

**PIKE PLACE MARKET  
PRESERVATION & DEVELOPMENT  
AUTHORITY**

**SPECIAL CHARTER DISCLOSURE & REVIEW PROCESS  
FOR PC1N/MARKETFRONT REDEVELOPMENT AND  
FINANCING PLANS**

**WRITTEN ANALYSIS – February 23, 2015**

# TABLE OF CONTENTS

	<b>Special Disclosure &amp; Review Process.....</b>	<b>3</b>
<b>1.</b>	<b>Description of the Program.....</b>	<b>4</b>
1.1	Changes of Ownership.....	4
1.2	Restrictive Covenant.....	4
1.3	Overview.....	5
1.4	Cost and Financing the Program.....	7
<b>2.</b>	<b>Explanation of the Reasons for the Program.....</b>	<b>8</b>
<b>3.</b>	<b>Review of the Program.....</b>	<b>9</b>
3.1	Compliance with state and local laws.....	9
3.2	Compliance with deed restrictions governing uses in the PPM Historical District.....	10
<b>4.</b>	<b>Impact on Existing Tenants &amp; Public.....</b>	<b>10</b>
<b>5.</b>	<b>Discussion of Possible Alternatives &amp; Options.....</b>	<b>11</b>
<b>6.</b>	<b>Schedule of Opportunities for Public Response and Expected timing of PDA Council Decision.....</b>	<b>13</b>

EXHIBIT A: MarketFront final MHC Application

EXHIBIT B: Final Draft Development Agreement between PDA and City of Seattle

EXHIBIT C: Total Project Budget

EXHIBIT D: Project Funding Sources and Flow of Funds

EXHIBIT E: PDA Debt History and Debt Capacity

EXHIBIT F: PDA Current and Projected Cash with Debt

EXHIBIT G: PDA Council PC1N Resolutions – 2011-Present

EXHIBIT H: Steinbrueck Urban Strategies Project History and Summary

## **Special Disclosure & Review Process**

---

Article XV of the Pike Place Market Preservation and Development Authority (PDA) Charter (Charter) requires a Special Disclosure and Review process for “actions that may have substantial effect on the merchants, tenants, residents, lessees, licensees, and social organizations in the Market Historical district. “The Program”, Redevelopment of PC1N/MarketFront (MarketFront) and Financing Plans, includes actions mandating PDA Special Disclosure and Review process, including the following:

- Encumbrance of any PDA interest (excluding individual tenant leases) in any property in the Market Historical District;
- A change in the established primary use of a main arcade, building, or major section of a building other than an individual tenant space within PDA-owned properties in the Market Historical District;
- Demolition, substantial alteration, or construction of a major addition (excluding individual tenant improvements and like-kind building repairs or replacements) to a building within the Market Historical District;
- Entering into a real property lease agreement (excluding individual Market tenant leases) for a term longer than one year.

The PDA Council will consider the actions listed above that are necessary components of the Program. The PDA Special Disclosure and Review process requires the following:

- A 45-day community notification prior to any vote of the PDA Council on each proposal of the type described above;
- A written analysis of the possible impacts of the proposal on the merchants, tenants, residents, lessees, licensees, and social organizations made available at the PDA office, as well as written summary sent to each community group, at least 31 days in advance; and
- A compilation of public comments received and a written report responding to comments made, at least 5 days in advance.

This written analysis includes the following components:

- A complete description of the Program
- A description of the anticipated financial impacts of the proposal, including borrowing costs, interest rates, cash-flow projections, repayment schedules, and the financial effect, if any, upon tenants in the Market;

- An explanation of the reasons for the proposal as they relate to the general purposes and responsibilities of the PDA as described in Article IV of the Charter, the Pike Place Market Historical District Ordinance 100475 as amended, and the Pike Place Market Urban Renewal Plan as amended;
- A review of how the Program complies with applicable state and local laws and deed restrictions that govern uses of PDA properties in the Market Historical district;
- A discussion of possible alternatives and options, and of the advantages and disadvantages of the Program; and
- A schedule of opportunities for public response and expected timing of the PDA decision.

## **1. Description of the Program**

---

The descriptions below and the overview describe in detail the work that is proposed in this project.

