoddousi noted his concern with the Harvester potentially blocking one of the entrances in the Market.

Ann Magnano though the idea of installing the Harvester on Pike Place was fabulous. She stated that she would like to place the Pike Place Market as the forefront of sustainability.

Betty Halfon said that she did not agree with the proposed location of the Harvester but did agree with the benefit of having the machine in the Market. She had requested to explore other locations for the Harvester that would not take up valuable parking spaces.

Patrice Barrentine said that she fully supported the pilot program and was excited to see it in the Market.

Tamra Nisly mentioned that the current proposed site would not take away parking spaces. She elaborated on the exploration of different locations for the Harvester, noting that other locations could potentially take up parking.

David Ghoddousi would like to see the proposed Harvester location moved further south on Pike Place. .

I. **Action Item:** Proposed Resolution **15-56:** Agreement between Seattle Public Utilities and the Pike Place Market PDA for On-site Foodwaste Processing Demonstration Project

Tamra Nisly introduced the resolution which states that the Pike Place Market preservation and development authority (PPMPDA) had adopted Resolution 14-68 in 2014 to reduce the use of resources and the generation of waste within the Market, to continually improve our environmental performance, to comply with environmental laws and regulations and to work in coordination with and provide assistance to PDA tenants to ensure Market-wide business practices are conducted in an environmentally responsible and sustainable manner; and,

Whereas, in accordance with City of Seattle Ordinance #124582 effective January 1,2015, the disposal of food waste in both residential and commercial garbage containers would be prohibited with businesses required to sign up for a food waste collection service or have an onsite system to compost or anaerobically digest or process food scraps; and,

Whereas, Seattle Public Utilities has expressed interested in studying other food waste disposal technologies and has published a Request for Proposals for commercial

businesses to provide monthly monitoring information on food waste diversion, water, electrical energy, and waste water inputs and outputs associated with the businesses' selected food waste processing technology; and,

Whereas, the PPMPPDA has chosen to collaborate with Wiserg for the trial installation of the food waste technology necessary to participate in the study with Seattle Public Utilities; and,

Whereas, Seattle Public Utilities has selected the PPMPPDA to participate in the aforementioned food waste study and has agreed to compensate the PPMPPDA in an amount not to exceed \$16,000 for quarterly reports regarding data on food waste diversion, water, electrical energy, and waste water inputs and outputs.

Now, therefore be it resolved that the PDA authorizes the Executive Director to enter into contract with Seattle Public Utilities for compensation for the Market food waste diversion data in an amount not to exceed \$16,000.

Patrice Barrentine, Ann Magnano

For: Ann Magnano, Patrice Barrentine, Gloria Skouge
Against: David Ghoddousi, Betty Halfon
Abstained: 0

Betty Halfon mentioned that she was concerned that the two people that voted against the resolution were merchants of the Market who utilize the Market on a daily basis.

Resolution 15-56: Agreement between Seattle Public Utilities and the Pike Place Market PDA for On-site Foodwaste Processing Demonstration Project passed by the Committee with a vote of 3-2-0.

C. 2015 Strategic Issue - Commercial Tenant Leasing Guideline Review

John Turnbull, Director of and Jennifer Maietta, Commercial Portfolio Manager reviewed a draft version of the Lease Administration Guidelines, which included some of the restructuring of the document sections.

There were questions from the committee that followed after.

Ann Magnano thanked John and Jennifer for their work with the revisions to the Commercial Leasing Guidelines. She said that the Leasing Guidelines is useful for enforcing policy with the PDA and the PDA Council

Betty Halfon asked about advertising stipulations in the guidelines as well an emergency plan for the landlord of the business.

Patrice Barrentine said that the layout of the leasing guidelines was fantastic; she did provide minor grammatical edits to the document.

Ben Franz-Knight mentioned that we did include specific language regarding tenant buildout time and closure stipulations for businesses.

