

Minutes

Washington State Convention Center
Public Facilities District

Regular Meeting of the Board of Directors
May 23, 2017

I. CALL TO ORDER

Frank K. Finneran, Board Chairman, convened a regular meeting of the Washington State Convention Center Public Facilities District (WSCC) at 2:00 p.m., in Room 303, of the Convention Center.

MEETING ATTENDANCE

Board Directors in Attendance

Frank K. Finneran, Chair
Robert Flowers
Jerry Hillis
Susana Gonzalez-Murillo
Craig Schafer
Nicole Grant
Denise Moriguchi

Board Directors Absent

Deryl Brown-Archie, Vice Chair
J. Terry McLaughlin

Officers in Attendance

Jeffrey A. Blosser, President / CEO
Linda Willanger, Vice President of Administration / AGM
Ed Barnes, Vice President of Operations

Consultants / Vendors in Attendance

Brian McFadin, ARAMARK
Keith Hedrick, ARAMARK
Becky Bogard, Bogard & Johnson, LLC
Matthew Hendricks, Hendricks - Bennett, PLLC
Matt Griffin, Pine Street Group
Aaron Dillon, PSAV
Colin Green, PSAV
Joe Melancon, Smart City
Julia Slocombe, Smart City
Jim Snook, Smart City
Tom Norwalk, Visit Seattle
Patrick Smyton, Visit Seattle
Kris Cromwell, Visit Seattle

Staff in Attendance

| | |
|-----------------|---------------------|
| Krista Daniel | Daniel Johnson |
| Michael McQuade | Michael Murphy |
| Paul Smith | Lorrie Starkweather |
| Ron Yorita | |

Visitors in Attendance

Anna Boiki-Weyrauch, KUOW 94.9 FM
Abby Lawlor, UniteHERE Local 8
Stefan Moritz, UniteHERE Local 8
Andrew Orlebeke, Community Package Coalition
Scott Bonjukian, Lid I-5 and Community Package Coalition
Gordon Padelford, Community Package Coalition
Kelsey Mesher, Community Package Coalition
McCaela Daffern, Capitol Hill Housing
Alex Hudson, Community Package Coalition
Doug Holtom, Community Package Coalition

II. APPROVAL OF MINUTES

March 28, 2017 WSCC PFD Regular Board Meeting

Mr. Hillis made a motion to approve the minutes of the March 28, 2017 Regular Board meeting as presented. Mr. Flowers seconded and the motion was carried by the unanimous affirmative vote of all Directors present.

III. PUBLIC COMMENTS

Mr. Finneran advised that anyone wishing to speak before the Board, either as an individual or as a member of a group, may do so at this time. Individuals desiring to speak shall give their name, address, and the group they represent, if any.

Members of the public wishing to address the WSCC PFD Board were:

- 1) Mr. Scott Bonjukian, representing Lid I-5 and the Community Package Coalition.

1 Thank you for the opportunity to speak today. My name is Scott Bonjukian, and I live at 328 Bellevue
2 Avenue East. I'm a volunteer with the Lid I-5 Steering Committee. But today I'm here to speak on
3 behalf of the Community Package Coalition regarding the Convention Center Addition Project. Our
4 Coalition is a band of 10 non-profits and community organizations dedicated to building a more livable,
5 safe and affordable Seattle. In response to this project's street and alley vacation requests, we first
6 presented the community package of public benefits to you in January. Our proposal remains unchanged.
7 We are supporting a significant opportunity for the Convention Center to invest in our community
8 through affordable housing contributions, bike and pedestrian improvements, and new and expanded open
9 space. Since January, we are disappointed to report our concerns have not been heard. None of the
10 community package components have been adopted in full, and the development team has not made a
11 serious effort to engage the Coalition. This lack of responsiveness to community concerns has been
12 noticed by the City Council and city staff who both believe the current proposal of \$30 Million dollars in
13 benefits is not nearly enough. The proposal is also unfair that the largest share of benefits are design
14 features typical of downtown development. The proposal to gift private property to owners for lighting
15 improvements and improving Olive Way, after it will be restored anyways after construction, is also
16 disingenuous. Our exhaustive analysis of recent large and similar development projects in downtown
17 stipulates a public benefits package worth \$60 to \$75 Million dollars. This is based not just on the SoDo
18 arena which is indeed a comparable project, but multiple other commercial and public projects in recent

