

Minutes

Washington State Convention Center
Public Facilities District

Regular Meeting of the Board of Directors
July 26, 2022

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 was also available 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

Frank K. Finneran, Chair
Deryl Brown-Archie, Vice-Chair (by video conference)
Robert Flowers
Katie Garrow (by video conference)
Susana Gonzalez-Murillo (by conference call)
Jerry Hillis (by conference call)
Taylor Hoang
J. Terry McLaughlin
Craig Schafer

Officers in Attendance

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

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

Margery Aronson, Addition Art Project (by telephone)
Keith Hedrick, ARAMARK
Quiller McCurry-Willis, ARAMARK
Matthew Hendricks, Hendricks - Bennett, PLLC
Steve Kennedy-Williams, LMG Inc.
Will Yoder, LMG Inc.
Matt Rosauer, Pine Street Group
Ali Daniels, Visit Seattle
Troy Anderson, Visit Seattle
John Boesche, Visit Seattle
Peter Andersen, Visit Seattle

Staff in Attendance

Melina Bermudez	Krista Daniel
Michael McQuade	Jules Miller
Tony Sheehan	Lorrie Starkweather
Loni Syltebo	Earl Taylor
Susnios Tesfaye (by telephone)	

Guests in Attendance

Tom Norwalk

Lisa Libro, Build America Mutual (by telephone – 212-235-2571)

Al McLaughlin (by telephone - 908-635-8476)

II. APPROVAL OF MINUTES

May 24, 2022, WSCC PFD Board Regular Meeting

Mr. Hillis made a motion to approve the minutes of the May 24, 2022, Regular Board meeting, as presented. Ms. Gonzalez-Murillo seconded, and the motion was carried by the unanimous affirmative vote of all Directors present, in person and 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 New Board Member, Taylor Hoang

Mr. Finneran advised that Ms. Taylor Hoang was appointed to the WSCC PFD Board of Directors by the Mayor of Seattle and confirmed by the City Council on April 12, 2022, to complete the four-year term (July 31, 2020, to July 31, 2024) for the Board position previously held by Ms. Denise Moriguchi.

B. Presentation to Mr. Tom Norwalk

Mr. Finneran presented the framed keepsake of Resolution 2022-03 to Mr. Tom Norwalk on behalf of the District Board. Resolution 2022-03 was approved by the District Board at the March 22, 2022, regular Board meeting to recognize and extend the District's sincere appreciation to Mr. Norwalk for his leadership, partnership, and unmatched dedicated service to enable the Board to achieve its goals and fulfill its mission over the last 15 years.

C. 2022 Board Retreat Update and Draft Agenda

Mr. Finneran requested Mr. Blosser to provide an update on the 2022 Board Retreat meeting. Mr. Blosser advised that the draft agenda for the Board Retreat was contained in the packets. This year's Retreat will be a one-day meeting scheduled for Wednesday, October 26, 2022, and we are anticipating this event will be at Summit, pending any change to the current Temporary Certificate of Occupancy (TCO) date. As Mr. Blosser continues to add details to the draft agenda to finalize the meeting items, it was requested that the Board members forward any questions, comments, or potential agenda items directly to him. The draft agenda will be reviewed with the Chairman as details are finalized.

D. To recognize the service of Rebecca L. Bogard to the Washington State Convention Center Public Facilities District, Resolution 2022-07

A RESOLUTION by the District Board Recognizing the Service of Rebecca Bogard.

Mr. Finneran advised that the District Board would like to recognize Rebecca (Becky) Bogard for her service and support of the Convention Center. Ms. Bogard was unable to attend today's meeting and will be presented with a keepsake Resolution at a subsequent Board meeting. Mr. Finneran requested Ms. Willanger to read the Resolution.

Ms. Willanger recited from Resolution 2022-07, WHEREAS Rebecca Bogard has worked with the hospitality industry for over 35 years in various roles and served many different organizations throughout her career including the City, County, State, and Washington State Convention Center; and

WHEREAS, Ms. Bogard has provided distinctive leadership, collaboration, and partnership to the Board with her considerable experience influencing state legislative actions, including a 2009 project coordinating Advocates for Convention Center Expansion, which enabled the expansion of the Center and moved the Public Facilities District from a former state agency; and

WHEREAS, Ms. Bogard's tireless efforts and unwavering advisory commitment to her work with drafters of legislation, supporters, the executive branch, local government officials and stakeholders ensured that her projects delivered solutions, including an ordinance creating the Seattle Tourism Improvement Area with Visit Seattle. Ms. Bogard promoted the Center's economic importance delivering extraordinary results, while providing invaluable civic contributions to the community and support of the District's Board mission; and

WHEREAS, the dedicated public service partnership that Ms. Bogard provided to the District's Board should be honored, recognized, and remembered.

