

**APPROVED MINUTES**  
**Board of Directors Meeting**  
**Fort Worden Public Development Authority (FWPDA)**  
**Wednesday, December 20, 2017 | 9 a.m. – 1 p.m.**  
**Commons B (Building 210), Fort Worden**

**ACTIONS:**

- ❖ **APPROVED** Board Meeting Minutes from November 29, 2017
- ❖ **APPROVED Resolution 17-08** authorizing Executive Director to enter into leases to carry-out the redevelopment of Makers Square to qualify for Historic Tax Credits
- ❖ **APPROVED Resolution 17-09** to authorize Executive Director to sign a commitment letter for bond financing with Kitsap Bank
- ❖ **APPROVED Resolution 17-10** to adopt the 2018 General Operating Budget

**Regular Board Meeting:**

**I. Call to Order:** 9:02 a.m.

**II. Roll Call & Staff Introductions**

Board Members: Todd Hutton, Bill James, Bill Brown, Harold Andersen, Jane Kilburn, Gee Heckscher, Cindy Finnie, Norm Tonina (by phone), Jeff Jackson (by phone)

Staff: Dave Robison, Diane Moody, Karolina Anderson

Public: George Randels, David Goldman, Jon Schorr, Jeff Krida, Larry Sammons, Anna Green, Kristan McCary, Daniele Costello

Larry Sammons introduced the Fort Worden facilities crew: Noa Montoya, Tracy Ralls, Jeff Martin and Jason Dempsey. He also introduced Ben and Aaron, Grey Wolf Ranch Academy students who are volunteering with the facilities crew.

**III. Fort Worden Partner Presentation – Peninsula College**

Dr. Luke Robins, President of Peninsula College, gave a PowerPoint presentation and talked about the success of the collaborative effort by Peninsula College, Peninsula College Foundation, Fort Worden PDA, City of Port Townsend, First Federal, the Office of Financial Management, Lynn Kessler and State Parks in seeking Historic Tax Credits for building 202. Robins especially commended the FWPDA on helping to facilitate the process which resulted in the renovation of building 202 into a state of the art learning environment that is an anchor for the Lifelong Learning Center here at Fort Worden. Robins noted that Peninsula College and Washington State Parks received an honorable mention award by the American Institute of Architects Washington Council for excellence in architectural design and planning. In addition, the Jefferson County Historical Society awarded Peninsula College and Fort Worden Development Authority a Certificate of Appreciation for the restoration and adaptive use of Building 202.

Anna Green presented Peninsula College academic offerings (see PowerPoint presentation for details) and noted upcoming events including a Philosophy Series by Dr. Wes Cecil: December 21 & January 18 at 6:00 p.m. in Commons B. The college will hold an informational night on January 3 at 5:30 p.m. – members of the public are invited to attend. Julie McCullough spoke on behalf of the Board of Trustees, and suggested that Fort Worden Foundation and Peninsula College Foundation board members connect to explore areas of mutual interest.

Please see board packet for updates provided by other Fort Worden Partner organizations.

**IV. Changes to the Agenda**

No changes

**V. Correspondence**

- ❖ Fort Worden Partners Report
- ❖ Executive Committee Minutes November 21, 2017
- ❖ Nora Porter Plaque Dedication Article
- ❖ Perspective on Capital Budget by Kate Dean

**VI. Consent Agenda**

- ❖ Review and approval of Board Meeting Minutes, November 29, 2017

**Action:** Motion to approve Board Meeting Minutes from November 29, 2017

**Unanimously APPROVED**

**VII. Review and Discussion of November Financials**

**A. Staff Report**

Moody reviewed the financial report memo (see packet) and noted that \$12,000 in marketing and advertising expenses are LTAC funded and will be reimbursed.

