

## Minutes

Washington State Convention Center  
Public Facilities District

Regular Meeting of the Board of Directors  
September 22, 2020

### I. CALL TO ORDER

Frank K. Finneran, Board Chairman, convened a regular meeting of the Washington State Convention Center Public Facilities District (WSCC) at 2:06 p.m., by video conference via Microsoft Teams. At the chairman's request, Mrs. Starkweather conducted a roll call of Board Directors to ensure a quorum in attendance, as well as to identify meeting attendees.

### MEETING ATTENDANCE

#### Board Directors in Attendance (by video conference)

Frank K. Finneran, Chair  
Deryl Brown-Archie, Vice Chair  
Robert Flowers  
Susana Gonzalez-Murillo  
Nicole Grant  
Jerry Hillis  
J. Terry McLaughlin  
Denise Moriguchi  
Craig Schafer

#### Officers in Attendance (by video conference)

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

#### Consultants / Vendors in Attendance (by video conference / conference call)

Margery Aronson, Addition Art Project  
Melinda Altamirano, ARAMARK  
Keith Hedrick, ARAMARK  
Matt Shea, ARAMARK  
Becky Bogard, Bogard & Johnson, LLC  
Matthew Hendricks, Hendricks - Bennett, PLLC  
Jill Hashimoto, LMG  
Sarah Quartel, Milliman  
Matt Griffin, Pine Street Group  
Arnetta Libby, Pine Street Group  
Jane Lewis, Pine Street Group  
Tom Norwalk, Visit Seattle  
Kelly Saling, Visit Seattle  
Kris Cromwell, Visit Seattle  
Patrick Smyton, Visit Seattle

#### Staff in Attendance (by videoconference / conference call)

Krista Daniel, Director of Event Services  
Michael McQuade, Director of Sales  
Michael Murphy, Project Coordinator  
Paul Smith, Director of Information Systems

Lorrie Starkweather, Executive Assistant to the President & Board  
Loni Syltebo, Director of Communications

Guests in Attendance (by conference call)

Mary Clare Kersten  
Karen Sudderth

II. APPROVAL OF MINUTES

July 21, 2020 WSCC PFD Board Regular Meeting

Ms. Grant made a motion to approve the minutes of the July 21, 2020 Regular Board meeting, as presented. Ms. Gonzalez-Murillo seconded the motion, and the motion was carried by the unanimous affirmative vote of all Directors present via videoconference.

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. There were no public comments.

IV. CHAIRMAN'S REPORT

A. Notification of Requirement for Board Officer Elections

Mr. Finneran provided notification that the election of Board Officers (Chair and Vice-Chair) would be held at the November 24, 2020 regular Board meeting.

B. Reappointment of Board Members

Mr. Finneran advised that notification has been received that Ms. Gonzalez-Murillo and Mr. Schafer have been reappointed by the Governor for subsequent 4-year terms ending July 30, 2024.

Mr. Finneran recognized the Art Committee members: Ms. Gonzalez-Murillo (Chair), Ms. Grant, and Ms. Moriguchi; for their efforts on behalf of this Board with regards to their leadership in managing the art program for the Summit building.

Mr. Finneran also noted that in last week's edition of the Puget Sound Business Journal a list of honorees was identified for their efforts in our community. WSCC Board member, Ms. Denise Moriguchi was designated Community Leader of the Year. Mr. Finneran extended congratulations to Ms. Moriguchi on behalf of the WSCC Board and our community.

C. 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 (August 2020)
2. Ratification of Additional Facility Project Contract List (September 2020)
3. Approval of Additional Facility Project Draw Schedule Payments, #69 (August 2020)
4. Approval of Additional Facility Project Draw Schedule Payments, #70 (September 2020)

Informational Items:

1. WSCC Sales Productivity Report
2. WSCC Monthly Expenditures Auditing Officer Certification
3. WSCC Parking Report
4. Food Service Report
5. WSCC Social Media Recap – June 2020

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 via videoconference.

V. PFD COMMITTEE REPORTS

A. Addition Committee

1. Update Report

Mr. Finneran advised that the Addition Committee continues to struggle with three major issues: Addition project budget, schedule, and financing.

