



**Office of the Washington State Auditor  
Pat McCarthy**

December 12, 2022

Council  
Pike Place Market Preservation and Development Authority  
Seattle, Washington

**Contracted CPA Firm's Audit Report on Financial Statements and  
Federal Single Audit**

We have reviewed the audit report issued by a certified public accounting (CPA) firm on the financial statements and compliance with federal grant requirements of the Pike Place Market Preservation and Development Authority for the fiscal year ended December 31, 2021. The Authority contracted with the CPA firm for this audit and requested that we accept it in lieu of performing our own audit.

Based on this review, we have accepted this report in lieu of the audit required by RCW 43.09.260. The Office of the Washington State Auditor did not audit the accompanying financial statements or the Pike Place Market Preservation and Development Authority's compliance with federal grant agreements and, accordingly, we do not express an opinion on those financial statements or on compliance.

This report is being published on the Office of the Washington State Auditor website as a matter of public record.

Sincerely,

Pat McCarthy, State Auditor  
Olympia, WA

***Americans with Disabilities***

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## **Pike Place Market Preservation and Development Authority**

Audit of Financial Statements with  
Supplemental Reports and Schedules in  
Accordance with *Government Auditing  
Standards* and Required by the Uniform  
Guidance

Year Ended December 31, 2021

## **Pike Place Market Preservation and Development Authority**

Audit of Financial Statements with Supplemental Reports  
and Schedules in Accordance with *Government*  
*Auditing Standards* and Required by the Uniform Guidance  
Year ended December 31, 2021

# Pike Place Market Preservation and Development Authority

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## **Independent Auditor's Report**

To the Council  
Pike Place Market Preservation  
and Development Authority  
Seattle, Washington

### **Report on the Audit of the Financial Statements**

#### ***Opinions***

We have audited the financial statements of the proprietary fund, the discretely presented component unit, and fiduciary fund component unit of the Pike Place Market Preservation and Development Authority (the PDA), as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the PDA's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the proprietary fund, the discretely presented component unit, and fiduciary fund component unit of the PDA, as of December 31, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the PDA and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions. The financial statements of Pike Place Market QB3 (a blended component unit) and Western Avenue Senior Housing LLC (a discrete component unit) were not audited in accordance with *Government Auditing Standards*.

#### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.



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In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the PDA's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the PDA'S internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the PDA's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***Required Supplemental Information***

Accounting principles generally accepted in the United States of America require that management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited



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procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Supplemental Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the PDA's basic financial statements. The schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2022 on our consideration of the PDA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the PDA's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the PDA's internal control over financial reporting and compliance.

*BDO USA, LLP*

June 30, 2022

# Pike Place Market Preservation and Development Authority

## Management's Discussion and Analysis

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We are pleased to present the Pike Place Market Preservation and Development Authority (the PDA) financial report for the year ended December 31, 2021. This report was prepared by the PDA's finance staff. The 2021 financial statements were audited by the public accounting firm BDO USA, LLP. The information presented in this report is the responsibility of the management of the PDA. To the best of our knowledge, the information presented is accurate in all material respects and is presented in a manner designed to fairly state the financial position and results of operations of the PDA and includes all necessary disclosures to present a complete understanding of the PDA's financial affairs.

### *Profile*

The PDA is an independent public corporation created and chartered by the City of Seattle (the City) in 1973 to own and operate the buildings and open spaces in the Pike Place Market Historic District (the District). After a citizen's initiative in 1971 directed the City to create a Historic District in and around the Pike Place Market (the Market) and to rehabilitate the properties therein, the City purchased the majority of properties in the District, rehabilitated these buildings, and transferred them to the PDA to operate in accordance with the initiative directive and City charter. The PDA is not a component of the City, and the City is not financially accountable for the operations of the PDA. The PDA is an independent public corporation, and its governance rests in a 12-member Council. This Council appoints an Executive Director to administer the affairs of the PDA as prescribed by its charter.

The charter of the PDA directs the PDA to manage the buildings and open space in the Market so that the properties and traditional uses of the Market are preserved and maintained. The charter also directs the PDA to ensure that a place for farmers to sell their goods directly to consumers is maintained, that services to low- and moderate-income persons continue to be provided, and that opportunities for small, owner-operated businesses continue to be available in the Market.

The PDA owns approximately 80% of the property in the District. To that end, the PDA provides property management services to over 220 small commercial tenants within its properties in the nine-acre district. It offers space to five social service agencies at lower-than-market rates and provides approximately 400 residential units to the low- and moderate-income population. The PDA also offers year-round sales space on a daily basis to farmers wishing to sell directly to the public in a farmers' market venue. Daily rental spaces (daystalls) that are not rented to farmers are rented to craft vendors selling their original arts and crafts.

As an independent public agency, the PDA operations are primarily supported from its commercial, residential, and daystall tenants' rents and parking revenues.

The PDA, as a real estate owner and development entity, has some properties held in a separate entity that it reports as a discretely presented component unit in these financial statements, and the PDA itself is referred to as the primary government, as required by the Government Accounting Standards Board.

### *Overview of the Financial Statements*

The financial statements herein comprise the statements of net position, revenues, expenses, and changes in fund net position, and cash flows. These financial statements and accompanying notes provide information about the activities of the PDA, including resources held by the PDA but restricted for specified purposes by contributors, grantors, lenders, or enabling legislation.



# Pike Place Market Preservation and Development Authority

## Management's Discussion and Analysis

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The PDA has certain properties held in separate entities that it reports in its financial statements as blended and discrete component units. The blended component units consist of Pike Place Market QB3 (PPMQB3) and LaSalle Senior Housing LLC (LaSalle). PPMQB3 and LaSalle are reported as blended, as the PDA is the sole corporate member of both entities. The discrete component unit includes Western Avenue Senior Housing LLC (WASH). WASH is independent from the PDA but is managed by the PDA.

The PDA always searches for ways to secure additional funds for capital improvements in the Market. As a result of these efforts, the PDA has benefited by participating in low-income housing tax credit (LIHTC) and new market tax credit (NMTC) financing programs, which commenced in 2003 (LaSalle) and 2016 (PPMQB3 and WASH). To facilitate the LIHTC, the PDA created LaSalle in 2003 and WASH in 2016, and to facilitate the NMTCs, the PDA created PPMQB3 in 2016, and master leased certain buildings to each entity. The PDA maintains a Property Management Agreement and Master Lease Agreement with each entity, with exception to PPMQB3 (the PDA subleased the property in 2016 from PPMQB3). Based on these agreements, rents are earned by LaSalle and WASH. Each entity reimburses the PDA for operating expenses, capital repairs, lease payments, and management fees.

The PDA is the trustee, or fiduciary, for its employees' pension plan. The PDA's pension plan activities are reported in a separate statement of fiduciary net position and statement of changes in fiduciary net position on pages 19 and 20. The PDA excludes these activities from the PDA's other financial statements because the PDA cannot use these assets to finance its operations. The PDA is responsible for ensuring that the assets reported in this fund are used for their intended purposes.

### ***Financial Highlights***

- Assets of the PDA exceeded liabilities at December 31, 2021, by \$157.7 million (net position). Of this, \$29.4 million is unrestricted and may be used to meet the PDA's ongoing operating obligations.
- Net position decreased overall by \$3 million in 2021 primarily due to losses from operations (\$2.7 million).
- Capital assets decreased by \$5.4 million primarily due to depreciation (\$6.6 million) exceeding capital additions (\$1.2 million).
- Long-term liabilities decreased \$1.2 million due to expected principal maturities on bonds payable, amortization of bond premiums, and recognition of non-capital grant advances.

# Pike Place Market Preservation and Development Authority

## Management's Discussion and Analysis

### PDA's Net Position

<i>December 31,</i>	<b>2021</b>	<b>2020</b>
<b>Assets</b>		
Current assets	\$ 4,942,122	\$ 2,604,505
Non-current assets, less capital assets, net	34,538,542	35,394,541
Capital assets, net	154,829,754	160,219,548
<b>Total Assets</b>	<b>\$ 194,310,418</b>	<b>\$ 198,218,594</b>
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 2,583,480	\$ 2,364,669
Compensated absences	331,577	342,529
Accrued interest	228,266	222,145
Unearned revenue	445,844	344,367
Current portion of non-capital grant advances	526,316	526,316
Current portion of bonds payable	575,000	545,000
Current portion of loans payable	19,594	20,190
<b>Total Current Liabilities</b>	<b>4,710,077</b>	<b>4,365,216</b>
Non-capital grant advances, net of current portion	1,578,946	2,105,262
Loans payable	12,089,244	12,108,888
Bonds payable, net of current portion	18,201,925	18,891,984
<b>Total Long-Term Liabilities</b>	<b>31,870,115</b>	<b>33,106,134</b>
<b>Total Liabilities</b>	<b>36,580,192</b>	<b>37,471,350</b>
<b>Net Position</b>		
Net investment in capital assets	123,943,991	128,653,486
Restricted for required reserves	4,366,243	4,363,147
Unrestricted	29,419,992	27,730,611
<b>Total Net Position</b>	<b>157,730,226</b>	<b>160,747,244</b>
<b>Total Liabilities and Net Position</b>	<b>\$ 194,310,418</b>	<b>\$ 198,218,594</b>

The statement of net position presents the assets, liabilities, and net position of the PDA at the end of the fiscal year. The purpose is to give a snapshot of the financial condition of the PDA at a certain point in time.

# **Pike Place Market Preservation and Development Authority**

## **Management's Discussion and Analysis**

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Total assets of the PDA amounted to \$194.3 million and \$198.2 million at December 31, 2021 and 2020, respectively. Investments in Market properties are reflected in both the PDA (primary government) and the discretely presented component unit, as some of the properties have been master leased to three entities controlled by the PDA in 2021 and 2020 and capital spending has occurred in these properties.

The PDA's primary asset base is its real property in the Market Historic District, and these properties make up \$153.8 million of the total \$194.3 million (or 79%) of total assets as of December 31, 2021. The remainder of the PDA's total assets comprise, for the most part, current cash, designated cash reserves, a financing lease receivable, prepaid taxes, and loans receivable.

The PDA was assessed a Local Improvement District (LID) tax for the Waterfront from the City of Seattle in the amount of \$1,820,795. The PDA elected to prepay the LID tax in full in 2021 in order to save on financing costs, and it will be amortized over the 20 year tax period from 2022 to 2041.

Total liabilities of the PDA were \$36.6 million and \$37.5 million at December 31, 2021 and 2020, respectively. The PDA's major liabilities consist of outstanding loans, bonds, and non-capital grant advances.

Net position represents the PDA's equity. Net position is divided into three categories. The first category is net investment in capital assets and represents the PDA's land, buildings, structures, equipment, and construction in progress, less any outstanding debt related to these assets. The second category is restricted for required reserves and represents assets, generally cash that has external limitations on the way it may be used. The last category of net position is unrestricted; these are available for use in the PDA's normal operations.