NOW, THEREFORE, BE IT RESOLVED that the District Board expresses its gratitude and sincere appreciation to Ms. Bogard for her leadership, partnership, and unmatched dedicated service to enable the Board to achieve its goals and fulfill its mission, including the ability to expand and open the Summit building.

Ms. Brown-Archie made a motion to approve Resolution 2022-07, recognizing the service of Rebecca Bogard to the WSCC PFD Board. Mr. Flowers seconded, and the motion was carried by the unanimous affirmative vote of all Directors present, in person and via video conference / conference call.

E. 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. Approval of Additional Facility Project Draw Schedule Payments, #91 (June 2022)
2. Approval of Additional Facility Project Draw Schedule Payments, #92 (July 2022)
3. Ratification of Additional Facility Project Contract List (June 2022)
4. Ratification of Additional Facility Project Contract List (July 2022)

Informational Items:

- A. SCC Sales Summary: June 2022
- B. SCC Sales: Regional-Local Booking Performance – June 2022
- C. SCC Monthly Expenditures Auditing Officer Certification
- D. SCC Parking Report
- E. Food Service Report (ARAMARK)
- F. SCC Mid-Year 2022 Retail Report

Mr. Hillis made a motion to approve the Consent Agenda as presented. Mr. McLaughlin seconded, and the motion was carried by the unanimous affirmative vote of all Directors present, in person and 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 earlier today and received a status report from Pine Street Group (PSG). Looking at the current big picture, Mr. Finneran advised that we are continuing to monitor the date for Temporary Certificate of Occupancy (TCO) and when the District can take possession of the building and how it will be utilized, as Mr. Blosser has mentioned, for several events that are planned in 2022, as well as the comprehensive event schedule following in 2023. Mr. Finneran requested Mr. Rosauer to provide the Board with a brief presentation of the current status of the Addition Project items.

Mr. Rosauer provided a brief update, advising that on Schedule the building is rapidly coming together, taking shape, and looks terrific. PSG hosted tours of Summit for ULI Northwest (Urban Land Institute) and NAIOP WA Chapter (Commercial Real Estate Development Association) meeting attendees on July 21, 2022. The TCO remains October 11, 2022. The team is pushing to speed that date up to the extent they can, however there will be work to complete following the TCO. Mr. Rosauer said the focus

remains Substantial Completion and ultimately Final Completion. On the two co-developments, the Office Tower is moving along smoothly, and the Residential podium is now substantially complete. On Sources & Uses, they remain tight, and discussions are continuing regarding additional financing instruments. On Quality, the team continues to focus on the quality control issues. So far, the types of issues are things regularly seen on projects, and PSG is working closely with Chris Raftery and Clark-Lewis to quickly rectify the issues as they arise. The punch list and back-punch has started on the building. The opening plan that coordinates the responsibilities for the Convention Center, contractors, and consultants is being closely managed and is on target. On Contracts, Mr. Rosauer advised that work continues on the issues with American Bridge with the contractor and PSG is working through that piece with Clark-Lewis; and PSG is working to come to an agreement with T-Mobile to provide additional sources to offset the costs associated with the digital antenna system (DAS). On Miscellaneous, our retail leasing continues. Ethan Stowell is now mobilized and starting his pizza restaurant, to be named Bombo.

B. Government Affairs Committee

1. Update

Ms. Brown-Archie advised that the Government Affairs Committee met earlier today. One of the key agenda items for the Committee is finalizing the contract with the apparent successful lobbyist team. Mr. Blosser is currently in discussions with the candidates, and the Committee anticipates having the new lobbyist team onboard by the next Committee meeting in August. The lobbyist team were invited to today's Committee meeting, and dialogue occurred regarding components of the RFP, anticipated work schedule, expected legislative efforts on SCC's behalf, and the lobbying teams' assistance with Board appointments/re-appointments. The Committee discussed civility and public safety issues in the Seattle area and how we want to maintain engagement, in conjunction with Visit Seattle, to improve the downtown core and support our business goals. The Committee also reviewed the mid-year operating goals report.

