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# Department of Parks and Recreation's Oversight of Lease and Concession Agreements



*Photo credit: Greenlake Boathouse*

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Seattle Office of City Auditor

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## REPORT SUMMARY

We found that the Park Department's controls over the receipt and deposit of payments from its tenants could be strengthened. Processes and controls to ensure that all rent owed is paid on time should be improved. Additionally, Parks could do more to monitor the provision of public benefits as required under its contracts. Parks should consider changing the contract payment basis and enhance the support provided to small businesses operating solely for the purpose of activating City parks.

# Department of Parks and Recreation's Oversight of Lease and Concession Agreements

SEATTLE OFFICE OF CITY AUDITOR

## Report Highlights

### Background

Our audit evaluated the management practices and internal controls in place in 2014 at the two Parks offices that manage the majority of Parks lease and concession agreements: the Contracts Administration and Support Office (CASO) in the Chinatown International District and the Regional Parks and Strategic Outreach Division's office at Magnuson Park (Magnuson Park). In 2014, CASO managed a total of 79 contracts, which generated \$718,000 in revenues, and Magnuson Park managed 61 contracts, which generated \$1,727,000.

### What We Found

- Parks' controls over the receipt and deposit of payments should be strengthened;
- Processes and controls to ensure that all rent owed Parks is paid on time should be improved;
- Parks could do more to monitor the provision of public benefits as required under its contracts; and
- Parks should consider changing the contract payment basis and enhance the support provided to small businesses operating solely for the purpose of activating City parks.

### Recommendations

To strengthen internal controls and enhance efficiency, we recommend that Parks:

1. Consider using Department of Finance and Administration (FAS) Treasury cashiers to process payments, or implement increased cash handling controls at Parks sites;
2. Develop or update contract monitoring policies and procedures;
3. Automate contract management tasks and improve Parks contract monitoring capabilities;
4. Improve internal controls over public benefit reporting;
5. Meet with tenants annually to review public benefits requirements;
6. Update its public benefits webpage; and
7. Consider changing the payment basis on contracts that generate \$15,000 or less to the City annually and include the value of park activation in the calculation of appropriate rent.

Parks management reviewed a draft of this report and told us that they generally concur with our findings and are taking steps to address our recommendations.



### WHY WE DID THIS AUDIT

This audit was conducted in response to Seattle City Councilmember Jean Godden's request to review the Department of Parks and Recreation's (Parks) oversight of its lease and concession agreements.

Specifically, we were asked to determine whether Parks is 1) collecting the money and public benefits they are supposed to receive under current lease and concession agreements, and 2) has proper controls for the handling of lease and concession revenues.

### HOW WE DID THIS AUDIT

To accomplish the audit's objectives we interviewed Parks managers and staff, reviewed Parks policies and procedures, tested a sample of 81 payments made for 27 contracts in 2014, toured Parks facilities, and met with five tenants to review documentation of public benefits and capital improvement costs. To understand best practices, we interviewed representatives from two lease management companies and a local business consultant.

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## I. INTRODUCTION

### Why We Did This Audit

We conducted an audit of the Department of Parks and Recreation's (Parks) long-term lease and concession agreements<sup>1</sup> at the request of Seattle City Councilmember Jean Godden, Chair of the City Council's Parks, Seattle Center, Libraries, and Gender Pay Equity Committee. Councilmember Godden requested the audit to determine whether Parks has proper financial procedures in place and is positioned for success as it takes on Parks District services.<sup>2</sup> Our primary objectives were to determine whether Parks is collecting the money and public benefits they are supposed to receive under current lease and concession agreements, and whether Parks has proper controls for the handling of lease and concession revenues.<sup>3</sup>

### Background

Parks enters into contracts that allow businesses and non-profits to operate on Parks property for a variety of reasons, as described in Parks Policy No 060-P 3.9.2 Partnership Development (see sidebar). Not all contracts Parks agrees to are expected to generate revenues. Further, in some cases, revenues that would have been paid to the City are offset by the value of capital improvements the tenant made to City facilities or by public benefits provided by the tenant. See Appendix A for more information on why Parks enters into contracts, the impact of capital improvement offsets, and an example of some of the public benefits Parks has achieved under current contracts.

### Audit Scope

Our audit focused on the management practices and internal controls in place in 2014 at the two Parks offices that manage the majority of Parks lease and concession agreements: the Contracts Administration and Support Office (CASO) in the Chinatown International District and the Regional Parks and Strategic Outreach Division's office at Magnuson Park (Magnuson Park).<sup>4</sup> In 2014, CASO managed a total of 79 contracts, including 23 for fitness groups, 31 for seasonal and food permits, and 5 for

Seattle's Department of Parks and Recreation recognizes that developing mutually beneficial partnerships with individuals, nonprofit organizations, private entities, public agencies, and community groups is a viable and appropriate way to increase the variety and quality of Parks and recreation programs available to the citizens of Seattle, as well as, make physical improvements to parks and facilities.

*Parks Policy No 060-P 3.9.2 Partnership Development*

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<sup>1</sup> Parks has different types of legal agreements that govern the programs and services they allow non-City entities to provide on Parks property, including contracts, ground leases, concession agreements, use and occupancy agreements, licenses, and permits. For the purposes of this report, we refer to all of these agreements as contracts and all of the parties that have entered into them as tenants.

<sup>2</sup> In August 2014, voters approved the creation of the Seattle Park District, a new taxing authority that is governed by the City Council and is a separate entity from the City and the Seattle Department of Parks and Recreation. With approval of the Seattle Park District, an interlocal agreement was approved with a 6-year spending plan. The Park District won't start collecting taxes until 2016, and so 2015 is a ramp-up year with the City of Seattle providing a \$10 million loan to begin Park District projects. The Park District will be fully funded in 2016 when it is expected to collect approximately \$48 million in tax revenue.

<sup>3</sup> We were also asked to identify other Parks areas of business that may benefit from Office of City Auditor review.

<sup>4</sup> Two other Parks units manage contracts for rental of parks property: the Center-City Parks Office and the Golf and Tennis Administration, both part of Parks Regional Parks and Strategic Outreach Division. We did not include contracts from these two offices in our audit scope because: 1) City Center contracts are for short-term seasonal concessions and none were in place at the time we selected our sample, and 2) the contract for golf services is a management agreement, not a lease.

properties acquired by Parks Property Acquisition and Management Unit<sup>5</sup> for future park development. These contracts generated \$717,000 in revenues to the City in 2014. During this same year, Magnuson Park managed 61 contracts, including 32 with individual artists for studios in Building 30, which generated \$1,726,000 in revenues to the City.



<sup>5</sup> We included these contracts in our sample because: 1) CASO is responsible for collecting, recording, and monitoring their rental payments, and 2) they generated greater than \$10,000 in annual revenues to the City, one of our sample selection criteria.



## II. RESULTS AND RECOMMENDATIONS

We recognize that the period of our review was one of transition for Parks. During this time, two long-term Parks staff, individuals who had primary responsibility for handling lease payments at CASO and Magnuson Park, retired. Also, our audit addressed only two aspects of contract management for which Parks staff are responsible. We understand that Parks staff have many other duties in addition to processing payments and monitoring contract deliverables. For example, according to Parks management, Magnuson Park staff, among other things, help negotiate new and renewed leases, prepare new and renewed leases for City Council review and approval, and respond to tenant calls for assistance. CASO staff's additional duties include, among other things, processing contracts of other Parks divisions and ensuring they are filed with the City Clerk's Office, and exploring ways to streamline and update contract processing.

Nonetheless, based on our review of a sample of 81 payments due Parks in 2014 and our observations of payment processing and contract monitoring at CASO and Magnuson Park, we identified gaps in internal controls in two major areas:

1. **Cash handling.** For example, at CASO, a single employee both receives checks and updates tenant accounts. Additionally, at this site, tenant accounts are not regularly reconciled with revenue reports (i.e., records of payments received by the City). This creates the risk that the employee could update the account and divert the payment for his or her own use without detection. Although we did not find any instances of this occurring for the period and payments we reviewed—we found that all rental payments in our sample were delivered to the City Treasury for deposit and recorded in the City's accounting system—this lack of internal controls puts Parks at risk of future losses.
2. **Contract monitoring.** For example, we found that 21 out of 81 payments in our sample were either late or in arrears with no documentation of follow up, or much delayed follow up, from Parks staff. The losses from these late and missing payments represented 3 percent of the overall revenues due for the contracts in our sample and the period under review, of which 1.4 percent has been or will be recovered by Parks.

Although the losses incurred for the contracts in our sample period were not high in magnitude, Parks risks continued and/or greater losses if controls are not improved. We believe that by adjusting their processes and enhancing the tools available to Parks staff, Parks should be able to close the internal controls gaps we identified.

