

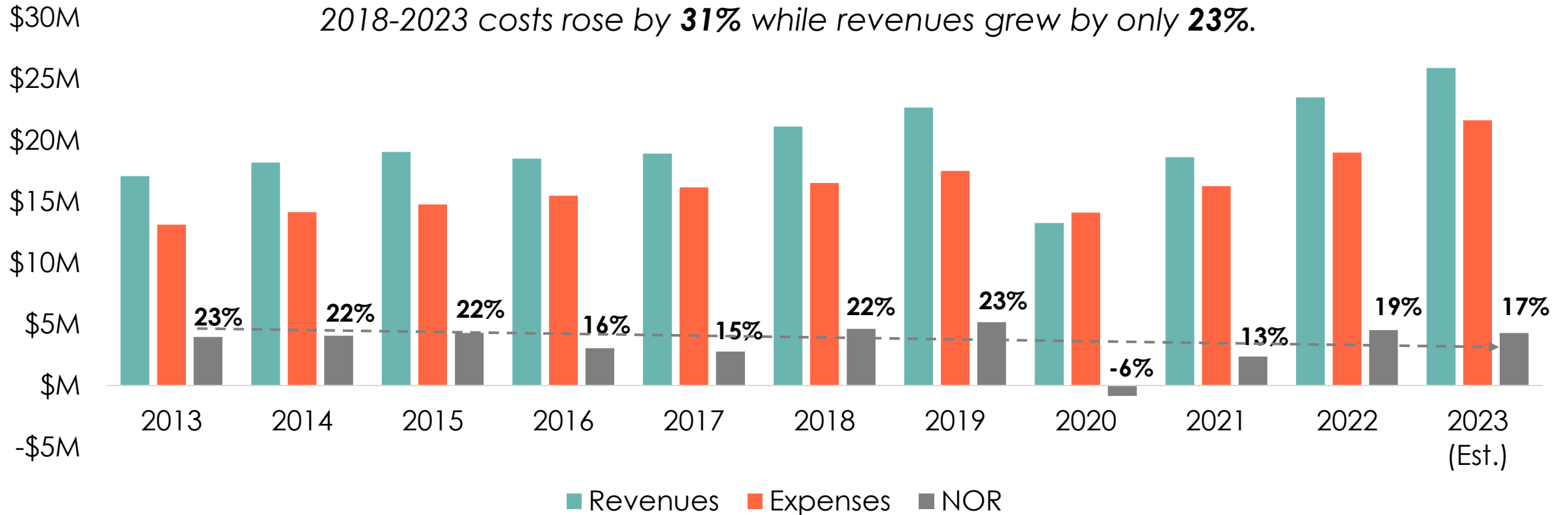
Pike Place Market Master Plan FINANCIAL ANALYSIS

PDA Historic Net Margins

The PDA has operated at an average margin of 19% over the last decade, which enabled operating viability through COVID and critical capital maintenance.

PDA Revenues & Expenses (2013-2023)

2018-2023 costs rose by **31%** while revenues grew by only **23%**.

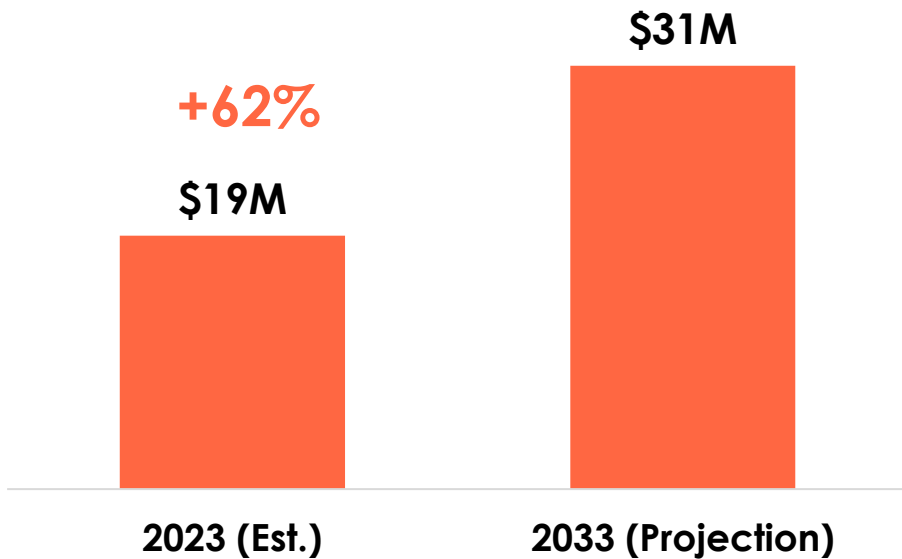


Source: PDA data. Net margin defined as net operating result divided by revenues. Operating Expenses include Expenses, Debt Reserves, Designated Reserves, LID, and Pension Contributions.

