



Meeting of the PHPDA Governing Council
August 11, 2015 5:30-7:00 p.m.
 Quarters 2 Building, Beacon Hill
 1200 12th Ave South Seattle, WA 98144

MEMBERS PRESENT			NOT PRESENT	ALSO PRESENT	
Mike Heinisch	Nancy Sugg	Judy Tobin	Tony McLean	Jeff Natter	Denise Stiffarm (at 5:36)
Ellie Menzies	Nate Dreon	Rhonda Berry	Rich Nafziger	Christina Bernard	Patty Hayes (at 6:00)
Doris Koo				Rikka Dayao	Dan McConnon (until 5:44)

Mike Heinisch called the meeting to order at 5:32 p.m. A quorum was present. There was public comment from Deputy Director of Department of Commerce, Dan McConnon. Mr. McConnon reported that the tax credit financing would likely be closing by the end of the week. He wanted to thank the PHPDA staff and board for all of their help, patience, and hard work regarding the tax credit financing and Nondisturbance Agreement. The Governing Council Chair and the Executive Director echoed the same thankful sentiments to everyone involved and Commerce on their collaboration.

The Chairman moved to amend the agenda in order to have the NDA Amendment as the first topic (Moved/2^{nded} by Tobin/Koo. 7 of 7 in favor).

Property Management

NDA Amendment

The Executive Director provided background on the proposed revision to the Nondisturbance Agreement (NDA). In January, the Governing Council authorized the Executive Director to sign the NDA with the Department of Commerce. Execution of this agreement is tied to the Seattle College Foundation’s application for tax credit financing to support tenant improvements in the Pacific Tower. Subsequent to signing of that agreement, Commerce and the Seattle College Foundation received a request from US Bank, the lender, to include a revision to the NDA assuming that these parties would have a say in deciding about reconstruction of the Tower in the event of a casualty to the building. In response, the language had been crafted by PHPDA legal counsel and counsel for the Seattle College Foundation. The revised language only grants a right of consultation to Commerce and the Seattle College Foundation. The ultimate decision about whether or not to rebuild the Tower would remain solely with the PHPDA. With the Executive Director’s recommendation, the Governing Council approved of the revised language to the Nondisturbance Agreement with the Department of Commerce (Moved/2^{nded} by Tobin/Koo. 7 of 7 in favor).

Consent Calendar Minutes

The Governing Council approved the July 14, 2015 Governing Council minutes (Moved/2^{nded} by Tobin/Berry. 7 of 7 in favor).

The Governing Council accepted as information the Finance & Audit Committee minutes July 14, 2015 and the Program Committee minutes from July 1, 2015.

Executive Director and Staff Report

The Executive Director reported that significant staff time in the past month has been spent on the Nondisturbance Agreement Amendment and matters related to the use agreement for the lawn space with FareStart. The Finance & Grants Manager and Grants Coordinator have been working on grant contracts and final reports.



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Financial Stewardship

Q2 Financial Report

The Council reviewed and accepted the Quarter 2 Financial Report (Moved/2^{nded} by Tobin/Menzies. 7 of 7 in favor).

PHPDA Reserve Funds

The Finance Committee has discussed placing additional funds in the Pacific Tower and Property Reserve fund for the past several months. The PHPDA staff recommends the addition of \$5,000,000 to the Pacific Tower and Property Reserve Fund in 2015 (a change in the net asset transfer in the 2015 Operating Budget). The following considerations influenced the staff recommendation:

- 1) The PHPDA received advice about a restoration reserve from Century Pacific (real estate advisors) in 2013 after the Commerce lease was signed. At that time, they recommended a reserve of approximately \$38 million by the end of the lease term in order to restore the Tower and allow time for re-tenanting. They provided several scenarios to reach this reserve level. While PHPDA staff are not necessarily advocating for the need to reach \$38 million, it is clear that \$5 million (in addition to the \$1,124,156 already in reserves) puts us closer to the level of total reserves proposed.
- 2) PHPDA staff met with City of Seattle Facilities staff. While the City does not have a policy on reserve fund for buildings (rather, they have an ongoing operating and maintenance schedule), the Asset Planning Manager agreed that \$5 million at minimum would be a reasonable start for such a reserve.
- 3) The PHPDA Governing Council authorized the Executive Director to sign a Nondisturbance and Attornment Agreement in January. While it is unlikely that the Department of Commerce will default on their lease, if they do so in the next eight years, the PHPDA will receive effectively no lease income for the space currently leased to Commerce and will be responsible for Tower operating expenses until the end of the eight year term of the agreement. Reserving the \$5 million would put the PHPDA in a better situation should a default occur.
- 4) The PacMed lease, which currently represents approximately 25% of PHPDA's lease income, is slated to expire in 2021. If PacMed does not renew and there is a gap in which this space is empty, having the additional \$5 million in reserves will allow for continuity of PHPDA program spending and potentially repairs and improvements to the Quarters buildings that may be necessary for leasing.