19 times. Amid rising land values and a growing population, we disagree that any portion of 1.3 acres of
20 public land should not be discounted. A vacation is a vacation regardless of its use or location. This
21 project is being built using public dollars by a public entity on public land and it cannot proceed without
22 the largest street and alley vacation in downtown Seattle history. It must be held to the highest standards.
23 This project is a once in a generation opportunity to reshape the center city and the impacts of this project
24 are similarly significant. Full adoption of the community package would help us, would help meet your
25 obligations and more notably speed this project through the development approval process. We are eager
26 to support this project as a Coalition, but if and only if you offer commensurate public benefits for our
27 neighborhoods and our city. Thanks for your time and I have a couple of copies that I will pass around.

Mr. Finneran thanked Mr. Bonjukian for addressing the Board and asked that the copies of the document be provided to Ms. Starkweather for distribution to the Board members.

2) Mr. Stefan Moritz, representing UniteHERE Local 8.

1 Good afternoon. My name is Stefan Moritz. I am with UniteHERE Local 8. I've been at many of these
2 meetings but I don't think I've ever testified in front of you guys. So we, we've sat through a lot of, you
3 know, pretty sanitized meetings over the last few weeks, and I want to address you guys and burst that
4 bubble a little bit and address the elephant in the room. I'm sure you've read our letter to the King
5 County Executive Constantine regarding our concerns. I'm sure you've read Councilmember O'Brien's
6 letter to Mr. Griffin. We believe that hotel workers, the immigrant housekeepers, the servers, the cooks
7 and dishwashers that make the tourism industry what it is, and that makes the tourism industry successful
8 are excluded from the benefits of this Convention Center Addition Project. This project should not move
9 forward until workers and their communities are at the core of the project's benefits. We shared this view
10 with Mr. Griffin in person exactly two weeks ago. He said he would look into it. We haven't heard
11 anything back. Ignoring the issue is not a good strategy. I urge you to keep that in mind as you move
12 forward. Also, your project is \$200 Million dollars short on funding and the path to filling that gap is
13 murky at best. Instead of bulldozing over low wage hospitality workers, you should take the time to work
14 with stakeholders such as us and others in the room to design a project within your means that results in a
15 sustainable hospitality industry for the decades to come. Thanks for listening and looking forward to
16 working with you.

Mr. Finneran thanked Mr. Moritz for addressing the Board, and being no further public comments, the meeting was brought back on to the agenda.

IV. CHAIRMAN'S REPORT

A. Consent Agenda

Mr. Finneran presented the Consent Agenda to the Board. The following action items and informational reports had been sent to the Board for review prior to today's meeting:

Action Items:

1. Ratification of Additional Facility Project Contract List
2. Approval of Additional Facility Project Draw Schedule Payment

Informational Items:

1. WSCC Sales Productivity Report
2. WSCC Monthly Expenditures Auditing Officer Certification

Mr. Hillis made a motion to approve the Consent Agenda as presented. Mr. Flowers seconded and the motion was carried by the unanimous affirmative vote of all Directors present.

VI. PFD COMMITTEE REPORTS

A. Addition Committee

1. Approval of Addition Project Financial Plan

Mr. Finneran advised that the Addition Committee, in concert with the Finance Committee, is recommending to the full Board that the two project financial plans included in the packet, namely the current estimate of 05/16/2017 in both the base case and the added tax case, be approved as governing the budgets for the project moving forward.

Mr. Flowers made a motion to approve the Addition Committee's projected financial plan dated 05/16/2017, which includes a base case and added tax base. Mr. Hillis seconded and the motion was carried by the unanimous affirmative vote of all Directors present.

2. Discussion and Possible Action Regarding WSCC Addition Project Fire Protection GC/CM Mini MACC Agreement

Mr. Finneran advised that this contract is above the approved signing authority of the Addition Committee and requires the approval of the Board. Mr. Finneran requested Mr. Griffin to provide comment.