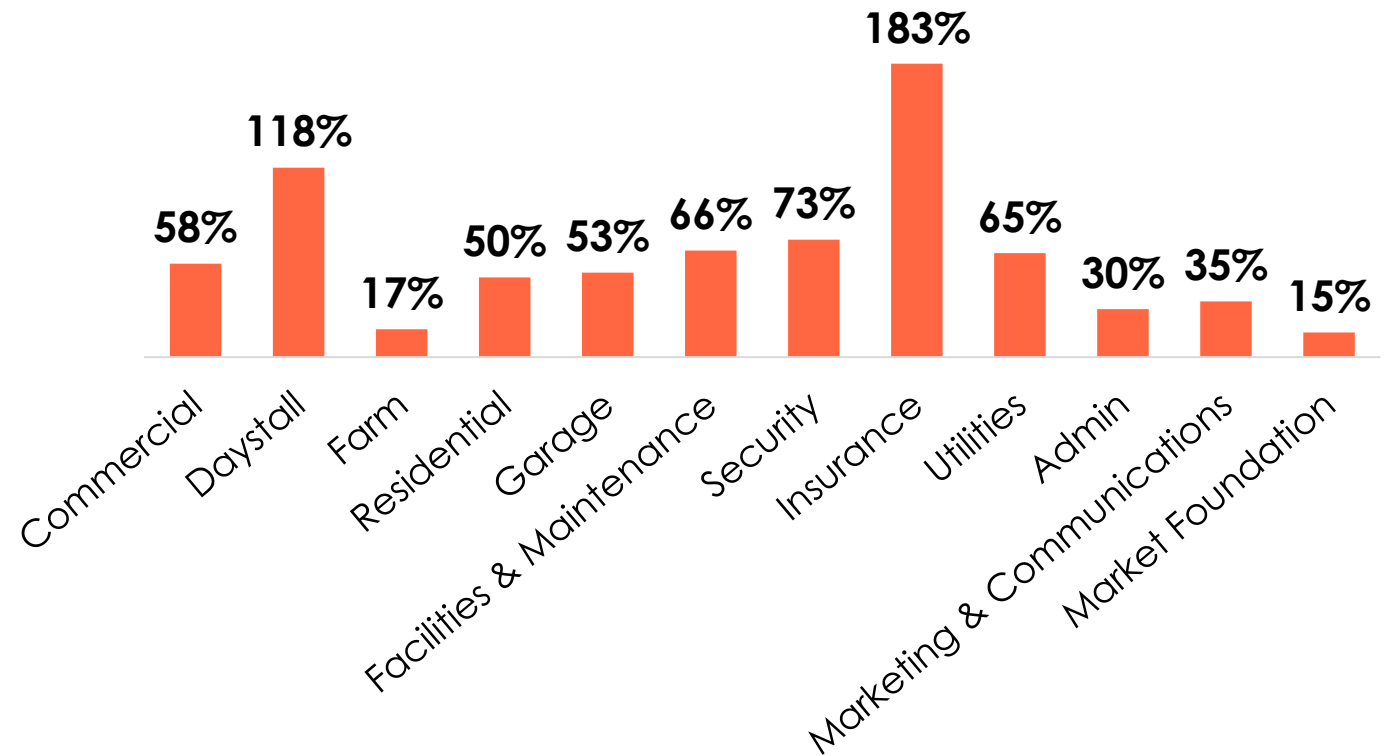
Rising Operating Expenses

Expenses are projected to increase 5% annually (62% total) over the next 10 years, due to modest underlying inflation, plus higher increases in labor, utilities, and insurance costs.

Operating Expenses (2023-2033)



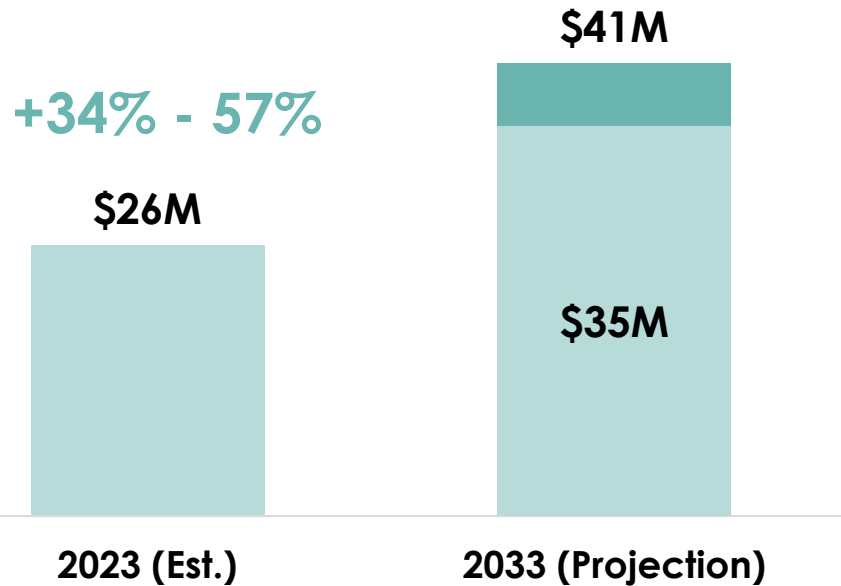
Operating Expenses Aggregate Growth by Category (2023-2033)