# Pike Place Market Preservation and Development Authority

## Management's Discussion and Analysis

### PDA's Revenues, Expenses, and Changes in Fund Net Position

<i>Year Ended December 31,</i>	<b>2021</b>	<b>2020</b>
Operating revenues	\$ 19,629,319	\$ 14,606,309
Operating expenses	(22,355,628)	(20,088,104)
<b>Operating Loss</b>	<b>(2,726,309)</b>	<b>(5,481,795)</b>
Non-operating revenues	649,359	804,175
Non-operating expenses	(940,068)	(1,066,173)
<b>Net Non-Operating Revenues (Expenses)</b>	<b>(290,709)</b>	<b>(261,998)</b>
<b>Change in Net Position</b>	<b>(3,017,018)</b>	<b>(5,743,793)</b>
<b>Net Position, beginning of year</b>	<b>160,747,244</b>	<b>163,230,959</b>
Adjustment from change of discrete component unit to blended	-	3,260,078
<b>Net Position, end of year</b>	<b>\$ 157,730,226</b>	<b>\$ 160,747,244</b>

The purpose of the above is to present the PDA's operations and net revenue earned from those operations. The PDA's operations are primarily real estate development and management. The PDA's real estate holdings consist of commercial and residential properties, and its primary revenue source is rent from these holdings. The PDA's purpose is to operate the Pike Place Market in accordance with its charter mandates, not necessarily to maximize income from operations. Residential rentals are made primarily to low and moderate-income persons, and commercial spaces are leased to small and unique owner operated businesses at rates not generally available in other parts of downtown Seattle. The PDA's objective is to be financially strong while preserving the traditional character of this unique commercial and residential community.

The COVID-19 outbreak, including the ongoing government eviction moratorium, constrained the operations and management of the PDA, resulting in a decline in the PDA's revenues from commercial, daystall, and farm tenants. The pandemic presented unique and unprecedented challenges for many Market tenants, whose survival and viability are essential to the survival of the Market itself. The PDA Council approved several measures to assist tenants in surviving the pandemic. Such measures included waiving late fees for rent payments and credit card administrative fees for online rent payments, granting temporary credits for common area charges made to commercial tenants, temporary reduction of base rent to qualifying businesses, and providing incentives for paying rents on time. Rent credits and incentives during 2020 and 2021 totaled approximately \$3.6 million. At the same time, the PDA cut large amounts of its operating expenses, including labor and utilities, and, reduced the scope and postponed or canceled several programs.

# Pike Place Market Preservation and Development Authority

## Management's Discussion and Analysis

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Operating revenues increased primarily due to increased consumer activity within the Market in 2021 as a direct result of marginal recovery from the COVID-19 pandemic as well as marginal reductions in various rent abatements and programs that were put into place in response to the pandemic. Operating expenses increased primarily due to increased parking and property management expenses mostly due to marginal recovery from the pandemic. Approximately \$6.6 million of the total operating expenses as of both December 31, 2021 and 2020 is depreciation and amortization expense.

Non-operating income decreased from 2020 primarily due to \$0.2 million decrease in interest income.

Non-operating revenue also reflects interest income and non-capital grant revenue. This revenue is classified as non-operating, as it is nonrecurring and not a part of the PDA's normal operations.

Non-operating expenses consist primarily of interest expense on loans and bonds payable.

### ***Capital Asset and Debt Obligation Administration***

The PDA has invested \$154.8 million and \$160.2 million in net capital assets as shown in the table below at December 31, 2021 and 2020, respectively.

<i>December 31,</i>	<b>2021</b>	<b>2020</b>
Buildings and improvements	<b>\$ 218,189,546</b>	<b>\$ 217,662,522</b>
Equipment	<b>2,089,665</b>	<b>1,990,824</b>
Capital improvement plan	<b>1,747,334</b>	<b>1,682,117</b>
	<b>222,026,545</b>	<b>221,335,463</b>
Less: Accumulated depreciation	<b>(74,151,726)</b>	<b>(67,615,458)</b>
	<b>147,874,819</b>	<b>153,720,005</b>
Land	<b>6,333,203</b>	<b>6,333,203</b>
Construction in progress	<b>621,732</b>	<b>166,340</b>
<b>Total</b>	<b>\$ 154,829,754</b>	<b>\$ 160,219,548</b>

The decrease in 2021 is attributed to depreciation (\$6.6 million) exceeding capital additions (\$1.2 million). Additions were primarily related to improvements to the Market Historic District.

# Pike Place Market Preservation and Development Authority

## Management's Discussion and Analysis

The PDA has debt obligations of \$30.9 million and \$31.6 million as shown in the table below at December 31, 2021 and 2020, respectively.

<i>December 31,</i>	<b>2021</b>	<b>2020</b>
<b>Loans Payable</b>		
Creamery loan	\$ 455,000	\$ 455,000
LaSalle - City of Seattle loan	839,212	839,212
LaSalle - State of WA loan	564,626	584,866
PPMQB3 - Loan A	7,310,125	7,310,125
PPMQB3 - Loan B	2,939,875	2,939,875
<b>Bonds Payable</b>		
Series 2015A bonds	17,510,000	18,055,000
<b>Unamortized Bond Premiums</b>	<b>1,266,925</b>	<b>1,381,984</b>
<b>Total</b>	<b>\$ 30,885,763</b>	<b>\$ 31,566,062</b>

In June 2015, the PDA issued Special Obligation and Refunding Bonds (the Series A Bonds) and Special Obligation Bonds (the Series B Bonds), collectively referred to as "2015 Bonds," for the purpose of financing the design, acquisition, construction, and equipping of parking and other improvements related to the MarketFront Project, and to also refinance and pay in full certain bonds, a commercial mortgage, and another long-term obligation previously outstanding of the PDA. The Series B Bonds were paid in full in 2018. The Series A Bonds are secured by restricted cash and, effectively, the unrestricted net position of the PDA. The bonds include a covenant that the PDA maintain a minimum debt service coverage ratio. Under Section 9(a) of the Bond Resolution, the PDA has covenanted with the owner of each of the Bonds to establish, maintain, revise as necessary, and collect such rents, rates and charges to be paid by tenants and other users of the Market such that net revenue in each fiscal year will at least equal 125% of the amounts required in such fiscal year to be paid as scheduled debt service on all parity Bonds, with some permitted adjustments. Net revenue for the fiscal year ended December 31, 2021 equaled 248% of scheduled debt service on parity Bonds.

### ***Economic and Other Factors Affecting the PDA's Future***

The vision for 2022 is slightly a more optimistic look of the future compared to 2021. However, the impact of Covid-19 will affect the economy for many years to come. In addition, there are other aspects for US economy that will greatly impact the Market Community and the financial performance of the PDA:

- Inflation pressure could remain high for an extended period of time. As inflation rises the fear of recession is a real concern.
- Coronavirus - there is still uncertainty which may impact travel and retail.
- Ongoing conflict between Russia and Ukraine is causing the energy prices to rise. Volatility of gas prices is impacting the food costs and commodities prices.
- Supply chain issues, financial markets fluctuations are also concerning elements.

# Pike Place Market Preservation and Development Authority

## Management's Discussion and Analysis

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Even though we have seen a steady recovery of the Market operations, we haven't reached yet the pre-pandemic levels in revenues. For 2022 we are expecting cautious growth of the revenues. Due to the increase of the activity in the Market, there is need for more spending in operating expenses. These expenses are bringing back some of the positions which were cut when the pandemic started; the utility consumption also have gone up due to full capacity of operations; also many programs that aim to support small businesses and bringing more people in the market, have also resumed. After many months of working on only urgent capital projects, currently we have resumed work on Capital Improvements of the Market which were put on hold due to Covid impact.

In the previous decade the PDA has managed the regular and consistent growth of successful businesses in the Pike Place Market - both legacy businesses and new additions. The PDA was able to set aside operating profits as reserves for capital needs and upgrades in the coming years. We have funded new programs to support the further development of small business, farm-related business and general public involvement.

The Pike Place Market leadership team began working on its internal diversity equity and inclusion (DE&I) plan in 2020. During 2021, we continued to develop and implement our working document to identify and analyze all areas within the organization. We've engaged a consultant to evaluate our internal plan and assist the PDA in future planning and training initiatives. These initiatives require intentional effort and support to ensure effective implementation. Our strategy covers internal staffing, consultants, contractors, as well as targeted initiatives within our commercial, and residential departments. As we continue our DEI strategy with our consultant, we are developing realistic and achievable goals to ensure support from our staff, market partners and council.

With continued focus on the health of the Market within the Historic District, we also are actively engaged with the many projects adjacent to the Market and downtown to understand how they affect and will affect the business of the market.

2022 will be a year of cautious growth as we slowly increase the revenue expectations and operations spending which is necessary to keep up with the activity growth in the market. Management will continue to monitor the impact of the global situation on its financial condition, liquidity, operations, supplies, industry and workforce. We will continue to evaluate the recovery plan which was created during the Covid-19 pandemic in order to insure the ability of the Market's operations running during these on-going challenging times.

### ***Requests for Information***

This financial report is designed to provide users with a general overview of the PDA's finances and to demonstrate the PDA's accountability for the money it receives. If you have any questions about this report or need additional financial information, a request should be addressed to the Pike Place Market Preservation and Development Authority, 85 Pike Street, Room 500, Seattle, WA 98101, or please call (206)-682-7453 or email [info@pikeplacemarket.org](mailto:info@pikeplacemarket.org).

LaSalle, WASH, and PPMQB3 issue their own separate audited financial statements. These statements may also be obtained by contacting the PDA at the address or phone number indicated above.

## Financial Statements

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# Pike Place Market Preservation and Development Authority

## Statement of Net Position - Proprietary Fund

	Primary Government - Proprietary Fund				Discrete Component Unit
	PDA	Blended Component Units	Eliminations	Total	
December 31, 2021					
Assets					
Current Assets					
Cash and cash equivalents	\$ 3,801,705	\$ 33,615	\$ -	\$ 3,835,320	\$ 181,129
Accounts receivable, tenants, net	611,743	11,398	-	623,141	7,215
Accounts receivable, other	73,651	-	-	73,651	-
Accounts receivable, related parties	48,145	-	(3,410)	44,735	-
Prepaid local improvement district tax, current portion	91,040	-	-	91,040	-
Prepaid master lease expense, current portion	-	199,207	(199,207)	-	-
Prepaid expenses and other assets	274,235	-	-	274,235	-
Total Current Assets	4,900,519	244,220	(202,617)	4,942,122	188,344
Noncurrent Assets					
Designated cash and cash equivalents	20,922,719	-	-	20,922,719	-
Restricted cash and cash equivalents	3,306,169	1,060,074	-	4,366,243	294,925
Financing lease receivable	3,537,976	-	(3,537,976)	-	-
Prepaid local improvement district tax, less current portion	1,729,755	-	-	1,729,755	-
Prepaid master lease expense, less current portion	-	8,615,688	(8,615,688)	-	-
Loan receivable - tax credit project	7,310,125	-	-	7,310,125	-
Intangible assets, net of accumulated amortization	-	209,700	-	209,700	-
Capital assets, net	133,414,964	21,414,790	-	154,829,754	7,891,604
Total Noncurrent Assets	170,221,708	31,300,252	(12,153,664)	189,368,296	8,186,529
Total Assets	\$ 175,122,227	\$ 31,544,472	\$ (12,356,281)	\$ 194,310,418	\$ 8,374,873
Liabilities and Net Position					
Current Liabilities					
Accounts payable	\$ 1,261,875	\$ 25,265	\$ -	\$ 1,287,140	\$ 16,529
Accounts payable, related party	-	3,410	(3,410)	-	44,735
Accrued expenses and deposits payable	1,271,384	24,956	-	1,296,340	26,101
Compensated absences	331,577	-	-	331,577	-
Interest payable	90,657	2,222,945	(2,085,336)	228,266	65,676
Unearned revenue	445,844	-	-	445,844	-
Current portion of master lease revenue advance	199,207	-	(199,207)	-	-
Current portion of non-capital grant advances	526,316	-	-	526,316	-
Current portion of loans payable	-	19,594	-	19,594	-
Current portion of bonds payable	575,000	-	-	575,000	-
Total Current Liabilities	4,701,860	2,296,170	(2,287,953)	4,710,077	153,041
Long-Term Liabilities					
Master lease revenue advance, net of current portion	8,615,688	-	(8,615,688)	-	-
Non-capital grant advances, net of current portion	1,578,946	-	-	1,578,946	-
Loans payable, net of current portion	455,000	13,736,198	(2,101,954)	12,089,244	1,332,834
Bonds payable, net of current portion	18,201,925	-	-	18,201,925	-
Total Long-Term Liabilities	28,851,559	13,736,198	(10,717,642)	31,870,115	1,332,834
Total Liabilities	33,553,419	16,032,368	(13,005,595)	36,580,192	1,485,875
Net Position					
Net investment in capital assets	114,183,039	7,658,998	2,101,954	123,943,991	6,558,770
Restricted for required reserves	3,306,169	1,060,074	-	4,366,243	294,925
Unrestricted	24,079,600	6,793,032	(1,452,640)	29,419,992	35,303
Total Net Position	141,568,808	15,512,104	649,314	157,730,226	6,888,998
Total Liabilities and Net Position	\$ 175,122,227	\$ 31,544,472	\$ (12,356,281)	\$ 194,310,418	\$ 8,374,873

See accompanying notes to financial statements.