Additionally, the PHPDA's Property Manager projected maintenance needs for the Tower at approximately \$11 million over the next 20 years. While much of this would be pass-through, the PHPDA must be prepared to pay for many of the projects upfront before being reimbursed.

The Treasurer added that reserving the \$5 million amount will free up as much as possible for granting in the next year. He also requested to see a projection of the PHPDA's budget (administrative, grantmaking, income, etc.) for the next 5-10 years to assess future transfers to the reserve fund. The Governing Council approved the change to the budgeted Net Assets and to transfer, \$5 million to the Pacific Tower and Property Reserve Fund in 2015 (Moved/2^{nded} by Tobin/Sugg. 7 of 7 in favor).



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Update Policy 04-2010 Emergency Executive Succession Plan

The Finance & Grants Manager discussed the current Emergency Executive Succession Plan and the process the PHPDA would go through in case the plan needed to be utilized. After reviewing the list of files that are included in the plan, the staff requested to edit that list of files to more current and relevant documents. The Governing Council approved to updated Policy 04-2010 Emergency Executive Succession Plan (Moved/2^{nded} by Tobin/Sugg. 7 of 7 in favor).

Update on Strategic Thinking/Planning Process

The Executive Director advised that he has been working on the matrix structure and areas of the new Strategic Thinking/Planning Process which the staff will focus on at their upcoming all-day staff retreat. The board and advisors will then be sent the updated grid and contacted for further expertise and collaboration. Staff expects to have the new 2016-2019 Strategic Plan completed by the first quarter of next year.

Advocacy – Best Starts for Kids

Legal counsel, Denise Stiffarm, informed the Council of the limitations faced by the PHPDA and the Board in showing its collective support of Best Starts for Kids and other ballot measures. Since the PHPDA is an appointed, not elected board, it is unable to act collectively to support a ballot measure for the Best Starts for Kids levy. Board and staff can individually support Best Starts for Kids and can identify as a member of the PHPDA; however, they must clarify that they are doing so as an individual, not in their roles with the PHPDA.

Property Management

Updated Tower Operating Budget

The Council reviewed an updated Tower Operating Budget from the Property Manager. The primary change from the original Tower budget accepted in December is that the Seattle College programs will not be moving in until 2016. The Finance & Grants Manager noted that if this revision is accepted, she will begin monthly billings based on this budget and will issue credits for the payments made at the higher budget level earlier in the year. The credits will be applied to outstanding invoices and future monthly operating invoices. Additionally, while the Tower budget is part of the overall PHPDA operating budget, that overall budget will not be updated since these are just pass-through costs. Tower operating expenses and reimbursement will, therefore, be under budget on the overall PHPDA financial statements. The Governing Council accepted the updated 2015 Tower Operating Budget (Moved/2^{nded} by Tobin/Menzies. 5 of 7 in favor with 2 abstaining: Mike Heinisch, due to connection to a Tower subtenant, and Nancy Sugg, due to employment by the State of Washington).

Proposed Grant Opportunity with Department of Commerce

The Executive Director advised the Committee of a grant opportunity for the Department of Commerce from 4Culture that will help Commerce pay for the restoration of the windows in the Pacific Tower. Since the grant requires the owner of the property to apply, the PHPDA would be the only applicant for this opportunity. The Executive Director has met with consultants working on the project to explore options for how the PHPDA could assign or pass-through the grant reporting requirements and payments directly to Commerce. The Governing Council authorized the Executive Director to continue the negotiations regarding the assignation or pass-through options (Moved/2^{nded} by Tobin/Menzies. 7 of 7 in favor).



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Update on Work of Public Health – Seattle & King County

Patty Hayes, Director of Public Health for Seattle & King County, presented on the organization, pressing issues and initiatives:

The main goals of PHSKC are:

- Health Protection: Tracking and preventing disease; regulating dangerous environmental exposures; and ensuring the safety of water, air and food.
- Health Promotion: With partners, leading efforts promote health and prevent chronic conditions and injuries
- Health Provision: Helping assure access to high quality health care for all populations

Public Health is organized by prevention, jail health services, environmental health, community health services, emergency medical services, policy, assessment & communications, preparedness, and business practices.

Focus areas:

- Protect the public from unexpected health risks
- Advance health and reduce inequities
- Continue to build financial stability
- Help to shape the transformation of healthcare system
- Define our role

The Chair, Council and staff thanked Patty for her time and presentation and invited her back in the future to learn more about the Public Health’s work.

Adjournment

The meeting was adjourned at 7:07 p.m.

Minutes approved _____ (Date)