

# Sale of the Pacific Place Garage



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Seattle City Council - *Affordable Housing, Neighborhoods and Finance Committee*



July 6, 2016

***In relation to the proposed sale of the Pacific Place Garage, the Executive requests approval of three Council Bills:***

1. Authorizing the sale of the Pacific Place Garage.
2. Authorizing retirement of the outstanding debt associated with the Garage.
3. Authorizing appropriations and cash transfers to repay the Parking Garage Operations Fund's interfund loan.

# Pacific Place Garage Sale Terms



Photo courtesy of the Pine Street Group LLC

- Sale price of \$87 million; proposed to close in late August 2016.
- Purchaser is an affiliate of Madison Marquette, which also controls the adjoining Pacific Place shopping center.
- Labor provisions (i.e., replacement operator will offer employment to represented employees who currently work at the garage; replacement operator also has a represented work-force).
- Purchaser will not increase parking rates for the remainder of 2016.

# Pacific Place Garage History

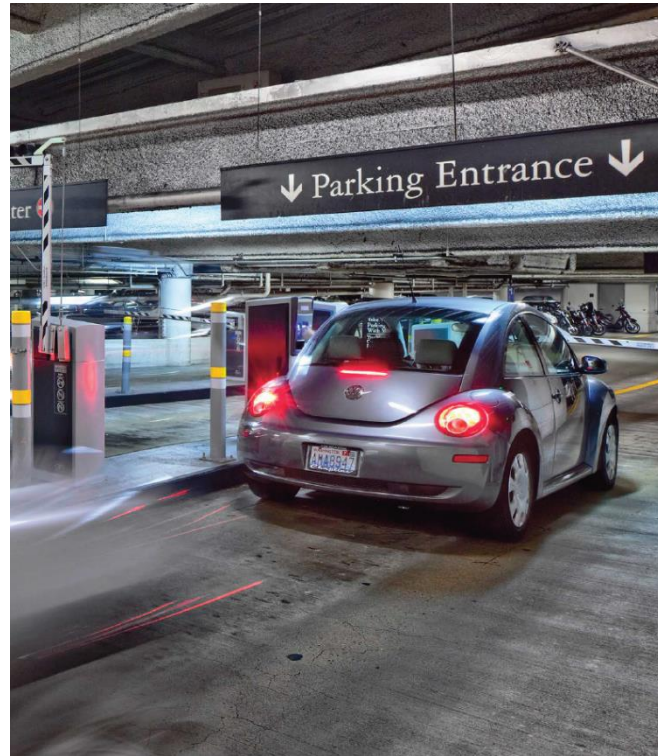


Photos courtesy of the Pine Street Group LLC

- The City purchased the Pacific Place Garage in 1998 as part of a strategy to encourage re-development of three blocks in the heart of the downtown retail core.

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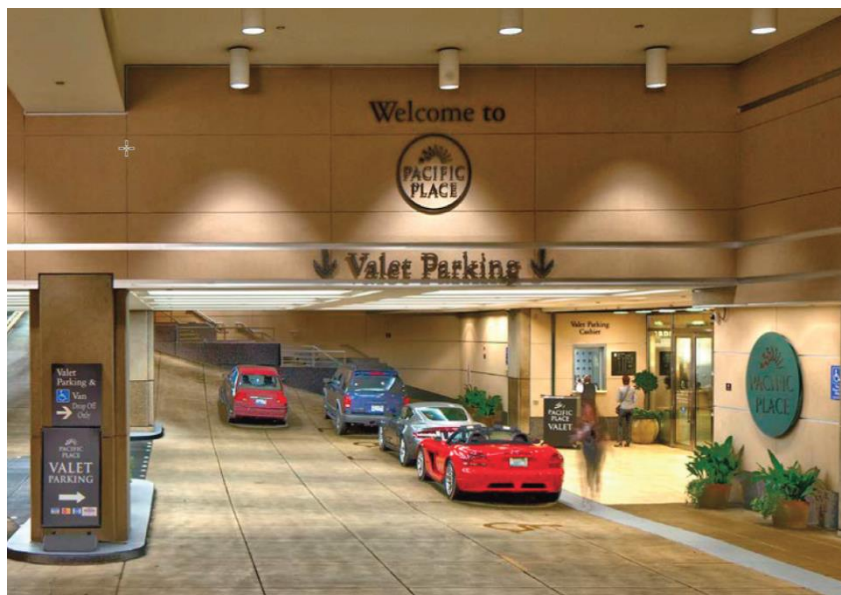


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- In 2013, based in part on the results of an analysis by City Council Central Staff, FAS turned down an unsolicited offer from an affiliate of the then-owner of the Pacific Place shopping center to purchase the garage for \$55 million.

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# Pacific Place Garage Current Sale Proposal



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- The current sale process started in early 2015 when FAS hired a commercial real estate advisor – Craig Kinzer & Co./HFF - to advise it on a possible sale of the Pacific Place Garage.
- This led to a two-round, competitive bidding process, with multiple offers in both rounds.
- In the absence of a sale, the Pacific Place Garage becomes subject to a “call” right, whereby Madison Marquette, the owner of Pacific Place, may purchase the garage from the City at a stipulated price that is the greater of 90% of fair market value or \$73 million.

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# Pacific Place Garage Other Covenants



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- When it acquired the Pacific Place Garage, the City also acquired from the developer of Pacific Place a façade easement on the former Frederick & Nelson store at Sixth & Pine. The easement provides that the façade on three sides of the building be preserved in perpetuity.

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# Pacific Place Garage Financial History



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## *Other financial implications*

- Projected net proceeds from the sale of the Pacific Place Garage are \$17 million to \$19 million.
- The projection assumes that all debt associated with the Pacific Place Garage is ***paid in full***.
- Under the City's ownership, the Pacific Place Garage has generated ***\$900,000*** for the General Fund as the City's share of the sales tax and ***\$6.6 million*** in commercial parking tax for the benefit of the City's transportation fund.