# Pike Place Market Preservation and Development Authority

## Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Fund

	Primary Government - Proprietary Fund				
		Blended Component			Discrete Component
Year Ended December 31, 2021	PDA	Units	Eliminations	Total	Unit
Operating Revenues					
Rent	\$ 14,109,826	\$ 764,508	\$ (517,962)	\$ 14,356,372	\$ 338,063
Parking	4,072,694	-	-	4,072,694	-
Management fees	168,586	-	(116,390)	52,196	-
Security	83,873	-	-	83,873	-
Contributions and grants	205,676	602,251	-	807,927	-
Miscellaneous	256,257	-	-	256,257	-
Total Operating Revenues	18,896,912	1,366,759	(634,352)	19,629,319	338,063
Operating Expenses					
Property management	12,160,783	1,050,755	(634,352)	12,577,186	251,443
Depreciation and amortization	5,672,916	934,634	-	6,607,550	231,917
Parking	1,260,301	-	-	1,260,301	-
Security	1,680,406	-	-	1,680,406	-
Professional fees	199,026	31,159	-	230,185	57,696
Total Operating Expenses	20,973,432	2,016,548	(634,352)	22,355,628	541,056
Operating Loss	(2,076,520)	(649,789)	-	(2,726,309)	(202,993)
Non-Operating Revenues (Expenses)					
Interest income	258,462	6	(158,175)	100,293	-
Forgiveness of interest	22,750	-	-	22,750	-
Non-capital grant revenue	526,316	-	-	526,316	-
Interest expense	(808,170)	(316,347)	188,049	(936,468)	(13,328)
Amortization of intangible assets	-	(3,600)	-	(3,600)	-
Net Non-Operating Revenues (Expenses)	(642)	(319,941)	29,874	(290,709)	(13,328)
Income (Loss) Before Transfer	(2,077,162)	(969,730)	29,874	(3,017,018)	(216,321)
Transfers In (Out)	169,310	(169,310)	-	-	-
Change in Net Position	(1,907,852)	(1,139,040)	29,874	(3,017,018)	(216,321)
Net Position, beginning of year	143,476,660	16,651,144	619,440	160,747,244	7,105,319
Net Position, end of year	\$ 141,568,808	\$ 15,512,104	\$ 649,314	\$ 157,730,226	\$ 6,888,998

See accompanying notes to financial statements.

# Pike Place Market Preservation and Development Authority

## Statement of Cash Flows - Proprietary Fund

Year Ended December 31, 2021	Primary Government - Proprietary Fund				Discrete Component Unit
	PDA	Blended Component Units	Eliminations	Total	
<b>Cash Flows from Operating Activities</b>					
Cash received from tenants for rent	\$ 13,892,405	\$ 756,143	\$ (517,962)	\$ 14,130,586	\$ 337,853
Cash received from parking	4,072,694	-	-	4,072,694	-
Cash received from management fees and other customers	672,445	602,251	(116,390)	1,158,306	-
Cash paid to employees	(6,236,550)	-	-	(6,236,550)	-
Cash paid to suppliers and others	(10,635,021)	(951,069)	634,352	(10,951,738)	(321,094)
<b>Net Cash Flows from Operating Activities</b>	<b>1,765,973</b>	<b>407,325</b>	<b>-</b>	<b>2,173,298</b>	<b>16,759</b>
<b>Cash Flows from (for) Non-Capital Financing Activities</b>					
Transfer from (to) related parties	169,310	(169,310)	-	-	-
Advances from (to) related parties	88,060	(93,070)	-	(5,010)	10,879
<b>Net Cash Flows from (for) Non-Capital Financing Activities</b>	<b>257,370</b>	<b>(262,380)</b>	<b>-</b>	<b>(5,010)</b>	<b>10,879</b>
<b>Cash Flows for Capital and Related Financing Activities</b>					
Purchases of capital assets	(1,135,903)	(81,853)	-	(1,217,756)	(2,461)
Interest paid	(902,750)	(119,906)	-	(1,022,656)	-
Repayment of bonds and loans payable	(545,000)	(20,240)	-	(565,240)	-
<b>Net Cash Flows for Capital and Related Financing Activities</b>	<b>(2,583,653)</b>	<b>(221,999)</b>	<b>-</b>	<b>(2,805,652)</b>	<b>(2,461)</b>
<b>Cash Flows from Investing Activity</b>					
Interest received	100,287	6	-	100,293	-
<b>Net Cash Flows from Investing Activity</b>	<b>100,287</b>	<b>6</b>	<b>-</b>	<b>100,293</b>	<b>-</b>
<b>Net Change in Cash and Cash Equivalents</b>	<b>(460,023)</b>	<b>(77,048)</b>	<b>-</b>	<b>(537,071)</b>	<b>25,177</b>
<b>Cash and Cash Equivalents, beginning of year</b>	<b>28,490,616</b>	<b>1,170,737</b>	<b>-</b>	<b>29,661,353</b>	<b>450,877</b>
<b>Cash and Cash Equivalents, end of year</b>	<b>\$ 28,030,593</b>	<b>\$ 1,093,689</b>	<b>\$ -</b>	<b>\$ 29,124,282</b>	<b>\$ 476,054</b>
<b>Included in the Statement of Net Position as Follows</b>					
Cash and cash equivalents	\$ 3,801,705	\$ 33,615	\$ -	\$ 3,835,320	\$ 181,129
Restricted cash and cash equivalents	3,306,169	1,060,074	-	4,366,243	294,925
Designated cash and cash equivalents	20,922,719	-	-	20,922,719	-
	<b>\$ 28,030,593</b>	<b>\$ 1,093,689</b>	<b>\$ -</b>	<b>\$ 29,124,282</b>	<b>\$ 476,054</b>

# Pike Place Market Preservation and Development Authority

## Statement of Cash Flows - Proprietary Fund

	Primary Government - Proprietary Fund				Discrete
		Blended			Component
Year Ended December 31, 2021	PDA	Unit	Eliminations	Total	Unit
Reconciliation of Operating Loss to					
Net Cash Flows from Operating Activities					
Operating loss	\$ (2,076,520)	\$ (649,789)	\$ -	\$ (2,726,309)	\$ (202,993)
Adjustments to reconcile operating loss to net cash flows from operating activities:					
Depreciation and amortization	5,672,916	934,634	-	6,607,550	231,917
Changes in operating assets and liabilities					
Accounts receivable, tenants and other	(161,639)	(8,365)	-	(170,004)	(210)
Allowance for doubtful accounts	(150,000)	-	-	(150,000)	-
Master lease revenue advance/prepaid lease	(199,206)	199,206	-	-	-
Prepaid expenses and other assets	(1,697,275)	-	-	(1,697,275)	-
Accounts payable and accrued expenses	287,172	(68,361)	-	218,811	(11,955)
Compensated absences	(10,952)	-	-	(10,952)	-
Unearned revenue	101,477	-	-	101,477	-
Net Cash Flows from Operating Activities	\$ 1,765,973	\$ 407,325	\$ -	\$ 2,173,298	\$ 16,759

*See accompanying notes to financial statements.*

# Pike Place Market Preservation and Development Authority

## Statement of Fiduciary Net Position Fiduciary Fund Component Unit - Pension Trust Fund

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*December 31, 2021*

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### Assets

Cash and cash equivalents	\$	116,802
Investments		5,881,739
Employer contributions receivable		400,000
Participant loans receivable		95,720

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<b>Total Assets</b>	<b>\$</b>	<b>6,494,261</b>
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### Net Position

Restricted for pension benefits	\$	6,494,261
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*See accompanying notes to financial statements.*

# Pike Place Market Preservation and Development Authority

## Statement of Changes in Fiduciary Net Position Fiduciary Fund Component Unit - Pension Trust Fund

*Year Ended December 31, 2021*

### Additions

#### Contributions

Employer	\$	400,000
Plan members		7,614

Total contributions	407,614
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#### Investment earnings

Interest and dividends	383,754
Net increase in the fair value of investments	288,008

Total investment earnings	671,762
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<b>Total Additions</b>	<b>1,079,376</b>
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### Deductions

Benefits	537,312
Loan distributions	6,225
Administrative expenses	3,829

<b>Total Deductions</b>	<b>547,366</b>
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<b>Change in Net Position</b>	<b>532,010</b>
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<b>Net Position, beginning of year</b>	<b>5,962,251</b>
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<b>Net Position, end of year</b>	<b>\$ 6,494,261</b>
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*See accompanying notes to financial statements.*

# Pike Place Market Preservation and Development Authority

## Notes to Financial Statements

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### 1. Organization and Summary of Significant Accounting Policies

#### *Organization and Nature of Operations*

Pike Place Market Preservation and Development Authority (the PDA), is a public governmental corporation established by charter issued by the City of Seattle (the City) in 1973. The charter obligates the PDA to preserve, redevelop, and manage the Pike Place Market (the Market), which resides in a nine-acre historical district in downtown Seattle. According to the charter, the PDA is required to preserve these historical properties, assure the Market's economic viability, provide opportunities and services to low- and moderate-income people, maintain the tradition of a farmers' market for direct sale of fresh produce by the farmer to the consumer, and enhance the economic health of small owner operated businesses, farmers, and craftspeople. The Market properties were renovated using a combination of private and federal funds during the 1970s and early 1980s. In addition, the State of Washington (the State) Department of Community Development has a historic preservation easement on the property.

#### *Blended Component Units*

Pike Place Market QALICB3 (PPMQB3) and LaSalle Senior Housing LLC (LaSalle) are considered blended component units of the PDA as the PDA is the sole corporate member of PPMQB3 and LaSalle. PPMQB3 is a Washington State nonprofit tax-exempt organization affiliated with the PDA. LaSalle is a Washington limited liability company that is solely owned by the PDA. PPMQB3 and LaSalle's financial data are included on the face of the PDA's basic financial statements as allowed under the Governmental Accounting Standards Board (GASB). All inter-entity transactions are eliminated on the face of the PDA's basic financial statements. PPMQB3 and LaSalle report on a fiscal year end consistent with the PDA primary government. The financial statements of PPMQB3 and LaSalle were prepared in accordance with accounting principles generally accepted in the United States of America and were audited separately. The financial statements of PPMQB3 and LaSalle for the purposes of these financial statements, are presented in accordance with GASB. Copies of these financial statements may be obtained by contacting the PDA. The following notes to the financial statements are presented including the financial information of PPMQB3 and LaSalle.