### **1.1 Changes of Ownership**

The project proposes the transfer of ownership of the PC1N parcel from the City of Seattle to the PDA. PC1N development may also include subsequent transactions that include changes in ownership structure for financing purposes. The intent to transfer ownership is considered in the MOU with the City of Seattle and is dependent on the PDA performance consistent with the conditions outlined in the MOU. The surface parking on the PC1N lot has been managed by the PDA under a management agreement with the City of Seattle for over two decades and was identified as a component of the Market Urban Renewal Plan adopted in 1974.

### **1.2 Restrictive Covenant**

In September 2012 the PDA responded to an RFI issued by WSDOT seeking projects eligible for AWW Parking Mitigation Funds. The PC1N Project was identified as a qualifying project and eligible for \$5 million in funding. The mechanism for transfer of the funds from WSDOT to the PDA involves the purchase of restrictive covenants on the existing PC1S parking garage and the future parking garage planned as part of PC1N. The first agreement will place a restriction on the maximum rate charged for short-term parking of up to four hours in set number of spaces in the current PC1S parking garage in exchange for \$1million. The second agreement will place a similar restriction for the new parking garage on PC1N exchange for \$4 million. The duration of covenant for the first agreement is anticipated to be between 3-5 years. The duration of the covenant in the second agreement is yet to be determined but will likely not exceed 20 years. Other aspects of PC1N development also will involve financing or operational covenants and restrictions.

### 1.3 Overview

The PC1N site, bordered by Victor Steinbrueck Park to the north, the Market Parking Garage and Heritage house to south, Western Avenue to the east and the Alaskan Way Viaduct to the west, is the last developable parcel in the Market Historic District. The project site has been the subject of numerous studies and charrettes over the last 30 years, however never advanced beyond rough concept sketches due to lack of adequate funding sources. Committed dollars from the City of Seattle through an MOU adopted on Feb. 25, 2013 combined with funding available upon pending approval of the WSDOT Parking Mitigation agreement were considered in this analysis along with the direct PDA expenditure of funds on the design efforts to date allow this project to advance beyond concept design, through schematic design development, and into design development which will include formal plans for implementation. The project concept is consistent with the Urban Renewal plan and builds on the multiple studies conducted over the last three decades. The project schedule calls for construction to commence in June 2014 and be largely completed in December 2015.

Key Project elements include:

- Substructure and Foundation that straddles the Burlington Northern Train Tunnel that bisects the site
- Construction of Below Grade Parking
- Retail Space
- Residential Units
- Public Space Connections between the Market and the new Overlook Walk and new Central Waterfront
- Plaza canopy providing weather protected space for daystalls, farmers and special events

#### **Substructure and Foundation**

The PC1N site is bisected by a Burlington Northern Train Tunnel. The substructure and foundation for the Project are being designed to isolate the tunnel from any Project impacts and ensure that tunnel operations, tunnel structure and integrity are unimpeded by the PC1N Project. The below grade floor structure will consist of 9 inch thick two way slabs supported by columns spaced at roughly 28 feet on center. The seismic force resisting system will be reinforced concrete shear walls, with approximately 90 feet of shear wall length in each direction at each floor. The foundation will be approximately (300) 18 inch diameter 40 foot long auger-cast piles. Where garage columns occur over the existing railway tunnel, a system of deep concrete transfer grade beams will be used to bridge over the top.

#### **Below Grade Parking**

The demolition of the Viaduct results in a net loss of over 1000 parking spaces along the Central Waterfront and includes the elimination of two surface parking lots under the Viaduct at Lenora and Blanchard that are currently managed by the PDA and serve Market visitors and workers. The Project includes approximately 300 below grade parking spaces that are accessible from Western Avenue and future new Alaskan Way/Elliott connector road and tie into the current Market Parking Garage on PC1S with

an internal floor connection. The parking will include ADA accessible stalls and elevator access to all floors as well as 33 covered bicycle parking spaces.