Mr. Finneran requested Mr. Griffin to provide the Board with a brief presentation of the status of the Addition Project items. Mr. Griffin advised that the project continues to have a problem in holding to the schedule and are currently looking for the Temporary Certificate of Occupancy (TCO) in the first part of May 2022. This delay is a result of a combination of issues; partly a result of the effects of COVID-19, as well as production concerns with American Bridge, the sub-contractor on steel supply and erection to Clark-Lewis. Pine Street Group (PSG) continues to work with Clark-Lewis (GC/CM) on this matter. Mr. Griffin advised that Olive Way reopened to vehicular traffic just prior to the Labor Day weekend. On the cost issues, PSG continue to use up the money in their change order allowance and, as the Sources & Uses are reviewed over the month of October, will determine if the change order allowance amount needs to be increased. On the financing, as has been discussed before, the Addition project remains in a financing crisis as a result of the loss, beginning in February 2020 due to the effects of the pandemic and COVID-19 on Seattle hotel occupancy, of tax revenues that were being used for future financings. PSG remains optimistic that a solution to the financing will be positive and are in the process of looking for approximately \$300 Million of bridge financing which is anticipated to come from one or more government entities. Regrettably if the financing is not established by the end of December 2020, Mr. Griffin advised that the process to shut down the Project will have to begin. Mr. Griffin commented on the Project's outreach efforts and how a project such as completing the WSCC Summit building benefits the people in the hospitality and construction industries in our area with approximately 80,000 hospitality workers in King County alone. The Addition project had a specific requirement set by the City that 19 per cent of the construction workers hired came from priority zip codes, and that goal currently sits at 25 per cent. The project was tasked with a goal of hiring 15 per cent apprentices, and that goal currently is between 15 – 16 per cent.

B. Government Affairs Committee

1. Update

Ms. Brown-Archie reported that the Government Affairs Committee met earlier today and reviewed and discussed information provided by Ms. Bogard. Ms. Brown-Archie requested Ms. Bogard to provide a brief update to the Board. Ms. Bogard has been working in partnership with Mr. Griffin and Pacifica Law Group on possible solutions for financing and other items related to the continuation of construction of the Addition Project and for the Convention Center operations. Most of Ms. Bogard's focus has been spent on some business meeting guidelines for the Washington Meeting and Convention Coalition (WMCC) which were approved in draft form yesterday by the Governor. While not in final format, the guidelines allow business meetings and educational forums to have 30% of room capacity, or up to 200 people, to allow the convention centers and large hotels around the State to potentially book some additional business. WMCC has not seen the final document yet and are assuming it will effective almost immediately (Phase 2). Updates will be provided to the Board as they come to light.

2. Government Relations Consultant Report

Ms. Brown-Archie advised that the consultant update report from Ms. Bogard is contained within the Board packets.

C. Finance Committee

1. Update

Mr. Flowers reported that the Finance Committee met today and received an update on the financing for the Addition Project. Pine Street Group to continue to provide updates on financing to the Finance Committee.

The Finance Committee discussed the draft 2021 Operating Budget base case scenario and worse case scenarios as provided by staff. Further discussions / review to occur at the October and November Finance Committee meetings. Mr. Blosser advised that discussion will also occur at the Board Strategic Planning Retreat meeting at the end of October, and staff will be bringing the 2021 Operating Budget to the Finance Committee and the Board for approval in December.

D. Benefits Committee

1. Approval of Changes to the WSCC Employee Benefits Plan Documents, Resolution # 2020-07

A RESOLUTION by the District Board recognizing a partial plan termination of the WSCC Employee Benefit Plan Documents.