Modest Revenue Growth

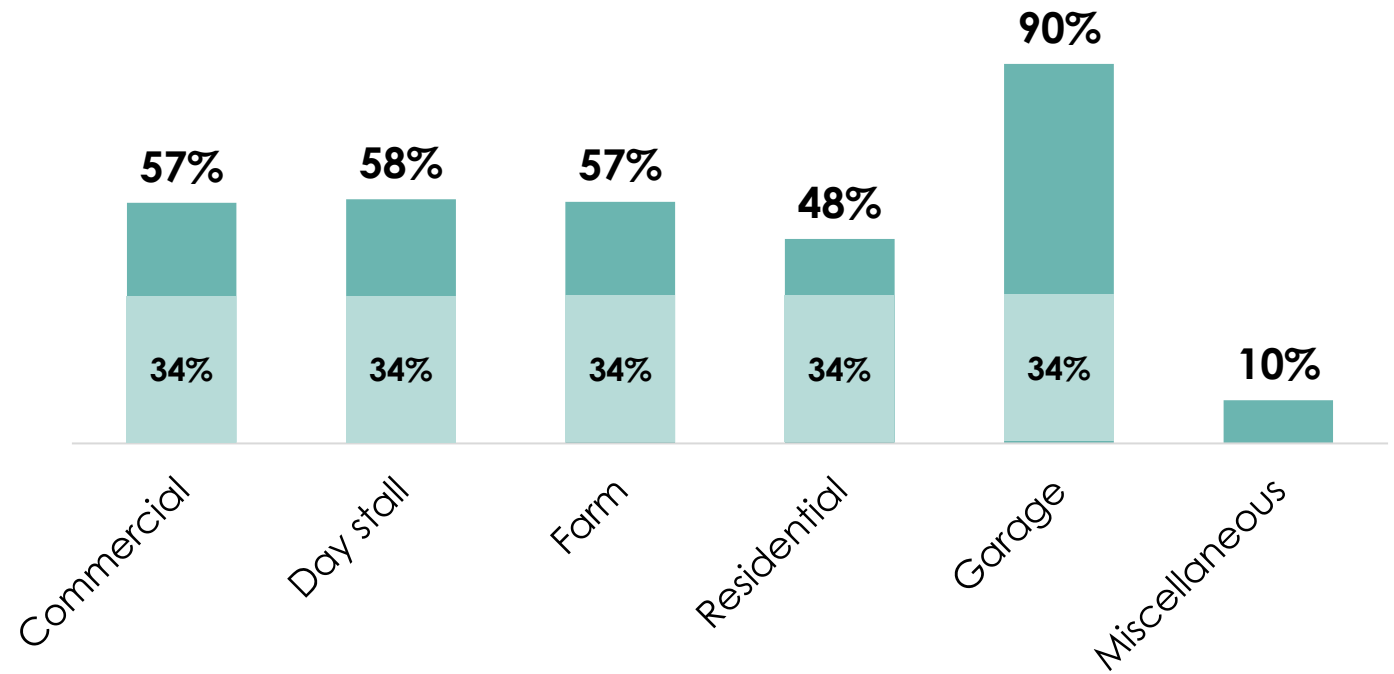
Revenues are projected to increase 3% annually over the next decade under the status quo. Increasing the lease escalation to 5% results in revenue growth matching expense growth.

Operating Revenues (2023-2033)