### **Retail Space**

Approximately 12,000 sq/ft of potential retail space is included in the Project. Potential retail uses include 1- 2 restaurants including outdoor dining space, as well as 3-5 smaller retail spaces. Two social service spaces are also included in the design to expand the reach of existing market services and support a new partnership with the Chief Seattle Club. The retail space is all located below the level of the Desimone Bridge at approximately the same level as Western Avenue. The Project also includes a future and modest retail activation on the western-most face of the parking garage along the Overlook Walk. Additional restrictions, covenants or potential alternate ownership structures are anticipated as required for financing purposes including New Market Tax Credits (NMTC).

### **Residential Units**

The southern portion of the Project includes low-income housing with a total of 40 units which will serve a combination of low-income seniors and live/work space for low-income artists. 20 units are designated at 50% AMI and 20 units designated at 30% AMI. Affirmative marketing for the 30% AMI units will be conducted for Native Peoples. There are three floors of housing on the western-facing side and four levels of housing on the eastern-facing (Western Avenue) side. The residential plan also includes office space for a residential manager, laundry and common area spaces for residents and elevators. Additional restrictions, covenants or potential alternate ownership structures may be required for financing purposes including Low-Income Housing Tax Credits (LIHTC).

### **Public Space**

The Project includes approximately 30,000 sq/ft of public open space starting with a plaza and walkway/ramp connecting the Desimone Bridge to the waterfront and allowing for future connection to Steinbrueck Park. Outdoor dining and seating areas, stairways connecting to the Desimone Bridge and west side of the project including donor recognition and public art are all part of the project. Ample public walkways and multiple ADA compliant pathways connect the Project to Western Avenue and to the Overlook Walk leading down to the Aquarium and new Central Waterfront. The Development Agreement between the City of Seattle and the PDA includes specific use restrictions and covenants relating to operations for general public benefit as required by the City of Seattle.

### **Plaza Canopy**

New Weather Protected Daystall/FarmTable and Event Space – A plaza canopy with roll-up glass garage doors provides flexible weather protected space of just over 5000sq/ft that can accommodate up to 47 new daystall and farm tables as well as special events. The space is designed with overhead lighting and access to multiple power outlets for vendor and event use.

## 1.4 Cost and Financing the Program

The cost of the Project described above is approximately \$73 million. Project funding comes from multiple sources including \$3 million in PDA equity, \$6 million in WSDOT Parking Mitigation funds, \$34 million in funding from the City of Seattle, \$9.2 million in grants and financing for the low-income housing, up to \$6 million in philanthropy and remaining balance of \$2-\$2.5 million in State grants, \$4 million in New Market Tax Credits (NMTC) and the remaining balance of \$8.5-18 million in debt through either loans or bond issuance which will include short term debt to bridge funding sources secured after construction commencement including remaining philanthropy, NMTC and grants.

\$3.5 Million in funding has already been secured from WSDOT Alaskan Way Viaduct mitigation funds through recording of restrictive covenants on the current Market Parking garage on PC1S that limits the rates charged for short-term parking, a similar covenant will be recorded for the new parking included in the MarketFront project.

Early funding from the City of Seattle is included in the cities 2013-14 Biennial budget and is a key component of the MOU between the City and the PDA. The Development Agreement between the City of Seattle and PDA includes a commitment for the City to contribute a grant of \$34 million to the project. These funds were included in the City of Seattle's Biennial 2015/16 Budget.

The \$9.2 million in funding for the low-income senior housing component of the project includes City of Seattle and King County Housing grant funds totaling \$1.4 million, and Low-Income Housing Tax Credit financing totaling \$7.8 million. Additional restrictions, covenants or potential alternate ownership structures are anticipated as required for financing purposes.

Philanthropic contributions and direct fundraising totaling \$6 million are projected to be raised through a campaign coordinated and championed by the Market Foundation, specific campaign components include, plaques, and other forms of individual donor recognition in public spaces and fundraising events. The Market Foundation has raised just over \$2 million as of December 31, 2014.

State grants are being sought of approximately \$2 million in funding through specific programs including the Building Communities Fund and general State Capital Budget requests.

New Market Tax Credits (NMTC) investments in the project are being pursued to realize a net equity contribution of approximately \$4 million. Additional restrictions, covenants or potential alternate ownership structures are anticipated as required for financing purposes.