Parks managers reviewed a draft of this report and told us that they generally concur with our findings. They also said they will be taking steps to implement our recommendations, including instituting business process improvements, assessing the fees they charge concessionaires, and seeking to obtain additional Summit modules.

### **Finding 1: Parks should improve controls over the receipt and deposit of payments made by tenants.**

We found that all rental payments in our sample were delivered to the City Treasury for deposit and recorded in the City's accounting system. However, we also found that the Contracts Administration and Support Office (CASO) has not implemented sufficient controls to ensure all rental payments credited to tenants' accounts are deposited in City accounts. In order to reduce the risk of mishandling payments, CASO should segregate key duties associated with the receipt

and deposit of rental payments, regularly reconcile tenant accounts with revenue reports, and restrict employee access to records of tenant accounts. Employee access to records of tenant accounts should also be restricted at the Magnuson Park site.

### **Segregation of Duties**

At the CASO site, the same employee opens the mail, records checks, prepares deposits, and updates tenant accounts. Although we found no instances of payments or records being inappropriately handled, allowing a single employee to both receive checks and update tenant accounts creates the risk that the employee could update the account and divert the payment for his or her own use or update the account with no corresponding payment. This risk is increased if there is no one who is regularly reconciling the tenants' accounts with revenue reports and if multiple staff members have access to tenant account reports.

### **Reconciling Tenant Account Reports with Revenue Reports**

To ensure that the City has collected and deposited funds for all payments credited to CASO tenants' accounts, it is important that tenant account reports be regularly reconciled with records of payments sent to or received by the City Treasury. Without this control, tenant accounts could be credited with payments that were never made.

At CASO, this would mean reconciling the Cash Transmittal Vouchers or the Cash Transmittal Voucher Log with the annual Actual Revenue Payments Received Report.<sup>6</sup> CASO staff told us that reconciling these two reports is difficult because one records all monies received—including utility payments, leasehold tax, etc.—and the other only records monthly rent payments. Consequently, they do not perform this step even though it is included in their cash handling policies and procedures. The CASO manager has proposed modifying the Actual Revenue Payments Received Log to add columns that break out the different accounts to which funds are assigned. This should allow an easier reconciliation of the Cash Transmittal Vouchers to the Actual Revenue Payments Received Report.

According to the Magnuson Park manager, they reconcile their Tenant Payment History Report with their Summit Tracking report on a monthly basis. Due to lack of documentation, we were unable to verify this reconciliation. Documenting this monthly practice and including it in written policies and procedures would ensure that this important internal control is in place.

### **Restrict Employee Access to Tenant Payment Account Reports**

To prevent unauthorized personnel from updating the tenant accounts and to ensure that tenant accounts are not credited with payments that have not been deposited in the City's accounts, Parks should restrict employee access to the electronic spreadsheets that record payments by tenants. At CASO, this would mean restricting access to the actual Annual Revenues report; at Magnuson Park, it would mean restricting access to the Tenant Payment History report.

### **Parks Could Gain Efficiencies and Improve Controls by Using the City Treasury's Services**

One option for improving controls is for Parks to use the City's centralized payment processing system to handle payments from Parks' tenants. In addition to strengthening internal controls over payment handling, allowing the City Treasury Office to handle payments would also be more

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<sup>6</sup> The annual Actual Revenues Report is the spreadsheet CASO uses to track payments by tenant and month.



efficient than the current process Parks staff use to process tenant payments. Managers from the Department of Finance and Administrative Services (FAS), which manages the City Treasury Office, told us that with Parks approval and collaboration, they would be willing to take over the function of handling payments from Parks' tenants.

Under this system, tenants would send payments directly to a dedicated post office box. Mail from this post office box would be retrieved and opened by FAS Treasury cashiers, who would then enter payment data into the City's accounting system, prepare the checks for deposit, ensure the checks are deposited in the bank, and forward summary information and any attachments to Parks staff. Parks staff would retain responsibility for monitoring payment activity on all their contracts (i.e., whether payments are late, missing, etc.), but they wouldn't have to fill out multiple forms and send the payments by courier to Treasury cashiers for bank deposit.

FAS managers told us that they are currently working with other city departments who desire to transfer the cash receipt function to City Treasury cashiers. We believe that if Parks were to choose this option, it would both improve internal controls over the processing of rent payments and make the process more efficient. Additionally, it would give Parks staff more time to monitor their contracts, which we discuss in Findings 2 and 3 below.

## Recommendation 1

To improve internal controls over the receipt and deposit of payments from tenants, we recommend that Parks implement one of the following:

### A. Use FAS Treasury cashiers to process payments

Parks could direct all lease and concession payments to a dedicated post office box, where they would be processed by FAS Treasury cashiers. Under this option, Parks would work with Treasury to define the business processes they need in place to manage payments.

### B. Alternatively, Parks could improve internal controls at the two sites by:

#### Contracts Administration and Support Office

- i. Assigning one employee the task of receiving rental payments and preparing them for deposit, and a different employee the task of updating the tenant's account; or having two employees open the mail and document receipt of all payments; and
- ii. Reconciling revenues reported on the Cash Transmittal Log (CTV) Log, which records all payments in order of receipt, to the Actual Revenue Payments Received report, which records monthly payments by tenant;<sup>7</sup> and
- iii. Restricting write-access to the Actual Revenue Payments Received report to ensure that tenants are not credited with payments that have not been deposited in the City Treasury.

#### Magnuson Park

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<sup>7</sup> Although Parks' Cash Handling policies and procedures state that the monthly totals in the CTV log should be reconciled to the total revenues in the Actual Revenue Log (which we call the Actual Revenue Payments Received report), staff told us that this is not done because the two reports contain different information. Parks should determine whether this control is feasible and train staff how to perform it, or develop an alternative control to ensure that all payments received are credited to tenants' accounts and that tenants are not credited with payments that have not been received and deposited in the City Treasury.

- i. Documenting that they reconcile their Tenant Payment History Report with their Summit Tracking report on a monthly basis.
- ii. Restricting write-access to the Tenant Payment History report (for the same reasons as described under CASO iii above).

**Finding 2: Parks should improve its processes and controls to ensure that all rent owed is paid in a timely manner, fees are assessed for late payments, and rent increases are implemented according to contract terms.**

The objective of internal controls over revenues and receivables is to ensure that receipts are:

1. Accurate and complete;
2. Adequately controlled to prevent, detect, and deter fraud or omission; and
3. Properly authorized, reviewed, and reconciled.<sup>8</sup>

To test the internal controls over Parks tenant payments, we reviewed a sample of 81 payments from 27 tenants. The payments in our sample were from four months in 2014 (April, July, August and December), and we sampled payments monitored by both CASO and Magnuson Park. Out of this sample, we found that 74 percent of the payments were made in full and on time. We also found:

- 21 out of 81 payments reviewed (26 percent) were either late or in arrears with no documentation of follow up from Parks staff or very delayed follow up;
- For 3 out of 27 contracts reviewed (11 percent), annual Consumer Price Index (CPI) increases were either not implemented or were implemented late;
- For 7 out of 27 contracts reviewed (26 percent), documentation needed to verify whether the payment amount or the capital improvement offset was correct and approved was missing; and
- For 3 out of 16 contracts reviewed that require public benefits (19 percent), the required annual public benefit reports were missing.
- For 7 of the 9 contracts reviewed for which rent is based on a percentage of the tenant's revenue (70 percent)<sup>9</sup>, Parks did not review independent information about an entity's revenues (e.g., from the entity's financial, bank, tax, or other statements) for comparison to reported revenues.

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<sup>8</sup> Additionally, according to the Association of Public Treasurer's Guide to Internal Controls, revenues from all sources should be identified, claimed, recorded, collected and reported. Invoices should be prepared for all expenditures and issued on a timely basis. Receivable reports should include aged listing of all amounts due, be reviewed at least monthly, and balanced to the related accounts. Delinquent account balances should be examined and follow up with customers should be initiated on a timely basis to facilitate payment.

<sup>9</sup> These contracts include: Caddy Shack (managed by Magnuson Park staff) and Green Lake Boat Rentals, Green Lake Food, Butler Parking, Sunrise Foods, Marination LLC, Lakewood Moorage, Leschi Moorage and Go Go Ice Cream (managed by CASO staff).

The value of the late, missing, or inaccurate payments in our sample was \$13,919, or 3 percent of the total value of payments made for the contracts in our sample period (\$417,486). Of the \$13,919, Parks either has collected or is likely to collect \$7,045, leaving a balance of \$6,874, or 1.6 percent, of the total payments in our sample. Even though the losses from late and missing payments in our sample were a small percent of the overall revenues due in that period, Parks risks continued and/or greater losses if controls are not improved.

