Makers Square
Business Plan
Summary Report & Pro Forma Model
for Fort Worden Public Development Authority
November 2017
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   E. Board of Directors Update 27 September 2017 - slides

Study Team
KO Projects
KO Projects is a consulting firm working with arts and culture organizations, cities, creative entrepreneurs, and thought leaders to expand the value that arts, culture, and heritage bring to our communities. We are focused on sustainable development for arts, culture, and heritage using data-driven analysis and rigorous research to move towards new approaches to creating and sustaining long-term cultural and civic value. www.ko-projects.com
Katie Oman, Principal
Sacha Bliese, Project Associate
Executive Summary

Study Background & Methodology

Makers Square will be a new neighborhood on the Fort Worden Campus, a year-round community of artists, artisans, creative businesses and nonprofits that add to the vibrancy of Fort Worden’s existing programming, create an intriguing destination for locals and visitors, and support the Fort’s mission of lifelong learning. It was catalyzed by Building 305 becoming available after years of use by Washington State Parks, and represents the first substantial opportunity for new campus development since the Fort Worden Public Development Authority took over site operations and management in 2014. In 2017, consulting firm KO Projects was engaged to develop a business plan for the new neighborhood, in parallel with ongoing design work by Signal Architecture & Research.

The business planning study began by working with PDA leadership and project stakeholders to understand the key economic flows of value for Makers Square, assess its market context for space and activities, and define the purpose of the proposed project. The consulting team then researched a number of comparative sites to gather operational data and management best practices, as well as ideas and inspiration for Makers Square. Finally, a management plan and pro forma financial model was developed for Makers Square, yielding expected annual operating results post-opening.

Defining Makers Square

The vision for Makers Square draws on the concept of ‘maker space’ - collaborative workspaces with a variety of equipment where people come together to collaborate, invent, and create. Makerspaces began in colleges and universities, but are now spreading into museums, libraries, community centers, and arts centers - anywhere where creativity, a sense of community, entrepreneurship, and innovation are valued.

As Makers Square will exist as a new ‘line of business’ for Fort Worden, it was important to understand the inputs and outputs in the Fort Worden economic ‘ecosystem.’ The PDA, partner organizations and tenants, Fort Worden visitors, and donors all play different roles and exchange different kinds of value with one another to keep Fort Worden vibrant and vital. Some of these exchanges can be measured in dollars like rent, philanthropic donations, or the value of space and services. Other values - like authenticity, a sense of place, knowledge, vibrancy, and motivation - are difficult to quantify but must also be considered for any new project at Fort Worden.
Building on this understanding of value exchange, and drawing on conversations with dozens of Fort Worden stakeholders, we examined the question “How will we know if Makers Square has been successful?”

Responses coalesced around these five imperatives:

**Vibrancy**
- A wide variety of activity happening all the time
- Consistent activity to draw informal visitors
- Activity that creates a ‘buzz’

**Excellence**
- Known for artistic/technical excellence, with high-quality artists and instructors, quality products, and works of art.
- A reputation for attracting top talent
- Builds Fort Worden’s reputation as a place for innovation

**Identity**
- Local, regional, national, international reputation as an hub for artists, artisans, makers, etc.
- A neighborhood with its own identity within the Ft W campus.
- A strong brand, supported by programs, communications, etc.

**Community**
- A place with a sense of belonging for makers, locals, & visitors.
- Active cooperation between Square management and users.
- Opportunities for interdisciplinary work, joint marketing, program collaboration, spaces for informal gathering, etc.

**Sustainability**
- Activity drives Fort visitation in a variety of forms, with consistent Makers Square activity
- Partner organizations are fiscally healthy
- Earned revenue and rent help sustain Makers Sq.
- High standard of care for buildings & infrastructure over time

The team also examined Makers Square’s market context, to inform the planned mix of space and activity. The primary market area for space users and program partners will continue to be Port Townsend and the surrounding region. However, Makers Square, like Fort Worden in general, is expected to become a national destination for arts and education programs. Our findings indicate that significant growth in program participation would likely come from visitors, as the local demand is met by existing programming.

There was widespread interest in creative workspace with shared equipment - building on the ‘makerspace’ model - and a consistent feeling that a ceramics studio may be a missing piece at Fort Worden. Many felt that ceramic arts could complement the existing shared studio spaces at PT School of Woodworking, PT School of the Arts, Centrum, and Corvidae Press. Like woodworking and printmaking, ceramics bridges the fine and applied arts, welcomes beginners and experts alike, and can require large/costly equipment that is best shared. A ceramics or other creative studio offering programs to locals and visitors could become an ‘anchor’ for Makers Square.

The other remaining new spaces in Makers Square would be renovated to respond to diverse market demand for affordable workspace. As real estate costs continue to escalate in Port Townsend, space is more and more difficult to come by for artists, nonprofits, and creative entrepreneurs. In Makers Square a blend of different kinds of creative practitioners in residence would begin to foster a new kind of community, as well as draw visitors and create an innovative national destination. Space uses could include artist studios, digital or film workspaces, nonprofit workspaces and classrooms, co-working spaces, or workshops for creative entrepreneurs and ‘makers’ of various kinds. Two multi-use classroom spaces in Building 305 would add to the Fort’s inventory of short-term rental space, while the other spaces would be available for longer-term use. A dedicated artists studio and retail gallery would become focal points for the new neighborhood.
What is Makers Square?