The PDA is also considering issuing new debt in the form of bonds or loans to cover short term funding needs based on available funds from a combination of Philanthropy, Grants and NMTC's at the time of construction start as well as long term debt to complete project funding needs. Included with this new debt the PDA is considering

paying off current callable bonds associated with the PC1S Garage that have been successfully supported with over \$800,000 in annual debt service over the last 20 years and refinancing one bond and one loan associated with the 1<sup>st</sup> and Pine Building that are due in 2015 and are currently at high interest rates over 5%. Extensive analysis of the PDA's debt financing history and current capacity is included as exhibits with this analysis.

## **2. Explanation of the Reasons for the Program**

---

The explanation for the reason for the Program is based upon the general purposes and responsibilities of the PDA as described in Article IV of the Charter, the Pike Place Market Historical District Ordinance 100475 as amended, and the Pike Place Market Urban Renewal Plan as amended.

The primary reason for the Program is to fulfill the PDA's Charter mandates, specifically to preserve and rehabilitate the properties in the Pike Place Market Historic District. PC1N represents the last developable parcel in the Historic District as conceived of in the Urban Renewal Plan and as described above in detail. The City of Seattle has recognized the contribution of Pike Place Market to the City both economically and culturally, further, the City of Seattle acknowledges the critical role the Market will play in the success of the new Central Waterfront and fully supports this redevelopment program.

In addition to the overall redevelopment program, other particular Charter mandates met with this Program are supportive of service for low and moderate income persons with additional low-income housing, and programs for food and farm products including additional farm sales space and daystalls and expansion of vital social services with in the Market including a new partnership with the Chief Seattle Club..

The opportunity to realize the MarketFront project is only possible with the significant external funding sources available due to the demolition of the Viaduct, grant funds, philanthropy and funding from the City of Seattle. It is unlikely that a moment that provides this level of funding from external sources will align with the long standing goals of PC1N. Once the viaduct is removed and the new waterfront built, a major change in the physical landscaped in around this parcel is unlikely for a period of at least 50 years. The general goal of the project is to construct buildings that complement existing market structures, and connect with current mechanical systems and facilities. The project design, materials and construction methods employed will be such that new development will continue to serve the public well for the foreseeable future, without changing the uses and character of the Market that have made it such a treasure in the City.

Over the course of the last three years the Market Historic Commission received 24 briefs regarding the PC1N design evolution and approved the general project design and uses (subject to future approval of specific commercial space uses) on January 14, 2015.

By utilizing multiple sources of external funding including the WSDOT AWW Parking Mitigation funds, City Funds, Grants, Philanthropy, New Market Tax Credits and Low-Income Housing funding sources the PDA is able to minimize the amount of debt and



limit the potential burden incurred by the PDA Market in realizing the long-held vision for PC1N.

### **3. Review of the Program**

---

#### **3.1 Compliance with state and local laws**

The Program will comply with all generally applicable Federal, State and City laws as described below.

The PDA is governed by the terms of its Charter and will develop the Program in compliance with all terms and conditions of the Charter. In addition to the Special Disclosure and Review Process required by the Charter (“Charter Notice”), RCW 35.21.747 (Public Corporations Act) requires the PDA to provide certain statutory notices, including notice pursuant to RCW 42.30.080 (Open Public Meetings Act), (collectively, “Statutory Notice”) before selling or encumbering property obtained from the City of Seattle. Since the Program involves a number of actions requiring notice, the PDA is providing the Statutory Notice and the Charter Notice for the entire Project (including all actions described herein) through a consolidated notice process (collectively, “Consolidated Notice Process”). The Program will be developed in compliance with all other applicable state law requirements.

The PDA will comply with all applicable land use, building, and construction code requirements, including obtaining all permits required for the Program.

In addition, there are Seattle Municipal Code requirements that apply to the Program. The properties in the Program are part of the Pike Place Market Historical District (“Historical District”), which was established for the purpose of preserving the architectural, cultural, economic and historical value of the Market. See SMC 25.24 et. al. The code authorizes the PPMHC to monitor and approve projects involving demolishing, building, renovating, altering, modifying, changing, or improving or changing a permitted use of property located in the Historical District. See SMC 25.24.030. The PDA will obtain a Certificate of Approval from the PPMHC before commencing any construction activities and will develop the Program in compliance with all terms and conditions imposed by the PPMHC, including all applicable design guidelines.

