

Minutes

Washington State Convention Center  
Public Facilities District

Regular Meeting of the Board of Directors  
March 25, 2014

I. CALL TO ORDER

Frank K. Finneran, Board Chairman, convened a regular meeting of the Washington State Convention Center Public Facilities District (WSCC PFD) at 2:00 p.m. in room 602, of the Convention Center.

MEETING ATTENDANCE

Board Directors in Attendance

Frank K. Finneran, Chairman  
Deryl Brown-Archie, Vice Chair  
Rick Bender  
Robert J. Flowers  
Susana Gonzalez-Murillo  
Jerry Hillis  
J. Terry McLaughlin  
Craig Schafer  
Karen Wong (via telephone conference)

Officers in Attendance

Jeffrey A. Blosser, President / CEO  
Linda Willanger, Vice President of Administration / AGM  
Ed Barnes, Vice President of Operations  
Chip Firth, Director of Finance and Administration / CFO

Consultants / Vendors in Attendance

Matthew R. Hendricks, Hendricks - Bennett, PLLC  
Matt Shea, ARAMARK  
Chef José Luis Chavez, ARAMARK  
Tom Norwalk and Kris Cromwell, Visit Seattle  
Fred Eoff, Public Financial Management, Inc.  
Paul Chiles, Chiles & Company, Inc.  
Rebecca Bogard, Bogard & Johnson, LLC  
Tim Boyd, The TSB Communications Group  
Tim McCabe, PSAV  
Jim Snook, CCPI  
Mark Haley, Smart City / CCPI  
Julia Slocombe, Smart City / CCPI

Visitors

Dale Clark, Hart Crowser, Inc.  
Julie Wukelic, Hart Crowser, Inc.  
Brett Earnest, Clark Construction  
Clay Stansfield, Clay's Market Place Inc.  
Stefan Moritz, UNITE HERE Local 8

Staff in Attendance

Michael McQuade            Krista Daniel  
Daniel Johnson            Susnios Tesfaye  
Kristi Russell              Kathleen Smith  
Lorrie Starkweather

## II. APPROVAL OF MINUTES

### January 28, 2014 Regular WSCC PFD Board

Ms. Brown-Archie made a motion to approve the minutes of the January 28, 2014 Regular Board meeting as presented. Ms. Gonzalez-Murillo seconded and the motion was carried by the unanimous affirmative vote of all Directors present.

## III. PUBLIC COMMENTS

There were no public comments.

## IV. CHAIRMAN'S REPORT

### A. Tasting of New Gluten-Free Dessert Menu Item

Chef José Luis Chavez, Executive Chef at the Washington State Convention Center, requested the Board's participation in taste-testing a new menu item for the Convention Center. The culinary staff have been working to create gluten-free desserts due to a high demand for dietary meals. The Directors sampled a 'flourless chocolate cake' which will be offered to guests with gluten-free needs.

### B. Smart City Networks

Mr. Finneran introduced Mr. Mark Haley, President of Smart City Networks. Convention Communication Provisioners, Inc. (CCPI) is a subsidiary of Smart City and is the exclusive provider of telecommunication data and Internet services for the Washington State Convention Center. Smart City operates the telecommunications and technology components at thirty-five (35) venues across the country. Mr. Haley introduced Ms. Julia Slocombe and Mr. Jim Snook. Ms. Slocombe was recently appointed Vice President of Operations for the Western United States, and Mr. Snook has been promoted to Regional Director for CCPI/Smart City based here at the Convention Center.

### C. WSCC Board 2014 Strategic Planning Retreat

Mr. Finneran advised that staff has begun the planning process for the Strategic Planning Retreat to be held in November 2014. The Chairman requested that the 2014 Strategic Planning Retreat dates be combined with the November Board Meeting date, and proposed Monday, November 24, 2014 and Tuesday, November 25, 2014 for these meetings. The meetings would take place at the Fairmont Olympic Hotel. By consensus, the Directors were unanimous in their agreement to these dates and location for the 2014 Strategic Planning Retreat.

### D. Consent Agenda

Mr. Finneran presented the Consent Agenda to the Board. No action items were included and the following informational reports had been sent to the Board for review prior to today's meeting:

1. WSCC Sales Productivity Report
2. WSCC Monthly Expenditures Auditing Officer Certification
3. Benefits Committee – 2013 Summary Report

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.