- Annual Growth 3%
- Annual Growth 5%, considers lease escalation

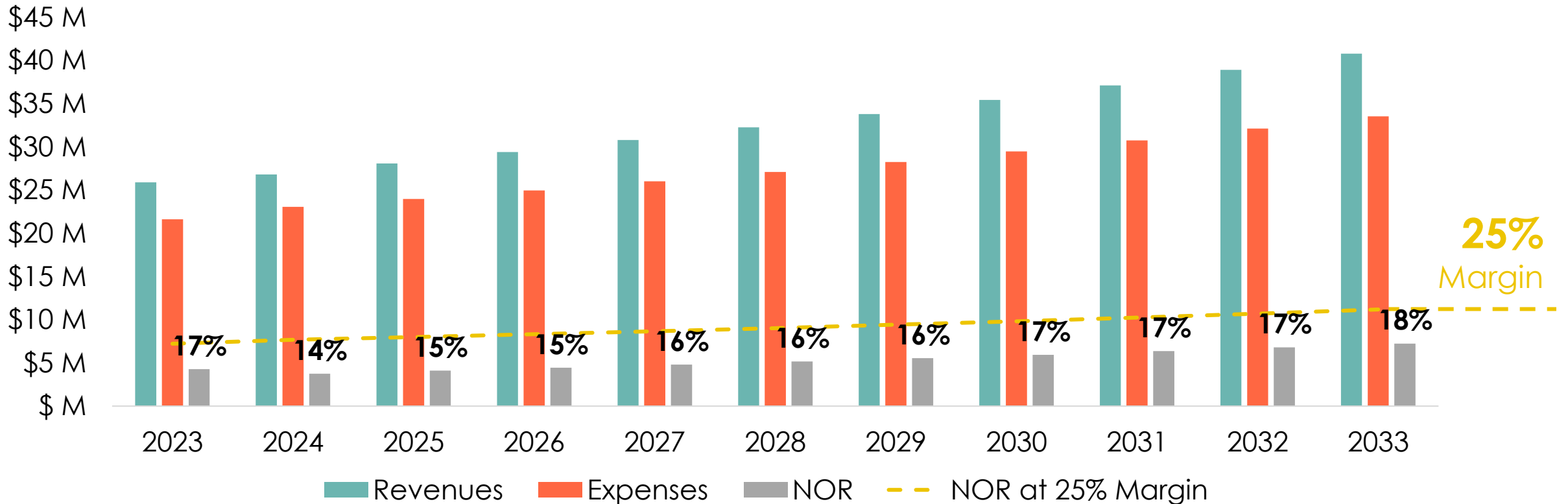
Operating Revenues Aggregate Growth by Category (2023-2033)



PPM 2033 Projections

With a 5% escalation and no major unpredictable events or recession, the PDA will still not be able to achieve a target net margin of 25% over the next decade. The gap will be \$3.9M in 2033.

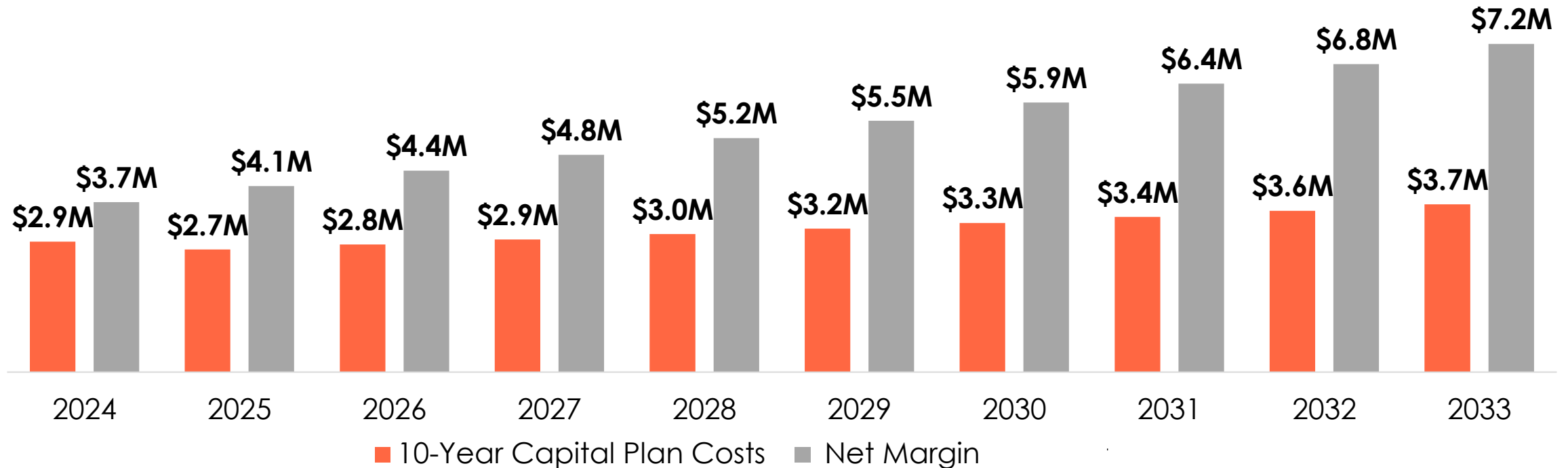
PDA Revenues & Expenses (2023-2033)



PPM 2033 Projections

The 10-year Capital Plan requires the PDA to spend nearly 60% of the Market's net margin over the next decade. Significant additional revenue will be needed for capital investments associated with the Master Plan.