Mr. Griffin advised that the contract before the Board for approval is a Mini-MACC agreement with Clark-Lewis for the Addition Project Fire Protection System and is for an amount not to exceed \$6.5 million dollars. This agreement is a design/build contract with design components required to be completed prior to the start of construction. Ms. Grant asked which contractor would be performing the work. Mr. Griffin advised that the selection was done through an open-bid process. McKinstry is the sub-contractor and the one doing the work.

Mr. Finneran stated the Addition Committee is recommending the approval of the Clark-Lewis Mini-MACC contract for the Addition Project Fire Protection, with an amount not to exceed \$6.5 million dollars.

Mr. Hillis made a motion to authorize the Board Chair to finalize and execute the Fire Protection General Contractor/Construction Manager Agreement in substantially the form presented in the Board packet, with Clark-Lewis in an amount not to exceed \$6.5 million dollars. Ms. Grant seconded and the motion was carried by the unanimous affirmative vote of all Directors present.

3. Update

Mr. Finneran requested Mr. Griffin provide the Board with an update on the Addition Project. Mr. Griffin provided a brief project report and stated that at this point in the project, we are all working towards what it takes to get it under construction. As has been previously stated, the critical path to construction in Seattle is working through the entitlement and permit process. We are currently at the Seattle Design Commission having discussions regarding public benefits. At the meeting on May 18, 2017, the Commission appeared to focus more on what is being designed for the public on our own site. As such, the team's efforts will focus on public benefits for the project site. On the schedule, we are trying to hold to the November 2017 start date for construction, however that is becoming more difficult. Mr. Griffin stated we will continue to try to hold that start date.

On the land component, Mr. Griffin advised that the King County Executive has transmitted the legislation to the King County Council for their review/approval to allow the King County Executive to sign the Purchase & Sale Agreement for the Convention Place Station property. It will go to its third budget meeting May 24th and is expected to be moved from that committee to the full Council. On the design process, Pine Street Group continues to be pleased with the work performed by LMN Architects, MKA Engineers, the GC/CM Clark-Lewis team, and other contractors.

B. Government Affairs Committee

1. Consultant Update Report

Mr. Blosser advised that the consultant update report from Ms. Bogard is contained within the Board packets.

C. Finance Committee

1. Discussion and Possible Action Regarding an Amendment to WSCC Procurement Policy, Resolution # 2017-10

A RESOLUTION amending Resolution 2015-5 and 2015-8 that amends WSCC Operating Procedure 20-04.2 regarding procurement.

Mr. Flowers reported that this item was part of the Addition Committee discussion, but it requires the approval and recommendation to the Board from the Finance Committee for Resolution 2017-10, amendment to the Washington State Convention Center's Procurement Policy. Mr. Finneran stated that the major features of this resolution increase the authority level of the entities that are involved in approving the expenditures for the Addition Project: to increase the authority level for the Project Manager to \$4 million dollars; to increase level of authority for the Chairman of the Addition Committee to \$8 million dollars; to increase the level of authority of the Addition Committee to \$16 million dollars; items over \$16 million dollars must come to the full Board for approval. Mr. Finneran provided the reasoning surrounding these amended levels of authority and stated that the Addition Committee had sought the approval and recommendation to the Board by the Finance Committee to increase the authority levels as described. Mr. Flowers stated that the Finance Committee recommends the Board approval of Resolution 2017-10, which is an amendment to the WSCC Procurement Policy as has been outlined.

Mr. Flowers made a motion to approve Resolution 2017-10, amending the WSCC Operating Procedure 20-04.2 regarding the procurement of services and goods. Mr. Schafer seconded and the motion was carried by the unanimous affirmative vote of all Directors present.

2. Auditor Report

Mr. Flowers reported that the Finance Committee had met on April 27, 2017 to review a presentation of the Auditor's Report. In April 2017, Miller & Miller, P.S., completed an audit of WSCC financial statements through December 31 for 2016 and 2015. Miller & Miller reported in their opinion, the financial statements presented fairly in all material respects and are in accordance with accounting principles generally accepted in the United States of America. Miller & Miller does not recommend any significant changes be made to WSCC accounting procedures. By consensus, the WSCC Board of Directors approved the Financial Statements and Independent Auditor's Report for the years ended December 31, 2016 and 2015 as contained in their documentation.