## V. PFD COMMITTEE REPORTS

### A. Expansion Committee

#### 1. Update

Mr. Finneran advised that the environmental work on the Honda Site is proceeding to completion with consultant work finished. Amounts to be held in escrow relating to the Purchase and Sale Agreement are still close to the previously approved amount of \$5 Million. The Expansion Committee feels this item should be resolved in the next month, and are seeking Board approval to permit the Committee and the President to address the negotiations to finalize the escrow amount with the property sellers pursuant to the Purchase and Sale Agreement.

Mr. Bender made a motion to grant authority to the Expansion Committee and the President to agree upon the escrow amount with the sellers pursuant to the Purchase and Sale Agreement. Ms. Gonzalez-Murillo seconded and the motion was carried by the unanimous affirmative vote of all the Directors present.

## 2. Transportation Consultant Selection

Mr. Finneran advised that an RFQ was issued for Transportation and Parking analysis work related to the expansion project to help determine parking needs, access points for Metro buses, review of the Terry Avenue Extension option, and convention center freight access needs. We received one response from a very qualified team comprised of Transpo Group, Heffron Transportation Inc., KPFF Consulting Engineers, Transportation Solutions Inc., and Kidder Matthews to address these issues.

Ms. Brown-Archie made a motion to approve the selection of the contractor and the authority of the President and the Expansion Committee to enter into an agreement not to exceed \$500,000 for the whole Transportation Consulting category within our Expansion Budget. Mr. Schafer seconded and the motion was carried by the unanimous affirmative vote of all the Directors present.

## 3. Project Management Selections

Mr. Finneran advised that an RFQ was issued March 4, 2014 for Project Management consultant services for the expansion project. Proposals are to be received by April 2, 2014. The Project Management RFQ contains many components and the RFQ allows proposers to bid on a particular task(s), or all the components. This may result in multiple contractors being selected for Project Management services. Staff has been directed to read through the proposals, assemble a matrix of the responses and recommend the short-list to be interviewed by the Expansion Committee. It is the intent of the Expansion Committee to present back to the full Board the recommended apparent successful proposer(s) for the Project Management Contractor(s) at a Special Meeting to be potentially held prior to the end of April. This meeting could be conducted by conference call. Ms. Wong requested that the diversity initiatives contained in the approved corporate goals be kept top of mind, especially with regards to MWBE vendors and suppliers as the responses to the RFQ are reviewed. Mr. Johnson provided clarification regarding the base language contained in the RFQ documentation and the expectation of the process working within the required guidelines. Ms. Wong also requested that all Directors be provided an opportunity to review the proposals prior to the Expansion Committee and staff making their recommendation to the full Board.

Mr. Hillis made a motion authorizing the Expansion Committee to review proposals, short-list them for interviews, interview the potential candidates and select the most qualified proposers for presentation to the Board for approval. Mr. Schafer seconded and the motion was carried by the unanimous affirmative vote of all the Directors present.

Mr. Blosser advised that the potential Special Meeting could occur on the afternoon of April 24, or if the Committee required more time to complete the process, the Special Meeting could be moved into early May, prior to the May 20<sup>th</sup> Regular Board Meeting. As per RCW 42.30.080, Open Public Meetings Act, notice of the Special Meeting must be posted at least twenty-four hours in advance of the meeting.

## B. Government Affairs Committee

### 1. Report Out on Legislative Briefings

Ms. Brown-Archie advised that meetings have now taken place with a majority of the councilmembers from the City of Seattle and King County, as well as some State agency officials to ensure they are effectively briefed on the WSCC and its expansion efforts. Ms. Brown-Archie thanked Mr. Blosser and his staff for their efforts in organizing these briefing meetings, and also expressed gratitude to the Directors who were able to participate in the meetings with legislators.

### 2. Consultant Update Report

Ms. Bogard and Mr. Boyd provided an update on the Washington State Legislature's 2014 Regular Session which adjourned Sine Die on March 13, 2014. The Legislature did approve a bill that will enable progress to go forward on statewide tourism marketing. For the most part, the bills of interest to the District did not get approved. Ms. Bogard advised that SSB 5741, the proposed legislation to allow the use of lodging taxes for financing workforce housing and tourism promotion activities or facilities, did not reach the Senate floor prior to the close of Session. Mr. Boyd advised that efforts to gain support for a sales tax deferral or sales tax exemption for the construction costs for the expansion project have not been successful to date. While there appeared to be some interest in this topic, the lack of enthusiasm was not a surprise, given the context of the 60-day Supplemental Budget Session where there are a lot of money concerns looking forward to 2015 and the new Biennial Budget with McLeary. Further work is to be undertaken to explain the project, look at the options and timelines against McLeary for both an exemption and a deferral, and be in a position of readiness when the 2015 Legislative Session begins next year.