C. Outreach Committee

1. Update Report

Ms. Hoang advised that the Outreach Committee met on Friday, July 15, and received reports from Pine Street Group (PSG), SCC staff, Clark-Lewis, and Regina Glenn. Notes from the April Outreach Committee meeting were reviewed, and July Outreach reports from Clark-Lewis, LMN Architects, Intelligent Partnerships (IP), and PSG were provided and reviewed. Priority Hires are at 30% and Apprenticeships are at nearly 30%, which is well over the established goals for the project. Tabor 100's final scholarship has received no applications, and this scholarship will be converted from "Hospitality" to "Culinary" to solicit applications. The Committee reviewed and discussed the Mid-Year Operating Goals progress report. Ms. Hoang reported that SCC is finalizing the new lobbyist contract and working with the WA State Department of Commerce for the \$20 million in COVID reimbursement which was approved by the State Legislature for SCC Operations and the Addition Project. SCC has reached out to the Downtown Seattle Association / MID for assistance with power-washing and clean-up of areas around the facility as our event schedule ramps up, as well as in preparation for the opening of Summit. SCC has a hiring plan schedule in place, and an RFP for a Program Manager to assist with the Summit Grand Opening is in the works. SCC hosted a High School Career Council with over 125 students in attendance and continued their outreach efforts by donating food to FareStart and to downtown food banks. The 2021 Annual Report should be finalized in early August and released electronically by the end of the month.

D. Marketing Committee

1. Marketing & Sales Mid-Year Reports

Mr. Schafer advised that the Marketing Committee met on June 23, 2022, to review the mid-year goals for Visit Seattle and SCC Sales teams. Visit Seattle discussed staffing issues as it relates to budget and the smaller number of staff doing the same amount of work, and how they are organizing to take care of the increased business lead needs and sales efforts. Visit Seattle presented a progress report on the convention bookings for the next 3 years, room night projections, and progress on meeting the 2022 goals. The SCC Sales team reported on progress towards meeting 2022 goals, reviewed the Mid-Year Operating

Goals progress report, the advertising program, and discussed the value of consumer shows to the Center. Work achieved to date for the Marketing & Communications Plan for SCC was also presented. A discussion took place regarding hotel tax collections for 2022 and the projections for 2023 / 2024. The Committee also were provided an update on the Summit Grand Opening Program.

G. Facility Committee

1. Update

Mr. Hillis reported that the Facility Committee met on June 23, 2022 and reviewed the status and progress of the 2022 Capital Projects. There was discussion on 4 items that effect the operations and/or safety issues that were not contained on the original approved list of projects but will require completion this year. Staff presented these items to the Committee to review the new issues and possible solutions along with the associated costs. The items are:

- a) The escalator step repairs created by damage to the step that is a safety and code issue.
- b) Window glass replacement increase to budget due to continued glass breakage occurring around the facility that is already over the approved budget for this fiscal year.
- c) Vandalism at the MLK Marshalling Yard, where all the copper wiring was stolen from the light poles and needs to be replaced to make sure our lighting is in place for major event needs this fall.
- d) The north side main heat exchanger has stopped working and cannot be repaired. This needs to be replaced before the cold season comes back this year.

To solve these project needs, staff have recommended a reallocation of the approved capital project budget from projects that will not be completed this year and reducing budgets from other items to fund these new additional projects. Mr. Blosser reported that these adjustments stay within the Board-approved budget amount. Mr. Hillis advised that the Committee has approved staffs' request and reallocation plan to fund and complete these new projects in this fiscal year.

VI. VISIT SEATTLE & WSCC Sales Reports

A. Visit Seattle Destination Overview & Convention Sales Recap

On behalf of Ms. Canavan, Ms. Daniels provided an update on Visit Seattle staffing adjustments resulting from the pending departure of VP of Finance, Ms. Kris Cromwell. After a decade of service to Visit Seattle, Ms. Cromwell will be starting a new career in education.