The systems currently in place to monitor contract compliance vary between the two sites responsible for processing tenant payments; however, the results described above summarize payments made at both sites. At both sites, staff rely on copies of Excel spreadsheets that record monthly payments by contract and their experience with each tenant to monitor the timeliness of payments. While this appears to work in most cases (74 percent of the time for payments in our sample), we found instances at both sites when staff did not follow up in a timely manner on late or missing payments. For example, for one of the tenants in our sample, three out of the four payments due were late. For two others, three out of the four payments due were late and no late fees were assessed.

In addition to timely payments, there are a number of other contract requirements that Parks staff should be tracking. For example, as shown in Appendix A, Exhibit 5, many contracts, particularly at Magnuson Park, have rental payments that are offset by capital improvement costs incurred by the tenants. For each of these offsets, Parks should have on file: 1) Parks official letter approving the final cost offset, and 2) an amortization schedule that tracks the cumulative value of the offsets, so Parks knows when they expire. In our sample of 27 contracts, we found five cases in which this documentation was missing. We also found one case when Parks had not followed up with the tenant to ensure that the total capital improvement costs allowed were reduced by the tenant's Historic Rehabilitation Tax Credit, as required by the contract. While this reduction is not expected to go into effect for some years, it is important that Parks maintain accurate records related to it, as it could potentially result in an additional \$900,000 in revenues to the City in the future.

The CASO manager told us that, because their system of internal controls updated subsequent to our sample period, he believes that many of the errors in contract monitoring noted above, and under Finding 3, are not occurring now. For example, CASO's new policies and procedures include:

1. Regular administrative staff review of the Contract Compliance Log to track contract deliverables and alert contract managers via Outlook reminders;
2. Monthly one-on-one meetings between the CASO manager and contract managers to review the status of their contracts;
3. Monthly staff meetings; and
4. Semiannual Outlook reminders from the CASO manager to contract managers to review the Contract Compliance Log.

We agree that the implementation of new processes should improve contract monitoring; however, some of the errors identified above occurred after the new policies and procedures went into effect. For example, in one case, a delinquency letter for past due rent was sent in June 2015 for rent due from November 2014 – May 2015, even though the new policies and procedures were in place by February 2015. This delayed response to missing payments indicates to us that

CASO's procedures could be further strengthened to ensure Parks is collecting all rent owed in a timely manner, assessing fees for late payments, and implementing rent increases according to contract terms. In recommendation #2 below, we provide suggestions for ways to strengthen Parks processes.

## Recommendation 2

Parks needs to improve the policies, procedures, and tools its staff uses to monitor contracts, track payments, assess required rent increases, and document financial activity.

Parks should develop and/or update policies and procedures so that they:

1. Clearly define how often and when payments should be monitored;
2. Outline what to do in the event payments are missing or late (and who should do it);
3. Require cross-training and succession planning in the event the person responsible for monitoring payments is absent or there is staff turnover;
4. Include guidance on when and how to monitor for annual (or other) payment increases and track capital improvement offsets; and
5. Describe where and how to document communication with tenants so there is a consistent and accurate record of all agreements.

Additionally, the Contracts Administration and Support Office may also want to consider assigning a single staff person (rather than multiple project managers) to monitor contract payments, while providing for regular, supervisory review.

## Recommendation 3

We also recommend that Parks implement one of the following options to enhance its ability to manage contracts efficiently and improve internal controls:

1. Obtain and use the modules in the City's accounting system, Summit, that pertain to contracts, accounts receivable, and billing; or
2. Determine whether a software program Parks already owns, and is currently upgrading, the CLASS system, could be used for billing and accounts receivable purposes; or
3. Purchase an automated tracking system similar to those used by private lease management firms.<sup>10</sup>

## Finding 3: Parks could do more to monitor the provision of public benefits as required under contracts.

Many of the contracts in our sample included clauses that either: a) require the tenant to provide public benefits; and/or b) allow the tenant to use the value of some public benefits they provide as an offset to rental payments.

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<sup>10</sup> Such a system could create lease abstracts (2-3 page summaries of key information about each lease), generate monthly invoices to tenants, notify Parks staff when reports are due or payments are past due, automatically assess late fees and annual rent increases, and document account activity in one place.

Seattle Assistant City Attorneys explained that public benefit requirements in Parks contracts grew out of the idea that private or non-profit entities might operate at City facilities for less than fair market rent because they provide “mutual and offsetting benefits” to the extent they provide park and recreation programming and activities. The idea that these entities should offer public benefits such as scholarships and reduced-fee classes as part of the consideration for the use of Park facilities arose from the notion that activities operating on Parks property should be as accessible as possible to the public, and that tenants should offer access similar to what Parks would offer if Parks operated the function.

**Exhibit 2: Example of a public benefit offered by Pratt Fine Arts Center, a Parks tenant  
Fall 2015 Open House: Artist Debora Moore demonstrates glass blowing**



Photo credit: Alec Miller

City attorneys also told us that while there needn't be a dollar-to-dollar valuation of the difference between market rent and actual rent (with the value of public benefits making up the difference), tenants *should* be held accountable for each contract's specific requirements. This accountability also helps ensure that the City is in compliance with the Washington State Constitution, which prohibits any gift of public funds.<sup>11</sup>

Additionally, Parks Partnership Development policy (#060-P 3.9.2) states that:

It is important to evaluate these partnerships on an ongoing basis to assess effectiveness in supporting the department's core mission, achievement of desired outcomes, and provision of public benefits.

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<sup>11</sup> For example, if tenants were given reduced rent but did not provide any public benefits in exchange for them, this could be construed as a gift of public funds.

We found that the systems Parks had in place during our sample period did not fully ensure that tenants provided the required public benefit reports. Also during our sample period, Parks staff did not request or review back-up documentation to substantiate the public benefits described in the reports or meet with tenants at least annually to discuss the public benefits they provide.

For example, we found that Parks staff did not request an annual public benefits report from one tenant whose rent was entirely offset by public benefits (i.e., Seattle Tilth/Meridian Playground). For its lease with the Tennis Center, during the first year of operation Parks did not review the public benefit report in time to determine which benefits were allowable; therefore, the tenant was legally entitled to take offsets for everything they reported, even though, upon review, some of the claims would have been ineligible based on contract terms. In other cases, Parks did not request back up documentation to substantiate the benefits described in the annual reports (e.g., Arena Sports, the Tennis Center, and the Pratt Fine Arts Center) or review the reports with the tenants.

As a result, Parks cannot ensure that all the public benefits required in contracts are provided. Additionally, there may be missed opportunities to encourage tenants to focus on providing benefits that align with City and Parks priorities. For example, one of the tenants in Magnuson Park, the Tennis Center, counts scholarships to tennis students as part of their public benefit offset against rent due. Tennis Center managers told us that the scholarships are currently awarded based on merit, but that they are considering transitioning to a need-based scholarship program. To the extent that the City and Parks value need-based scholarships over merit-based ones—a policy decision—Parks could be providing guidance to the Tennis Center and include clarifying language in future contracts.

Finally, we found that not all tenants make efforts to inform the public of the benefits they agreed to provide as part of their contract. One tenant told us that he does not believe it is his business's responsibility to market these opportunities. As a result, some benefits may be underutilized.

#### **Recommendation 4**

Parks should improve its systems of internal control to ensure that all required public benefit reports are submitted in a timely manner, require all tenants who submit such reports to provide back-up documentation, and require staff to review the submitted documents.

#### **Recommendation 5**

Parks managers should meet with tenants at least annually to review and discuss their public benefits and provide input and feedback on Parks and City priorities.

#### **Recommendation 6**

To ensure that the public is aware of the benefits Parks has negotiated on its behalf, Parks should update the webpage that summarizes all the public benefits—programs, services, discounts, and scholarships, etc.—available to the public under its current contracts. Specifically:

1. Public benefits should be listed by category so they are easy for the public to identify;
2. Tenant contact information should be provided so members of the public can follow up;



3. The name of the page should be renamed so it is simpler for users to find;<sup>12</sup> and
4. The page should be highlighted for easy reference on Parks' home page.

Appendix C provides a sample public benefits summary to illustrate one simple way this could be done.

**Finding 4: Parks should consider changing the contract payment basis and enhance the support provided to small businesses operating in City Parks solely for the purpose of activating the park.**

We found that one of the contract payment structures Parks commonly uses—basing rents on daily revenues that are reported monthly—is time-consuming for Parks staff to monitor consistently and may be burdensome to some small businesses, particularly those that operate on a cash basis. Specifically, the requirement to prepare monthly reports listing each day's revenues and then calculate the percent of the revenues due the City is time-consuming for small businesses owners, especially those who may also be the sole operators of their business.

According to one professional property manager with whom we spoke, revenue-based contracts are only worthwhile if the percent of annual revenues paid to the property owner exceeds \$15,000. Of the nine revenue-based contracts in our sample, three did not generate annual revenues to the City greater than \$15,000.<sup>13</sup> This same manager told us that, to increase administrative efficiency, he is working to reduce the number of leases in his portfolio that are revenue-based. He recommends a flat rate equal to the average annual rent received.