## VI. VISIT SEATTLE & WSCC Sales Reports

### A. Visit Seattle Destination Overview

Mr. Norwalk reported that Taste Washington is taking place March 29-30, 2014 at CenturyLink Event Center. The event is sold out and will host 230 wineries this year. Mr. Norwalk advised that 2014 is the last year of a multi-year contract at CenturyLink.

Smith Travel Research provided February 2014 comparisons for revenue per available room (RevPAR), average daily room rate (ADR) and occupancy variance for hotels in Seattle and six major west coast cities with convention centers. Downtown Seattle finished the month with an occupancy rate of 76.2%, an increase of 8.0% over February 2013, and RevPAR at \$120.24 and ADR at \$157.88 were up as compared to the same period last year. San Francisco continued to lead the market in all three categories within the west coast competitive set, Seattle numbers continued to track strongly with the five other cities in the group.

### B. WSCC and Visit Seattle Sales Reports

Mr. Norwalk and Mr. McQuade reported on Convention Center sales. Visit Seattle Convention Center sales production for February 2014 was at 5.27% of the room night annual booking goal for WSCC events. The overall booking goal includes hotel rooms booked for events held at area hotels as well as those booked in association with events held at WSCC. Top Line Revenues for February 2014 saw an increase of 29% over the same period last year however, room night productivity dropped 33% from February 2013. Visit Seattle top line revenue for Convention Center bookings totaled \$4,170,373 for the month ending February 2014. Overall, hotel room nights booked during February 2014 in association with all Seattle-area event venues, including WSCC, reached 14.93% of goal for the year.

For the month of February YTD, the Visit Seattle satellite office for Washington, DC, was down 48% from February 2013 and the Midwest office was down 68% from February 2013 bookings for WSCC held events.

Mr. Norwalk explained that business can be lost because groups do not select Seattle for reasons that include lack of suitable dates, not enough convention space, hotel rates, or because they made a different city choice. Regionally, the loss of economic impact for February YTD for lost WSCC business has been estimated at \$66,817,600; nearly \$13,896,200 was due to lack of Convention Center space related to WSCC space already booked and no dates available for additional business that could meet in Seattle.

Waived business is event business that staff did not pursue primarily because there were no viable date options available to offer the group or because the Convention Center is not large enough to accommodate the group. For February YTD, eight groups fall in the waived business category, with an associated loss of 25,641 in hotel room bookings, a loss of 12,385 event attendees, and an estimated loss of \$29,728,995 in overall economic impact for the region.

During February, WSCC Sales staff booked 25 new events into the Center to infill around convention business booked by Visit Seattle. Cumulatively, these 25 WSCC booked events represent over 2,457 in estimated attendance, 63 associated room nights, and combined topline revenues of over \$114,248 for rent, food & beverage, parking and subcontractor services.

## VII. PRESIDENT'S REPORT

### A. Review of Performance-based Compensation Process

Mr. Blosser advised that calendar year 2013 saw the implementation of the performance review and scoring of performance to adjust the compensation of non-represented staff. All non-represented staff were evaluated twice in 2013 on goals and job performance, and the 2014 budget was increased by 4% for this process. Scoring was completed in February. Mr. Blosser approved increases for all non-represented staff per their performance-based scores and all increases fall within the approved 4% budget line item for 2014. Increases were effective March 1, 2014, and employees will receive the monies on their March 25<sup>th</sup> paycheck.

### B. Taste Washington

Mr. Blosser advised that Taste Washington is an outreach and marketing opportunity for the WSCC and we are participating at the event with a booth. This is a great opportunity to showcase WSCC's culinary expertise, to talk about our use of locally grown products, and to promote the Center and its operations. Six WSCC clients were invited to attend the event and to join in our booth. Chef Alex Shroff will be onsite at the event to create tasty morsels for attendees to sample. Thank you to our ARAMARK team and the WSCC Sales team for their efforts to coordinate this worthwhile opportunity to showcase the WSCC space options and our culinary capabilities.

C. I-5 Assessment and Lease Extension Update

Mr. Blosser advised that the first 10-year option to renew the I-5 Airspace lease with the State was due in 2013. Staff contracted with Hainline & Associates (Mr. C. Hartung) and with Kidder Mathews (Mr. P. Shorett) to complete the necessary work required by the lease to calculate the current replacement costs of rebuilding portions of the site covered by the lease as site penalties and rent credits, as well as a new appraisal of the property to determine any monies due. Legal counsel, Mr. Marc Winters of the law firm of McNaul Ebel Nawroot & Helgren, prepared a letter to the State on behalf of the WSCC, outlining the work and calculations for the lease extension. This letter was sent to the State for their review in February 2014, and we have been advised that the review may take up to 3 months to complete. Staff will update the Board as information is received.