Ms. Canavan had requested that Ms. Daniels read her report to the SCC Board. There is significant work being done to secure additional revenues for Visit Seattle this year and for 2023. Additional resources are critical to enable Visit Seattle to not just keep up with current record-setting volumes of leads and booking short-term business, but to maximize the opportunities that come with the opening of Summit. Last month the Marketing Committee meeting struck a sub-committee to do some deeper revenue forecasting recognizing this need and hoping to be able to carve out an additional \$2 to \$2.5 million for 2022 and look to a larger investment in Sales and Marketing for 2023 than has been possible for the past couple years. In addition, Visit Seattle is pursuing additional revenue sources in the form of State Department of Commerce grants for 2023. The need is immediate, so at the Visit Seattle Executive Committee meeting on July 14, Ms. Canavan asked for the Executive Committees' agreement to use the Visit Seattle reserve funds to help expedite the investment needed in people as well as Sales, Marketing, and Asset development. The support from the Visit Seattle Executive Committee was unanimous, and while we await the formality of a full Visit Seattle Board vote, we are moving forward with the investment. This will not be sustainable for 2023. Visit Seattle can sustain what was planned for 2022 but will not be able to supplement at that same level for an entire year, so those additional investments from Seattle Convention Center and the State grants are critical if Visit Seattle is able to do their job properly. Additionally, Mr. John Boesche will speak about the TIA increase and what that is able to be spent upon. Ms. Daniels shared a list of open vacant positions, which are a combination of newly added positions and positions being backfilled. Visit Seattle staffing will still not be at pre-pandemic levels, but in fact will still be 20 people fewer than 2019, however this will enable Visit Seattle to meet the immediate challenges. Positions have been added in Sales and with added specialized positions in Marketing & PR that will be

focused on conventions and the Summit opening. Please reach out to Ms. Canavan if you'd like to more information.

Mr. Andersen reported on the Smith Travel Research (STR) Select Competitive Set numbers for June 2022. The Seattle Downtown market, along with our tracked competitive set, continue to make progress with occupancy rates (from 51.7% in Houston CBD, and 84.5% for Seattle Downtown, and up to 85.1% in Vancouver Downtown), average room rates (from \$149 in Phoenix Central, \$254 in Seattle Downtown, and up to \$325 in Boston CBD), and RevPar (from \$87 in Phoenix Central, to \$215 in Seattle Downtown, and up to \$268 in Boston CBD). STR reported June 2022 Year-to-date, Seattle Downtown occupancy rate of 57.9%, up 85.1% from prior year; average room rate of \$199, up 46% from prior year; and RevPar of \$115, up 170.2% over prior year.

Mr. Boesche reported that on March 31, 2022, the Seattle Tourism Improvement Area (STIA) assessment increase was signed into law by the Mayor, with an increase of \$2 to \$4 per occupied room night. The increase became effective for the 70 STIA hotels June 1, 2022. Based on the ordinance, these funds must be spent on leisure tourism, which supports consumer marketing/advertising, international tourism, and public relations efforts at Visit Seattle.

Mr. Boesche provided an update on booking progress for the two buildings, Summit and Arch, for years 2023 to 2027 / pace to consumption targets, and also reported on SCC room nights on the books compared to the West Coast competitive set and the Like-Size Cities competitive set, for years 2021 through 2026.

B. SCC Sales Report

Mr. McQuade provided a year-to-date report for the period of January to June 2022. For this period, SCC & Visit Seattle Sales staff total combined top-line rent actualized \$1,804,634 for Convention Center contracted bookings. For this period, SCC top-line rent actualized \$507,555 and 2,790 room nights.

There were 23 events hosted in May and June 2022, realizing 1,059 in hotel room night bookings, with 14,649 delegates, and an estimated \$2,392,310 in top-line revenues. There were 9 events hosted in May 2022, realizing 973 in hotel room night bookings, with 5,160 delegates, and an estimated \$406,227 in top-line revenues. There were 14 events hosted in June 2022, realizing 86 in hotel room night bookings, with 9,489 delegates, and an estimated \$1,986,083 in top-line revenues.

Mr. McQuade provided a summary of groups booked in May and June 2022. SCC Sales staff booked 20 new events into the Center with 6,576 estimated delegates, 562 forecast room nights, and \$472,696 in top-line forecast revenues.

VII. PRESIDENT'S REPORT

A. Cybersecurity Policy, Resolution 2022-08

A RESOLUTION establishing a Cybersecurity Policy for the Washington State Convention Center Public Facilities District.

Whereas the District's Board of Directors recognizes the importance of being prepared and ready to make cybersecurity decisions when faced with a cyber incident that impacts the operations of the network and/or its data, and

Whereas, the District Board has determined that the President/CEO or designee should have the authority to suspend the operation of all or any part of the district operations whenever the President or designee determines that a cyber incident is active. It is essential that the Board of Directors supports the President/CEO or designee in establishing the prudent decision with its reaction to cyber incidents.

Mr. Blosser advised that staff is requesting the Board's approval of this policy to establish operating procedures for the District that align to the National Institute of Standards & Technology framework in case we have an incident and need to access the protocol. The District purchases Cybersecurity insurance each year in case we have an attack and can access funds for an incident response. Mr. Blosser recommends the Board approve Resolution 2022-08 and advised that staff will bring the Operating Procedures back to the Board for review once finalized.