Parks may want to consider negotiating flat, uniform monthly rental payments with some small businesses to ease the administrative burden on both the tenant and Parks staff. Alternatively, if Parks' primary purpose for contracting with a tenant is to create positive activities in a park, or to provide oversight for a playground as a public safety measure, Parks may want to assess how viable it is for businesses to operate in the park year-round and structure their contracts accordingly. In these cases, Parks could choose to set rent payments low or only collect permit fees. There is precedent for these types of agreements: Parks currently contracts with private non-profit partners and vendors in Westlake and Occidental Parks solely for the purpose of activating the Parks and enhancing public safety. Under these agreements, Parks is paying to ensure there is activity in the park, rather than charging tenants for the privilege of operating there.

Other challenges faced by small businesses operating in City Parks include the fluctuation in demand for their products and services by time of year, the weather, and/or the other activities occurring in the park. Additionally, a common complaint of small businesses in the Parks<sup>14</sup> is that they face competition from unpermitted and unauthorized businesses because there are no mechanisms to effectively enforce the requirement that businesses operating in City Parks must be permitted or authorized through a contract. As a result, legitimate, permitted tenants who are

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<sup>12</sup> Currently it is listed under "Partnerships," which may not be intuitive for many users.

<sup>13</sup> Since we intentionally chose our sample of contracts to include those that generate the most revenue to the City, it is likely that there are additional revenue-based Parks contracts that also pay less than \$15,000 year in rent to the City.

<sup>14</sup> In addition to what we heard during the course of our audit, this feedback was given to two consultants to Parks: the Russell Group, which conducted a survey of small businesses that provide services in city parks at the request of Parks and the Office of Economic Development, and Jones Lang and LaSalle (JLL), which conducted an Evaluation of Parks Leasing Practices and a Comparative Report on Lease Structure and Best Practices for Mobile Food Facilities and Brick-and-Mortar Concessions within the Seattle Park System.

paying rent for space must sometimes compete with unpermitted vendors or marketers who set up shop on a temporary basis.

**Exhibit 3: Golden Gardens: Examples of vendors who compete with authorized Parks tenants**



*Photo credit: Sunrise Foods*



*Photo credit: Sunrise Foods*

We found that Parks managers have already taken steps to obtain feedback from Parks small business tenants and provide them with technical assistance. For example, the manager of Parks Contracts Administration and Support Office worked with the City's Office of Economic Development and a consultant to survey the small businesses that provide services in the park system and learn about their experiences working with Parks. As a result of this survey, the consultant provided technical support sessions for Parks tenants this past spring. Additionally, Parks managers at Magnuson Park are in the process of working with one of their tenants to enable it to

continue to operate and provide services in the park, despite limited revenue. As part of Recommendation 7 below, we support the continuation and enhancement of these efforts. Simplifying contracts would free staff resources to: a) monitor agreements with larger businesses whose rent payments may be appropriately based on revenues, and b) provide technical support to small businesses to help ensure their success. Additionally, including the value of park activation and enhanced public safety in the calculation of appropriate rent could help attract and retain successful businesses to achieve Parks' strategic goals.

## Recommendation 7

Parks should consider:

1. Changing the payment basis on contracts that generate \$15,000 or less to the City annually from revenue-based to a flat monthly fee; or
2. Changing the contract structure from a concession agreement to a use permit for some small businesses; and
3. Including the value of park activation and enhanced public safety in its calculation of appropriate rent.

## Matters for Further Consideration

### **Parks should consider tracking all the costs and revenues associated with each contract.**

We found that Parks does not currently track all costs and revenues associated with its contracts, and so they do not know whether the City is breaking even, generating revenues, or subsidizing their lease and concession agreements. According to representatives from two professional lease and property management firms we interviewed (JLL and CBRE), comparing rent and other income with all costs associated with a specific lease is an industry best practice because it provides information about whether a contract is making or losing money.

Currently Parks staff who manage contracts handle revenues independently from costs, and Parks' accounting system is not set up to gather and report on all revenue and cost data associated with a particular lease or concession agreement. All revenue from Parks contracts is sent to the Treasury unit of the City's Department of Finance and Administrative Services (FAS) and credited to the Parks General Fund, while costs associated with the maintenance of Parks property are charged to the Parks maintenance fund without attributing costs to particular properties.

As a result, Parks managers may not have the information they need to manage contracts and properties and negotiate contracts effectively. For example, it is difficult for Parks to know whether the City is making money, losing money, or breaking even on their contracts. It also makes it challenging to determine what long-term maintenance costs should be included in individual contracts. Additionally, without full revenue and cost information for each lease, Parks does not know, and therefore cannot be fully transparent about, the subsidies they are providing to some tenants.

Based on our research on best practices in lease management, Parks management should consider whether it would be worthwhile to track costs and revenues related to specific properties and contracts and if so the best way to do this.

### **Parks should consider updating its Policies and Procedures for Concession Contracts and Use Permits**

We found that the policies and procedures Parks uses to govern Concession Contracts and Use Permits (see Appendix D) contain information that needs to be updated. Specifically, they contain references to positions, such as the Business Resources Manager, that no longer exist. Further, they hold Parks' Accounting Manager responsible for ensuring all revenues are received from tenants (section 6.6.3), whereas in practice this task is performed by CASO and Magnuson Park staff.

The current policies and procedures also do not mention or describe the role of the new Parks District Board. To ensure that Parks' policies and procedures governing concession contracts and use permits reflect the guidance outlined in Parks September 2014 Legacy Plan<sup>15</sup> and support the funding priorities in the Fix it First and Programs for People categories of the Seattle City Council's proposal on Parks Investment Initiatives,<sup>16</sup> Parks may want to consider reviewing its Concession Contracts and Use Permits policies and procedures to identify areas for potential improvement.

### **III. OBJECTIVES, SCOPE AND METHODOLOGY**

To understand Parks processes for managing contracts, we interviewed Parks managers and staff, primarily from the Contracts Administration and Support Office and Magnuson Park, who manage the majority of Parks contracts. To determine whether Parks is collecting the revenues and benefits due to them under these agreements, we tested a sample of 2014 payments for 27 contracts from both locations and identified whether the required public benefit and capital improvement cost reports had been submitted and approved by Parks. To better understand the payment process from the tenant's point-of-view, and to obtain additional back-up documentation, we met with five tenants. To obtain information on best practices in lease management, we met with representatives from two national lease management companies. To understand the challenges facing local businesses operating on Parks property, we met with a local business consultant hired by the City of Seattle's Office of Economic Development. See Appendix B for more details and a description of our sampling methodology.

We conducted this performance audit from February through August 2015 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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<sup>15</sup> <http://www.seattle.gov/parks/legacy/files/ParksLegacyPlan2014GoalsandStrategies.pdf>

<sup>16</sup> [http://www.seattle.gov/parks/legacy/files/background\\_parks\\_initiatives.pdf](http://www.seattle.gov/parks/legacy/files/background_parks_initiatives.pdf)

## APPENDIX A

### Why Parks enters into contracts: Balancing multiple needs

Parks enters into contracts that allow businesses and non-profits to operate on Parks property for a variety of reasons and not all contracts are expected to generate revenues. Additionally, in some cases, revenues that would have been paid to the City are offset by the value of the capital improvements tenants made to City facilities or by public benefits provided by tenants.

According to Parks Policy No 060-P 3.9.2 Partnership Development, Section 3.1:

Seattle Department of Parks and Recreation recognizes that developing mutually beneficial partnerships with individuals, nonprofit organizations, private entities, public agencies, and community groups is a viable and appropriate way to increase the variety and quality of Parks and recreation programs available to the citizens of Seattle, as well as, make physical improvements to parks and facilities. Seattle Parks and Recreation will consider partnership ideas and proposals as they are brought forward and will actively pursue partnerships as deemed appropriate. It is important to evaluate these partnerships on an ongoing basis to assess effectiveness in supporting the department's core mission, achievement of desired outcomes and provision of desired benefits.

We reviewed 27 Parks contracts and found that Parks entered into these contracts to either:

1. Utilize buildings on Parks property that would otherwise remain vacant;
2. Leverage private funding to obtain capital improvements on Parks facilities or development on Parks property;
3. Provide programs and services that are consistent with Parks' mission but which Parks could not provide itself; and/or
4. Create positive activities in Parks ("activate Parks").

In addition, all the contracts we reviewed included monthly rent requirements and Parks expects to generate revenues from at least some of these contracts. For some properties, in order to achieve the goals described above, Parks agreed to reduce or not charge (i.e., offset) rent in order to attract capital investment and obtain desired public benefits. Due to these offsets, the rent due may be very small or zero for many years. Parks also offsets the rent in exchange for public benefits offered by some tenants.

