Many people describe the 104-year-old Pike Place Market as Seattle, Wash.’s heart and soul. The city opened the market in 1907 after farmers became dissatisfied with the vendors selling their produce to the public. During the last century, the market has expanded to include everyone from fishmongers and craftspeople to performers and daycare providers. Vendors at the historic farmers market now include more than 200 commercial businesses, 200 craftspeople and 100 farmers. Pike Place employs 1,500 to 2,400 people throughout the year, and an estimated 10 million people visit the market annually. Now, the market is getting some much-needed improvements. A $73 million property tax levy is bringing the market buildings into the 21st century and an infusion of new markets tax credit (NMTC) equity is keeping its small and marginal businesses open during the renovations.

“This is a beloved historic district. Many people feel the Pike Place Market is the heart and soul of the city,” said Ben Franz-Knight, executive director of Pike Place Market Preservation and Development Authority (PDA), the not-for-profit public corporation responsible for the publicly owned market’s preservation, operation and renovation.

Pike Place Market is part of a 9-acre historic district that includes housing, small businesses, restaurants, offices and social services and generates more than $100 million in annual sales, according to Franz-Knight. The market’s commercial tenants include a community medical clinic, senior service center, food bank and childcare center. A large portion of the market’s 500 businesses are low-income and/or minority-owned. The market complex also provides housing for more than 500 low-income residents. Pike Place also hosts numerous activities throughout the year.

“[S]trengthening and rehabilitating that market for the next hundred years was critical to us. Both economically and culturally, it is the heart of our city,” said Steve Johnson, the city’s economic development director.

PDA is upgrading electrical systems, building structures, and HVAC systems and restrooms, as well as completing deferred maintenance projects. Renovations will also increase accessibility and improve market spaces. PDA used $28 million in levy funds and a $15 million NMTC allocation from Kitsap County NMTC Facilitators I LLC to finance

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the first phase of renovations, which it completed in June 2010. That phase included installing a central electrical plant and renovating two market buildings and the public garage. The second renovation phase was the most extensive, affecting six buildings and more than two dozen vendors. Renovations included seismic and structural upgrades, mechanical, HVAC and electrical system upgrades, and major repairs to plumbing, windows, doors, stairways, fire systems and flooring to commercial and residential buildings. Funding for phase two included $23 million in levy funds and a $34.9 million NMTC allocation. A third phase is under way and a subsequent, fourth phase will address any additional needs discovered during the first three phases.

Seattle residents are funding the majority of the renovation expenses through a six-year property tax levy. Under the 2008 voter-approved levy, Seattle can collect up to $73 million in additional property taxes from residents to fund major repairs and infrastructure and accessibility upgrades to the market buildings. The city collects $12.5 million in levy proceeds each year through 2013 and can collect as much as $10.5 million in 2014. PDA submits monthly draws to the city and then the city transfers funds to PDA for the construction costs. As of June, PDA had spent $49.4 million of the levy funds.

“While the levy proceeds made the overall renovations possible, the NMTC transaction provided the critical final piece of financing to support small businesses impacted by the renovation,” said Ken Takahashi, Seattle’s NMTC program manager.

The final funding piece for phase two was a $34.9 million NMTC transaction that supported displaced vendors during the renovations. Many of the businesses receive reduced rents or rental assistance and would have struggled to survive during the eight to 10 months that their usual market spaces were unavailable, according to Takahashi.
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According to Franz-Knight. To mitigate the effects on the small businesses, PDA used NMTC funds to provide temporary relocation assistance and tenant improvements. Three community development entities (CDEs) provided NMTCs: Kitsap provided $17 million in allocation; Seattle Investment Fund LLC, a CDE managed by the city, provided $10 million; and Low Income Investment Fund (LIIF) provided $7.9 million. U.S. Bancorp Community Development Corporation (USBCDC) provided the equity.

“[W]e've been trying to figure out a way to make the tool more relevant to small business owners. It's hard. Below $5 million, the economics don't work out. For us, this was a great way to have impact on a lot of smaller businesses and have it be economical and manageable,” said Johnson.

PDA relocated 30 businesses to vacant market stalls or trailers placed temporarily on market grounds. The relocation measures helped the businesses to survive what could have been a deadly 10-month business interruption. Some will remain in their new locations, but many had returned to their original spaces at press time. According to Franz-Knight, all 30 businesses survived and remain at the market.

“[W]e were so attracted to what everybody in Seattle was trying to do that we stretched a bit from our usual NMTC projects because this really does meet our mission to advance economic opportunities for low-income people,” said Brian Prater, LIIF's western region managing director, of the CDE's first NMTC transaction to support a public market.

USB had anticipated being involved with market renovations in some capacity because of its existing relationship, said Maria Bustria-Glickman, USBCDC's vice president of new markets and historic tax credit investments. “The market has been there so long. What I like about it is the interesting mix of people and tenants and businesses that are involved, in particular local farmers who are able to sell fresh produce directly to the public. [We wanted] to preserve that as a destination, not only for those who visit Seattle but for those who live there,” she said.

At press time, PDA had begun work on the renovation's third phase and was planning the fourth phase. The project's third phase involves renovating three commercial and residential buildings. PDA anticipates the work will be complete by March 2012 and estimates that it will complete all the renovations by early 2013.

“It is going to come back to the city of Seattle and the Northwest in general in spades. It is an iconic facility that really is a showcase for the history and the cultural of Seattle and the Northwest,” said Tony Caldwell, Kitsap's executive director. continued on page 4
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This article first appeared in the October 2011 issue of the Novogradac Journal of Tax Credits.

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