Mr. McLaughlin stated that due to adverse economic conditions brought forth by the Coronavirus (COVID-19) crisis of 2020, the Washington State Convention Center (WSCC) has undergone a substantial reduction in its workforce. With the assistance of a legal counsel review, it has been determined that this reduction in workforce has resulted in a partial termination of the Plan, with less participants in the program as defined by the Internal Revenue Service. The IRS defines the reduction of 20 % or more of active participants in a plan shall be considered a partial termination of the Plan. Pursuant to Plan Section 11.05(C) and as a result of the partial termination of the Plan, the WSCC wishes to 100% fully vest the accounts of those participants affected by the reduction of workforce that occurred between April 1, 2020 and August 31, 2020 and to reinstate any amounts forfeited by such affected participants as a result of a previous distribution of their Plan account balance prior to the adoption of this resolution for the time period of April 1, 2020 and August 31, 2020. Resolution 2020-07 requests that the Officers of the Washington State Convention Center Public Facilities District be authorized to take any such action as may be necessary to maintain said Plan and to expand the period of time affected by the substantial reduction in the workforce beyond August 31, 2020 if necessary. There are no additional costs to the District as these funds were already in the plan prior to the terminations.

Mr. McLaughlin made a motion to approve Resolution 2020-07, recognizing a partial plan termination of the WSCC Employee Benefit Plan documents. Ms. Gonzalez-Murillo seconded, and the motion was carried by the unanimous affirmative vote of all Directors present via videoconference.

E. Art Committee

1. Update Report

Ms. Gonzalez-Murillo thanked the Chairman and the Board for acknowledging the Art Committee members for their leadership role in the Summit Art Program and the art projects that are under review or underway. Ms. Gonzalez-Murillo provided a brief overview of the roles of the Board Art Committee and Addition Art Advisors within the Summit Art Program, and the changes that have taken place within the Art Advisors group over the last couple months. Ms. Gonzalez-Murillo extended appreciation to the approximately ten well-respected art advisors from the community who assisted the Board Art Committee, Ms. Lewis, and Pine Street Group to navigate through the world of art, and the Art Advisor group as a whole for their work to stay within the pre-allocated budget as part of the WSCC Board approval process. Ms. Gonzalez-Murillo provided a brief update regarding the Addition artwork which had been put on pause in May 2020 due to WSCC and the Additions project's financial situation as a result of the COVID-19 pandemic and the evaluation of the Art Program's financing that Chairman Finneran had requested. An evaluation of the artwork pieces was undertaken and provided to the Art Committee for review and it was determined to be necessary that the Art Committee take action to pause and/or reduce some of the artwork due to budget overages and the current financial situation resulting from the impacts of COVID-19. After meeting with WSCC management and Ms. Lewis, the Art Committee made a recommendation via memorandum to the Art Advisors outlining the artwork to be put on pause and that one of the major interior art pieces, the Party Room Soffit, would be cancelled. Ms. Grant stated that she felt the Art Committee made a very necessary decision and thanked Ms. Gonzalez-Murillo, in her role as Chair of the Art Committee, for being the one to carry the message to the art advisors. Ms. Grant feels the Art Committee is on a great path and that the Committee voted today to approve an exceptional piece

of art through the collective of Northwest Native Women Artists that are creating pieces for the Summit entry ways. Chairman Finneran extended thanks to the Art Committee.

VI. VISIT SEATTLE & WSCC Sales Reports

A. Visit Seattle Destination Overview & Sales Report

Mr. Norwalk provided a COVID-19 Travel Industry update. Labor Day weekend saw the re-opening of three Seattle attractions (Seattle Art Museum, National Nordic Museum, and the Museum of Flight), and over the Labor Day weekend Seattle area hotels had the best occupancy numbers since early March, with occupancy at approximately 35%. Currently, 16 hotels (4,111 rooms) remain closed in Seattle and King County. King County hotel revenues have declined by 83% from March through August.

Mr. Norwalk reported on the Smith Travel Research (STR) Select Competitive Set numbers for August 2020. The Seattle Downtown market, along with our tracked competitive set, continue to make slow progress with low occupancy rates (from 16% in Houston CBD, 17% in Seattle Downtown, and up to 40% in Los Angeles CBD), average room rates (from \$84 in Phoenix Central, \$136 in Seattle Downtown, and up to \$148 in Boston CBD/Airport), and RevPar (from \$22 in Houston CBD, \$23 in Seattle Downtown, and up to \$59 in San Diego CBD).