Exhibit 5, on page 18, summarizes the contracts in our Magnuson Park sample by purpose and monthly revenues.<sup>17</sup>

As Exhibit 5 shows, by using a variety of tools (e.g., rent reductions, public benefit requirements), Parks achieved its goals of utilizing existing buildings, obtaining needed capital improvements or development, gaining public benefits, and activating Parks. However, as noted in the total monthly payments line, because of rent offsets, the amount of monthly revenue generated by these

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<sup>17</sup> We did not conduct this analysis for the CASO managed contracts because only one contract in our CASO sample had significant long-term capital improvement offsets.



contracts was reduced by half (revenue of \$42,059 after offsets of \$42,885). City of Seattle (City) officials and the public should be aware that Parks will continue to forgo significant revenue for many years as some of the long-term capital improvements will be amortized over a very long period (e.g., Arena Sports' capital improvement costs at its Magnuson Park facility will not be fully offset until 2050).

In addition to obtaining improvements to physical facilities, Parks has also successfully negotiated contracts that have achieved another of its goals—the attainment of public benefits. For example, at Magnuson Park, the Tennis Center and Arena Sports both participate in the Rock the Park program, a summer camp that serves children and youth from Brettler Family Place.<sup>18</sup> On First Hill, the Pratt Fine Arts Center offers scholarships and tuition assistance for a wide variety of art classes, sponsors free public lectures, holds two free open houses a year with hands-on demonstrations, and provides, upon request, artists-in-residence to local schools.

**Exhibit 4: Example of summer camp participation at the Tennis Center at Magnuson Park**



Photo Credit: Seattle Court Sports Unlimited, Inc. ("The Tennis Center")

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<sup>18</sup> The Brettler Family Place offers service-enriched housing for formerly homeless families with children under 18 years.



**Exhibit 5: Summary of Parks Goals, Revenues, and Offsets for a Sample of Magnuson Park Lease and Concession Agreements**

| Tenant  | Parks Goals for Entering into Lease  |               |                            |   | Comparison of Monthly Revenues and Offsets |   |   |  |
|---|--------------------------------------|---------------|----------------------------|---|--|---|---|--|
|   | Public Benefits Required in Contract | Activate Park | Utilize Existing Buildings | Obtain Needed Capital Improvements or Build Out | 2014 Monthly Rental Payment                | Value of Monthly Offset                               | Total Capital Improvement Offset                        | Value of Public Benefit Offset   |
| <b>Arena Sports</b>   | YES                                  | YES           | YES                        | YES<br>Receives Offset                          | \$5,100                                    | \$16,362  | \$7,840,750<br><i>Expected to continue through 2045</i> | <i>Public benefits are required but not allowed as an offset</i>                     |
| <b>Waldorf School</b>                                       | Special Exception                    |               | YES                        | YES<br>Receives Offset                          | \$17,029 <sup>19</sup>                     | \$9,169   | \$1,000,238<br><i>Expected to continue through 2022</i> |  |
| <b>Tennis Center<br/>Seattle Court<br/>Sports Unlimited</b> | YES<br>Receives Offset               | YES           |                            | YES<br>Receives Offset                          | 0  | \$6,587 <sup>20</sup>                                 | \$16,000 <sup>21</sup>                                  | \$45,346<br>(2015)<br>\$19,524<br>(2016)<br><i>Expected to continue through 2016</i> |
| <b>The Mountaineers</b>                                     | YES                                  | YES           |                            | YES<br>Receives Offset                          | \$200                                      | <i>Starts at \$6,575 in 2014, increases over time</i> | \$4,858,258<br><i>Expected to continue through 2058</i> | Not applicable <sup>22</sup>   |

<sup>19</sup> Rent is only owed for the 9.5 months the school is uses the facility.

<sup>20</sup> Per 09-26-14 letter from Parks, monthly rent is \$6,587.

<sup>21</sup> Due to lack of documentation in the tenant's file, we were unable to determine when this offset will be completed.

<sup>22</sup> The Mountaineers does not use their public benefit offset because their capital improvement offset covers the amount of rent they are allowed to offset each month.

| Tenant                         | Parks Goals for Entering into Lease  |               |                            |   | Comparison of Monthly Revenues and Offsets |  |  |                                |
|--------------------------------|--------------------------------------|---------------|----------------------------|---|--|--|--|--------------------------------|
|                                | Public Benefits Required in Contract | Activate Park | Utilize Existing Buildings | Obtain Needed Capital Improvements or Build Out | 2014 Monthly Rental Payment                | Value of Monthly Offset                            | Total Capital Improvement Offset                   | Value of Public Benefit Offset |
| Cascade Bicycle Club           | YES                                  |               | YES                        | YES<br>Receives Offset                          | \$2,660 <sup>23</sup>                      | Starts at \$3,959 in Dec 2014, increases over time | \$101,500<br>Expected to continue through Dec 2016 |                                |
| Seattle Musical Theater        | YES<br>Receives offset               | YES           | YES                        | YES   | \$750                                      | \$333  | Yes <sup>24</sup>                                  | \$4,476 year                   |
| Earthcorps                     |                                      |               |                            |   | \$5,722                                    |  |  |                                |
| Sail Sand Point                | YES                                  | YES           | YES                        |   | \$2,838                                    |  |  |                                |
| Gymboree                       |                                      |               | YES                        |   | \$2,819                                    |  |  |                                |
| Outdoors for All               |                                      |               | YES                        |   | \$3,183                                    |  |  |                                |
| Pro-Motion Events              |                                      |               | YES                        |   | \$1,338                                    |  |  |                                |
| Caddy Shack Coffee             |                                      | YES           |                            |   | \$420 <sup>25</sup>                        |  |  |                                |
| <b>Total Monthly Payments:</b> |                                      |               |                            |   | <b>\$42,059</b>                            | <b>\$42,985</b>                                    |  |                                |

<sup>23</sup> Cascade Bicycle began renting space in Building 11 in Nov 2014. Their monthly rent is now \$7,353.

<sup>24</sup> Due to lack of documentation in the tenant's file, we were unable to determine when this offset will be completed.

<sup>25</sup> This is an average rent based on payments made in 2014.

## APPENDIX B

### Methodology

To understand Parks processes for managing contracts, we interviewed Parks managers and staff, primarily from the Contracts Administration and Support Office (CASO) and Magnuson Park, who manage the majority of Parks contracts. To determine whether Parks is collecting the revenues and benefits due under these agreements, we tested a sample of 2014 payments for 27 contracts from both locations and identified whether the required public benefit and capital improvement cost reports had been submitted and approved by Parks. To better understand the payment process from the tenant's point-of-view, and to obtain additional back-up documentation, we met with five tenants. To obtain information on best practices in lease management, we met with representatives from two national lease management companies. To understand the challenges facing local businesses operating on Parks property, we met with a local business consultant hired by the City of Seattle's Office of Economic Development.

To identify the criteria used to evaluate Parks' internal controls, we reviewed the General Accounting Office's Federal Internal Control Standards (GAO-14-704G), the Association of Public Treasurer's Guide to Internal Controls (Kavander and Robinson, 2009), and Generally Accepted Accounting Principles.

### Sampling Methodology

To select a sample of contracts for review, we first identified all the Parks units that manage long-term lease and concession agreements and the contracts they manage. We eliminated short-term, seasonal contracts and contracts with artists at West 30 in Magnuson Park from our review, because they did not represent significant revenues on an individual contract basis and represented distinct types of businesses. We also eliminated one contract because we determined that it was a management agreement and not a lease. We included five leases managed by Parks Property Acquisition and Management Unit because they generate significant revenues.

This left us with two populations of contracts: those managed by CASO and those managed by staff at Magnuson Park. From Parks, we obtained data on the 2014 revenues generated by these two sets of contracts. We chose 2014 because it was the most recent year for which complete data was available.

We sorted each set of contracts by annual revenues and chose contracts whose tenants paid \$10,000 or more to the City in 2014. This resulted in a list of 11 contracts at Magnuson Park and 13 citywide or 24 contracts in total. We reviewed the resulting list to ensure it included contracts with public benefits, contracts that had been identified as of interest by the Seattle City Council, Parks staff, or the Council's consultant, and contracts with tenants located in different areas of the City. To ensure full coverage, we added two small food vendor contracts to our sample. After we began our fieldwork, we discovered that one of the tenants in our sample had two contracts in place. We added this contract to our sample for a final total of 27 contracts with 26 tenants.

For these 27 contracts, we decided to review payments made in 2014 because it was the most recent complete year for which data was available. Also, we wanted to capture Parks current contract management practices. We chose to review four months' payments for each contract because this quantity represents a large percent (one-third) of the payments due in 2014 and the review required was achievable given staff time and resources. We chose to review the months of

April, July, August and December because they include the two months that generate the highest revenues (July and August) and represent a range of seasons and park activity. After completing our analysis, we found that not all contracts had payments due during our sample months. As a result, our final sample of payments was 81 (rather than 4 payments for each of the 27 contracts, or 108).