#### *Discretely Presented Component Unit*

Western Avenue Senior Housing, LLC (WASH) is considered a component unit of the PDA, discretely presented in a separate column on the face of the PDA's basic financial statements. As the managing member of WASH, the PDA is financially accountable for and oversees the day-to-day operations of this separate legal entity. WASH reports on a fiscal year-end consistent with the PDA primary government. The financial statements of WASH were prepared in accordance with accounting principles generally accepted in the United States of America, and the financial statements of WASH were audited separately. The financial statements of WASH for the purposes of these financial statements, are presented in accordance with GASB. Copies of these financial statements may be obtained by contacting the PDA.

#### *Fiduciary Fund Component Unit - Pension Trust Fund*

The PDA's sponsored tax advantaged deferred compensation plan, a defined contribution plan (the Pension Trust Fund) is a governmental 457 type plan and is used to account for assets held in trust by Matrix Trust Company for the benefit of qualified employees of the PDA. The Pension Trust Fund is sponsored by the PDA and governed by a Plan Administrative Committee (acting as Board of the

# Pike Place Market Preservation and Development Authority

## Notes to Financial Statements

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Pension Trust Fund). The Plan Administrative Committee is made up of the PDA Finance Committee Chair, the PDA Executive Director, the PDA Director of Finance, and the PDA Director of Human Resources, which are appointed by the PDA Council (which thereby, may impose its will on the Pension Trust Fund). Therefore, the Pension Trust Fund is included as a component unit of the PDA. The PDA has evaluated the requirements of GASB Statement No. 84, *Fiduciary Activities*, and as a result, determined the Pension Trust Fund is a fiduciary fund component unit.

### ***Basis of Accounting***

Due to its business-like operations, the PDA is considered a stand-alone proprietary entity. The financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting. All assets and all liabilities (whether current or noncurrent) associated with its activities are included on the statement of net position. Revenue is recognized when earned and expenses are recorded when an obligation has been incurred. Capital asset purchases are capitalized and, when appropriate, depreciated.

The financial statements of the Pension Trust Fund are prepared using the accrual basis of accounting. Discretionary contributions to the Plan are made by the PDA in order to maintain sufficient assets to pay benefits and are recognized when due. Benefits are recognized when paid in accordance with the terms of the Pension Trust Fund.

### ***Cash and Cash Equivalents***

For cash flow purposes, highly liquid investments with an original maturity of less than three months, including those investments held at the Local Government Investment Pool (LGIP) described below, that are not restricted are considered cash equivalents. Cash and cash equivalents, including those designated and restricted are described in Notes 2, 3, and 4.

### ***Custodial Credit Risk***

Custodial credit risk for deposits is the risk that, in event of a failure of a depository financial institution, the PDA would not be able to recover deposits or will not be able to recover collateral securities that are in possession of an outside party.

At December 31, 2021, the PDA had cash and cash equivalents held in banks in excess of federally insured limits. At December 31, 2021, \$2,970,505 of cash and cash equivalents were deposited into financial institutions with \$2,116,094 uninsured and uncollateralized.

### ***Investments in Local Governmental Investment Pool***

The PDA is a participant in the LGIP. The LGIP was authorized by Chapter 294, Laws of 1986, and is managed and operated by the Washington State Treasurer. The State Finance Committee is the administrator of the statute that created the pool and adopts rules. The State Treasurer is responsible for establishing the investment policy for the pool and reviews the policy annually and proposed changes are reviewed by the LGIP advisory Committee.

Investments in the LGIP, a qualified external investment pool, are reported at amortized cost which approximates fair value. The LGIP is an unrated external investment pool. The pool portfolio is invested in a manner that meets the maturity, quality, diversification and liquidity requirements set forth by GASB Statement No. 79 for external investments pools that elect to measure, for



# Pike Place Market Preservation and Development Authority

## Notes to Financial Statements

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financial reporting purposes, investments at amortized cost. The LGIP does not have any legally binding guarantees of share values. The LGIP does not impose liquidity fees or redemption gates on participant withdrawals. According to GASB guidelines, the balances are also not subject to custodial credit risk.

The Office of the State Treasurer prepares a stand-alone LGIP financial report. A copy of the report is available from the Office of the State Treasurer, P.O. Box 40200, Olympia, Washington 98504-0200, online at <http://www.tre.wa.gov>.

### ***Investments - Pension Trust Fund***

Investments in money market funds, mutual funds, and marketable debt securities are carried at fair value based on quoted market prices. Investment income, including net realized and unrealized gains or losses, and interest and dividends earned are recorded as nonoperating revenue (expenses). Gains and losses from the sale of securities are recorded using the specific-identification method.

### ***Accounts Receivable***

Accounts receivable from tenants are due for rent and related expenses and are generally unsecured. Accounts receivable from others are due for the reimbursement of expenses. Related-party receivables are discussed in Note 5. The PDA considers all accounts greater than 30 days old to be past due and uses the allowance method for recognizing bad debts. When an account is deemed uncollectible, it is generally written off against the allowance. The allowance for doubtful accounts was \$150,000 at December 31, 2021.

### ***Participant Loans Receivable - Pension Trust Fund***

Participant loans receivable are recognized at net realizable value and are limited to the lesser of \$50,000 or 50% of the participant's vested balance. Loans generally have repayment terms of five or 10 years, and bear interest at fixed rates of 3.25% to 6.50%. Loans are secured by the vested portion of the participants loan balance. Management has determined no allowance was necessary at December 31, 2021.

### ***Capital Assets***

The capitalization policy for building improvements includes all items with a unit cost of \$2,500 or more and an estimated useful life of more than 10 years. The capitalization policy for equipment includes all items with a unit cost of \$1,500 or more and an estimated useful life of more than five years. The costs of normal maintenance and repairs, which do not increase the value of the assets or materially extend asset lives, are charged to operating expenses in the year the expense is incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Buildings (excluding the garage) are depreciated over periods up to 70 years. Building improvements and the garage are amortized/depreciated over periods up to 40 years. Other property and equipment are depreciated over five to ten years.

Capital assets are also discussed in Note 7.

# Pike Place Market Preservation and Development Authority

## Notes to Financial Statements

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### ***Debt Premiums and Discounts***

Debt premiums and discounts are netted against the debt payable and are deferred and amortized over the life of the related debt using the effective interest method.

### ***Net Position***

Net position is composed of various net earnings from operating revenue, non-operating revenue, capital grants and contributions, and expenses. Net position is classified in the following three components:

- *Net investment in capital assets* - This component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, loans, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. As of December 31, 2021, the total invested in capital assets, net of accumulated depreciation, was \$154,829,754, and related debt was \$30,885,763.
- *Restricted for required reserves* - This component of net position consists of external constraints imposed by creditors (through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation, that restrict the use of net position. The PDA had restricted net position (made up of cash and cash equivalents) of \$4,366,243 as of December 31, 2021 (see Note 3).
- *Unrestricted* - This component of net position consists of net position that does not meet the definition of “restricted for required reserves” or “net investment in capital assets.”

When both restricted and unrestricted resources are available for use, it is the PDA's policy to use unrestricted resources first and then use restricted resources as they are needed.

### ***Classification of Revenue and Expenses***

The PDA distinguishes operating revenue and expenses from non-operating items in the preparation of its financial statements according to the following criteria:

*Operating* - Operating revenue and expenses generally result from providing rental, parking, and security services in connection with the PDA's principal ongoing operations. Principal operating revenue includes rent, parking, property management, and security fees. Operating expenses include property management, parking, security, professional fees, and other expenses related to the delivery of rental, parking, and security services.

*Non-Operating* - Almost all revenue and expenses not meeting the definition above are reported as non-operating revenue and expenses. Related-party grant revenue (expense) is considered non-operating given that it is discretionary in nature and calculated based on a non-operating measure.

### ***Rent Revenue and Unearned Revenue***

The PDA receives regular monthly income from residential and commercial tenants under operating leases. Revenue is recognized in accordance with the lease agreement rather than on the straight-line method over the lease term, as management believes the difference would be

# Pike Place Market Preservation and Development Authority

## Notes to Financial Statements

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immaterial. Residential leases are stated at a fixed monthly rate, and commercial leases are stated at a base rate or a percentage of monthly sales, whichever is greater. Most commercial tenants pay rent based on a percentage of monthly sales. Generally, residential lease contracts are for a one-year term and are always cancelable with a 30 day notice by either party. Commercial lease contracts generally have terms up to 10 years and are noncancelable (see Note 10).

Rent revenue received in advance of the rental service period is recognized as unearned revenue.

### ***Master Lease Revenue Advance***

On February 11, 2016, the PDA entered into a 50-year lease agreement allowing PPMQB3 to lease commercial space in the MarketFront building within the Pike Place Market Historic District. The PDA received \$9,711,325 from PPMQB3 for the lease of the building for the 50-year period from February 11, 2016, to February 28, 2066. The master lease revenue advance is being recognized on the straight-line method over the life of the lease. Lease revenue in 2021 was \$199,206, and lease revenue over each of the following full years under the agreement is expected to be \$199,207.

The current and noncurrent portions of the prepaid master lease payments are presented as follows in the statement of net position:

*December 31, 2021*

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Current portion of master lease revenue advance	\$	199,207
Master lease revenue advance, net of current portion		8,615,688
	\$	8,814,895

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This amount is considered an asset of PPMQB3 (a blended component unit), as it represents lease payments made in advance. The amount has been collected in advance by the PDA, so it is considered a liability by the PDA. The assets, liabilities, revenue, and expense related to this master lease have been eliminated in the blending of the PDA and PPMQB3.

### ***Parking and Management Fee Revenue***

Parking and management fee revenue is recognized when the service is provided.

### ***Compensated Absences***

Compensated absences are absences for which employees will be paid (vacation leave). The PDA records unpaid leave for compensated absences as an expense and liability when earned. Vacation pay may be accumulated to a maximum of 20 to 25 days depending on the length of service. Unused vacation leave is payable upon resignation, retirement, or death.

### ***Non-Capital Grant Advances***

Non-capital grant advances represent funds received by the PDA under an agreement with the Washington State Department of Transportation to restrict 450 of its existing parking spaces to short-term parking through December 31, 2025. Non-capital grant advances are recognized ratably over the term of the agreement.

# Pike Place Market Preservation and Development Authority

## Notes to Financial Statements

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### ***Income Taxes***

As a public governmental corporation, the PDA is exempt from income taxes.

### ***Fair Value of Financial Instruments***

The fair value of a financial instrument is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. GASB Statement No. 72, *Fair Value Measurement and Application*, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The fair value hierarchy gives the highest priority to quoted market prices in active markets for identical assets (Level 1) and the lowest priority to observable inputs (Level 3).