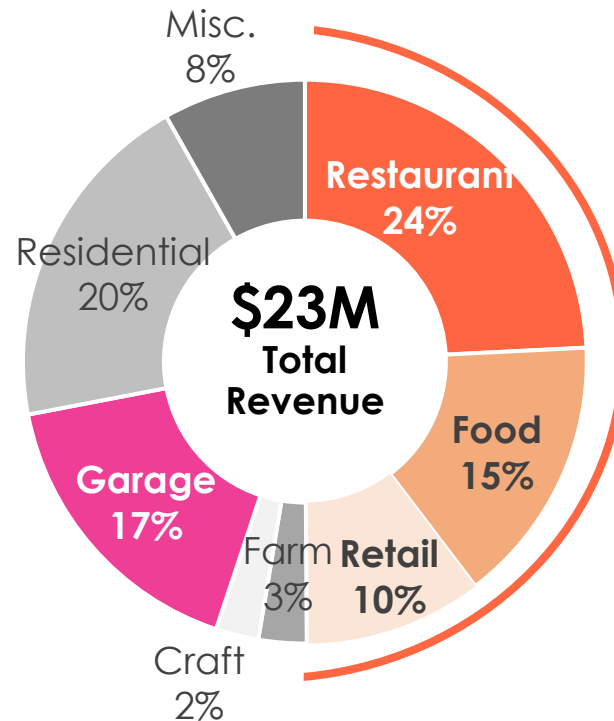
Forecasted Capital Projects vs. Net Margin (2024-2033)



PDA Revenues Today

Commercial and garage rents are primary levers to raising new revenue: affordable housing rents cannot be raised, and daystalls will never be a major revenue source.

Distribution of PDA Revenue Sources, 2022*



Commercial Rents (\$13M, 49%)

- Restaurant
- Food
- Retail

*Food, Restaurant, and Retail revenues to PDA include base + percentage rent as well as Common Area Charges (CAC). Revenues from Utilities, Tenant Reimbursement, and Late Fees/Service Charges are included in Misc. instead of their respective merchant type because they could not be disaggregated. Does not include payments/reimbursement from PPMQB3 (entity created by PDA to facilitate new market tax credit funding). Source: PDA data.

Strategies for Revenue Generation

There are a variety of strategies that the PDA can implement over time, monitoring their efficacy to increase revenues while advancing the Market's goals of reattracting local visitation and supporting local entrepreneurship.

- **Increased Garage Rates**
- **Tenant Curation** for Vendor Sustainability & Increased Commercial Rents
- **Recovered Revenues from Streamlined POS**
- **New Earned-Income Programming**
 - Mission-Based Sponsorships
 - Local Delivery
 - App & AR Experiences

Garage Assumptions

PPM garage parking rates are 159% below market-rate.

- \$4/hour at PPM, as compared to an average of \$10/hour at 11 nearby garages.
- A 50% increase in PPM parking rates brings the cost of parking to \$6/hour, still well below market-rate.

The PDA is currently reviewing any regulatory barriers to increasing parking rates for visitors only and excluding Market community members.

POS Implementation Assumptions

Businesses would benefit from a number of improvements that will reduce operational costs and increase sales performance by 5%:

- Better inventory management and reporting
- Reduced operating costs & time-savings (from minimized inventory holding/storage costs, more efficient staffing based on sales/customer patterns, automated data entry and sales reporting, etc.)
- More streamlined & efficient customer experience (including improved checkout processes and reduced wait times)
- Improved customer management and data collection (that can foster customer loyalty and repeat visitation)
- Improved customer marketing & personalization

Benefits to the PDA include:

- More precise reporting of percentage rent
- Timelier & more accurate sales reporting from tenants
- Better evaluation of marketing promotions and events

Source: Forbes, National Retail Solutions; HR&A estimate. POS systems may need to differ by vendor type (e.g. restaurants operate differently from retail businesses). The PDA should evaluate the types of systems currently in use by Market vendors and determine the best system for the Market.

New Earned-Income Programming Assumptions

\$400K Mission-Based Sponsorships

- *Assumption: 4 annually with average sponsor at \$100K*
- Mission-based sponsorships involves corporate/philanthropic donations or other support towards events and initiatives that align with the Market's goals. National cultural institutions nationally like Cincinnati's Liberty Center receives \$850K in annual sponsorships and NYC's Bryant Park receives over \$3.5M. Assumptions for Pike Place Market are more conservative and reflect local contributions, such as philanthropic commitments to the Seattle Art Museum.

