

Minutes

Washington State Convention Center
Public Facilities District

Regular Meeting of the Board of Directors
January 26, 2021

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., by video conference / conference call 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 / conference call)

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 / conference call)

Jeffrey A. Blosser, President / CEO
Linda Willanger, Vice President of Administration / AGM
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
Matt Griffin, Pine Street Group
Kelly Saling, Visit Seattle
Kris Cromwell, Visit Seattle
Patrick Smyton, Visit Seattle
Tom Norwalk, Visit Seattle
Troy Anderson, Visit Seattle

Staff in Attendance

David Cononetz	Krista Daniel
Chip Firth	Sam Hecker
Daniel Johnson	Michael McQuade
Paul Smith	Lorrie Starkweather
Loni Syltebo	

Guests in Attendance (by conference call)

Chris Daniels	Alma Elahee
Mary Clare Kersten	Tait Miller
Marc Stiles	Karen Sudderth

II. APPROVAL OF MINUTES

December 15, 2020 WSCC PFD Board Regular Meeting

Mr. Flowers made a motion to approve the minutes of the December 15, 2020 Regular Board meeting, as presented. Mr. Hillis seconded, and the motion was carried by the unanimous affirmative vote of all Directors present via video conference / conference call.

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. Introduction of Sam Hecker, new WSCC Chief Financial Officer

Mr. Finneran introduced Sam Hecker, WSCC's new Chief Financial Officer. Sam commenced employment with WSCC on January 4, 2021, and Chip Firth is assisting with the transition of duties.

B. 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 (January 2021)
2. Approval of Additional Facility Project Draw Schedule Payments, #74 (January 2021)

Informational Items:

1. WSCC Sales: December Summary Report
2. WSCC Sales: COVID-19 Impact on Regional-Local Business – December 2020
3. WSCC Monthly Expenditures Auditing Officer Certification
4. WSCC Parking Report
5. Food Service Report (ARAMARK)
6. WSCC Outreach Report, 2020 Year End

Mr. Hillis made a motion to approve the Consent Agenda as presented. Ms. Brown-Archie seconded, and the motion was carried by the unanimous affirmative vote of all Directors present via video conference / conference call.

V. PFD COMMITTEE REPORTS

A. Addition Committee

1. Update Report

Mr. Finneran advised that the Addition Committee held its regular monthly meeting this morning and received a status report from Pine Street Group (PSG) to highlight the regular priorities of costs, schedule, and finances. Mr. Finneran requested Mr. Griffin to provide the Board with a brief presentation of the current status of the Addition Project items.

Mr. Griffin provided a brief update on the construction progress, advising that American Bridge (steel contractor) has been one of the weaker links and has been slowing down the Project, however we are making progress to finish other parts of the building. Mr. Griffin advised that one of the cranes has been lifted out of the west part of the construction site to make room to complete steel erection. Excavation is finished north of Olive and most of the escalators have been lifted into place and much of the enclosure is on track to be completed. Current estimate for the Temporary Certificate of Occupancy

(TCO) is in June of 2022, and that is provided we do not have a need to shut down the project for financing reasons.

On financing, Mr. Griffin recapped that the financing for the Addition project has been in crisis mode since the collapse of the Hotel/Motel tax in early 2020, and he stated that as far back as May 2020 this situation has been a topic of public discussion as we seek a solution. Since that time, the King County Executive, on behalf of the County, has advised that King County would provide a bridge loan of \$105 million (1/3 of total amount needed) provided that the City of Seattle and the State of Washington did something similar. In the last week, the Board received a letter from the Mayor's office, basically explaining that the Mayor's office would like to participate with King County, with two potential options being considered by the City, and subject to the County and State's participation as well. Currently, positive discussions are being held with the Governor's Office and with some members of the legislative branch, however the State piece will take longer to conclude and will require a decision by the Legislature, most likely later this spring. Mr. Griffin advised that progress is being made and that the bridge loan would allow the Addition project to continue through until the expected recovery of the Hotel/Motel tax.