The PDA will also comply with all aspects of City of Seattle Ordinance 124122 for use in this Program subject to the MOU Agreement between the PDA and the City approved in the Ordinance and subject to the Development Agreement between the City and the PDA a final draft of which is attached and will supersede the MOU upon approval by the City Council.

The PDA will comply with any other applicable statutory or regulatory requirements.

### 3.2 Compliance with deed restrictions governing uses in the PPM

#### Historical District

The property is subject to a Historic Preservation Easement dated June 1, 1992 (“Preservation Easement”) in favor of the Washington State Department of Community and Development Office of Archaeology and Historic Preservation (“State”) for the purpose of preserving the historic, aesthetic, and cultural character of the property. Pursuant to the terms of the Preservation Easement, the PDA will obtain the consent of the State before commencing any construction, alteration or remodeling any portion of the property. The PDA will comply with all other applicable terms and conditions of the Preservation Easement.

## **4. Impacts on Existing Tenants & Public**

---

The desire of this Project is to maintain all of the existing uses and businesses in the buildings as they are today. However, due to the nature of the proposed work, changes to the use of some areas are required and may include impacts such as the following:

- The Desimone Parking lot will be closed for parking from mid-2015 through the end of 2016.
- No impacts are foreseen on Pike Place or to utility service to existing Market buildings due to MarketFront construction.
- Western Avenue will see increased traffic, noise, and additional truck traffic due to construction on the PC1N site and may be closed for short periods of time related to construction and construction-related deliveries.
- Truck and delivery access to the Foodbank currently provided through the Desimone Lot will be relocated. Alternative delivery and loading areas will be moved to the south portion of the Market Parking Garage on Western Avenue.
- The entrance to the Market Parking Garage on PC1S will be reconfigured and the open deck parking on the top floor restriped to accommodate delivery trucks supporting the Foodbank and Market businesses.
- There will be extensive construction on the west side of Desimone Bridge which may prevent retail availability for periods of time during construction for safety reasons.
- The stairs and western access to the Desimone Bridge will be closed during the duration of demolition and construction.
- Pedestrian access, as well as meter parking and bus parking along the west side of Western Avenue, will not be available during demolition and construction.

- Completion of the project will improve accessibility to the Market from the west side, increase parking availability including covered bicycle parking, and provide new public space, additional retail opportunities and low-income senior housing.

## **5. Discussion of Possible Alternatives & Options**

---

The PC1N site has been studied for over 40 years with efforts only progressing to the point of rough concept due to lack of adequate funding sources. Physical site constraints, historical district regulations on potential uses, and height restrictions have proved to be significant obstacles to any plans for site improvement.

Funding sources for public infrastructure improvements related to the WSDOT AWW replacement, parking mitigation, Low-Income Housing Tax Credits and City Funding provide a rare opportunity to realize development plans. Commitments from the PDA, City of Seattle and WSDOT AWW Parking Mitigation Program supported the MarketFront Project concept development, schematic design, design development and construction document phases effectively advancing the project to the implementation stage. A vote on the Development Agreement by the City Council anticipated in mid-March and a vote by the PDA Council related to the final financing plans scheduled for March 26<sup>th</sup> are the final major steps prior to project commencement.

Potential alternatives without full funding include:

- Scope scaled to meet available funding - subject to review and approval by the City of Seattle per the Development Agreement
- Changes in the development program to increase potential for debt financing from project revenues for full project
- No Project
- PDA Undertakes an alternate project subject to new design development and review and approval by the City of Seattle and MHC

### **Scope Scaled to Match Available Funds**

The project has been designed within significant constraints including limits to building heights, view preservation, the Burlington Northern Train Tunnel and significant on-site grade changes.

Reduction of full funding for the full project design could result in the reduction of replacement parking spots, reduced public open space, and/ or the reduction of retail, social service and low-income housing space.

The development of retail and residential space also assumes funding from sources other than revenue based debt service. A reduction in these funds could lead to the reduction of the respective components or a requirement to phase construction as funding became available. Phased construction would increase disruption for the replacement of parking and would likely result in significant increases in cost.