We chose to review a judgmental sample of payments made under long-term lease and concession agreements because, given the size of the population (140 contracts), we were able to review a high percent of all contracts, representing a significant percent of the revenues generated by all Parks lease and concession agreements in 2014 (89 percent of the revenues at CASO and 81 percent at Magnuson Park). Further, using a judgmental sample allowed us to include contracts that include a variety of requirements—for example, public benefit and capital improvement offsets—and were of interest to a number of different stakeholders.<sup>26</sup> However, since we chose a judgmental sample, we cannot project the results to the entire population.

We conducted this performance audit from February through August 2015 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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<sup>26</sup> For our public benefits analysis only, we added the following contracts: High Point Neighborhood House, Seattle Children's Play Garden, Seattle Asian Art Museum, the Museum of History and Industry (MOHAI), and Rainier Beach Urban Farm/Atlantic City Nursery. We added these contracts because even though the City does not receive monetary payment from these tenants, the tenants are expected to provide public benefits in exchange for the use of City property.

## APPENDIX C

### Sample Public Benefits Webpage

| Do you need to find:             | Provider                               | Description & Requirements   | Location         | Contact |
|----------------------------------|--|--|------------------|---------|
| <b>Free meeting space</b>        | Museum of History and Industry (MOHAI) | <ul style="list-style-type: none"> <li>Up to 30 hours per month of noncommercial use by South Lake Union community organizations</li> </ul>  | South Lake Union |         |
|                                  | Rainier Beach Urban Farm               | <ul style="list-style-type: none"> <li>8 hours/week for meetings, classes, workshops, and family/community events to local organizations, neighborhood groups, individuals and families</li> </ul>   | Rainier Beach    |         |
| <b>Discounted space for rent</b> | Arena Sports                           | <ul style="list-style-type: none"> <li>27,000 Square Feet (SF) available on a short-term basis at a specified rate April 1 to September 30<sup>th</sup></li> <li>55,000 SF for rent during Labor Day and Memorial Day weekends for Community Events</li> </ul> | Magnuson Park    |         |
|                                  | Sail Sand Point                        | <ul style="list-style-type: none"> <li>Discounted hand-launched boat dry storage (if they claim rent reduction)</li> </ul>   | Magnuson Park    |         |
|                                  | Center for Wooden Boats                | <ul style="list-style-type: none"> <li>Up to 10 hours a month, noncommercial use for community organizations</li> </ul>  | South Lake Union |         |
| <b>Available space to rent</b>   | Audubon Society                        | <ul style="list-style-type: none"> <li>Subject to availability, the public may rent meeting rooms and other building common areas</li> </ul>   | Seward Park      |         |
| <b>Scholarships</b>              | Arena Sports                           | <ul style="list-style-type: none"> <li>30 individual scholarships of up to 50% of costs to be awarded by Parks</li> </ul>  | Magnuson Park    |         |
|                                  | Tennis Center                          | <ul style="list-style-type: none"> <li>Scholarships and free public classes (if rent offset taken)</li> </ul>  | Magnuson Park    |         |
|                                  | Seattle Musical                        | <ul style="list-style-type: none"> <li>Scholarships (if rent offset claimed)</li> </ul>  | Magnuson Park    |         |

| Do you need to find:                                 | Provider                       | Description & Requirements   | Location   | Contact |
|--|--------------------------------|--|--|---------|
|  | Theater                        |  |  |         |
|  | Sail Sand Point                | <ul style="list-style-type: none"> <li>Youth scholarships for free boat rentals and sailing instruction</li> </ul>   | Magnuson Park  |         |
|  | Pratt Fine Arts                | <ul style="list-style-type: none"> <li>Annually must report value of scholarships awarded</li> </ul>   | First Hill   |         |
|  | Audubon                        | <ul style="list-style-type: none"> <li>Scholarships (<i>if rent offset taken</i>)</li> </ul>   | Seward park  |         |
|  | Seattle Children's Play Garden | <ul style="list-style-type: none"> <li>Scholarships, (<i>if rent offset taken</i>)</li> </ul>  | Atlantic neighborhood<br>(North Rainier Valley/South Central Area) |         |
| <b>Discounted or free tickets or admission rates</b> | Seattle Musical Theater        | <ul style="list-style-type: none"> <li>Reduced fee or free admission</li> </ul>  | Magnuson Park  |         |
|  | Arena Sports                   | <ul style="list-style-type: none"> <li>Discount hours</li> <li>Free hours for at risk youth and developmentally disabled youth (administered by Arena Sports foundation)</li> <li>500 hours of facility use per year at 75%</li> <li>300 hours of field time discounted by 25% for neighborhood non-profit soccer clubs</li> </ul> | Magnuson Park  |         |
|  | Sail Sand Point                | <ul style="list-style-type: none"> <li>80% of market rate membership</li> </ul>  | Magnuson Park  |         |
|  | Tennis Center                  | <ul style="list-style-type: none"> <li>8.75 hours/week of open court time free to youth 10-18 and seniors 65+</li> </ul>   | Magnuson Park  |         |
|  | Green Lake Boat Rentals        | <ul style="list-style-type: none"> <li>Free use of boats for enrollees in Parks programs, 20 persons up to 20 days/year.</li> <li>Discounted rates for Parks Day Camps and aquatic program participants on cloudy days.</li> </ul>   | Green Lake   |         |
|  | Pratt Fine Arts                | <ul style="list-style-type: none"> <li>Free and/or discounted classes and workshops for low income and</li> </ul>  | First Hill   |         |



| Do you need to find:                             | Provider                          | Description & Requirements  | Location   | Contact |
|--|-----------------------------------|---|--|---------|
|  |                                   | disadvantaged citizens  |  |         |
|  | Audubon Society                   | <ul style="list-style-type: none"> <li>Discounted nature programs</li> </ul>  | Seward Park  |         |
|  | Seattle Children's Play Garden    | <ul style="list-style-type: none"> <li>Discounts (<i>if rent offset taken</i>)</li> </ul>   | Atlantic neighborhood<br>(North Rainier Valley/South Central Area) |         |
|  | MOHAI                             | <ul style="list-style-type: none"> <li>Anyone who can't afford the fee can pay whatever they want.</li> <li>One day free at least one day per month.</li> <li>Children up to age 14 free every day (excluding school groups)</li> </ul> | South Lake Union   |         |
|  | Seattle Tilth Meridian Playground | <ul style="list-style-type: none"> <li>Free public access at least 40 hours per week</li> </ul>   | Wallingford  |         |
|  | Rainier Beach Urban Farm          | <ul style="list-style-type: none"> <li>Open to public, free, during normal park hours</li> </ul>  | Rainier Beach  |         |
|  | Center for Wooden Boats           | <ul style="list-style-type: none"> <li>General public admission free.</li> <li>Scholarship for educational programs for schools with high poverty</li> </ul>  | South Lake Union   |         |
|  |                                   |   |  |         |
| <b>Free classes</b>                              | Rainier Beach Urban Farm          | <ul style="list-style-type: none"> <li>Workshops on organic gardening</li> </ul>  | Rainier Beach  |         |
|  | Sail Sand Point                   | <ul style="list-style-type: none"> <li>Free Hobie 101 training (<i>if reduced rent is claimed</i>)</li> </ul>   | Magnuson   |         |
|  | Seattle Tilth Meridian Playground | <ul style="list-style-type: none"> <li>Free workshops on organic gardening</li> </ul>   | Wallingford  |         |
|  | Seattle Musical Theater           | <ul style="list-style-type: none"> <li>Free public classes (<i>if rent offset claimed</i>)</li> </ul>   | Magnuson Park  |         |
|  |                                   |   |  |         |
| <b>Partners for events or public programming</b> | Rainier Beach Urban Farm          | <ul style="list-style-type: none"> <li>Host festivals or large community events</li> </ul>  | Rainier Beach  |         |
|  | Seattle Tilth                     | <ul style="list-style-type: none"> <li>Host an annual community event</li> </ul>  | Wallingford  |         |

| Do you need to find:                                  | Provider                       | Description & Requirements  | Location   | Contact |
|---|--------------------------------|---|--|---------|
|   | Meridian Playground            |   |  |         |
|   | Seattle Children's Play Garden | <ul style="list-style-type: none"> <li>Public programming (<i>if rent offset taken</i>)</li> </ul>  | Atlantic neighborhood<br>(North Rainier Valley/South Central Area) |         |
|   | Rainier Beach Urban Farm       | <ul style="list-style-type: none"> <li>Recruit citizens for work parties to teach, demonstrate and implement organic gardening and sustainability practices</li> </ul>      | Rainier Beach  |         |
| <b>Volunteer opportunities/<br/>community service</b> | Tilth Meridian Playground      | <ul style="list-style-type: none"> <li>Recruit volunteers for work parties to teach, demonstrate and implement organic gardening programs and educational events</li> </ul> | 50 <sup>th</sup> and Meridian                                      |         |
|   | Tilth Meridian Playground      | <ul style="list-style-type: none"> <li>Recruit volunteers for work parties to teach, demonstrate and implement organic gardening programs and educational events</li> </ul> | 50 <sup>th</sup> and Meridian                                      |         |
| <b>Public restrooms</b>                               | Center for Wooden Boats        | <ul style="list-style-type: none"> <li>Publicly accessible restrooms</li> </ul>   | South Lake Union   |         |
|   | MOHAI                          | <ul style="list-style-type: none"> <li>Café restrooms during operating hours</li> </ul>   | South Lake Union   |         |
| <b>Cafés open to public</b>                           | MOHAI                          | <ul style="list-style-type: none"> <li>Café hours subject to approval by Superintendent</li> </ul>  | South Lake Union   |         |