Mr. Finneran requested Mr. Griffin to provide the Board with comments on the shutdown plan. As the Board will recall, at the December 15, 2020 meeting, the Board had requested Pine Street Group to provide a shutdown plan by January 11, 2021, and as positive discussions were underway with the Mayor's Office, PSG requested an extension to this meeting to provide that report. Mr. Griffin stated that at this point in time, there are more details known than we had six months ago: 1) The contractor has actually drawn less money from the Convention Center than was expected; 2) PSG had requested the contractor to look ahead over the next 6 to 9 months to identify what would need to be completed for a shutdown of the Project and PSG has asked that they look at the cost to complete the structure, complete the enclosure to make the site safe and secure, and also complete the podium north of Olive in order that the closing on the sale of the co-development to Hudson Pacific can take place in the fall of 2021. With that slowing down in the spending and with the progress in the financing, PSG's recommendation to the Board is that the Project continues to push full speed ahead until the end of March. In that time, it should be determined if the bridge financing will come to fruition or have stumbling blocks, and if so, we continue to work to the end of March and then reassess the resources and probability of getting the bridge financing completed prior to assessing the need to start curtailing some of the items for shutdown or whether we are able to keep going full speed. Obviously if the Convention Center needs resources for another reason, they can make the decision to ask that PSG do something different.

Mr. Finneran asked if the Board had any questions for Mr. Griffin, and hearing none, asked Mr. Hendricks, WSCC General Counsel, if a motion was necessary to approve the shutdown plan presented by Pine Street Group. Mr. Hendricks advised there was no necessary action to be taken on this matter. Mr. Finneran advised that the shutdown plan would be reassessed at the March Board meeting, however Mr. Griffin requested to go through the end of March and allow PSG to reassess the resources. Mr. Finneran told Mr. Griffin that the next Board meeting was scheduled for March 23, 2021 and that there was no meeting scheduled in April. Mr. Griffin requested that, following today's meeting, Mr. Finneran and Mr. Griffin review the schedules to see how this could be dovetailed, and Mr. Finneran agreed.

B. Finance Committee

1. Update

Mr. Flowers advised that the Finance Committee met earlier today. An Exit Conference with the Washington State Auditors was held during the meeting and the Committee was very happy with the outcome of the audit. Mr. Blosser extended thanks to Mr. Firth and the Accounting team for assisting WSCC with receiving thirty-four (34) straight years of audits with no findings. Mr. Flowers also thanked Mr. Firth and his team for making this a smooth process. Mr. Flowers stated that in addition to the audit report, the Committee received an update on the Addition financing, much of what was just presented to the Board. Mr. Flowers wished to thank Ms. Grant for the support she has provided to Mr. Griffin in the Addition Committee's efforts to secure financing. Mr. Flowers believes that the support from Labor has been very important in trying to complete financing with the City, County, and State. The Committee also

reviewed the December operating financials which was provided to the Board in their packets. Ms. Gonzalez-Murillo commented that with the WSCC receiving good audits from the Washington State Auditors all these years speaks to the Center being financially able to manage the process well and is something important to highlight.

C. Government Affairs Committee

1. Update

Ms. Brown-Archie reported that the Government Affairs Committee met earlier today and discussed several issues, including coordination of the efforts by Mr. Griffin and company to secure financing which involved a good deal of contact with elected officials. Ms. Brown-Archie advised that the Board Taskforce is also preparing for contact with elected officials and the Committee feels good about the fact that we coordinated amongst ourselves to provide clear mandates and avoid duplication of efforts.