### **Debt Financing for Full Project**

An alternative to the major financing component, the WSDOT AWW Parking Mitigation Funds, New Market Tax Credits, Low-Income Housing Tax Credits, Philanthropy, Grants and City Funding, would be to debt finance the construction cost and to increase rent to cover the interest costs. This is the method used by most real estate owners and developers. This is not a viable alternative for this site. The restrictions imposed by site constraints and regulatory agreements inevitably lead to unusually high development costs and reduce income potential. Privately financed ventures considered in the past have identified high value uses as potential options for the site – for example hotel, condominium, high-end retail and service uses – all of which would result in the reduction of public benefits (parking, circulation, and open space). Increased reliance on use of income supported debt would lead to a reduction in public open space to reduce operating costs, a need to increase the amount of space built for revenue generating uses, and very limited ability to accommodate service function and lower-rent uses such as affordable housing and social services. Public parking would be set at rates to generate maximum income rather than the needs of the public and the Market.

In this scenario buildings would be taller, massing more substantial, public space decreased, height and number of market rate housing units increased replacing low-income units. Many of these considerations and potential impacts run contrary to mandates in the PDA Charter, thus this is not a viable alternative for the PDA.

### **No Project**

Another potential alternative involves the PDA electing to not undertake the project at all. In this scenario the PDA would lose access to \$34 million in City funding forgo funding from WSDOT in the amount of \$2.5 million, refuse low-income housing grants and forgo pursuit of Low-Income Housing Tax Credits and New Market Tax Credits and jeopardize the ability to gain Market ownership of the PC1N site as contemplated in the MOU and committed in the Development Agreement with the City.

A likely outcome if the Market elected not to pursue this project would be for the City to propose a development program primarily associated with the previous Central Waterfront Design and/or a private developer. An example of these programs was shown in 2011 as a conversion of the PC1N site to primarily public open space with limited commercial facilities. Market Historic Commission and PDA Council had strong objections to these early concepts prompting the PDA to actively pursue, and invest in, development of the current market based concept design. Affordable housing and replacement parking for spaces lost to demolition of the Viaduct may not be a priority and likely would not be included due to financing complexity.

With no action, the City retains the option to have the PDA manage the surface parking lot. Inevitably, future infrastructure improvements will be required to upgrade the access and structure of the Desimone Bridge and retaining wall supporting Western Avenue. Renovation of the parking area will trigger upgrades to current codes, likely reducing the number of parking spaces available on-site and increasing operating costs.

To delay and/or to attempt to complete over a longer period of time would ultimately result in higher costs and more construction time. The City and the PDA concur that this is a desirable project at this time when significant public resources are now committed to proceed with construction for maximum leverage of debt.

#### **PDA Undertakes Alternate Project**

The MOU and subsequent Development Agreement between the City of Seattle and the PDA include provisions in the event that the current project is substantially or indefinitely delayed and an alternate project is pursued. If this were to occur, the PDA has the right to move forward with development of an alternate project that, at minimum includes parking and public access/connections to the waterfront. This provision also preserves the right for the PDA to gain ownership of the PC1N site from the City of Seattle subject to the cities review and approval of the alternate development plan.

## **6. Schedule of Opportunities for Public Response and Expected timing of PDA Council Decision**

---

The PDA Council will accept public comments on the proposed actions at a special meeting on March 9<sup>th</sup> at 4:00 p.m. in the Elliott Bay Room on the top floor of the Economy Building. Community written questions and comments will be accepted until March 13<sup>th</sup>, 2015 at 5:00 p.m. in order to be included in the PDA written response to any such comments. The PDA's written responses to community questions and comments will be available at the PDA offices no later than March 20<sup>th</sup>, 2015.

The PDA Council will consider the written response to written questions and comments prior to taking action on the proposed actions at a special meeting on March 26<sup>th</sup>, 2015 at 4:00 p.m. in the Classroom on the top floor of the Economy Building. The PDA Council will take action to approve or disapprove the proposed actions at this meeting.

Subsequent action specific to NMTC and Low-Income Housing Tax Credits in anticipated between June 2015 and October 2015 and will be subject to additional notice consistent with statutory requirements, RCW 39.33.010 and RCW 39.33.020.