### ***Use of Estimates***

The preparation of financial statements in conformity with governmental accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

### ***New Accounting Pronouncements***

The GASB has passed several new accounting standards that will be implemented in future reporting periods. The following new accounting standards were implemented by the PDA for 2021 reporting:

- *GASB 89 - Accounting for Interest Cost Incurred Before the End of a Construction Period*
- *GASB 93 - Replacement of Interbank Offered Rates* - The provisions of this standard, except for paragraphs 11b, 13, and 14, were implemented for the 2021 financial reporting period. The requirements in paragraphs 11b, 13, and 14 are required to be implemented for the 2022 financial reporting period.
- *GASB 98 - The Annual Comprehensive Financial Report*

The adoption of these standards had no impact on the PDA's financial statements.

The following standards are not required to be adopted for the reporting period:

- *GASB 87 - Leases* - The provisions of this standard are required to be implemented for the 2022 financial reporting period.
- *GASB 91 - Conduit Debt Obligations* - The provisions of this standard are required to be implemented for the 2022 financial reporting period.
- *GASB 92 - Omnibus 2020* - The provisions of this standard related to the effective date of Statement 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments were implemented in the 2020 financial reporting period. All other requirements are required to be implemented for the 2022 financial reporting period.
- *GASB 93 - Replacement of Interbank Offered Rates* - The provisions of this standard, except for paragraphs 11b, 13, and 14, were implemented for the 2021 financial reporting period. The requirements in paragraphs 11b, 13, and 14 are required to be implemented for the 2022 financial reporting period.

# Pike Place Market Preservation and Development Authority

## Notes to Financial Statements

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- *GASB 94 - Public-Private and Public-Public Partnerships and Availability Payment Arrangements* - The provisions of this standard are required to be implemented in the 2023 financial reporting period.
- *GASB 96 - Subscription-Based Information Technology Arrangements* - The provisions of this standard are required to be implemented for the 2023 financial reporting period.
- *GASB 97 - Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans - an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32* - The provisions in (1) paragraph 4 of this Statement as it applies to defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans and (2) paragraph 5 of this Statement are effective upon issuance. All other requirements are required to be implemented for the 2022 financial reporting period.
- *GASB 99 - Omnibus 2022* -The provisions related to leases, PPPs, and SBITAs are effective for the 2023 reporting period. The provisions related to financial guarantees and derivative instruments are effective for the 2024 reporting period. All other provisions were effective and implemented upon issuance.
- *GASB 100 - Accounting Changes and Error Corrections—an amendment of GASB Statement No. 62* - The provisions of this standard are effective for the 2024 reporting period.
- *GASB 101 - Compensated Absences* - The provisions of this standard are effective for the 2023 reporting period.

The PDA is currently evaluating the impact each new accounting standard will have on its future financial statements.

## 2. Cash and Cash Equivalents

The PDA's cash and cash equivalents are held with the following institutions:

*December 31, 2021*

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Investment in State of Washington LGIP	\$ 26,032,128
Cash and cash equivalents on hand	121,649
Cash and cash equivalents held in banks	2,970,505
	<hr/>
	\$ 29,124,282

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These amounts are presented in the statement of net position as follows:

*December 31, 2021*

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Cash and cash equivalents	\$ 3,835,320
Designated cash and cash equivalents	20,922,719
Restricted cash and cash equivalents	4,366,243
	<hr/>
	\$ 29,124,282

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# Pike Place Market Preservation and Development Authority

## Notes to Financial Statements

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The composition of designated cash and cash equivalents is as follows:

*December 31, 2021*

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Capital equipment and capital budget carryovers	\$ 16,775,159
MarketFront project reserve	2,547,416
Low-income housing reserve	938,369
Minimum operating reserve - PDA	357,064
Reserve for contingencies	304,711
	<hr/>
	\$ 20,922,719

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The composition of restricted cash and cash equivalents is discussed in Note 3.

### 3. Restricted Cash and Cash Equivalents

Restricted cash and cash equivalents consist of the following:

*2015 bond reserves* - Debt service reserve funds for special obligation and refunding bonds issued in 2015.

*MarketFront project retainage reserve* - Consists of retainage for construction performed through December 31, 2018, related to the MarketFront project that is expected be paid during 2022.

*Security deposits* - Funds held as tenant security deposits.

*Senior Center reserves* - Funds reserved for Pike Market Senior Center capital maintenance and replacement.

*Replacement reserves - LaSalle* - Funds reserved for LaSalle property repairs and improvements.

*Other reserves - LaSalle* - Operating reserves and special purpose reserves to cover operating deficits associated of LaSalle.

*Minimum operating reserves - PPMQB3* - Funds restricted under loan reserve and security agreements of PPMQB3.

# Pike Place Market Preservation and Development Authority

## Notes to Financial Statements

The composition of restricted cash and cash equivalents is as follows:

*December 31, 2021*

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2015 bond reserves	\$	1,976,165
MarketFront project retainage reserve		571,819
Security deposits		452,739
Senior Center reserves		305,446
Replacement reserves - LaSalle		714,330
Other reserves - LaSalle		263,937
Minimum operating reserve under loan and security agreement - PPMQB3		81,807
	\$	4,366,243

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#### 4. Cash and Cash Equivalents and Investments - Pension Trust Fund

The Pension Trust Fund is authorized to invest in accordance with an established investment policy. The investment policy allows for investments in conservative investments (including money market or stable value funds), fixed-income investments, domestic equity investments, and foreign or international investments.

The PDA's cash and cash equivalents and investments of the Pension Trust Fund are summarized as follows:

*December 31, 2021*

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Cash and cash equivalents	\$	116,802
Mutual funds - mid and large cap equities		2,322,807
Mutual funds - international equities		1,013,937
Mutual funds - small and mid-cap equities		613,061
Mutual funds - fixed income		1,931,934
	\$	5,998,541

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#### ***Credit Risk***

With respect to fixed-income investments, credit risk is the risk that an issuer or other counterparty to an investment will not fulfill their obligations as required by the fixed-income security. The PDA's investment policy, adopted by the Plan Administrative Committee, allows for up to a moderate amount of risk. As of December 31, 2021, the Pension Trust Fund's fixed-income securities had a range of credit ratings of BB to AAA.

# Pike Place Market Preservation and Development Authority

## Notes to Financial Statements

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### ***Interest Rate Risk***

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. There is no formal policy for the plan that limits investment maturities as a means of managing its exposure to fair value losses.

### ***Custodial Credit Risk***

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the PDA will not be able to recover the value of its investments or collateral securities that are in possession of a third party.

Investments are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the PDA, and are held by either the counterparty or the counterparty's trust department or agent, but not in the name of the PDA. As of December 31, 2021, the PDA's investments are in open-end mutual funds and are not exposed to custodial credit risk. As of December 31, 2021, the cash deposits did not have custodial credit risk.

### ***Concentration of Credit Risk***

The PDA's investment holdings include mutual funds, which are intended to cover an appropriate range of asset classes that reasonably span the risk/return spectrum. Within mutual fund holdings, there are no significant concentrations of investments in any one entity. Holding targets by mutual fund type are set by the PDA's investment policy. All holdings are within the investment policy's acceptable ranges at December 31, 2021.

### ***Foreign Currency Risk***

As of December 31, 2021, the PDA did not have any significant exposure to foreign currency risks.

### ***Fair Value***

The three levels of fair value hierarchy are as follows:

**Level 1:** Quoted prices for identical assets or liabilities in active markets

**Level 2:** Quoted prices for similar instruments in active markets; for identical instruments in markets that are not active; any model-driven valuations whose inputs are observable either indirectly or directly

**Level 3:** Unobservable inputs that are significant to the fair value of the assets or liabilities

Although PDA management believes the fair value accounting estimates reflected in the PDA's financial statements are reasonable, there can be no assurances that the PDA could ultimately realize these values.



# Pike Place Market Preservation and Development Authority

## Notes to Financial Statements

The following table presents the PDA's fair value hierarchy for investments in the Pension Trust Fund at December 31, 2021:

	Total	Level 1	Level 2	Level 3
Mutual funds - mid and large cap equities	\$ 2,322,807	\$ 2,322,807	\$ -	\$ -
Mutual funds - international equities	1,013,937	1,013,937	-	-
Mutual funds - small and mid-cap equities	613,061	613,061	-	-
Mutual funds - fixed income	1,931,934	1,931,934	-	-
	\$ 5,881,739	\$ 5,881,739	\$ -	\$ -

### 5. Related-Party Transactions

#### *LaSalle Senior Housing LLC (LaSalle)*

LaSalle is a limited liability company formed by the PDA and the Market Foundation (described below) to develop and operate low-income residential housing in the LaSalle Building. The LaSalle Building is one of the buildings located in the Market. The PDA is the 100% owner.

In April 2005, the PDA leased property to LaSalle for \$2,020,000 under a financing lease agreement, which terminates on December 31, 2085. Upon execution of this lease, LaSalle paid an initial rent payment of \$240,000 to the PDA. Interest at the rate of 4.68% compounded annually accrues on the unpaid balance of \$1,780,000. Interest earned from LaSalle was \$158,175 in 2021. Interest receivable from LaSalle (included with the unpaid principal balance to make up the financing lease receivable on the statement of net position) was \$1,757,976 at December 31, 2021. The financing lease receivable is unsecured.

LaSalle is liable to make annual payments (considered principal and interest) at a maximum of \$92,723, based on available net cash flows subjected to payment priority according to the agreement between the PDA and LaSalle that describes how the property is to be managed (the Operating Agreement), with all unpaid principal and accrued interest due on December 31, 2057. Beginning in 2058, annual rent payments will be \$100 through 2085, assuming the lease arrangement is still in existence. Rights to payment were waived by the PDA under available cash flows for the year ended December 31, 2021. No interest or principal has been paid to date. As described in Note 14, the PDA has subsequently absorbed LaSalle and all related assets and debt. As part of the transaction, the note and all related accrued interest has subsequently been written off.

In 2005, the PDA issued LaSalle a note totaling \$321,954. Interest at the rate of 4.84% compounded annually accrues on the unpaid balance of \$321,954. Accrued interest amounted to \$327,360 at December 31, 2021. The note and all accrued interest is fully reserved for by the PDA. Interest accrued during 2021 in the amount of \$29,874 was added to the allowance on the note receivable. LaSalle is liable to make annual payments (considered principal and interest) at a maximum of \$16,475, subject to available net cash flows of the current year. The PDA waived rights to available net cash flows for the year ended December 31, 2021. All principal and interest is due at maturity in December 2057. The loan is subordinate to the other mortgage notes described above and is secured by the Deed of Trust for Unit 2 (all apartment units), the LaSalle, a condominium. As described in Note 14, the PDA has subsequently absorbed LaSalle and all related assets and debt.

# Pike Place Market Preservation and Development Authority

## Notes to Financial Statements

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As part of the transaction, the note and all related accrued interest has subsequently been written off.

Certain administrative expenses are initially paid by the PDA and subsequently reimbursed by LaSalle. Additionally, the PDA earned management fees (including accounting fees) of \$116,390 in 2021. There were no unpaid amounts at December 31, 2021.

Under the Operating Agreement, the PDA has agreed to advance funds to cover operating deficits not funded from the operating reserve. Any such advances may be repaid from project cash flow in subsequent years or from proceeds of sale or refinance of the property, if that were to occur.

A transfer of surplus cash of \$169,310 was made from LaSalle to the PDA during the year ended December 31, 2021.

As described in Note 1, LaSalle is included in these financial statements as a blended component unit and therefore all balances and transactions between the PDA and LaSalle have been eliminated in blending.