Ms. Brown-Archie requested that Ms. Bogard provide a brief update from her Government Relations Consultant report. Ms. Bogard advised that the Legislative Session has started in remote mode, with everything broadcast via TVW and those testifying doing it remotely. The remote meetings have allowed for more public participation. With respect to the Convention Center, Ms. Bogard has been focused on working with the Capital Committees and Governor's Office related to the Addition project funding mechanism and possible State participation with King County and City of Seattle with \$105 million financing. Ms. Bogard advised that the Governor's Office has said they want to ensure the Convention Center's addition project is completed. On COVID-related items, Ms. Bogard advised there is a possibility of more funding coming from the Federal government, and she reminded the Board that WSCC has submitted requests for reimbursement of construction expenses and reimbursement of operating expenses, all related to the impact of the COVID-19 pandemic. Ms. Bogard advised that there is a current trend of creating mass vaccination sites instead of utilizing smaller local clinics and that there has been discussion of potentially using the Convention Center as such a site. Several centers around the State have been approached. Discussion followed, with Mr. Blosser advising that WSCC has been approached by a few agencies looking to utilize our facility as a vaccination site. Staff have already prepared what we feel is the right plan for being able to do mass vaccinations in The Conference Center (TCC) and that is to be discussed with the client tomorrow. Mr. Blosser advised that to his knowledge, neither the State nor King County have reached out to us with a request, and Mr. Blosser would have to take into consideration the funding issue for WSCC to be able to recover some of the costs that this type of event would incur.

Ms. Brown-Archie asked Ms. Bogard to comment on the ordinance currently under consideration by the City Council regarding permitting homelessness and poverty to be a defense to criminal activity of all sorts. There is great opposition to this for any number of reasons, and there was an editorial in the Seattle Times opposing this proposed ordinance. Ms. Brown-Archie advised that the Government Affairs Committee will be monitoring this situation. Mr. Flowers advised that it was announced that the City Attorney, Peter Holmes, would now be prosecuting protestors that commit crimes. Ms. Bogard felt that the pressure is very significant, and the vandalism continues to be extreme.

2. Government Relations Consultant Report

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

D. Long-Range Planning Committee

1. Approval of Amendment #3 to Contract for Exclusive Food and Beverage Management Services, Resolution # 2021-01

A RESOLUTION approving an Amendment to the Contract for Exclusive Food and Beverage Management Services for the Washington State Convention Center Public Facilities District adopted by Resolution #2015-09.

Mr. McLaughlin advised that the pandemic, as everyone is aware, cancelled all events at the Center since April 2020 and this is likely to continue through the first six months of 2021. The current contract for Exclusive Food and Beverage Management Services with ARAMARK has minimum payments to ARAMARK from WSCC to maintain the elements of the contract each year for their operations. ARAMARK has reduced costs significantly and the 5% Reserve Account was utilized in 2020 to pay these expenses. The 5% Reserve Account funds will expire in early 2021 if these payments continue. WSCC staff and ARAMARK have met and worked to find a method to defer these expenditures until such time as the Center is able to pay the registered costs from the limited operations.

Mr. McLaughlin explained that the basic premise of the amendment, attached to Resolution 2021-1 as Exhibit "A", is that ARAMARK will absorb all operating expenses beginning October 2020 until such time as the Center generates positive food and beverage revenues for three (3) consecutive months at which time WSCC will commence repayment to ARAMARK of these deferred expenses. The operating contract will be extended two (2) years until 2024 to offset these costs that ARAMARK is absorbing, allowing ARAMARK to maintain the business for the Center including the Summit building. Mr. Hendricks, General Counsel, has reviewed and agreed to the language contained in the contract amendment, and the Long-Range Planning Committee have reviewed and agree with this direction during this very difficult period resulting from the COVID-19 pandemic.

Mr. McLaughlin made a motion to approve Resolution #2021-01, approving the third amendment to the ARAMARK contract for Exclusive Food and Beverage Management Services, extending the contract through 2024. Mr. Flowers seconded, and the motion was carried by the unanimous affirmative vote of all the Directors present via video conference / conference call.