## APPENDIX D

# Parks Policies and Procedures Governing Concession Contracts and Use Permits

Your City, Seattle



## Department Policy & Procedure

|   |                                  |                              |
|---|----------------------------------|------------------------------|
| Subject: Concession Contracts and Use Permits |                                  | Number 060-P 3.9.1           |
|   |                                  | Effective February 1, 2006   |
|   |                                  | Supersedes December 15, 1977 |
| Approved:                                     | Department: Parks and Recreation | Page 1 of 10                 |

### 1.0 PURPOSE

- 1.1 To establish procedures by which the Seattle Department of Parks and Recreation will identify the need for, award, and monitor concession contracts and use permits.

### 2.0 ORGANIZATIONS AFFECTED

- 2.1 Department of Parks and Recreation
- 2.2 Department of Finance
- 2.3 Law Department
- 2.4 Mayor's Office
- 2.6 City Council

### 3.0 REFERENCES

- 3.1 Ordinance 96453
- 3.2 Ordinance 106615
- 3.3 City Charter
- 3.4 Ordinance 102151
- 3.5 Ordinance 101432

060-P 3.9.1

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#### 4.0 POLICY

- 4.1 This policy shall apply to all concession contracts and use permits awarded by the Department of Parks and Recreation.

#### 5.0 DEFINITIONS

- 5.1 Concession Contract: A concession contract is a long term contract approved by the Seattle City Council by which an authorized park related revenue-producing service, facility or product is provided to the public in, or on, Parks and Recreation Department property by a private individual or company who remits to the Department a remuneration for the privilege of using public property for private gain.
- 5.2 Concession Use Permit: A concession use permit is a short term (less than 360 days) administrative permit, issued by the authority of the Superintendent of Parks and Recreation, by which an authorized park-related revenue-producing service, facility or product is provided to the public in or on Parks and Recreation Department property by a private individual or company who remits to the Department a remuneration for the privilege of using public property for private gain.
- 5.3 Prospectus: A prospectus is a printed statement or similar documents that outlines the services to be provided, the capital improvements to be made, the financial and management organization of a service, facility or product for which the Department of Parks and Recreation is requesting prospective concessionaires to submit proposals. The prospectus specifies the type of information requested from proposers and the procedures and criteria to be used by the Department in evaluating proposals. Request for Proposal, Invitation for Bids, and Call for Expression of Interest are typical Prospectus documents.
- 5.4 Proposal: A proposal is an offer subject to Department negotiation with a prospective concessionaire to provide the services, capital improvements and financial and management organization of a service, facility or product for which the Department of Parks and Recreation has prepared a prospectus.
- 5.5 Bid Document: A bid document is a printed statement and contract that specifically defines, delineates and limits the service, facility or product for which the Department is requesting private individuals or companies to submit bids. A bid document specifies the information to be submitted, the form the bid should take and the financial criteria to be used by the Department in ranking bids.
- 5.6 Bid: A bid is a firm offer by a private individual or company to provide a service, facility or product as defined, delineated and limited in the Department's bid document at a specified remuneration to the Department.

#### 6.0 RESPONSIBILITIES

- 6.1 Recreation Programs Division: It shall be the responsibility of the Director of the Programs Division (or his designee) to identify opportunities for concession operations within the Division programs, to serve on Proposal Review Committees upon request, and to inform the Concessions Coordinator if problems with concession operations are identified.

- 6.2 Facilities Maintenance Division: It shall be the responsibility of the Director of the Facilities Maintenance Division (or his designee) to identify opportunities for concession operations at Department parks, to serve on Proposal Review Committees upon request, and to inform the Concessions Coordinator if maintenance problems with concession operators are identified.
- 6.5 Planning and Development Division: It shall be the responsibility of the Director of the Planning and Development Division (or her designee) to insure that all Capital Improvement Projects are reviewed by the Project Manager and the Business Resources Manager for concession opportunities; upon request of the Business Resources Manager to review plans, specifications and construction activities of concessions involving capital improvements and to serve on Proposal Review Committees upon request.
- 6.6 Enterprise Division:
  - 6.6.1 Business Resources Manager: It shall be the responsibility of the Business Resources Manager, under the Supervision of the Enterprise Division Director, to evaluate and prepare recommendations on the feasibility of proposed new concession operations; to administer the preparation of prospectuses and bid documents and the awarding of all use permits and concessions contracts; to establish and insure uniform monitoring and auditing of concession contracts; and to serve on Proposal Review Committees as necessary. The Business Resource manager is responsible for compliance with the Public Participation Policy.
  - 6.6.2 Concessions Coordinator(s): It shall be the responsibility of Department Concessions Coordinator(s), under the supervision of the Business Resources Manager, to monitor compliance by concessionaires with the terms of the concession contracts and/or use permits, to prepare bid documents, advertisements, and news releases (with the Department Public Information Office) on bids and prospectuses.
  - 6.6.3 Accounting Manager: It shall be the responsibility of the Accounting Manager to account for all revenues received from Concessionaires, to perform audits of concessionaires upon request, and to review all audits performed by the Comptroller.
  - 6.6.4 Enterprise Division Director: It shall be the responsibility of the Enterprise Division Director to coordinate and direct all Department activities relating to concessions, provide policy and management direction on concessions and to serve on Proposal Review Committee's as necessary.
- 7.0 PROCEDURES
  - 7.1 Concession Contract, Need Identification and Initiation
    - 7.1.1 New Concessions For or At Current Facilities, Services or Products: Any recommendations for new concessions for or at current facilities, services or products will be forwarded by the Business Resources Manager for review and recommendation to the Enterprise Director and Superintendent. The recommendation should include the advantages and disadvantages of providing the facility, service or product, the advantages and disadvantages of providing it by concession; a



recommended approach (bid or prospectus) for the concession contract, a recommended schedule, and recommended contractual terms and conditions.

7.2 Awarding a Concession Contract - Bid Process

- 7.2.1 Use of Bid Process: The Business Resources Manager during the identification and initiation process will generally recommend use of the bid process in those instances where at least one of the following conditions is met:
- 1) there is a facility, product or service that has been previously provided by a concession contract and there are no substantial recommended changes in the contractual terms and conditions;
  - 2) there is a new concession service, facility or product that is similar in nature to other department concession operations;
  - 3) there is less than a \$2,000 leasehold capital investment expected from the concessionaire, that revenues from the proposed activity/service is expected to be less than \$10,000, and/or the recommended contractual period is 90 days to five years.
- 7.2.2 Bid Document Preparation: The Business Resources Manager shall prepare the bid document, which shall specifically delineate, limit and define the service, product or facility to be bid on by prospective concessionaires. The bid document shall include an invitation to bid signed by the Superintendent identifying the required documents to be submitted by the bidder and the financial basis for the Department's evaluation of bids; a copy of the contract offered which shall include concessionaire payment and service provisions and allow annual review of insurance requirements and such information as may be necessary to define, delineate and limit the service, facility or product to be provided.
- 7.2.3 Advertising: Bid documents shall be advertised by newspaper release and/or ad in at least the official City newspaper and notification shall be mailed to interested persons whose names are maintained in a Department file listing persons who have previously expressed interest in a particular concession. Advertising will be done in a manner that emphasizes equal opportunity for women and minority owned businesses. The period of advertising shall be at least 30 days.
- 7.2.4 Requests for Information from Holders of Bid Documents: The bid document shall state that requests for information regarding the contents of the bid document must be made in writing to the Business Resources Manager and shall be answered in writing with a copy to all holders of the bid document.
- 7.2.5 Opening of Bids: Bids shall be opened at the time and place specified in the invitation to bid by the Concessions Coordinator, who shall name the persons or companies from whom bids have been received, announce the bids, and material enclosed.