3. Investment Report

Mr. Flowers advised that at the April 27, 2017 meeting, the Finance Committee reviewed the 2017 first quarter investment update on the WSCC PFD portfolio of investments currently managed by Government Portfolio Advisors. There were no surprises or concerns

D. Art Committee

1. Update

Ms. Gonzalez-Murillo reported that the Art Committee, comprised of Ms. Gonzalez-Murillo, Ms. Grant and Ms. Moriguchi, have not had an opportunity to meet for some time. However, Ms. Gonzalez-Murillo has had several WSCC Art Foundation meetings, and provided an update on the three projects currently in the works.

a. The Art Committee and WSCC Art Foundation are producing a historic review of the WSCC Art Program featuring an interview with Ms. Phyllis Lamphere, WSCC Board Emeritus. Ms. Lamphere was first appointed to the WSCC Board at its inception in 1982 and she was instrumental in the creation of the WSCC Art Program and the WSCC Art Foundation. The video will be completed in the summer of 2017 and used for marketing purposes.

b. WSCC has opened the Call for Artists for a fourth special exhibition. This is a juried photography exhibition, *Walking the Neighborhood: Images from Favorite Washington Places*. The

exhibit will provide a celebration of the simple pleasures of walking in a community setting and the pedestrian experience. The exhibition will be juried by a team selected from the Art Committee and WSCC Art Advisors, with staff.

c. A meeting of the WSCC Art Foundation was held May 5, 2017, and work is continuing to assure gifted works of the Foundation are well maintained. An update on the Addition Project and the art component was provided to the Foundation. Ms. Gonzalez-Murillo advised that Pine Street Group has hired an art consultant and requested that Pine Street Group work closely with the WSCC Art Committee and WSCC Art Foundation due to their vested interest in the art contained in the convention center facilities. Ms. Grant requested to know the name of the consultant hired by Pine Street Group. Mr. Griffin advised that two people have been contracted for assistance on the artwork: 1) Ms. Margery Aronson, art consultant and Vice President of the WSCC Art Foundation; and at the request of the Design Commission to bring on an active artist, 2) Ms. Cathy McClure, a local artist that works in metals and kinetics. Ms. McClure was the recipient of the 1998 Betty Bowen award at the Seattle Art Museum. Ms. Gonzalez-Murillo looks forward to meeting Ms. McClure.

VI. VISIT SEATTLE & WSCC Sales Reports

A. Visit Seattle Destination Overview

Mr. Norwalk reported that Smith Travel Research report for April 2017 YTD provides comparisons for revenue per available room (RevPAR), average daily room rate (ADR) and occupancy variances for hotels in Seattle Downtown, San Francisco Market Street, Denver Downtown, Portland Central City, Austin CBD, San Diego CBD, Boston CBD/Airport, Nashville CBD and Los Angeles CBD. Downtown Seattle finished April with an occupancy rate of 79.9%, up 2.8% from the same period in 2016; RevPAR saw an increase of 10.8% and ADR had an increase of 7.8% as compared to the same period last year. In April 2017, Boston CBD/Airport topped the competitive set for the month with an ADR of \$282. Downtown Seattle ADR's (\$201) finished the month in the sixth spot. Year to-date, San Francisco remains in the lead in the categories of Average Room Rate, and RevPar, with Austin CBD ahead in the Occupancy category. Seattle numbers continued to track strongly with the eight other cities in the group.

B. Visit Seattle Sales Report

Mr. Norwalk reported that Visit Seattle WSCC sales production combined for the months of March and April 2017 was 133.81% of goal and Hotel Production was 130.25% of goal. Year-to-date 2017 definite room night production for WSCC is at 130.06% of goal, and at 101.07% for Hotel Production.

Mr. Norwalk reviewed year-to-date WSCC lost and waived room nights. Year-to-date, 289,142 room nights were lost (business bid on, but was not awarded) primarily because of WSCC size, hotel rates, and date availability. Year-to-date, 263,378 room nights were waived (business that wanted Seattle to bid, but we were unable to bid for various reasons) primarily because of date availability and WSCC size.

C. WSCC Sales Report

Mr. McQuade reported that for April 2017, WSCC & Visit Seattle Sales staff combined top-line rent totaled \$527,702 for Convention Center contracted bookings. Groups hosted April YTD realized 210 in hotel room night bookings, with 8,420 delegates, and an estimated \$442,370 in top-line revenues.