VI. VISIT SEATTLE & WSCC Sales Reports

A. Visit Seattle Destination Overview & Visit Seattle Sales Report

Mr. Norwalk reported on the Smith Travel Research (STR) Select Competitive Set numbers for December 2020. The Seattle Downtown market, along with our tracked competitive set, continue to make slow progress with low occupancy rates (from 13.6% in Seattle Downtown, and up to 36.4% in Phoenix Central), average room rates (from \$93 in Phoenix Central, \$115 in Seattle Downtown, and up to \$131 in Houston CBD), and RevPar (from \$16 in Seattle Downtown, and up to \$34 in Phoenix Central). Mr. Norwalk advised that 2020 was the worst year for hotels in U.S. history; January occupancy rate was 65%, February 76%, and then March to December, we struggled to get up to 20%. Year-to-date, STR reported Seattle Downtown occupancy rate of 26.3%; average room rate of \$156; and RevPar of \$41. Mr. Smyton spoke to a comparison of Weekly Rooms Sold in Downtown Seattle 2020 versus 2019 and advised that research indicates \$700 million in lost room revenue in Downtown Seattle over this period.

Mr. Norwalk provided an update on advocacy and public relations, advising there are two things Visit Seattle will be doing differently with WSCC and partners. A national public relations agency, DCI Group, has been retained to continue work on meetings and convention trade media and to provide support with the evolving Summit story. A local public relations firm, C+C All About The Good, has been hired to help lead and accelerate leisure tourism recovery and assist with rebuilding and helping repair Seattle's national brand and image.

Mr. Norwalk advised that the 2021 Visit Seattle Board has three new members: Beth Knox, President, Seattle Sports Commission; Trey Lamont, Owner/Head Chef, Jerk Shack (Caribbean restaurant on 1st Avenue); and Zahoor Ahmed, CFO & VP, RC Hedreen Co.

Ms. Saling reported on Convention Sales Production, advising that 2020 YTD definite bookings (Arch, Summit and In-House) were 315,318, down 484,551 from prior year. 2020 YTD tentative bookings (Arch, Summit and In-House) were 1,136,974, down 1,649,406 from prior year.

With the Summit building Certificate of Occupancy now moving into mid-June 2022, WSCC and Visit Seattle sales teams have been contacting customers booked in May, June, July, and August to discuss changes/impacts to their programs. The sales teams are trying to provide the affected clients the opportunity to move into space at the Arch building, as well as making a coordinated effort with WSCC

availability and hotel availability. It is anticipated that we will see some groups moving to Arch, some shifting dates, and some displacement of groups to future years.

Ms. Saling advised that, as the Board may recall, January normally sees the annual PCMA (Professional Convention Management Association) Convening Leaders conference take place. This year's event was held January 11-15, 2021 as a global omnichannel experience with on-demand sessions which will be available through March 15, 2021. As a partner of this year's conference, Visit Seattle's portal focused on the Ascent program, PCMA's Diversity and Inclusion Initiative, for which Visit Seattle is a founding sponsor. Ms. Saling advised they centered the focus around Visit Seattle's SEAforSHE initiative. Also, Visit Seattle sponsored the Closing Keynote session, and Mr. Norwalk advised that Ms. Saling played an integral role in acquiring the Seattle-based power duo of Megan Rapinoe, Olympic Gold Medalist and two-time Women's World Cup Champion, and her fiancée Sue Bird, Olympic Gold Medalist and four-time WNBA Champion, for the closing keynote session entitled "A Conversation with Megan & Sue", a discussion about advocacy and change.

B. WSCC Sales Report

Mr. McQuade advised that the contracting of events will remain at a slower pace than prior to 2020 and the pace will remain slow for the foreseeable future due to the uncertainty within the general business community and the hospitality community regarding loosening of the Governor's guidelines and the timeline for distribution of vaccinations. Until there is more certainty in this information, 2021 event planners are hesitant to make any booking commitments, and this is evident through the first and second quarters of 2021 and continuing into the fall. Mr. McQuade reported that there are twelve groups scheduled in the fall of 2021 that represent over \$700,000 in topline revenue that are just in a holding pattern and that is in addition to some great business that Visit Seattle has lined up. Both the WSCC sales staff and Visit Seattle staff are eagerly awaiting clearer guidelines on live business here in Washington state.