**B. Board Discussion**

None

**VIII. Resolution authorizing Executive Director to enter into leases to carry-out the redevelopment of Makers Square to qualify for Historic Tax Credits (HTC's)**

**A. Staff Report**

Robison reported that the Fort Worden Foundation is working with attorney Erik Wishneff, who is a preeminent expert on Historic Tax Credits nationally. Attorney John Watts and Robison stated that Wishneff has advised the Fort Worden Foundation to form a Manager and Landlord LLC before the end of 2017 in order to take advantage of the existing tax code (the LLC's are necessary for Makers Square to be eligible for Historic Tax Credits). Erik Wishneff joined the meeting by phone and stated that under the new tax code, the net value of the Historic Tax Credits will decrease - the net benefit of the HTC credit to the project will be greater if it's grandfathered in under the current tax code by December 31, 2017. Under the new code HTC payments would be spread out over five years rather than disbursed in a lump sum - Robison noted that some funders would find incremental disbursements less desirable. Wishneff noted that if there are any changes of circumstance, it is easy to dissolve to companies and that we are following the same process as was used for building 202 (Peninsula College).

Robison noted that this is an interim organizational structure that does not in any way change the way that Makers Square is operated or managed. Robison noted that the Makers Square project must be completed 30 months from January 1, 2018.

**B. Board Discussion**

The board discussed the process going forward – including the Operating Agreement with Makers Square, the project timeline and the two-tiered LLC. Robison explained that the two-tiered structure was also utilized in applying for Historic Tax Credits for building 202 (Peninsula College). Erik Wishneff explained that the LLC's will collapse after 5 years (after the HTC's are paid out) and the ground lease will revert back to the PDA.

**Action:** Motion to approve Resolution 17-08 authorizing Executive Director to enter into leases to carry-out the redevelopment of Makers Square to qualify for Historic Tax Credits  
**Unanimously Approved**

**IX. Resolution authorizing the Executive Director to sign a commitment letter for bond financing with Kitsap Bank**

**A. Staff Report**

Robison presented a resolution for bond financing with Kitsap Bank to make energy efficiency improvements including: installing a digital control for the heating system, upgrading all lighting to LED lights and placing a solar grid on building 210.

**B. Board Discussion**

The board discussed whether the digital heating control system includes partner buildings and Robison responded that buildings occupied by partner organizations were not included. The board discussed which other buildings were included as well as bond payment term options. Robison thanked Kitsap Bank for funding this project.

**Action:** Move to adopt Resolution 17-09 to authorize Executive Director to sign a commitment letter for bond financing with Kitsap Bank **Unanimously Approved**

**X. 2018 Budget Review & Resolution to adopt 2018 General Operating Budget**

**A. Staff Report**

Gee Heckscher provided a brief overview of the 2018 general operating budget, noting that department heads had major input throughout the process. Heckscher noted that over \$6 million in gross revenue is projected for 2018 – a significant increase over last year. Heckscher noted that FWPDA will also be absorbing about \$500,000 in maintenance costs starting in May 2018 due to the maintenance transition from State Parks. Expenses include: additional staff, materials and equipment. Moody and Robison presented a 2018 Goals and Budget PowerPoint including the following:

- ❖ FWPDA strategic priorities:
  1. Provide a memorable and extraordinary guest experience
  2. Ensure a sustainable year-round economy
  3. Preserve and revitalize our historic campus
  4. Inspire leaders in environmental sustainability
  5. Develop and nurture partnerships for success (including downtown community and other nonprofits)
  
- ❖ 2018 Priorities/Themes: Communication, Consistency, Culture
  
- ❖ 2018 Priorities by department

Robison outlined the impact of the Maintenance Transition on the budget and Moody talked about sustainability initiatives and lodging efficiencies. Moody stated that weddings and group sales have improved significantly – crediting the sales & reservation team. Robison outlined new initiatives including: the maintenance transfer, music events, “Fall Break”, “Extended Stay”, the “Passport Program” and a mobile bar.