Mr. McLaughlin made a motion to approve Board Policy 27 (Cybersecurity Policy) by way of Resolution 2022-08. Mr. Flowers seconded, and the motion was carried by the unanimous affirmative vote of all Directors present, in person and via video conference / conference call.

B. 2022 Operating Goals: Mid-Year Progress Report

Mr. Blosser advised that his operations status report for the 2022 Operating Goals mid-year progress is contained in the Board packets and was distributed to the Board prior to this meeting. Mr. Blosser verbally provided some highlights of his written report. Overall, staff is on track to meet these goals in most areas, but some goals – due to funding – may be later in the year or may not get completed.

C. 2021 Annual Report Update

Mr. Blosser advised that the 2021 District Annual Report is being finalized and will be sent to the Chairman for his review and comments, and then forwarded to the Board for their review. Once approved, the Annual Report will be released in August.

VIII. FINANCIAL REPORT

The Financial Report was distributed to the Board in their packets in advance of this meeting. Mr. Hecker advised that the month of June beat budget expectations. The Center held 10 events leading to an operating loss of \$300,004 (vs budget loss of \$622,423) on revenues of \$1,919,191 and expenses of \$2,219,195. For the month, revenues beat budget expectations by 6.1% or \$110,352 and expenses were underbudget by 8.7% or \$212,067. YTD operating revenues continue to underperform budget by 29.9% or \$4.4MM but are up by a wide margin compared to last year (371%). YTD operating expenses are underbudget by 22.6% or \$3.7MM. YTD operating loss was \$2.4MM or \$674,509 above budget. As a reminder, there are no lodging tax revenues to support either internal or external marketing expenses. A slower rate of hiring in the marketing areas reduced salaries and benefits resulting in expenses coming in 7.9% underbudget for the month and 6.9% underbudget YTD. Overall, YTD net operating and marketing losses continue to miss the mark by 9.4% or \$457,480 greater loss than expected.

On a positive note, all July 1st debt payments were made in full and on time. As planned a third state deficiency loan was generated to meet debt service which is in line with a cash preservation strategy. The impact of debt service payments will hit cash in July Board reports. Non-operating revenue – lodging taxes – were sufficient to cover accrued debt service in June. This is the first time since October 2021 that lodging taxes were sufficient to cover trust debt.

Parking continues to perform very well beating budget by 27.0% MTD and 22.4% YTD. There are positive signs of office workers returning to downtown with the reserve parking at near full capacity. Parking continues to be supported by Summit construction, Virginia Mason Hospital employees, events returning, and the dedicated work of our Parking Manager Susnios Tesfaye.

Mr. Flowers asked if the District has sufficient funds at the end of June to complete the Addition project? Mr. Hecker replied that he believes the District has resources and strategies in place to mitigate potential risks associated with the project.

Mr. Hecker reported that Lodging Tax revenues were sufficient to cover monthly accrued debt service. Excess Lodging Tax of about \$660,000 is subject to bond waterfall. The SCC bond covenants have a waterfall of how priority obligations are paid. The first six priorities are bond interest and principal payments, the State of Washington's Additional Lodging Tax, King County's Note, and Marketing and Operation expenses. Therefore, funds were not available in June to set aside for marketing. This situation will continue for the foreseeable future. Mr. Hecker and Visit Seattle have been developing a committee to review revenue projections for lodging taxes. Mr. Andersen and Mr. Hecker did meet and discussed methodology and data available, and believe they have a way forward that using STR data and our methodology to create a more accurate, forward-looking, long-term projection of lodging taxes, especially for the 60+ Rooms which are the main contributors, for debt service purposes.

Mr. Hecker advised that the majority of the District's liquidity (72%) is maintained in the State LGIP Fund to be in a very short basis points environment. On Use of Funds, the majority of our funds are set aside for use for the Addition project, either in the form of bond proceeds or the segregation of funds

for Summit. Mr. Hecker advised that the Use of Funds chart is provided to show the Board the Unrestricted, Committed, and Restricted funds, essentially dollars the Board has to spend or can change to spend, and dollars that cannot be spent that are already allocated.

Mr. Hecker reported briefly on the three-month revenue/expense Forecast for 2022. A more detailed forecast report will be provided in August.

XI. ADJOURNMENT

Mr. Schafer made a motion to adjourn the July 26, 2022, Board meeting at 3:45 p.m. Ms. Brown-Archie seconded, and the motion was carried by the unanimous affirmative vote of all Directors present, in person and via video conference / conference call.