D. **Action Item:** Proposed Resolution **15-58:** Authorization for Contract Authority - Repair and Preserve Existing Roof - Heritage House

Andre Zita introduced the resolution which states that 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, in order to maintain the viability of the Pike Place Market buildings the PPMPDA has determined that the existing roof of the Heritage building is in need of repair; and, Whereas, the PPMPDA has executed a competitive bid process for the recoating and repair of the decaying roof deck, transition flashing, and gutters to protect the existing structure and to help ensure performance and longevity of the roof for years to come; and,

Now, therefore be it resolved that the PPMPDA Council authorizes the PPMPDA Executive Director or his designee to enter into a contract with NW Roofing Solutions, LLC. in an amount not to exceed \$102,673 for work necessary to repair and preserve the existing roof of the Heritage building.

The funds for this project will be drawn from the Capital Projects Budget, 2015
COMGAR – Heritage Bldg. - Envelope (Roof) protection - GL 163774-00

Ann Magnano moved, Betty Halfon seconded

Ann Magnano asked about the costs for installing a new roof for Heritage house as well as the current age of the existing roof.

Andre Zita discussed some of the options with the future of the roof noting that we did look at the idea of building a new roof.

Betty Halfon asked how long the proposed roof would last and if there was a warranty.

Andre Zita noted that the estimated lifetime of the proposed roof would be up to 10 years. He said that warranties with roofing is not typical under industry standards.

Ben Franz-Knight said that we are making a conscious decision to extend the roof lifetime for an estimated 5 to 8 years. He said that with the development of the Waterfront there could be opportunity in the future with the renovation of Heritage House.

V. Property Management

A. Residential Property Management Report

John Turnbull presented the Residential Property Management Report for the month of July 2015. He reported that the residential vacancy rate at the Market was roughly below 2%. He reported that cleanup work is being performed at the Livingston Baker including removal of the motorcycle parking.

VI. Public Comment

Joan Paulson reiterated again to the Committee that the Commercial Leasing Guidelines should include an Emergency Preparedness Plan for the businesses.

Chris Scott commented on the evacuation protocol for the Residential buildings in the Market. He noted that when the firm alarm goes off in his building, tenants are required to vacate the building; however, the businesses below the residential area seem to not adhere to the same policy.

VII. Closed Session

The Committee entered into Closed Session at 5:20pm

- I. Property Management Report - *Closed Session (RCW 42.30.110[c])*
- II. Review of Lease Proposals
Lease Renewal – Pike Market Creamery - 1514 Pike Place #3
- III. Review of Delinquency Report
 - a. Vacancy Report
 - b. Current Lease Negotiations

The Committee entered into Open Session at 5:40pm

VIII. Open Session

A. Action Item: Proposed Resolution 15-57: Lease Proposals - August 2015

Jennifer Maietta introduced the resolution which states the lease proposals for August 2015 as follows:

<u>Tenant</u>	<u>Term</u>	<u>Start Date</u>
Pike Market Creamery Nancy Nipples	Five (5) Years	August 1, 2015

Patrice Barrentine moved, David Ghoddousi seconded

For: Gloria Skouge, David Ghoddousi, Betty Halfon, Patrice Barrentine

Against: 0

Abstained: 0

Resolution **15-57**: Lease Proposals - August 2015 passed unanimously by the Committee by a vote of 5-0-0.

IX. Resolutions to be added to the Consent Agenda

Proposed Resolutions **15-54**: Unwinding of the NMTC Financing for Leland Fairley and PPM Hillclimb, **15-55**: Employee Medical and Dental Coverage 2015-2016, **15-58**: Authorization for Contract Authority - Repair and Preserve Existing Roof - Heritage House and **15-57**: Lease Proposals for August 2015 were added to the August 27th PDA Council meeting Consent Agenda.

X. Concerns of Committee Members

Gloria Skouge noted that she would like the Committee to start tracking the 30 year Capital Needs Assessment including tracking the current work being completed under Capital Projects with the 30 year Assessment.

XI. Adjournment

The meeting was adjourned at 5:46p.m by Gloria Skouge, Chair

Meeting minutes submitted by:
Dianna Goodsell, Executive Administrator