\$1.2M Local Delivery

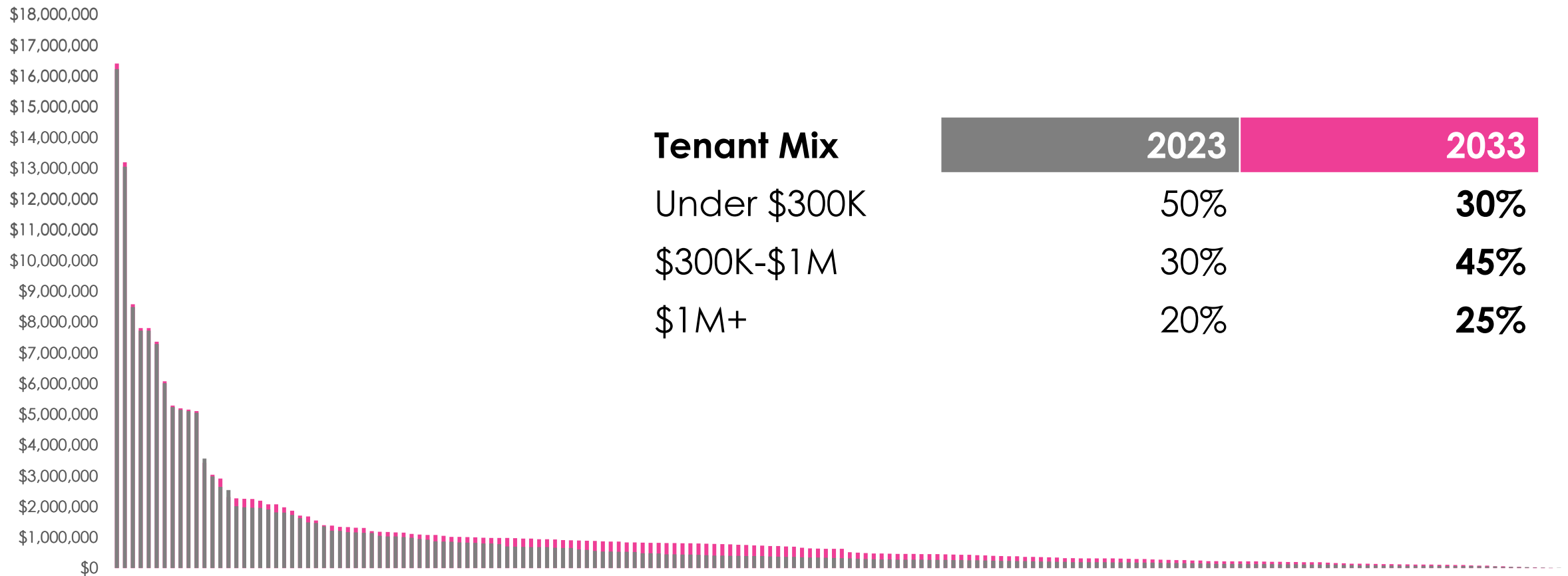
- *Assumptions: 50% Restaurant & Food Vendor Participation; 50% Increase in Sales; PDA collects 6% percentage rent + 10% delivery fee on additional sales*
- Assumptions are based on London's Borough Market, Philadelphia's Reading Terminal Market, as well as the PDA's prior engagement with delivery vendors. Borough Market partners with Good Sixty to provide local delivery powered by zero-emission electric bikes and Reading Terminal Market partners with Mercato to deliver within a 10-mile radius. Roughly 50% of vendors participate at both markets. According to delivery vendors, delivery fees to the Market can range between 15-20%. This analysis takes a more conservative fee of 10%. Given that there are different financial and operating models that the PDA can pursue – the PDA will need to conduct further study and research to identify the right structure and partners for the Market.

\$1.5M App & AR Experience

- *Assumptions: 2.5% capture rate (300,000 people, assuming 12M annual visitors); \$5 ticket fee per visitor*
- Museums such as the National Gallery in London, DC's Smithsonian Institution, and Miami's Perez Art Museum, among many others, have incorporated augmented reality technology to bring a new dimension and way of engaging its visitors. The City of Dublin also recently launched an AR map that offers visitors and locals a new way of experiencing the city. Assumptions for Pike Place Market are based on the average rate of audio guide usage and fees at major museums, such as the British Museum, and the Market's total annual visitors.

