



**Meeting of the Real Estate Committee**  
 Monday, January 14, 2019, 10:30 AM - 12:00 PM  
 Quarters 2, Beacon Hill Campus  
 1200 12<sup>th</sup> Ave South, Seattle, WA

MEMBERS PRESENT		NOT PRESENT	ALSO PRESENT	
Bob Cook	Gloria Burton	Sue Taoka	Jeff Natter	Denise Stiffarm
Paul Feldman	Doris Koo		Michael Finch	Mike Heinisch (phone)
			Ellie Menzies	Gene Yoon

The meeting began at 10:32 AM. There was no public comment.

The Office Coordinator will start taking formal minutes and publish meeting agendas at least 48 hours prior to the scheduled Real Estate Committee meeting starting in February. The minutes will be passed to Committee Chair Doris Koo to be approved and signed.

**Update on Lease Negotiation with SCIDpda**

On December 16<sup>th</sup>, the PHPDA’s negotiation team met with SCIDpda’s negotiation team to discuss their responses to the lease term-sheet.

- Michael Finch discussed SCIDpda’s lease term points:
  - 305 to 262 units (around 450 bedrooms). On a total unit mix basis, the average unit is larger than under the previous program.
  - 224 to 91 total parking stalls. Proposing to potentially share the West Garage with the Department of Commerce.
    - Discussed parking set aside for AiPACE and El Centro’s parking requirements,
    - Discussed street parking and ADA accessible parking.
  - Removal of the fitness center and roof decks from the plans:
    - Acknowledged PHPDA’s concern. May reintroduce due to potential funders.
  - Willing to accept \$5 million ground payment instead of the initial price of \$7.5 million:
    - Public funding sources may already view this as partially funded,
    - PHPDA stated preference for a one-time capitalized ground lease payment.
  - Reimbursement of PHPDA predevelopment costs:
    - Initially asked for \$1.8 million but actually closer to \$1.5 million.
- Absolute net nature of the Ground Lease
  - Subordination for public financing sources only, not private sources.
    - Tax credit structure requires subordination.
  - SCIDpda will be responsible for all predevelopment costs, development costs, operating expenses, and sublease relationships.
- County grant/loan:
  - SCIDpda will assume the loan and all obligations associated. They’ll be responsible for converting the loan to a grant.
  - PHPDA should consider gaining benefits from the grant, in the event the loan is converted to a grant and this should be mentioned in the lease.
- Negotiating feasibility terms:
  - Potentially add language discussing flexibility in the last years of the lease as rent revenues may change:
    - The Real Estate Committee would like housing to remain affordable,



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- SCIDpda pays either \$150 k annually or a total of \$250 k with them receiving the income from Republic Parking.
  - Our lease with the Republic Parking will transfer to SCIDpda.
- Timing and coordination:
  - Drafting and negotiating lease terms contingent on funding, binding on both parties.
    - SCIDpda would have an out in the event they don't receive funding by December 30, 2020, which is aligned with the City's funding schedule.
    - This would terminate if they fail to meet financial obligations and the PHPDA will be provided periodic progress reports. Contingency payments are on monthly basis. Term is set for 85 years.
  - Lease will hopefully be signed and commenced by the end of first quarter of 2019.
  - Phasing the project: possibility of phasing comes with a time and cost premium.

**Legal Responsibilities/Protocol Regarding Communications**

The Governing Council will adopt a resolution, authorizing the Executive Director to sign on behalf of the PHPDA.

- Legal Counsel Denise Stiffarm recommended having a Governing Council Executive Session for signing off on the key terms with further review, then moving to a public Governing Council meeting for a general presentation and final adoption of a lease resolution.
- Key negotiations will be led only by Executive Director, Denise Stiffarm, Michael Finch, and Sue Taoka for formal legal contracting purposes.
  - Wanting to avoid side-conversations so that negotiations are consistent and unified.
  - PHPDA will write the first lease draft. Denise expects this to be done by the end of this month, before the next Real Estate Committee meeting.
- SCIDpda has similar protocols due to being a PDA so we should compare calendars to synchronize and coordinate timing.

**Interactions with Finance Committee and Governing Council**

Several members of the Real Estate Committee are a part of the Finance Committee. The Real Estate Committee will not be a standing committee of the Governing Council but an ad hoc task-force.

**Adjournment**

The meeting adjourned at 11:50 AM.

Minutes approved:  4/3/2019  
 (Date)