Mr. Norwalk provided information on the King County Leisure Tourism Recovery Campaign. Priority of the campaign is to drive tourism and economic impact back into King County as quickly as possible, with audiences being local, regional, drive markets and key fly markets. With emergency funding of \$8M being provided by King County (\$6M to Visit Seattle and \$2M to Seattle Southside), the King County Council Members gave unanimous approval to the plan and approved the emergency funding, with the teams planning to launch the campaign in October.

Ms. Saling provided an overview of data gathered from nineteen other cities regarding maximum allowable gathering size for indoor meetings. She addressed the pace to consumption booking progress for the two buildings for years 2022 to 2026, and advised that 2022 and 2023 are difficult years because decisions are paused right now to some degree, with people still willing to talk about events in 2027 and further into the future, but 2022 and 2023 are difficult. At this time of year, we are normally seeing tentative room nights happening, and that trend is currently down as well.

Ms. Saling reported on WSCC groups impacted due to COVID-19. For 2020, at the time of this report, there were 48 cancellations; five groups have formally cancelled for 2021; two for 2022; and one for 2023. There are, at the time of this report, fifteen pending cancellations: one group in 2020 and fourteen groups in 2021 (ten in Q1). These fifteen pending cancellations represent the potential loss of \$5.1M in rent and food & beverage revenues, \$94M in economic impact, 45,833 attendees, and 88,917 total room nights.

B. WSCC Sales Report

Mr. McQuade provided a summary of groups booked and stated there is good news that the sales teams are booking new business and we are rebooking annual programs, including several legacy clients that we have had for many years and one new client on the list for 2021. The new event is expected to draw approximately 7,000 attendees and the client is excited to get into the Seattle market in late October 2021. Groups confirmed for the month of August were almost exclusively for the fall of 2021 and represent \$427,493 in top-line revenue and 22,000 attendees. Mr. Finneran asked, given that Ms. Saling just reported the reluctance of corporate or association business to book business during the first half of 2021, what Mr. McQuade's personal experience was with the two pieces of business confirmed for April and May 2021. Mr. McQuade advised that these two regional clients have been with WSCC for more than a couple years and they are approaching cautiously. Most regional events are not of the financial standing to host their events as virtual programs, although some have done much smaller meetings in Microsoft Teams or Zoom platforms. They lost their programs in 2020 due to the impacts of COVID-19 and it is important for them to hold their events to generate necessary revenues to keep their smaller associations moving forward. One of these groups is a training program. Mr. Finneran requested to know if we have signed contracts with two these events and Mr. McQuade confirmed that signed contracts are in place.

Further discussion occurred regarding the attendance numbers and it was reported that these attendees are local/regional “drive in” attendees, as opposed to those having to travel from further distance or by plane to attend, like national programs. Ms. Saling advised that the regional programs do have a little more hope early on in 2021 relative to the lack of national travel, and Visit Seattle have heard from their trade associations that the small regional events where national travel is not a factor will be resume meeting earlier and have a bigger sense of confidence from the attendees. A question arose regarding the airlines (Alaska, Delta, and American) and if air travel is experiencing a return of passengers. Ms. Saling and Mr. Norwalk advised that the airlines and TSA are reporting that numbers are still down but recovering somewhat. Mr. McQuade reported that several industry associations and publications have done research on where the growth of the meetings recovery will come from and it is shown to be in the smaller, more regionally/locally based environment. Staff here at WSCC are working on strategies related to capturing that business as soon as we receive the Governor’s approval to reopen for business, and as the inquiries start to come in as people become more comfortable and confident in holding their meetings.

Mr. McQuade provided a snapshot indicating what July and August results would have been based on the forecasts prior to COVID-19. If not for COVID-19, we expected to host 18 events; with Top Line Revenues (Rent and F&B) of \$5,312,035; Room nights or 48,173; and 39,857 delegates.

The WSCC Sales & Services staff are working on a number of strategies and reaching out to our partners in other venues to see if there is the ability to capture leads that another venue may not be able to support, as well as a number of local leads that Mr. Blosser and Mr. McQuade have been working on. We are also working with some of the various companies and associations that are involved in professional certification for a host of things, from CPAs and CLEs to other professions with requirements for certification.