7.2.6 Award of Concession Bid

7.2.6.1 Business Resources Section: All bids will be initially reviewed by the Business Resources Manager to determine whether all documents required have been submitted, whether all the bids are for the specified service, facility or product and whether the bids are otherwise in compliance with the bid document. If any bid is not in compliance with the bid document, it shall be recommended for rejection. The Business Resources Manager shall check the business and financial references listed by the bidder to determine if the bidder is capable financially and by business experience of providing the service, products, and/or facility specified in the bid document. If bidders are certified to be capable of providing the specified service and/or products at the facility, the bids will be evaluated to determine the highest financial return to the City based on the financial evaluation criteria outlined in the bid document. If a bidder is determined to be financially or by business experience incapable of operating the specified product, service or facility the bid will be recommended for rejection. The Business Resource Manager will make a recommendation to the Enterprise Director.

7.2.6.2 Superintendent: The Superintendent shall review the recommendation of the Enterprise Director and shall either reject all bids or recommend award of the contract to the most qualified bidder.

7.2.6.3 The Business Resources Manager shall notify all bidders by letter of the award of the contract and have the contract signed by the concessionaire.

7.2.7 Monitoring of Concession Contract: The Concessions Coordinator shall monitor all concession contracts by periodic visits and other means as necessary to assure compliance with all service terms of the contract.

7.3 Awarding a Concession Contract - Proposal Process

7.4.5 Use of Proposal Process: The Business Resources Manager during the identification and initiation process will generally recommend use of the proposal process where at least one of the following conditions is met:

- 1) there is a facility, product or service that has not been previously provided by a concession contract;
- 2) there is a facility, product or service which is not similar in nature to other department concession operations; there is a major change in the scope of the service, facility or product to be provided by the concession contract;
- 3) a capital investment of more than \$2,000 is anticipated to be part of the concession contract;
- 4) revenues generated is expected to exceed \$10,000, and a contract length of more than five years is expected.

7.3.2 Proposal Review Committee: If the Superintendent, as part of the initiation and identification process, concurs in the recommendation to use the proposal process, the

Business Resources Manager may recommend formation of a Proposal Review Committee. The Committee shall consist of 3-7 people designated by the Enterprise Director.

7.3.2 Prospectus Preparation: The Request for Proposal Prospectus shall be prepared by, or under the guidance of, the Business Resources Manager. Prospectus may include a Request for Qualification, an expression of interest packet, and/or a Request for Proposals.

7.3.3 Prospectuses shall always include at minimum, the following information:

- a. Invitation for proposals signed by the Superintendent (or his designee).
- b. General proposal information setting forth the service minimally expected from proposals and the procedures to be followed by the Department in reviewing proposals.
- c. Proposal, qualifications form, financial statement and business reference forms.

7.3.4 Prospectus Approval: The prospectus shall be prepared by the Business Resources Manager. Prospectus for new or untried services and activities at park sites will be prepared by the Business Resources Manager and submitted to the Enterprise Director for his review and approval. If the Director approves the prospectus it shall then be submitted to the Superintendent for final approval.

7.3.5 Prospectus Advertising: The prospectus will be advertised by newspaper release and/or advertisement in a local newspaper and by advertisement, if appropriate, in regional or national publications. Announcements shall be mailed to interested persons whose names are maintained in a Department file listing persons who have previously expressed interest in a particular concession. Advertising will be done in a manner that emphasizes equal opportunity for women and minority owned businesses. The period of advertising shall be at least 30 days.

7.3.6 Requests for Information from Holders of Prospectuses: Any and all requests for information regarding the contents of the prospectus must be made in writing to the Business Resources Manager and shall be answered in writing with a copy to all holders of the prospectus.

7.3.7 Opening of Proposals: Proposals shall be opened at the time and place specified in the prospectus by the Business Resources Manager, who shall name the persons or companies from whom proposals have been received.

7.3.8 Award of Concession Contract

7.3.8.1 Business Resources Manager: All proposals will be reviewed for completeness against the checklist for proposers by the Business Resources Manager. If proposals are not complete, the Department may request the missing information in writing to be returned by the proposer within a specified period of time or they may be rejected.

All proposals will be summarized by the Business Resources Manager. In addition, worksheets and instructions for evaluation shall be prepared.

7.3.8.2 Proposal Review Committee: The summary, worksheets and evaluation instructions shall be submitted to the Proposal Review Committee, along with a copy of all proposals. The Committee, as detailed in the Prospectus procedures, may meet with those companies or persons who submitted proposals to clarify the terms of the submitted proposal. The business references listed may be contacted by the Concessions Coordinator. Financial references may be contacted by the Accounting Manager. Reports on both contacts shall be given to the Proposal Review Committee. Any meetings with proposers will be recorded and minutes kept by a Department representative. The Proposal Review Committee shall rank all proposals based on the evaluation criteria outlined in the prospectus. After the final series of meetings and evaluation ranking, as outlined in the Prospectus, the Proposal Review Committee shall recommend the most qualified proposer to the Enterprise Director who shall review the work of the Committee and forward its recommendation to the Superintendent.

7.3.8.2 Superintendent: The Superintendent shall review the recommendation of the Proposal Review Committee and may reject all proposals or recommend award of the contract.

7.3.8.3 If the contract is awarded, the Business Resources Manager shall notify all proposers in writing of the award of the contract and negotiate with the successful proposer.

7.3.8.4 Monitoring of Concession Contract: The Concessions Coordinator shall monitor the operational aspects of the contract by periodic visits and other means as necessary to ensure compliance with the contract. If major capital improvements are included in the contract, the Planning and Development Division shall be requested to appoint a Project Manager to review the status of the improvement and its compliance with the terms of the contract under the direction of the Business Resources Manager.

#### 7.4 Awarding a Use Permit

7.4.1 Use of Use Permit - The Business Resources Manager will normally recommend to the Superintendent a use permit when one of the following conditions is met:

- 1) There is a need to extend a current concession contract that has expired prior to completion of the bid and/or prospectus process.
- 2) Unexpected contract termination.
- 3) There is a request from an organization or group for service required because of a special event or situation expected to last less than 90 days, or there is a request from an organization or individual to provide a service for less than 90 days.

4) A use permit shall be used to extend a current concession contract when all bids or proposals have been rejected by the Superintendent..

5) The duration of the service is for 90 days or less.

6) At the discretion of the Superintendent, use permits may be used in other situations, such as implementing pilot sites for new concession activities, or to provide contractual coverage when a longer term concession agreement is pending Seattle City Council approval.

7.4.2 Informational Review - Once it has been determined that a use permit is the appropriate means of providing the concession, the Concessions Coordinator will be responsible for circulating the conditions of the prospective use permit for review and comment by each impacted division and consider these comments as they relate to the conditions under which a permit may be issued.

7.4.3 Method of Soliciting/Advertising - Use Permits may or may not be awarded through a competitive bid process. There may or may not be advertising by newspaper and/or other advertising means.

7.4.4 Award of a Use Permit - If a person or company contacts the Department's Concession Coordinator and completes the necessary application requesting a use permit to provide a service, and if the permit is approved, Or, if the Department contacts a person or company it knows to be a viable and responsible party to operate and provide a service, then it shall be awarded to the person or firm contacting the Department.

7.4.5 Extensions or Renewals - The Superintendent may extend or renew a Use Permit for any period of time not to exceed 270 days, or 360 in total, if the conditions and public needs so warrant; however, the Department shall make every effort to put the concession to competitive bid or receive proposals as rapidly as practicable to avoid extending concession operations which have not had the benefit of competitive bidding or receipt of proposals beyond 90 days.

## 7.5 Other

7.5.1 Late Fees Seattle Parks and Recreation may include in contracts for concessions, use permits, and lease agreements for use of park owned property a provision requiring the payment of monetary penalty for late payments of rent or other use fees, provided that the concession or lease agreement clearly states the due date of the payment and the number days after the payment due date that the payment is determined to be late.

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## APPENDIX E

### Office of City Auditor Mission Statement

#### **Our Mission**

To help the City of Seattle achieve honest, efficient management and full accountability throughout City government. We serve the public interest by providing the City Council, Mayor and City department heads with accurate information, unbiased analysis, and objective recommendations on how best to use public resources in support of the well-being of Seattle residents.

#### **Background**

Seattle voters established our office by a 1991 amendment to the City Charter. The office is an independent department within the legislative branch of City government. The City Auditor reports to the City Council, and has a four-year term to ensure her/his independence in deciding what work the office should perform and reporting the results of this work. The Office of City Auditor conducts performance audits and non-audit projects covering City of Seattle programs, departments, grantees, and contracts. The City Auditor's goal is to ensure that the City of Seattle is run as effectively, efficiently, and equitably as possible in compliance with applicable laws and regulations.

#### **How We Ensure Quality**

The office's work is performed in accordance with the Government Auditing Standards issued by the Comptroller General of the United States. These standards provide guidelines for audit planning, fieldwork, quality control systems, staff training, and reporting of results. In addition, the standards require that external auditors periodically review our office's policies, procedures, and activities to ensure that we adhere to these professional standards.