Mr. McQuade provided a summary of groups booked in November and December for 2021. WSCC Sales staff booked 2 new events into the Center and 1 event rescheduled from an earlier date. Cumulatively, these 3 WSCC booked events represent over 5,530 in estimated attendance, 12 forecasted associated room nights, and combined topline forecast revenues of over \$102,722 for rent, food & beverage, parking, and subcontractor services. Mr. McQuade provided a snapshot indicating what November and December results would have been based on the forecasts prior to COVID-19. If not for COVID-19, we expected to host 20 events; with Top Line Revenues (Rent and F&B) of \$2,140,889; Room nights of 21,928; and 25,110 delegates.

VII. PRESIDENT'S REPORT

A. Completion of Operating Goals for 2020, Resolution #2021-02

A RESOLUTION Approving Recommendation of the Board Committees Regarding Completion of the 2020 Operating Goals for the District.

WHEREAS, the District Board has determined it to be necessary and desirable and in the best interests of the District to provide for the organization of the District and to take certain actions as may be required from time-to-time; and

WHEREAS, the District Board feels that it is in the best interests of the District to adopt annual operating goals and to review end of the calendar year performance for those goals as a guidance measure for the Board, District Officers, and employees; and

WHEREAS, several 2020 operating goals were affected by the Pandemic and were either reduced, postponed, or cancelled to meet the circumstances surrounding building closures, loss of revenues due to governmental action limiting the capabilities of the Center to conduct business, and event cancellations; and

Mr. Blosser reported that 2020 was a very different and difficult year with the pandemic shutting down the building and cancelling all events at the Center from April onward, as well as bringing hotel occupancy to below historic numbers causing funding shortages in almost all areas. Mr. Blosser advised

that the comments contained in his memo to the Board reflect the issues and the changes the Board had made to the 2020 goals. Some goals were not completed, and some were modified given the circumstances and funding needs to react to the pandemic and its effect on the building operations. He walked through the twelve individual goals giving highlights each and advising which goals were completed; completed with modifications; or were not completed due to major funding reductions, staff lay-offs and furloughs, and program cancellations.

Mr. Blosser advised that the individual Committees of the Board have monitored and reviewed the 2020 performance of the District throughout the year and are recommending approval to the Board that the 2020 Calendar Year Operating Goals for the District are complete with the needed adjustments due to the Pandemic.

Ms. Gonzalez-Murillo made a motion to approve Resolution #2021-02, approving the satisfactory completion of the 2020 Calendar Year Operating Goals. Mr. McLaughlin seconded, and the motion was carried by the unanimous affirmative vote of all the Directors present via video conference / conference call.

B. Approval of Electronic Signature of WSCC Documents, Resolution #2021-03

A RESOLUTION establishing an Electronic and Digital Signature Policy for the Washington State Convention Center Public Facilities District.

Mr. Blosser advised that currently the District does not have a formal electronic signature process for documents and with meetings continuing to be held virtually electronic signature items have been significant in terms of how people are doing business. Staff wished to ensure we have a policy in place for electronic signatures and sought Mr. Hendricks guidance and assistance with drafting this resolution. With the Board's approval of Resolution 2021-03, staff will work to create the necessary procedures and type of format to be utilized for electronic and digital signatures.

Mr. Flowers made a motion to approve Resolution #2021-03, establishing an electronic and digital signature policy for the District. Ms. Gonzalez-Murillo seconded, and the motion was carried by the unanimous affirmative vote of all the Directors present via video conference / conference call.

C. Approval of Extension of WSCC-LC Labor Agreement (08-01-2016 to 07-31-2020), Resolution # 2021-04

A RESOLUTION by the Board for Ratification of the Extension Agreement by and between the Washington State Convention Center Public Facilities District ("District") and the Washington State Convention Center Public Facilities District Labor Council ("WSCCLC").

