

Minutes

Washington State Convention Center
Public Facilities District

Regular Meeting of the Board of Directors
September 26, 2023

I. CALL TO ORDER

Frank K. Finneran, Board Chairman, convened a regular meeting of the Washington State Convention Center Public Facilities District (SCC) at 2:00 p.m., in Summit rooms 327 and 328, of the Convention Center. Meeting attendance was also available by video conference / conference call via Microsoft Teams.

MEETING ATTENDANCE

Board Directors in Attendance

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

Board Directors Absent

Katie Garrow

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

Margery Aronson, Addition Art Project
Melinda Altamirano, ARAMARK
Keith Hedrick, ARAMARK
Quiller McCurry-Willis, ARAMARK
Tim Ceis, Ceis Bayne East Strategic
Matthew Hendricks, Hendricks - Bennett, PLLC
Tammy Canavan, Visit Seattle
Kelly Saling, Visit Seattle
Ali Daniels, Visit Seattle
Troy Anderson, Visit Seattle
Peter Andersen, Visit Seattle
Chris Connelly, Visit Seattle
Stacey Crenshaw-Lewis, Pacifica Law Group
Eileen Sullivan, Sullivan Advocacies

Staff in Attendance

Melina Bermudez		
Hannah Ermi	Derek Forare	Lorraine Kelly
Katie Hall	Deb Hermansen	Mara Vostral
Andrew King	Michael McQuade	Earl Taylor
Loni Syltebo	Tony Sheehan	Fikre Assefa

II. APPROVAL OF MINUTES

May 23, 2023, WSCC PFD Board Regular Meeting

Mr. Schafer made a motion to approve the minutes of the July 25, 2023, Regular Board meeting, as presented. 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.

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. 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 2023)
2. Ratification of Additional Facility Project Contract List (September 2023)
3. Approval of Additional Facility Project Draw Schedule Payments, #105 (August 2023)
4. Approval of Additional Facility Project Draw Schedule Payments, #106 (September 2023)

Informational Items:

1. SCC Sales: August 2023 Summary Report
2. SCC Sales: Regional-Local Business – August 2023
3. SCC Monthly Expenditures Auditing Officer Certification
4. SCC Parking Report
5. Food Service Report (ARAMARK)

Mr. Finneran noted that the two August Action Items were reviewed and approved by the Facility Committee at their meeting on August 22, 2023, and the two September Action Items were reviewed and approved by the Facility Committee earlier today. The four Action Items are being recommended to the full Board for approval.

Mr. Flowers made a motion to approve the Consent Agenda as presented. Mr. Schafer 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. Facility Committee

1. Update Report

Mr. Finneran advised that the Facility Committee met earlier today and reviewed the Additional Facility Project Draw Funding Request #106 dated September 12, 2023, and the Additional Facility Project Contract List for September 2023, which the Board just approved in the consent agenda. The Committee discussed the remaining punch-list items and the credit accommodations with King County. Mr. Finneran stated that reasonable progress has been made on the punch list items and that the operations & the project teams are meeting on a regular basis to discuss these items.

Mr. Finneran invited Sam Hecker to discuss the third amendment to the Transfer Agreement with the state treasurer. Mr. Hecker advised that the resolution seeks the board's approval on the Transfer Agreement that oversees the credit enhancement facility allowing SCC to move the debt stack in the market. Mr. Flowers made a motion to approve the transfer agreement and Mr. Schafer seconded.

B. Government Relations and Civic Outreach Committee

1. Update

Ms. Brown-Archie reported that the Government Relations & Civic Outreach Committee have not met since July 20, 2023, but that the Board has been receiving reports from CBE. Ms. Brown-Archie invited

Mr. Ceis first and then Ms. Sullivan to provide a brief overview on the consultant reports including within the board packets regarding City, County, and State activities.

2. Government Relations Consultant Report

Ms. Brown-Archie advised that the consultant update report from CBE Strategic and Ms. Sullivan (Sullivan Advocacy) is contained within the Board packets.

VI. VISIT SEATTLE & SCC Sales Reports

A. Visit Seattle Destination Overview

Ms. Canavan made an announcement on the STIA, Seattle Tourism Improvement Area funding mechanism was increased and went from a flat fee of \$4 per night to a percentage and was passed unanimously with a 9-0 vote through City Council. The new percentage model is 2.3% of the room rate and is expected to generate between \$21-24M. Ms. Canavan reported that when this is combined with the anticipated funding from the convention center that Visit Seattle will be in a more competitive place next year. Mr. Norwalk congratulated Ms. Canavan and her team on STIA and asked if there was much pushback from hotels. Ms. Canavan responded that there were two properties that said they would not sign but also that they would not protest and that the others were non-responders. Mr. Norwalk asked Ms. Canavan what the length of the term is for the approval to which Ms. Canavan responded 15 years.

Mr. Andersen provided a summary of Hotel Performance for the downtown Seattle area for Year-to-date August 2023, YOY 2019, Occupancy down 7.5%; Average Daily Room Rate up 1.9%; RevPAR down 5.7%; Supply up 6.8%; Demand down 1.2%; Revenue down 0.7%.