### ***Western Avenue Senior Housing, LLC (WASH)***

WASH is a limited liability company formed in 2016 by the PDA to construct and operate 40 low-income residential units in the MarketFront building. The PDA is the managing member of WASH (through Western Avenue Manager LLC, the PDA's wholly owned subsidiary) and holds a 0.01% interest. U.S. Bank is the 99.99% owner and investor member. In addition, U.S. Bank obtained the right to receive low-income housing tax credits resulting from this low-income residential housing project. In exchange, U.S. Bank committed to invest approximately \$8,000,000 into WASH.

In February 2016, the PDA leased the residential portion of the MarketFront building to WASH under a 100-year lease agreement, which terminates in December 2115. Under terms of the agreement, WASH pays the PDA a fixed annual amount of \$10. Due to the related nature of the entities, there is no financial statement impact recognized by the PDA or WASH for rent below fair market rates.

In addition, WASH entered into a property management agreement with the PDA, whereby the PDA earns 8% of gross rents collected. The agreement renews annually.

Certain administration expenses paid by the PDA on behalf of WASH are reimbursed by WASH. During 2021, the following transactions occurred between the PDA and WASH:

- As of December 31, 2021, \$44,735 of unreimbursed expenses is receivable from WASH.
- The PDA earned a management fee of \$52,196 from WASH in 2021.

Additionally, under the WASH Operating Agreement, the PDA was granted first right of refusal to purchase the residential portion of the MarketFront building or the U.S. Bank's interest in WASH after January 2032 (the end of the tax credit period). The purchase price is outlined in the WASH Operating Agreement.

Also, under the Operating Agreement, the PDA has agreed to advance funds to cover operating deficits not funded from the operating reserve. Any such advances may be repaid from project cash

# Pike Place Market Preservation and Development Authority

## Notes to Financial Statements

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flow in subsequent years or from proceeds of sale or refinance of the property, if that were to occur.

WASH is included in these financial statements as a discretely presented component unit. The determination of discrete instead of blended presentation was made given that the governing body of the PDA and its component unit are not substantively the same.

### ***Pike Place Market QALICB3 (PPMQB3)***

PPMQB3 is a Washington State nonprofit corporation formed in 2016 to obtain funds under the NMTC program, which commenced in 2016. Certain PPMQB3 board members are members of the PDA Council, and the PDA is the sole corporate member of PPMQB3. During 2016, the PDA leased commercial space related to the MarketFront project to PPMQB3 for purposes of renovating and rehabilitating them through the NMTC financing program (the PPMQB3 Agreement). Simultaneously, PPMQB3 subleased the space back to the PDA with a term expiring on December 31, 2051.

Rent revenue from tenants is earned by the PDA, and the PDA pays an annual fixed sublease payment to PPMQB3. Certain administration expenses paid by the PDA on behalf of PPMQB3 are reimbursed by PPMQB3. During 2021, the following transactions occurred between the PDA and PPMQB3:

- The PDA earned \$199,206 from PPMQB3 in rent revenue relating to the leasing of commercial space within the MarketFront to PPMQB3.
- Certain administrative and operating expenses were initially paid by PDA on behalf of PPMQB3. As of December 31, 2021, \$3,410 is receivable for unreimbursed amounts.

Under terms of the sublease from PPMQB3, the PDA is required to make fixed annual sublease payments. Future minimum payments are as follows:

#### *Year Ending December 31,*

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2022	\$	428,931
2023		441,799
2024		455,053
2025		468,705
2026		482,766
2027-2031		2,639,963
2032-2036		3,060,440
2037-2041		3,547,889
2042-2046		4,112,976
2047-2051		4,768,068
		<hr/>
		\$ 20,406,590

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Rent expense incurred under the sublease in 2021 to PPMQB3 was \$416,787.

Additionally, under the PPMQB3 Agreement, the PDA has guaranteed any future operating deficits PPMQB3, and the PDA has guaranteed payment of any unearned NMTCs to MS NMSC Equity Fund, LLC

# Pike Place Market Preservation and Development Authority

## Notes to Financial Statements

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(MS NMSC), the NMTC investor, in the event of an NMTC recapture event. No recapture events occurred in 2021.

The PDA and MS NMSC have entered into a put/call option agreement to take place at the end of the seven-year NMTC reconveyance period ending January 2023. Under the agreement, Morgan Stanley (MS) NMSC can exercise a put option to sell all interest in the Pike Place MarketFront Investment Fund, LLC (PPMIF), a limited liability company 99.99% owned by MS NMSC, for \$1,000 to the PDA. If MS NMSC does not exercise the put option within six months of the end of the seven-year period, the PDA has an additional three months in which it can exercise a call option to purchase the interest of the PPMIF at an appraised fair market value. As a result, if the option is exercised, the outstanding loan balances of PPMQB3 are expected to be forgiven in consideration of PPMQB3 transferring all of its leasehold improvement property to the PDA.

Certain disclosures in these financial statements may be significantly impacted in the event that the put/call option is exercised.

As described in Note 1, PPMQB3 is included in these financial statements as a blended component unit and therefore all balances and transactions between the PDA and PPMQB3 have been eliminated in blending.

### ***The Market Foundation***

The Market Foundation is a nonprofit corporation incorporated under the laws of the state of Washington. The Market Foundation raises money to help pay for the services for the needy within the Market's historical district and contributes to the PDA's food subsidy and capital programs. The PDA subsidizes a portion of operating expenses for Social Services in the Market through the Market Foundation. The PDA made a contribution to the Market Foundation in the amount of \$185,545 for the year ended December 31, 2021.

Although the Market Foundation is a related party, due to lack of control, it is not included in these financial statements.

### ***Summary of Related-Party Receivables***

Related-party receivables (excluding those eliminated when blending PPMQB3 and LaSalle) are \$44,735 due from WASH.

## **6. Loan Receivable - Tax Credit Projects**

In 2016, the PDA loaned \$7,310,125 to Pike Place MarketFront Investment Fund, LLC (PPMIF). PPMIF used the loan proceeds, through other intermediary entities, to make a NMTC loan to PPMQB3. The loan bears interest at 1.1%. Beginning June 15, 2023 (after the end of the tax credit earn-out period), annual principal and interest payments are due in the amount necessary to repay the outstanding principal and unpaid interest of the loan by June 15, 2042 (maturity). The loan is effectively secured by the capital investments of PPMQB3. During 2021, the PDA earned \$73,101 of interest on this loan receivable.

# Pike Place Market Preservation and Development Authority

## Notes to Financial Statements

### 7. Capital Assets

The following is a summary of capital assets:

	Balance, December 31, 2020	Additions	Retirements	Transfers	Balance, December 31, 2021
<b>Capital Assets not Being Depreciated</b>					
Land	\$ 6,333,203	\$ -	\$ -	\$ -	\$ 6,333,203
Construction in progress	166,340	1,100,791	-	(645,399)	621,732
<b>Total Capital Assets not Being Depreciated</b>	<b>6,499,543</b>	<b>1,100,791</b>	<b>-</b>	<b>(645,399)</b>	<b>6,954,935</b>
<b>Capital Assets Being Depreciated</b>					
Buildings	96,874,270	-	-	-	96,874,270
Building improvements - PDA	103,543,443	-	(71,282)	598,306	104,070,467
Building improvements - PPMQB3	17,074,312	-	-	-	17,074,312
Site improvements - LaSalle	170,497	-	-	-	170,497
Equipment	1,990,824	69,304	-	29,537	2,089,665
Capital improvement plan	1,682,117	47,661	-	17,556	1,747,334
<b>Total Capital Assets Being Depreciated</b>	<b>221,335,463</b>	<b>116,965</b>	<b>(71,282)</b>	<b>645,399</b>	<b>222,026,545</b>
<b>Accumulated Depreciation</b>					
Buildings	27,505,128	2,331,651	-	-	29,836,779
Building improvements - PDA	36,237,486	3,587,268	(71,282)	-	39,753,472
Building improvements - PPMQB3	1,596,967	425,858	-	-	2,022,825
Site improvements - LaSalle	147,158	10,620	-	-	157,778
Equipment	1,545,088	121,591	-	-	1,666,679
Capital improvement plan	583,631	130,562	-	-	714,193
<b>Total Accumulated Depreciation</b>	<b>67,615,458</b>	<b>6,607,550</b>	<b>(71,282)</b>	<b>-</b>	<b>74,151,726</b>
<b>Total Capital Assets Being Depreciated, net</b>	<b>153,720,005</b>	<b>(6,490,585)</b>	<b>-</b>	<b>645,399</b>	<b>147,874,819</b>
<b>Capital Assets, net</b>	<b>\$ 160,219,548</b>	<b>\$ (5,389,794)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 154,829,754</b>

# Pike Place Market Preservation and Development Authority

## Notes to Financial Statements

### 8. Long-Term Liabilities

#### *Compensated Absences*

Compensated absences activity for the year ended December 31, 2021, are as follows:

	Balance, December 31, 2020	Additions	Reductions	Balance, December 31, 2021	Current Portion
Compensated absences	\$ 342,529	\$ 389,967	\$ (400,919)	\$ 331,577	\$ 331,577

#### *Loans Payable*

##### **Creamery Loan**

In December 2004, the PDA acquired land (referred to as the Creamery lot) from the City in exchange for a loan due to the City in the amount of \$455,000. The loan accrues interest at 5% per annum. According to the terms of the loan agreement, the principal and interest become due on the maturity date in December 2023, at which time the City has agreed to forgive the interest as long as the PDA used the land for the intended use outlined in the agreement. The PDA has complied with the terms of the agreement, and for that reason all the interest accrued each year, since the completion date (August 10, 2006), has been forgiven by the City.

Furthermore, the agreement states that if the PDA elects to extend the maturity date pursuant to Section 3 of the promissory note, then beginning with the 17th anniversary after the completion date and on each subsequent anniversary, and so long as the PDA continues to comply with the terms of the covenant then in effect, a portion of the principal equal to 5% of the original purchase price shall be deemed paid, until the entire loan balance is satisfied. The promissory note would be deemed fully satisfied in 2043. At this time, no reductions to principal have occurred and the full \$455,000 principal amount is still outstanding.

##### **LaSalle City of Seattle Loan and State of Washington Loan**

LaSalle borrowed \$839,212 from the City of Seattle in 2005. The loan bears interest at 1%, and principal and interest repayments are calculated at 50% of available net cash flows of the current year, due by June 30 of the following year. Payment was waived by the lender for available cash flows for the year ended December 31, 2021. All principal and interest is due in full in April 2055, with the option to extend through April 2080. The loan is secured by the Deed of Trust for Unit 2 (all apartment units), the LaSalle, a condominium.

LaSalle borrowed \$839,212 from the State of Washington Department of Community, Trade, and Economic Development in 2005. The loan bears interest at 1% and requires quarterly principal and interest repayments of \$6,503. The outstanding balance is \$564,626 as of December 31, 2021. All principal and interest is due in full in July 2046. The loan is secured by the Deed of Trust for Unit 2 (all apartment units), the LaSalle, a condominium.

As described in Note 14, both loans described above have been subsequently assigned to the PDA.