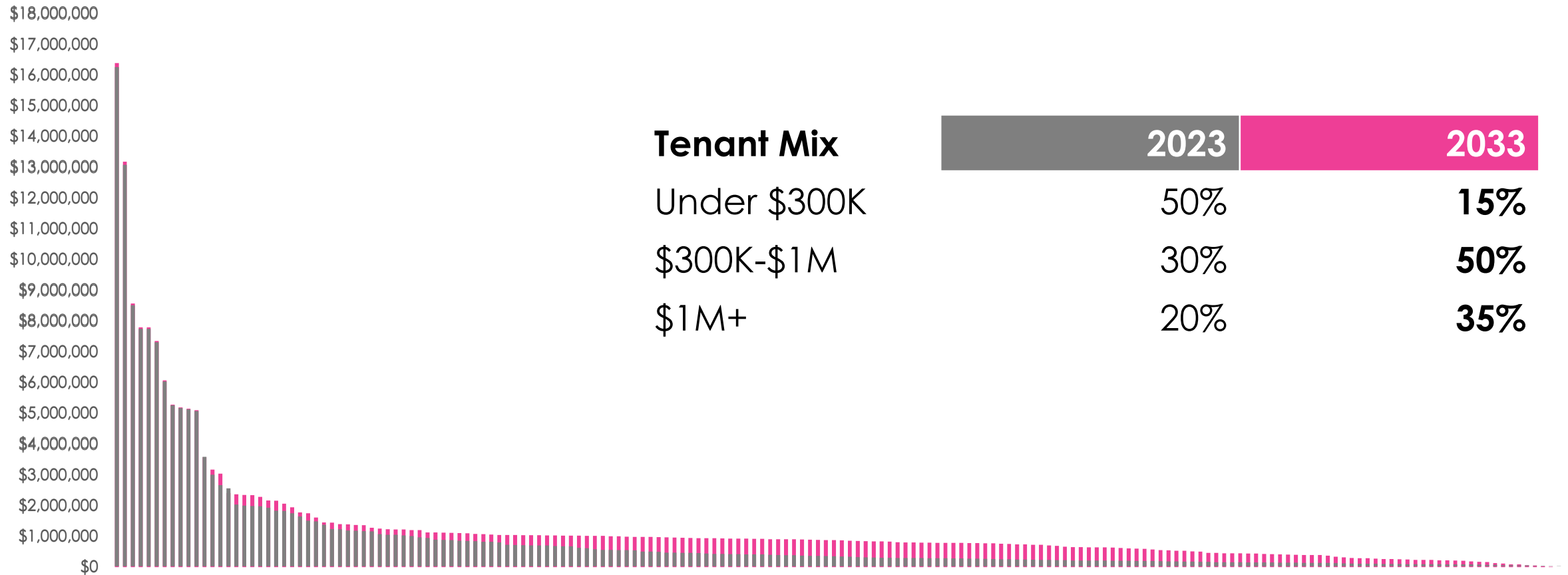
Commercial Sales & Tenant Mix Assumptions

A 20% increase in tenant sales – achieved through marketing of Food Life, programmatic support of existing business growth, and more intentional tenant recruitment and curation – **can add ~\$2M in additional annual percentage rent for the PDA.**



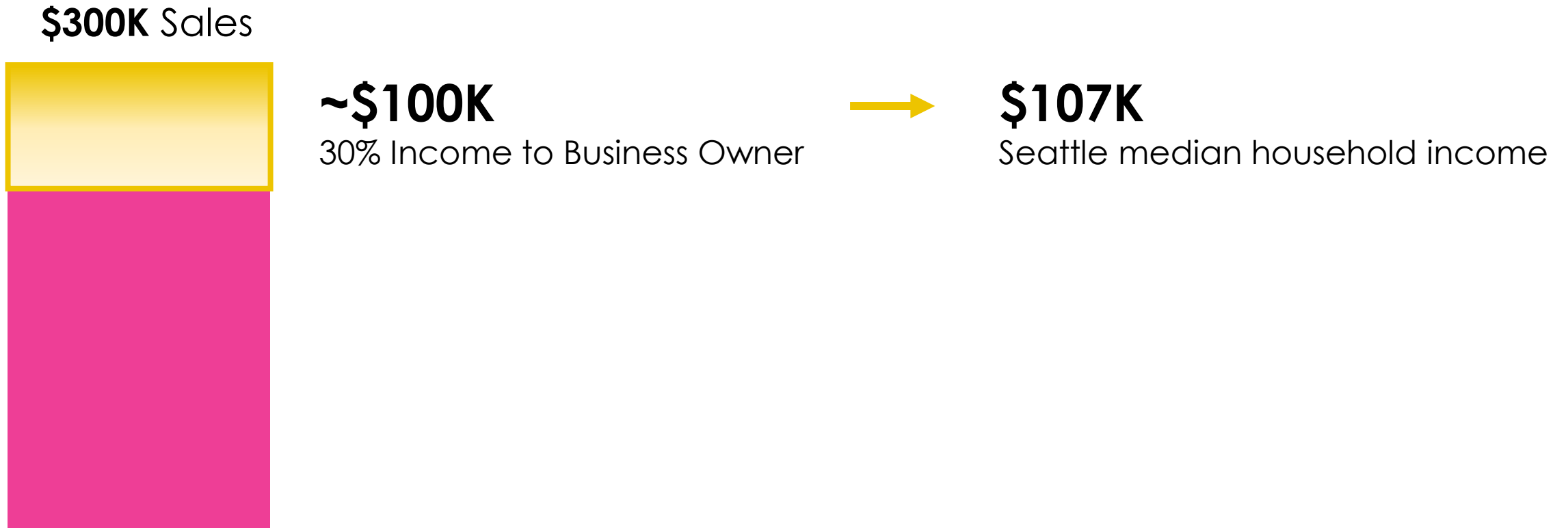
Commercial Sales & Tenant Mix Assumptions

A more proactive approach to tenant curation could yield **a 35% increase in tenant sales** and **add \$3.6M+ in additional annual percentage rent for the PDA.**



Shared, Community Responsibility for Market Success

Increased tenant sales will not only reinforce the Market's long-term financial sustainability, but also support income and wealth generation for the Market's diverse vendors.