Mr. Blosser advised that the most recent Labor Agreement between the District and the WSCCLC expired on July 31, 2020. Representatives from WSCCLC and District staff began negotiating early in 2020 to prepare a new contract in that year. However due to the impact of the COVID-19 Pandemic and the Governor's Orders to shut things down, non-essential operations were ceased and the parties suspended bargaining as a result. The District was hopeful that the situation would change by June or July, and when it was clear that the Governor's Orders would remain in effect, District staff and the WSCCLC entered into an agreement to extend the Labor Agreement through December 31, 2021. Each of the Unions in the WSCCLC have agreed to the extension and the appendices are attached to the Resolution.

Mr. Blosser briefly outlined that, for the most part, there is a wage freeze through July 31, 2021; and there is a 1% wage increase as of August 2021 and for those with master agreements it will be a percentage of that increase. Mr. Blosser advised that the District and WSCCLC wanted to ensure that the benefit packages for health coverage was maintained through this process and contained the same amounts contained in the current contract. Mr. Blosser advised that the District staff are seeking Board approval of the extension of the Labor Agreement by ratifying Resolution 2021-04, and the Board's approval authorizing the President/CEO to sign these agreements on behalf of the District Board. Negotiations will resume mid-2021 for the new Labor Agreement in 2022.

Ms. Brown-Archie made a motion to approve Resolution #2021-04, approving the ratification of the Extension Agreement by and between the District and the WSCC-LC, and authorizing the

President/CEO to sign these agreements on behalf of the District Board. Mr. Schafer seconded, and the motion was carried by the unanimous affirmative vote of all the Directors present via video conference / conference call.

VIII. FINANCIAL REPORT

Mr. Firth advised that there is a sharp contrast to the 2020 year-end report from year-end reports he has presented over the previous ten years where it has been a regular occurrence to boast how well the Center has done. For the 2020 COVID year, things have definitely changed. At the July 21, 2020, Board of Directors' meeting, Resolution 2020-5 was approved by the Board revising the 2020 budget for the last six months of 2020 to best reflect COVID-19 adjustments at the time. When the revised budget was developed, it was assumed that event activity would start back up in August, and the budget included Building Rent amounts comprised of events that were still on the books and not likely to cancel. As a result of COVID restrictions, the building did not host events after March 2020 and the building remained closed except for the parking garages and some retail rent from March through December. As a result, revenues for the year were 9% under the revised budget. Parking and Retail rent were the only revenue category to surpass the revised budget for the year. Parking revenues were 26% and Retail was 7% over budget. Overall Operating Expenses for the year came in at \$1,000,022 under the revised budget. All line-item expenses were under the \$100,000 threshold set up by the Board of Directors. The Operating Loss for the year was \$7.9 million. The Operating & Marketing Loss for the year was \$10.4 million. The Marketing Expense (for Visit Seattle) for the year was \$4.4 million, and funding for Visit Seattle came from two sources this year: \$2.4 million from the Marketing Revenues earlier in the year, and \$2 million from the Capital Improvement Reserve. Funds spent on Capital Improvements for the year was \$2.3 million. Addition Project expenditures for the month of December 2020 were \$32 million.

Mr. Firth advised that the December lodging collections were \$1.4 million; Additional lodging tax collections for December were \$348,000; Extended tax \$92,000. Lodging tax collections for 2020 were \$31.5 million, which is only 34% of previous year's collections of \$92.5 million. Additional lodging collections were \$1.7 million; 33% of previous year's collections of \$23.2 million.

Mr. Firth reported on the Forecast for 2021. No event revenue is forecasted for the first quarter of 2021. Parking revenues are expected to continue following the current revenue trend to show strong revenue from construction, early-bird, 12-hour special, and from Virginia Mason Hospital employee parking. Regarding expenses, the forecast indicates a slight reduction in salaries, wages, and other services, with remaining expenditures being similar to budget.

XI. ADJOURNMENT

Mr. Flowers made a motion to adjourn the January 26, 2021 Board meeting at 3:20 p.m. Ms. Gonzalez-Murillo seconded, and the motion was carried by the unanimous affirmative vote of all Directors present via video conference / conference call.