During April, WSCC Sales staff booked 24 new events into the Center to infill around convention business booked by Visit Seattle. Cumulatively, these 24 WSCC booked events represent over 8,020 in estimated attendance, 73 associated room nights, and combined topline revenues of over \$218,280 for rent, food & beverage, parking and subcontractor services.

VII. PRESIDENT'S REPORT

A. 2016 Annual Report

Mr. Blosser advised that the Annual Report is nearing completion. The State audit and the financials have been transmitted to the State. A final draft document will be emailed to Mr. Finneran and the Directors for review, and anticipate the electronic launch of the Annual Report, by email, in late June / early July.

B. DMAI / IAVM Taskforce Report

Mr. Blosser advised that he attended a Taskforce meeting April 24 & 25, 2017 in Denver. The taskforce was developed with the Destination Management Association International (DMAI) and International Association of Venue Managers (IAVM) to engage the DMO's (destination management companies), Convention Centers, and CVB's (convention & visitor's bureaus) in discussions regarding economic impact and to ensure that the numbers being presented are similar and have the same types of efforts created. Mr. Blosser and Mr. Norwalk are members of this taskforce with representatives from Denver, Louisville, Overland Park, Palm Beach County, Chicago, Seattle and Washington State, with representation from large facilities, medium-sized facilities and small facilities. The group is also working on a continued effort of relationship scenarios between the buildings and convention centers. This was the first meeting and the taskforce will be scheduling one or two more to determine next steps. DMAI has created economic impact tools that will be made available for use by the CVB's and DMO's to assist with predicting economic impact for the specific venues (convention centers, sports facilities, etc.), the different types of events, the city destinations, to provide a breakdown and better predict the economic impact and return for those activities.

C. Report on BUILD 2017

Mr. Blosser advised that WSCC welcomed Microsoft BUILD into the facility for the first time in May 2017. As the Board recalls, Microsoft made the decision to combine three different events into one and moved the summer TechReady event to a different venue. This new Microsoft event provided many logistical and operational challenges due to its size and number of attendees. Mr. Blosser reported that the BUILD event was one of the largest events ever to be held at the WSCC and extended thanks to Mr. Barnes, Ms. Daniel and the WSCC team for a job well done. Some fun facts from this event:

- Rigging: Utilized 385 hang points throughout the facility, for a total weight of 210,842 pounds.
- Freight: Over 130 trucks, in excess of 500,000 pounds of freight, and we used our new marshalling yard for move-out which really expedited the process.
- Set-Up: We set over 13,676 chairs and struck 5,000 chairs in 18 minutes to clear the General Session for move-out.
- Crowd Management: Served lunch each day to 6,500 in the Atrium Lobby; registered 7,000 attendees through 2AB and 2AB Lobby, and managed 5,000+ each morning for General Session seat queuing from Skybridge, 4C, Galleria, Atrium and Ellis Plaza.
- Food & Beverage: 20,134 box lunches and over 10,000 crew meals. Highest ever food and beverage one-day spend of \$983,671.

This was truly a very "one-of-a-kind" event and really epitomizes the WSCC Service Vision "By doing ordinary things in an extraordinary manner, we will earn the privilege of serving our guests again." Dates are being held for BUILD in 2018 and 2019.

VIII. STAFF REPORTS

A. WSCC Parking Report

Mr. Blosser reported that parking revenues for April 2017 were up 3% from the revenues reported in April 2016; and April YTD revenues were up 2.0% from the same period in 2016, mainly due to the event mix in the building. WSCC's monthly parking for the main garage is currently at full capacity. There is currently no wait-list for the garages.

As per the Chairman's request, Mr. Tesfaye provided a report showing the average income per stall / per category / per month – public versus monthly parking per building and employee parking. Mr. Blosser reported that for the month of April 2017, average rate per day per stall was:

- Freeway Park garage has 660 stalls available. There are 3 categories: Monthly Parking (377 parkers) at an average rate per stall of \$206.06 per month; Employee Debit Card (609 card holders) at an average daily rate per stall of \$13.69; and Daily Parkers with an average daily rate per stall of \$70.09. Monthly Parking usage averaged 382 per day (58%); Employee Debit Card usage averaged 78 per day (12%); and Daily Parking usage averaged 134 per day (20%). Total stalls occupied on average were 594 per day, or 90%.