Tenant Curation

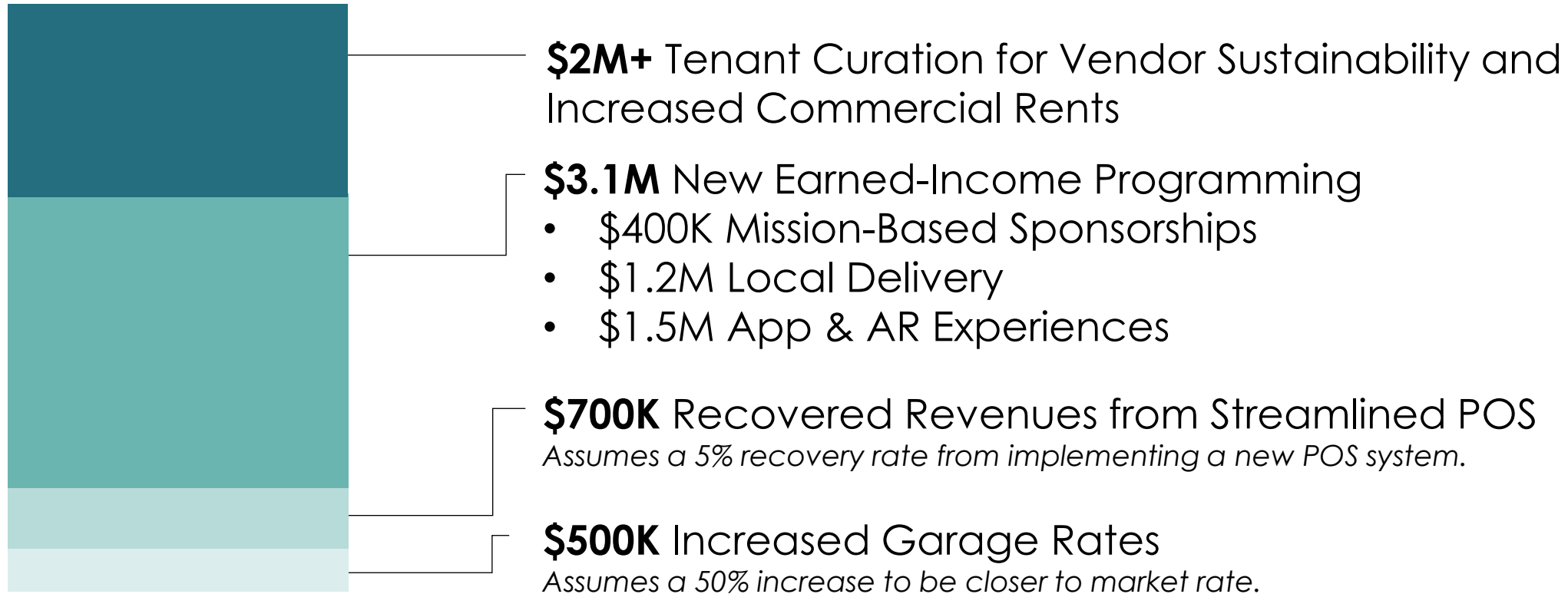
Challenges to Tenant Curation to Date:

- Lease turnover is slow.
- The PDA does not address when failing businesses continue to occupy space. (Supporting “marginal” businesses does not mean supporting failing businesses.)
- MHC guidelines are based on 50-year-old assumptions about how businesses are operated, constraining leasing and merchandising flexibility.
- Infrastructure and capital investments needed to support business operations and reconfigure spaces are challenging.

Revenue Generation

The PDA could generate at least \$6.3M in additional annual revenues. The PDA can tailor its curation approach depending on future capital needs.

\$6.3M+



Capital Project Financing at PPM

- The PDA understands that it is responsible for capital projects associated with regular maintenance.
- To support large-scale, campus-wide capital projects, the Market has a history of receiving funds through a voter-approved levy.
 - The PDA should engage the City now to ensure that this mutual understanding about major capital project funding remains in place.
- Revenue-generating projects, such as those outlined in the Master Plan, can be considered as part of the levy funding but can also be funded by increased Market revenues.