Moody and Robison presented the 2018 Operating and Capital budget:

<b>Capital Improvement Fund</b>	<b>(Note – Numbers are rounded)</b>
Glamping	\$ 450,000
Energy Efficiency Project	\$1,675,000
Culinary Planning	\$ 29,225
Fundraising	\$ 50,000
Makers Square	<u>\$ 588,500</u>
Total	\$2,742,725

### **Hospitality Services**

Personnel Services	\$3,488,000
Cost of Goods	\$ 895,000
Maintenance & Repairs	\$ 141,000
Utilities	\$ 475,000
Leasehold Improvements and Capital	<u>\$ 75,000</u>
Total	\$5,224,000

Moody reviewed some major expenses including a new property management system, ice machine, combi oven, mobile bar and room amenities. Finally, Robison and Moody reviewed risks and opportunities.

Please note that details about the 2018 goals and budget are available on the PowerPoint presentation (on our website).

### **B. Board Discussion**

The board discussed pricing differences resulting from the minimum wage increase and group sales. Todd Hutton asked about increasing group sales - Robison stated that the NCO Row renovations would help increase group sales since those units would provide single occupancy accommodations – which would appeal to certain groups. The board discussed contingencies if the FWPDA does not receive additional funding from State Parks to help ameliorate the impact of the Maintenance Transition. Moody stated that she and Robison would review personnel and materials expenses as well as debt/cost scenarios for different projects. The board discussed debt payments and outflows. Jane Kilburn requested monthly updates to the board about Makers Square and Robison stated that a project timeline will be presented to the Executive Committee in January. Cindy Finnie asked whether Fort Worden might be impacted by the construction projects in town. Jane Kilburn suggested that we have someone from Main Street Program come and speak to the board about the construction project as well as opportunities for Fort Worden & Main Street to collaborate.

**Action:** Move to adopt Resolution 17-10 to adopt the 2018 General Operating Budget  
**Unanimously Approved**

**XI. Staff Report**

**A. Washington State Capital Budget Status**

Robison stated that the Capital Budget still has not been passed – March is the next likely date.

**B. Makers Square Business Plan**

Robison stated that the final version of the Makers Square business plan is included in the board packet.

**C. Coordinating Committee Meeting**

Robison stated that the Coordinating Committee ensures that State Parks and the Fort Worden PDA priorities are in alignment and that both entities are meeting Lease Terms and commitments. The PowerPoint Presentation that includes State Parks and PDA Capital Improvement priorities is available at fortworden.org under *public documents>agendas & documents>public meetings>Coordinating Committee Meeting*

**D. 2018 Maintenance Plan**

Robison reviewed the 2018 Maintenance Plan Summary:

1	Existing Facilities labor 5.0 FTE	PDA funded	\$ 217,200
2	New Facilities labor 2.7 FTE due to maintenance transition	PDA funded	\$ 160,000
3	Facility Maintenance (materials and supplies)	Not funded	\$ 101,500
4	PM and New Service Contracts (transferred to PDA this year)	Not funded	\$ 165,500
5	PDA Capital Projects (Glamping and other projects)	Funding pending	\$ 1,895,000
6	PDA Preventive Maintenance (PM)	Funding pending	\$ 86,700
7	Parks PM 2016/17 (ends May 1, 18)	WSP funded	\$ 73,000

**XII. Public Comment**

David Goldman suggested a merit-based performance measure system that includes an algorithm of key indicators that rewards staff who live the PDA values daily. He also stated that the PDA has done a great job of stewarding this property and that this part of the story often doesn't get told.

**XIII. Board Reports/Discussion**

- ❖ 2018 Board Meeting Schedule – the board discussed the date of the Board Retreat and decided to move it to sometime in March. A Doodle Poll will be sent out

**XIV. Next Meetings**

- ❖ Executive Committee Meeting, January 16, 2018
- ❖ PDA Board of Directors Meeting January 24, 2018
- ❖ PDA Board Retreat, TBD

**XV. Adjourn: 12:21 p.m.**

*Board Packets and PowerPoint Presentations are available on our website at: [www.fortworden.org](http://www.fortworden.org) under public documents>agendas & documents>public meetings>PDA Board Meeting 12.20.17*