Mr. Andersen reported on the Smith Travel Research (STR) Select Competitive Set numbers for August 2023. The Seattle Downtown market, along with our tracked competitive set, continue to make progress with occupancy rates (from 89.3% in Vancouver Downtown, to 83.7% in Seattle Downtown, and to 55.8% in Houston CBD), average room rates (from \$297 in Boston CBD, \$263 in Seattle Downtown, and to \$138 in Phoenix Central), and RevPAR (from \$257 in Boston CBD, to \$220 in Seattle Downtown, and to \$79 in Phoenix Central). STR reported August year-to-date, Seattle Downtown occupancy rate of 68.3%, an 6.3% change over prior year; average room rate of \$237, an 6.7% change over prior year; and RevPAR of \$162, a 13.4% change over prior year.

B. Visit Seattle Sales Report

Ms. Saling provided an update on tentative business sourced and definite business booked in July and August 2023 for both Arch and Summit.

Ms. Saling provided an update on booking progress for the two buildings (Summit and Arch) for years 2023 to 2029, for booked (definite) business in July and August 2023 and for sourced (tentative) business in July and August 2023. Ms. Saling 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 2023 through 2028. An overview of business on the books for Summit and for Arch for the years 2023 through 2028 was provided.

Ms. Daniels reported that Seattle Convention Center and Visit Seattle had recently been nominated for some accolades and awards, for example: Voted #9 on the Wall Street Journal's list of "The Ten Best Convention Centers in the U.S.", World Travel Awards 2023, Business Intelligence Group's Sustainability Award 2023, and World MICE Awards. An overview of recent meetings media highlights and leisure media highlights were provided. Ms. Daniels gave an update on July and August advertising with ads & advertorials in PCMA Convene, MPI "Dare to Interrupt", and Prevue.

B. SCC Sales Report

Mr. McQuade provided a year-to-date at-a-glance report for the period of June – August 2023. For this period, SCC & Visit Seattle Sales staff total combined top-line rent actualized was \$4,687,328 for Convention Center contracted bookings (62% of FY2023 goal), with total net rent actualized coming in at 76% of goal at \$4,329,017.

There were nineteen (19) events booked in July and August, realizing 25 in forecasted hotel room night bookings, with 22,195 estimated delegates, and an estimated \$853,523 in top-line revenues.

There were eleven (11) events hosted in July and August, realizing 1,313 in hotel room night bookings, with 1,390 delegates, and with \$512,001 in top-line revenues (rent, food & beverage, services, and parking). Year-to-date actuals saw 108,324 delegates; 5,231 in hotel room night bookings; and combined top-line forecast revenues of over \$3,426,154 for rent, food & beverage, parking, and subcontractor services.

VII. PRESIDENT'S REPORT

A. Update on SCC Board Strategic Planning Retreat

Mr. Blosser provided an update on the upcoming Board Strategic Planning Retreat scheduled for October 24, 2023. The draft agenda was shared, and Mr. Blosser pointed out that there will be a couple of guest speakers coming into present updates on the Seattle Waterfront Construction Project with Bob Donegan and the Seattle Aquarium Expansion Project with Bob Davidson. Other items on the draft agenda include an overview of the Summit building closeout, SCC draft operating goals, and our SCC recruitment and retention plans.

B. Review of New Parking Bands

Mr. Blosser invited Jon Houg to give an update on the new parking band structure. Mr. Blosser advised that we are not changing the rate but instead we are looking to change the bands that we charge for. Mr. Houg alongside Fikre Assefa, SCC Parking manager gave an update and a discussion ensued.

C. PAX West / Nintendo / 9th Ave Recap

Mr. Blosser gave a recap of the PAX West and Nintendo Live events that took place in Arch and Summit over the Labor Day Holiday. Mr. Blosser highlighted how these two big events provided a unique opportunity for the SCC to close down 9th Ave between Pike and Pine to create a safer route for attendees to get between buildings with a Beer Garden. The Pike-Pine Party included five food trucks and a beer garden for attendees over 21 and was a great success with all food trucks selling out completely on the first two days (Friday and Saturday). The Pike-Pine party was so successful that we were asked if we would be back next year.

VIII. FINANCIAL REPORT

The Financial Report was distributed to the Board in their packets in advance of this meeting. Mr. Hecker reported a positive development with the Office of State Treasurer (OST) and the AG's Office agreed to extend the Additional Lodging Tax to the 2021 Jr. Notes. This is a significant development and greatly supports the PFD's ability to maneuver and handle uncertainty and improve cash flow for the operations. In addition, a new credit line was developed to pay the Deficiency Loan back using Additional Lodging Tax. Mr. Hecker reminded that regular lodging taxes are the funding source of Marketing Tax Revenue. YoY results in the lodging tax do not reflect lodging performance because a portion of lodging tax is transferred to marketing revenues. Please refer to the Lodging Report for a more detailed analysis of lodging revenue activities.

Mr. Hecker advised that overall, August financial results show improvement. Operating losses narrowed due to F&B margin expansion, better than expected rent and facility services and a summer bump in lodging activities. The operating deficit was 51% better than expected or \$431,125 less than budget and YoY 31.9% better. Year to date operating loss was 10.5% or \$765,328 better than budget but 85.4% or \$3.0MM larger than last year. Overall, YTD results can be described as mixed but there are reasons to anticipate a robust remainder of 2023. Parking revenues continue to be disappointing and are underperforming YTD budget expectation by 16.8% or \$480K due to the slow return of downtown workers and significantly less Summit construction workers. Several initiatives to boost parking revenues are still in the works. Even with the YTD revenue miss debt service coverage remains strong but operational support is lagging. Mr. Hecker spoke to the Budget to Actuals Report.

XI. ADJOURNMENT

Mr. Schafer made a motion to adjourn the September 26, 2023, Board meeting at 4:00 p.m. Mrs. 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.