## VII. PRESIDENT’S REPORT

### A. Update on Operations

Mr. Blosser reported that receiving the approval from the Governor’s office providing WSCC the ability to hold meetings/events at an occupancy rate of 30% or 200 people, as has been stated before, is a very good start for us to provide reassurance to the local/regional groups, as well as groups that cannot social distance in their own spaces, to be able to safely use the Convention Center. Mr. Blosser thanked Mr. Norwalk, Ms. Bogard, and Mr. Blosser’s counterparts across the state for their efforts and hard work to create and submit the plan to the Governor’s Office, State Department of Health, and Labor & Industry, for review and final approval. It was a great opportunity to work together to make that happen.

Mr. Blosser reported that, in August, it became necessary to lay off four administrative staff (4 Event Managers and 1 IT person) based on the remainder of the event schedule for 2020, as well as the schedule for 2021. Unfortunately, these were some very good people that we had to let go and the decision was not an easy one. Earlier in the summer, we had a retirement of a Sales Manager and that position will not be filled at this time. These positions are all on hold based on the cash savings for the Center. We are looking to extend the Labor Agreement which expired in July. Labor negotiations were under way at the beginning of the year and then with the pandemic and COVID-19, everything came to a stop. We are working with the WSCC Labor Council to extend the agreement through December of 2021. The final contract extension will come back to the Board for approval, hopefully by the December Board meeting. Negotiations would then start in middle of 2021 for a contract going forward that would include both facilities.

Mr. Blosser advised that discussions have been held with several different groups inquiring about use of the Convention Center space: Seattle City School System for possible classroom space; Mary’s Place for warehouse storage space; FareStart and one of their partners regarding a solar powered refrigerated container unit to have a central location for food cold storage. Proposals have been provided to these groups for their use of our space, with no confirmed decisions to date. Virginia Mason Hospital

employees continue to park in the main garage, which has generated some needed revenue for WSCC, and they are looking to have their employees park in the main garage through the end of 2020.

Mr. Blosser reported that WSCC is drafting a list of COVID-related costs to submit for reimbursement to the State, with the assistance of Pacifica Law Group to make the application/submittal for the cost recovery for expenditures caused by COVID-19, that would not have been expended otherwise. There are several different items that we think could qualify and will send the list to Pacific Law Group at the end of the week for review and finalization. Mr. Blosser advised that we are looking forward to the possibility of recovering some of these expenditures.

B. Update on WSCC Board Strategic Planning Retreat Meeting

Mr. Blosser advised that, as the Chairman mentioned at the July Board meeting, the Strategic Planning Retreat will be held as two half day virtual sessions. Mr. Blosser and Mr. Finneran are currently finalizing the meeting agenda for the morning sessions on Monday, October 26 and Tuesday, October 27, 2020.

C. Approval of New Rules and Regulations changes due to COVID-19, Resolution # 2020-06

A RESOLUTION by the District Board to Update the WSCC License Agreement Rules and Regulations Language Due to COVID-19.

Mr. Blosser advised that the Board and staff recognize that the pandemic COVID-19 has changed the way business is being conducted due to government regulations, and believes it is in the best interest for board-related operations to add language to the License Agreement Rules and Regulations to require clients to abide by and comply with all required laws and requirements regarding operations of the Center during the COVID-19 pandemic. Resolution 2020-6 will assist to protect the Center's responsibility and conditions as to how the Center will operate when events are permitted to meet in the facility during this time, and it is recommended that the Board approves and adopts new language to be added to the Rules and Regulations section of the license agreement in similar form and content as contained in Exhibit "A" attached, and directs the President to add this new language to the agreement upon approval of the Board.

Mr. Flowers made a motion to approve Resolution #2020-6, to update the WSCC License Agreement Rules and Regulations Language due to COVID-19. Ms. Brown-Archie seconded, and the motion was carried by the unanimous affirmative vote of all Directors present via videoconference.