# Pike Place Market Preservation and Development Authority

## Notes to Financial Statements

### PPMQB3 Loans A and B

In February 2016, PPMQB3 borrowed a total of \$10,250,000 from Morgan Stanley (MS) New Markets X LLC (the Lender) (Loans A and B) for the purposes of constructing the retail buildings within the MarketFront. The Lender was created solely for the purpose of obtaining the benefits of New Market Tax Credits. The tax credit investor/lender is MS NMSC Equity Fund, LLC (the NMTC Investor) and the NMTC Investor owns the Lender. Both loans bear interest at an annual rate of 1.1135% and mature on February 11, 2051. Quarterly interest-only payments are due and payable through March 2023. Starting in June 2023 through the maturity date, payments of interest and principal, amortized over the remaining term, shall be payable in quarterly installments due and payable on the last day of March, June, September, and December. All remaining principal and accrued and unpaid interest shall be due and payable on the maturity date.

All loans are secured by the assignment of rents and restricted cash of PPMQB3. Additionally, all loans are guaranteed by the PDA. The PDA and PPMQB3 have also guaranteed payment of any unearned New Market Tax Credits to the NMTC Investor in the event of an NMTC recapture event, as defined in the financing arrangement. No recapture events occurred in 2021.

The PDA and the NMTC Investor have entered into a put/call option agreement to be exercisable at the end of the seven-year NMTC period. Under the agreement, the NMTC Investor can exercise a put option to sell all of its interest for \$1,000 to the PDA. If the NMTC Investor does not exercise the put option within six months of the end of the seven-year period, the PDA has an additional three months in which it can exercise a call option to purchase the NMTC Investor's interest in the Lender at an appraised fair market value. As a result, if either the put option or the call option is exercised, the outstanding loan balances are expected to be forgiven in consideration of PPMQB3 transferring all of its leasehold improvement property to the PDA.

Certain disclosures in these financial statements may be significantly impacted in the event the put/call option is exercised.

The following are the changes in loans payable for the year ended December 31, 2021:

Loans Payable from Direct Borrowings	Balance, December 31, 2020	Additions	Reductions	Balance, December 31, 2021	Current Portion
Creamery loan	\$ 455,000	\$ -	\$ -	\$ 455,000	\$ -
LaSalle - City of Seattle Loan	839,212	-	-	839,212	-
LaSalle - State of WA Loan	584,866	-	(20,240)	564,626	19,594
PPMQB3 - Loan A	7,310,125	-	-	7,310,125	-
PPMQB3 - Loan B	2,939,875	-	-	2,939,875	-
<b>Total Loans Payable</b>	<b>\$ 12,129,078</b>	<b>\$ -</b>	<b>\$ (20,240)</b>	<b>\$ 12,108,838</b>	<b>\$ 19,594</b>

# Pike Place Market Preservation and Development Authority

## Notes to Financial Statements

The principal and interest maturities of loans payable are as follows:

<i>Year Ending December 31,</i>	Principal	Interest	Total
2022	\$ 19,594	\$ 119,755	\$ 139,349
2023	711,256	118,895	830,151
2024	338,088	115,397	453,485
2025	341,844	111,640	453,484
2026	345,642	107,842	453,484
2027-2031	1,786,680	480,741	2,267,421
2032-2036	1,889,177	379,247	2,268,424
2037-2041	1,995,443	271,981	2,267,424
2042-2046	2,097,026	158,623	2,255,649
2047-2051	1,744,876	44,090	1,788,966
2052-2055	839,212	-	839,212
	\$ 12,108,838	\$ 1,908,211	\$ 14,017,049

### ***Bonds Payable - Summary***

Bonds payable are as follows:

*Year Ended December 31, 2021*

### **Special Obligation and Refunding Bonds 2015A - MarketFront Project**

Series 2015A PDA Special Obligation and Refunding Bonds, with interest at 5%, interest payments made semi-annually, and remaining annual principal payments ranging from \$545,000 to \$1,380,000 through December 1, 2040. \$ 17,510,000

Less: Current portion (575,000)

Plus: Unamortized premiums on Series 2015A bonds payable 1,266,925

\$ 18,201,925

### ***Bonds Payable - Details***

### **Series 2015A and 2015B Special Obligation and Refunding Bonds - MarketFront Project**

In June 2015, the PDA issued Special Obligation and Refunding Bonds (the Series A Bonds) and Special Obligation Bonds (the Series B Bonds), collectively referred to as "2015 Bonds," for the purpose of financing the design, acquisition, construction, and equipping of parking and other improvements related to the MarketFront Project, and to also refinance and pay in full certain bonds, a commercial mortgage, and another long-term obligation previously outstanding of the PDA. The Series B Bonds



# Pike Place Market Preservation and Development Authority

## Notes to Financial Statements

were paid in full in 2018. The Series A Bonds are secured by restricted cash and, effectively, the unrestricted net position of the PDA. The bonds include a covenant that the PDA maintain a minimum debt service coverage ratio. The PDA is in compliance with the bond covenant at December 31, 2021.

The following are the changes in bonds payable for the year ended December 31, 2021:

Bonds Payable	Balance, December 31, 2020	Additions	Reductions and Amortization	Balance, December 31, 2021	Current Portion
Series 2015A bonds	\$ 18,055,000	\$ -	\$ (545,000)	\$ 17,510,000	\$ 575,000
Unamortized bond premiums	1,381,984	-	(115,059)	1,266,925	-
<b>Total Bonds Payable</b>	<b>\$ 19,436,984</b>	<b>\$ -</b>	<b>\$ (660,059)</b>	<b>\$ 18,776,925</b>	<b>\$ 575,000</b>

The principal and interest maturities of bonds payable are as follows:

Year Ending December 31,	Principal	Interest	Total
2022	\$ 575,000	\$ 875,500	\$ 1,450,500
2023	605,000	846,750	1,451,750
2024	635,000	816,500	1,451,500
2025	665,000	784,750	1,449,750
2026	695,000	751,500	1,446,500
2027 - 2031	4,040,000	3,199,500	7,239,500
2032 - 2036	5,160,000	2,082,750	7,242,750
2037 - 2040	5,135,000	657,750	5,792,750
	<b>\$ 17,510,000</b>	<b>\$ 10,015,000</b>	<b>\$ 27,525,000</b>

## 9. Pension Trust Fund

The PDA's Pension Trust Fund is a nonqualified, single employer, tax advantaged deferred compensation plan (a defined contribution plan). All covered employees are general employees of the PDA who are at least 21 years of age and work 1,000 hours a year or more are eligible to participate in the Pension Trust Fund on the first day of the month following the month in which the member satisfies these eligibility requirements. Members generally become fully vested as to benefits upon completion of five years of service. At December 31, 2021, there were 109 members in the Pension Trust Fund.

During the year ended December 31, 2021, the PDA recognized pension expense of \$400,000, and a related pension liability (included within accrued expenses and deposits payable on the statement of net position) for the discretionary amount to be contributed to the Pension Trust Fund. The Pension Trust Fund recognized a corresponding employer contribution in 2021 and employer contribution receivable at December 31, 2021. Employees are not required to make contributions

# Pike Place Market Preservation and Development Authority

## Notes to Financial Statements

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to the Pension Trust Fund. However, if they elect to contribute, employees must contribute a minimum of a minimum of 2% and maximum of 10% of their compensation to the Pension Trust Fund.

The Pension Trust Fund was established by the PDA Council for the benefit of employees meeting eligibility requirements. The PDA Council has the right to amend or terminate the Pension Trust Fund at any time at its sole discretion. Any amendments will not cause the fund assets to be used for any purpose other than for the benefit of all eligible employees, retired employees, or their beneficiaries, or pay for reasonable administration costs. Forfeitures are immaterial.

### 10. Future Rental Revenue

The PDA leases nearly all of its land, buildings, and building improvements to residential and commercial tenants under noncancelable agreements. As discussed in Note 1, leases to residential tenants have one-year terms, are cancelable with a 30-day notice by either party, and are therefore excluded from the future minimum rental schedule below.

The terms of commercial leases are generally up to 10 years with options to extend up to two years (however, certain longer-term leases do exist). Most commercial leases include percentage rent (based on a percentage of the tenant's sales) and fixed or variable escalation clauses. Future minimum rentals to be received excluding options to extend, percentage rent, and variable escalation clauses are as follows:

*Year Ending December 31,*

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2022	\$	2,908,400
2023		2,018,681
2024		1,450,785
2025		1,059,866
2026		854,113
2027-2031		774,698
		<hr/>
		\$ 9,066,543

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### 11. Risk Managements

The PDA is subject to claims and litigation incidental to its business. Management believes the ultimate resolution of these routine matters will not have a material adverse effect on the PDA's statements of net position, operations, or cash flows. The PDA purchases commercial insurance coverage for itself and its component units to mitigate such risks.

The PDA provides coverage up to the maximum of \$2,000,000 and \$1,000,000 per occurrence for general liability and automobile claims, respectively. There were no changes in coverages in 2021. No settled claim exceeded these commercial coverages in 2021, 2020, or 2019.

# Pike Place Market Preservation and Development Authority

## Notes to Financial Statements

### 12. Blended Component Units

Summarized blended component units statement of net position information is as follows:

<i>December 31, 2021</i>	LaSalle	PPMQB3	Total Blended Component Units
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents	\$ 32,353	\$ 1,262	\$ 33,615
Accounts receivable, tenants	11,398	-	11,398
Prepaid master lease expense, current portion	-	199,207	199,207
<b>Total Current Assets</b>	<b>43,751</b>	<b>200,469</b>	<b>244,220</b>
Restricted cash	978,267	81,807	1,060,074
Intangible assets, net of accumulated amortization	209,700	-	209,700
Prepaid master lease expense, less current portion	-	8,615,688	8,615,688
Capital assets, net	6,363,303	15,051,487	21,414,790
<b>Total Assets</b>	<b>\$ 7,595,021</b>	<b>\$ 23,949,451</b>	<b>\$ 31,544,472</b>
<b>Liabilities and Net Position</b>			
<b>Current Liabilities</b>			
Accounts payable	\$ 25,265	\$ -	\$ 25,265
Accounts payable, related party	-	3,410	3,410
Deposits payable	24,956	-	24,956
Interest payable	2,222,945	-	2,222,945
Current portion of loans payable	19,594	-	19,594
<b>Total Current Liabilities</b>	<b>2,292,760</b>	<b>3,410</b>	<b>2,296,170</b>
<b>Long-Term Liabilities</b>			
Loans payable, net	3,486,198	10,250,000	13,736,198
<b>Total Liabilities</b>	<b>5,778,958</b>	<b>10,253,410</b>	<b>16,032,368</b>
<b>Net Position</b>			
Net investment in capital assets	2,857,511	4,801,487	7,658,998
Restricted for required reserves	978,267	81,807	1,060,074
Unrestricted (deficit)	(2,019,715)	8,812,747	6,793,032
<b>Total Net Position</b>	<b>1,816,063</b>	<b>13,696,041</b>	<b>15,512,104</b>
<b>Total Liabilities and Net Position</b>	<b>\$ 7,595,021</b>	<b>\$ 23,949,451</b>	<b>\$ 31,544,472</b>

# Pike Place Market Preservation and Development Authority

## Notes to Financial Statements

Summarized blended component units statement of revenues, expenses, and changes in fund net position information is as follows:

<i>Year Ended December 31, 2021</i>	LaSalle	PPMQB3	Total Blended Component Units
<b>Operating Revenues</b>			
Rent	\$ 348,070	\$ 416,438	\$ 764,508
Contributions and grants	602,251	-	602,251
<b>Total Operating Revenues</b>	<b>950,321</b>	<b>416,438</b>	<b>1,366,759</b>
<b>Operating Expenses</b>			
Property management	519,790	530,965	1,050,755
Depreciation and amortization	508,776	425,858	934,634
Professional fees	31,159	-	31,159
<b>Total Operating Expenses</b>	<b>1,059,725</b>	<b>956,823</b>	<b>2,016,548</b>
<b>Operating Loss</b>	<b>(109,404)</b>	<b>(540,385)</b>	<b>(649,789)</b>
<b>Non-Operating Revenues (Expenses)</b>			
Interest income	-	6	6
Interest expense	(202,214)	(114,133)	(316,347)
Amortization of intangible assets	(3,600)	-	(3,600)
<b>Net Non-Operating Revenues (Expenses)</b>	<b>(205,814)</b>	<b>(114,127)</b>	<b>(319,941)</b>
<b>Loss Before Transfer</b>	<b>(315,218)</b>	<b>(654,512)</b>	<b>(969,730)</b>
<b>Transfer Out</b>	<b>(169,310)</b>	<b>-</b>	<b>(169,310)</b>
<b>Change in Net Position</b>	<b>(484,528)</b>	<b>(654,512)</b>	<b>(1,139,040)</b>
<b>Net Position, beginning of year</b>	<b>2,300,591</b>	<b>14,350,553</b>	<b>16,651,144</b>
<b>Net Position, end of year</b>	<b>\$ 1,816,063</b>	<b>\$ 13,696,041</b>	<b>\$ 15,512,104</b>

# Pike Place Market Preservation and Development Authority

## Notes to Financial Statements

Summarized blended component units statement of cash flows is as follows:

<i>Year Ended December 31, 2021</i>	LaSalle	PPMQB3	Total Blended Component Units
<b>Net Cash Provided by (Used in)</b>			
Operating activities	\$ 322,646	\$ 84,679	\$ 407,325
Non-capital financing activity	(189,624)	(72,756)	(262,380)
Capital and related financing activities	(107,866)	(114,133)	(221,999)
Investing activities	-	6	6
<b>Net Change in Cash and Cash Equivalents</b>	25,156	(102,204)	(77,048)
<b>Cash and Cash Equivalents, beginning of year</b>	985,464	185,273	1,170,737
<b>Cash and Cash Equivalents, end of year</b>	\$ 1,010,620	\$ 83,069	\$ 1,093,689

### 13. COVID-19

On January 30, 2020, the World Health Organization (WHO) announced a global health emergency because of a new strain of coronavirus (the COVID-19 outbreak) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The COVID-19 outbreak had constrained the operations and management of the PDA, including a government mandated closure of most Market businesses for several months in 2020, resulting in a decline in PDA revenues from commercial, daystall, and farm tenants. The pandemic has presented unique and unprecedented challenges for many Market tenants, whose survival and viability are essential to the survival of the Market itself. The PDA's operations are heavily dependent on the ability to collect commercial and residential rents and parking revenues and the outbreak has had a material adverse impact on the operations and financial results of the PDA. Cities and states started opening up throughout the course of 2021, resulting in increased activity at the Market and some recovery in PDA revenues.

Due to the increase of the activity in the Market, there was need for more spending in operating expenses. These expenses brought back some of the positions which were cut and reinstated full work hours. Many of the programs that aim to support small businesses and to bring more people to the market also resumed. During 2020 and much of 2021, work was only permitted on urgent capital projects and repairs. The PDA has since begun to resume work on capital improvements on the Market.

During 2020 and 2021, the PDA Council authorized the withdrawal of funds from the Minimum Operating Reserve (the MOR) and Capital Replacement Funds. The purpose was to cover the short falls due to loss of income and allowed the PDA to undertake several measures to assist tenants in surviving the pandemic. Such measures included waiving late fees for rent payments and credit card admin fees for online rent payments, granting temporary credits for common area charges made to commercial tenants, temporary reduction of base rent to qualifying businesses and providing

# Pike Place Market Preservation and Development Authority

## Notes to Financial Statements

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incentives for paying rents on time. At the same time, the PDA undertook cuts on operating expenses, in labor, utilities, and reduced the scope and postponed or canceled several programs. As a result of the above measures, only a portion of the authorized amount from the Minimum Operating Reserve was spent, and none from the Capital Replacement funds were used to fund the cash shortage during 2020. As of October 31, 2021, the PDA replenished the entire amount withdrawn from the MOR and had additional cash for operating activities. During 2020 and 2021, the PDA was unable to make contribution to the reserves, but was prudent in spending the amounts authorized by the PDA Council.

In addition, the PDA made several operational changes during the year to reflect city- and state-issued COVID-19 guidelines to further assist commercial, daystall, farm, and residential communities. This included an eviction moratorium for both residential and commercial tenants, prohibition of rent increases for residential and commercial tenants (unless included in an existing lease agreement executed prior to March 2020), and suspension of attendance requirements for daystalls and farm tenants. The PDA also spearheaded various other initiatives, including promoting the wearing of masks and good hygiene, enforcing social distancing per CDC requirements, expanding outdoor dining and curbside pickup, educational classes, marketing programs, and assisting tenants with applications to city, state, and local charities for financial assistance in payment of past due bills, rent, and securing personal protective equipment (PPE) and supplies.

The COVID-19 outbreak is still evolving and certain city- and state-issued guidelines are still in place. As such, it is uncertain as to the full magnitude that the pandemic will have on the PDA's financial condition, liquidity, and the future results of operations. Management is actively monitoring the impact of the global situation on its financial condition, liquidity, operations, supplies, industry, and workforce. Although the PDA cannot estimate the length or gravity of the impact of the COVID-19 outbreak at this time, if the pandemic continues, it may have an adverse effect on the PDA's future operations, financial position, and liquidity in fiscal year 2022.

### 14. Subsequent Events

The Pike Place Market PDA Council, in its meeting on February 24th, 2022, approved Resolution Number 22-26 "*Transfer of LaSalle Senior Housing LLC Project to Pike Place Market PDA*" to allow the PDA to absorb the remaining assets and obligations of the LaSalle Project immediately. Once all transfers are complete, the LLC will be dissolved and operations of the Project will continue as a housing project within the PDA. The notes receivable and notes payable and associated accrued interest between the PDA and LaSalle have subsequently been forgiven and written off as a part of this transaction. The City of Seattle and State of Washington loans have been absorbed and are the responsibility of the PDA. As LaSalle is combined as a blended component unit, there is no significant impact to the financial statements or disclosures as the related assets and liabilities are already combined and/or eliminated where applicable.

**Supplemental Reports and Schedules  
in Accordance with *Government Auditing  
Standards* and Required by the Uniform Guidance**

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## **Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

To the Council  
Pike Place Market Preservation  
and Development Authority  
Seattle, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the proprietary fund, discretely presented component unit and fiduciary fund component unit of the Pike Place Market Preservation and Development Authority (the PDA) as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the PDA's basic financial statements, and have issued our report thereon dated June 30, 2022. The financial statements of Pike Place Market QB3 (a blended component unit) and Western Avenue Senior Housing LLC (a discrete component unit) were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with Pike Place Market QB3 and Western Avenue Senior Housing LLC.

### **Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the PDA's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the PDA's internal control. Accordingly, we do not express an opinion on the effectiveness of the PDA's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.





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## Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the PDA's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the PDA's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the PDA's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*BDO USA, LLP*

June 30, 2022



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## **Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance**

To the Council  
Pike Place Market Preservation  
and Development Authority  
Seattle, Washington

### **Report on Compliance for Each Major Federal Program**

#### ***Opinion on Each Major Federal Program***

We have audited the Pike Place Market Preservation and Development Authority's (the PDA) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the PDA's major federal programs for the year ended December 31, 2021. The PDA's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the PDA complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2021.

#### ***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the PDA and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the PDA's compliance with the compliance requirements referred to above.

#### ***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the PDA's federal programs.



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### ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the PDA's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the PDA's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the PDA's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the PDA's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the PDA's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### **Report on Internal Control Over Compliance**

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.



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Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*BDO USA, LLP*

June 30, 2022

# Pike Place Market Preservation and Development Authority

## Schedule of Expenditures of Federal Awards for the Year Ended December 31, 2021

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Provided to Subrecipients	Total Federal Expenditures
<b>U.S. Department of Housing and Urban Development</b>				
<i>Section 8 Project-Based Cluster</i>				
Passed through the Bremerton Housing Authority - Contract Management Services:				
Section 8 Housing Assistance Payments Program	14.195	WA-19-8023-004	\$ -	\$ 530,179
Section 8 Housing Assistance Payments Program	14.195	WA-19-8023-005	-	662,977
<i>Total Section 8 Project-Based Cluster</i>			-	1,193,156
<i>Passed through the Plymouth Housing Authority</i>				
Shelter Plus Care	14.238	N/A	-	3,516
<i>Housing Voucher Cluster</i>				
Passed through the Seattle Housing Authority				
Section 8 Housing Choice Vouchers	14.871	WA001V00142	-	57,113
Section 8 Housing Choice Vouchers	14.871	WA001V00178	-	141,362
<i>Total Housing Voucher Cluster</i>			-	198,475
<b>Total U.S. Department of Housing and Urban Development</b>			-	1,395,147
<b>Department of the Treasury</b>				
<i>Passed through the Seattle Office of Housing</i>				
COVID-19 Emergency Rental Assistance Program	21.023	ERA0208	-	237,172
<b>Total Department of the Treasury</b>			-	237,172
<b>Total Federal Expenditures</b>			\$ -	\$ 1,632,319

*The accompanying notes are an integral part of this schedule.*

# **Pike Place Market Preservation and Development Authority**

## **Notes to Schedule of Expenditures of Federal Awards for the Year Ended December 31, 2021**

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### **1. Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Pike Place Market Preservation and Development Authority (the PDA) under programs of the federal government for the year ended December 31, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administration Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the PDA, it is not intended to and does not present the financial position, changes in net position, or cash flows of the PDA.

### **2. Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Pass-through entity identifying numbers are presented where available.

### **3. Indirect Cost Rate**

The PDA has elected not to use the 10% de minimus indirect cost rate allowed under the Uniform Guidance.

# Pike Place Market Preservation and Development Authority

## Schedule of Findings and Questioned Costs for the Year Ended December 31, 2021

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### Section I - Summary of Auditor's Results

#### **Financial Statements:**

Type of report the auditor issued on whether  
the financial statements audited were prepared  
in accordance with GAAP:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? ☐ yes ☒ no
- Significant deficiency(ies) identified? ☐ yes ☒ none reported
- Noncompliance material to financial statements noted: ☐ yes ☒ no

#### **Federal Awards:**

Internal control over major federal programs:

- Material weakness(es) identified? ☐ yes ☒ no
- Significant deficiency(ies) identified? ☐ yes ☒ none reported

Type of auditor's report issued on compliance for  
major federal programs:

Unmodified

Any audit findings disclosed that are required  
to be reported in accordance with 2 CFR  
200.516(a)?

☐ yes ☒ no

Identification of major federal programs:

Name of Federal Program or Cluster

Federal Assistance Listing Number

Section 8 Project-Based Cluster

14.195

COVID-19 Emergency Rental Assistance Program

21.023

Dollar threshold used to distinguish  
between type A and type B programs:

\$750,000

Auditee qualified as low-risk auditee?

☒ yes ☐ no

### Section II - Financial Statement Findings

There were no findings identified that were required to be reported.

### Section III - Federal Award Findings and Questioned Costs

There were no findings identified that are required to be reported in accordance with Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.