- WSCC garage had 815 stalls available. There are 5 categories: Monthly Parking (141 parkers) at an average rate per stall of \$272.48 per month; Daily Parkers at an average monthly rate per stall of \$232.82; Validations (13 average per day) with an average rate per stall of \$26.22; HCF, Admin & Validation (8 average per day) at an average rate per stall of \$3.69; Employee & Retail Monthly Parking (45 average per day) at an average monthly rate per stall of \$133.19; and Carpool and Unassigned Monthly Parking (3 average per day). Daily Parkers average usage was 678 per day (83%); Validations average usage was 13 per day (2%); HCF, Admin & Validation average usage was 8 per day (1%); Monthly Parking (Employee & Retail) average usage was 45 per day (5%); and Monthly Parking (Carpool & Unassigned) average usage was 3 per day (0%). Total stalls occupied on average were 746 per day, or 91%.

B. Food Service Report

Mr. McFadin reported total sales for April 2017 were up \$428,310 from re-forecast, however down \$581,828 from prior year. Total costs for April 2017 were higher than re-forecast by \$339,690 primarily due to the event mix in-house and the resulting increase in labor and product costs. April 2017 total WSCC PFD profit was down \$279,483 from prior year however \$88,620 better than re-forecast. Year-to-date sales are \$428,310 above re-forecast and \$581,828 below prior year. Food service return to WSCC PFD year-to-date is up \$162,930 from forecast and down \$191,339 from prior year. ARAMARK continues to focus on the Food Management and Labor Management programs and reports are showing positive results.

X. FINANCIAL REPORT

Mr. Blosser reported April 2017 total operating revenues were down 11.6% compared to the same period in 2016, and ahead of budget by 0.9%. For the month of April 2017, Food Service revenues were below budget by 8.1%. Retail revenue was down 29.4%, Building Rent revenue was down 21% due to food and beverage discount, Parking revenue was down 1.1%, and Facility Services revenue was ahead of budget by 70.6%. Year-to-date Operating Revenues were 7.2% ahead of budget at \$12,812,232, however below prior year by 1.5%.

Operating expenses for April 2017 were above budget for the month by 3.9%; and the corresponding sales were up .9%. Staff continue to conservatively manage expenses in FY2017. Operating loss for April 2017 was \$245,319, an increase of 50% over budget due to Utility and Other Services costs. Year-to-date the operating surplus through April totaled \$767,259.

For the month of April 2017, marketing revenues were ahead of budget by 3.7%; and the monthly marketing expenses totaled \$796,590, over budget by 2.2%. Year-to-date April 2017 total Marketing revenues were up 11% compared to the same period in 2016, however under budget by 0.4%. Marketing expenses for year-to-date 2017 totaled \$3,054,187, below budget by 3.6%. Marketing surplus for April was \$27,412, a decrease of 45.8% over the same period in 2016. Year-to-date the marketing surplus through April totaled \$66,781, up from budget by a significant amount.

In 2013, the Board authorized a funding mechanism to support efforts necessary to explore expansion feasibility, now called Addition Budget. Addition Project Fund expenditures for April 2017 were \$3,395,909.

Non-Operating Revenues for the month of April was \$5,385,601, above budget by 6.1%. Non-Operating Revenues year-to-date through April 2017, for regular and additional lodging taxes, totaled \$20,386,464. Non-Operating Expenses during the month for transfer of additional lodging tax, debt service, capital improvement projects, and addition budget totaled \$6,493,713, over budget by 6.1%.

Non-Operating Expenses year-to-date through April 2017, which includes transfer of additional lodging tax, debt service, capital improvement projects and the addition budget, totaled \$26,825,806, below budget by 16.5%.

Mr. Blosser advised that the forecast for the 2017 fiscal year is tracking positively for WSCC.

XI. ADJOURNMENT

Mr. Schafer moved to adjourn the May 23, 2017 Board meeting at 3:04 p.m. Mr. Flowers seconded and the motion was carried by the unanimous affirmative vote of all Directors present.