VIII. FINANCIAL REPORT

Mr. Firth advised that the Financial Report for August 2020 had been reviewed by the Finance Committee and had been sent to the Board for review prior to today's meeting. August is the fifth consecutive month the building has been totally shutdown except for the parking garages and some retail rent. Parking generated \$146,190, up 9% over July. The Main Garage generated \$88,379 and Freeway Park Garage generated revenues of \$57,800, with construction early bird parking generating 65% of the revenue for Freeway Park Garage. For the Main Garage, Virginia Mason Hospital staff parking generated 69% and All-Day special rates 29% of the revenue.

Operating revenues for Building Rent, Food Service, Facility Services were earned from service fee charges on deposit funds. Other revenue is interest from Operating funds. Retail revenues were stronger than expected at \$18,741. Operating expenses were less than July, with Utilities up a little due to water and solid waste pickups. Operating Loss is \$799,104. In-house Marketing expenses were \$56,755, which primarily included Sales and Marketing Salaries and WSCC portion of salary for the Senior Director of Convention Strategy position at Visit Seattle. Capital Improvements for the month of July were \$9,976, and WSCC YTD \$1,889,508. Addition Project expenditures for August were \$8,545,592. Mr. Firth reported that August Lodging Revenue collections were \$848,610 compared to last month \$1,559,929. The Department of Revenue and the State Treasurer's report on Additional Lodging collections for August was \$179,168 compared to \$323,732 last month. Extended tax for August was \$74,736.

Mr. Finneran asked for clarification regarding the tax revenues realized for August and the projections for 2021. Mr. Blosser advised that CBRE had been contracted by WSCC's contracted financial advisor, Mr. Eoff (PFM Financial Advisors, LLC) to prepare an analysis of the tax revenue projections for 2021 and out as part of the Addition financing review. Mr. Firth advised that the collection revenue numbers have fluctuated month to month, for example, where July 2020 numbers were slightly lower than June 2020 collections, and the August numbers were significantly lower than July. Mr. Firth advised that the collections are not being forwarded from the State on a regular basis as has been done in past years. Considerable discussion occurred regarding the effects of COVID-19 on the hospitality industry in the area, and specifically the economic impact on the lodging facility's occupancy rates and the tax revenue funding shortfall in 2021 for WSCC relative to the ability to do business and fund the Addition project. Mr. Finneran expressed concern that the revenue projections for tax collections in 2021 appear to be potentially inflated, and that the Board is having to make decisions regarding the finances of the Convention Center operations and decisions regarding the Addition project. Mr. Finneran stated that it is of the utmost priority for Mr. Firth and Mr. Eoff to delve further into the tax revenue collection numbers and report back. Mr. Blosser agreed and thanked Mr. Finneran, Mr. Schafer, and Mr. Norwalk for the discussion.

Mr. Firth continued with his report and advised that with regards to the Cash Flow Report, cash activity in August dropped \$24.8MM due to a combination of low Lodging tax collections and Project expenditures. Mr. Firth spoke to the Use of Funds graph, advising that 68% of the funds are Project investments (bond funds), and that overall, 56% of the funds are invested in Agencies/US Treasuries and 42% in the LGIP. Mr. Firth indicated that no event revenue is forecasted through November, and that parking revenue will gradually increase in September through November as monthly parkers begin to return to work at their downtown offices. August employee benefits will be the last represented payment for benefits. Mr. Firth advised that, as mentioned in the Smith Travel Research report, the occupancy rate in downtown Seattle is 18%, and we do not see enough Lodging Tax to cover debt service or flow in to the Marketing waterfall through November. However, the revised 2020 Budget provides Visit Seattle \$500,000 per month from September through December.

Mr. Firth advised that the Washington State Auditors will start the annual audit review process for FY 2019 in October. The contract with WSCC's Financial Auditor, Mr. Steve Miller with Miller & Miller Company, has been extended for one more year.

#### IX. ADJOURNMENT

Mr. Schafer made a motion to adjourn the September 22, 2020 Board meeting at 3:30 p.m. Ms. Brown-Archie seconded, and the motion was carried by the unanimous affirmative vote of all Directors present via videoconference.