D. Retail Space Management Update

Mr. Blosser provided an update regarding the WSCC retail space management and advised retail tenant turnover has hit a peak after 20-22 years for a variety of reasons: tenants with leases dating back to 1992 are moving on, retiring or for different reasons closed or lost their business. We have enjoyed a steady long-term business relationship with many of our tenants. The change is substantial enough now to raise this issue to the Board, as the level of turnover provides an excellent opportunity to remodel and reposition our retail areas. A status update on the 3 spaces currently vacant and 1 space becoming vacant in June was provided. There are also 2 spaces north of Pike Street currently occupied by Holland Construction that will come up at the end of 2014. Mr. Blosser advised that to be competitive in the marketplace and attract new tenants that will be the right mix for the Convention Center's next 20 years, means we need to seriously consider redevelopment of our retail spaces. WSCC has contracted with Mr. Paul Chiles, Chiles & Company, Inc., to assist with securing new tenants and provide advice on potential updates that may be needed to attract tenants. The current look is tired and not our best 'front door' to clients and guests of our facility, especially given the renovations on the other levels. Feedback from Mr. Chiles has supported our instincts on the reasons tenants are reluctant to select this venue. Mr. Blosser introduced Mr. Chiles to provide an update on work to date. Mr. Chiles reported that Tougo Coffee is now onboard as the new tenant on Level 4 (formerly the Tully's Coffee space). Mr. Chiles is in the final stages of negotiations with a new tenant for the Pizza shop space on Level 1.

Mr. Blosser requested the Board's direction for: 1) Staff to research with consultants concept designs and cost estimates for refurbishment and reconfiguration of the retail areas and tenant spaces; gathering areas for eating space; fountain and built-in planters redesign and respectful relocation; review of TCC, Pike and 9<sup>th</sup> Avenue design needs. 2) Staff to present findings, proposals, options, and budgets to the Facility Committee, and seek the Committee's guidance throughout this process and report back to the Board in May. 3) Staff would foresee a multi-phased project of immediate needs for 2014 to assure we work swiftly with Mr. Chiles and consultants so that with Board approval we can commence with necessary work to help market the remodel and lease spaces to new tenants to reduce the gap of vacancies in 2014; and also consider areas of retail design, review signage requirements of future expansion and master plan.

VIII. STAFF REPORTS

A. WSCC Parking Report

Mr. Tesfaye reported that parking revenues were up 10% in February 2014 as compared to February 2013, however slightly under the target budget due in part to the event mix for the month, the Seahawks celebratory parade, and some weather concerns. WSCC continues to offer monthly parking to new customers in Freeway Park Garage.

B. ARAMARK Food Service Report

Mr. Shea reported top-line food service revenues of \$3,195,011 for February 2014, up \$875,663 from top-line revenues for the same period last year. Total Costs (product, labor and direct costs) were higher than forecast, and up \$388,209 as compared to February 2013. Total costs for February were 24% over budget due in part to an increase in labor costs and an increase in the cost of products.

IX. FINANCIAL REPORT

Mr. Firth reported that year-to-date through February 2014, total operating revenues were up 7.2%. For the month of February 2014, Food Service revenues were up 6.5%, Retail revenues were down 8.7%, and the Marketing Tax saw an increase of 5.1%. Building Rent revenue was down 20.8% for the month of February 2014.

Operating expenses for February 2014 were slightly over budget for the month; however the corresponding sales were up 7.2%. Staff continues to conservatively manage expenses throughout the month.

In 2013, the Board authorized a funding mechanism to support efforts necessary to explore expansion feasibility. Expansion Project Fund expenditures for February 2014 were \$117,457.

Year-to-date the operating surplus through February totaled \$517,096. Operating surplus for February 2014 was \$1,158,628. Non-Operating Revenues year-to-date through February 2014, for regular and additional lodging taxes, totaled \$7,677,520. Non-Operating Revenues for the month of February were \$3,632,089, up from budget by 8%. Non-Operating Expenses year-to-date through February 2014, for transfer of additional lodging tax and debt service, totaled \$5,361,174 slightly under budget. Non-Operating Expenses during the month, for transfer of additional lodging tax and debt service, totaled \$2,738,197.

#### ADJOURNMENT

Mr. Hillis moved to adjourn the March 25, 2014 Board meeting at 3:45 p.m. Mr. Flowers seconded and the motion was carried by the unanimous affirmative vote of all Directors present.