- **Makers Square** is a vibrant new neighborhood at Fort Worden where makers of all kinds come together to **create, collaborate, and learn**.
- We offer nonprofits, entrepreneurs, and artists space to **produce and expand programming, grow creative businesses, celebrate innovation, and draw inspiration** from Fort Worden’s historic setting.
- Our goal is to launch a **year-round community of makers** that adds to the vibrancy of Fort Worden’s existing programming, creates an **intriguing destination** for locals and visitors, and supports the Fort’s mission of **lifelong learning**.

Business & Management Plan

Using input on programs and accommodations, day-to-day operations, and site economics gathered from a number of comparative sites, as well as data from Fort Worden’s current operations, the team developed an operational and economic framework for Makers Square. Makers Square is a new venture being added on to the complex existing operations of the Fort Worden PDA. In addition, the Fort Worden Foundation has been formed as a fundraising entity for the capital project (and beyond), and Makers Square has the potential to engage existing and new partner organizations in programming the neighborhood. At Makers Square, the PDA’s role would be to **sustain** the place itself and provide key amenities and services - to provide a healthy environment where lifelong learning can flourish. The Foundation would seek to **enhance** Makers Square and its activities, investing in innovation, program collaborations, and other opportunities. The Makers Square tenants/partners/users would provide the bulk of Makers Square activity and programming, with the objective of **activating** the site to serve Fort Worden’s lifelong learning mission as well as their own missions and objectives.

Activity at Makers Square would include short and long-term space rentals, partner and tenant programs and activities, outside events and special functions, and a series of Makers Square-specific events intended to support the objectives of vibrancy, excellence, identity, and community. Makers Square would be managed by a blended team of PDA and Foundation staff.

Based on economic assumptions, activity forecasts, and management structures, revenues and expenses were projected for a stable operating year. Ramp-up forecasts were developed for years 1 and 2, stabilizing in years 3-5.

**Key results include:**
- The Makers Square line of business is projected to be approximately break-even once operations are stable, including a substantial expense contingency and contributions to capital reserves.
- Reliance on contributed income is very low in this model, with earned revenues comprising almost 94% of total revenues.
- Makers Square has the potential to substantially increase earned lodging and food and beverage revenue at Fort Worden.
- Administration and staffing drive the expense side.
- Operations are likely to result in a deficit during years 1 and 2, requiring about $300k in ‘startup capital.’

**Stable Year Summary** (year 3)

**Revenue Summary**

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<td>Rental Revenue</td>
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<tr>
<td>Event Revenue</td>
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<tr>
<td>Food &amp; Bev Revenue</td>
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<tr>
<td>Lodging Revenue</td>
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<td>Contributed Revenue</td>
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**Expense Summary**

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<tr>
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</tr>
<tr>
<td><strong>total</strong></td>
<td><strong>$369,900</strong></td>
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</tbody>
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**Net Result** | $5,800
Looking Ahead

Next steps for the Makers Square project are focused largely on capital funding. However, Makers Square leadership should consider the following tasks as the project progresses:

1. **Test visiting group & event demand** to identify target markets and key contacts for this major earned revenue driver.

2. **Build connections with makers & their networks** to cultivate interest in Makers Square space rentals

3. **Draft visiting group marketing/sales plan** to generate demand for short-term rentals

4. **Affirm governance structures** to clarify budgeting and reporting for Makers Square staff positions.

Beyond these immediate tasks, FWPDA leadership should also continue to consider the following overarching themes which will influence the health and sustainability of the Makers Square project:

- Transparency of rental rates for exclusive use spaces
- Nurturing current partners while welcoming new relationships
- Cultivating ability to take risk & respond to change
- Institutional growth & capacity-building at Fort Worden Foundation

KO Projects is deeply grateful for the opportunity to help create this plan for an exciting new addition to the Fort Worden campus. We believe Makers Square represents a unique opportunity to create and sustain the kinds of programs, activities, and support for creativity that will bring Fort Worden into the 21st century and beyond.

We look forward to watching the project develop, and to the possibility of visiting a vibrant site with fascinating programs, restored buildings, and active making that’s known as a destination around Puget Sound and beyond.
Introduction

Study Background

In 2017, the Fort Worden Public Development Authority (FWPDA) announced a concept for a new neighborhood on their historic campus: Makers Square. The idea was catalyzed by the planned vacancy of Building 305, which had been used for many years by the Fort Worden State Park for site operations & maintenance. Several other nearby historic buildings - which had been vacant or underutilized - formed an appealing ‘quad’ near the entrance to Fort Worden and adjacent to the successful new bar/bistro Taps at the Guardhouse. This area of campus presents the first substantial opportunity for a high-impact adaptive reuse project since the PDA took over the Fort’s operations in 2013.

The Makers Square project would renovate and reconfigure these buildings for use as flexible classrooms, galleries, studios, and workspaces to make use of these historic assets, respond to demand for flexible space of various kinds, and support FWPDA’s mission of lifelong learning. The neighborhood is envisioned as a 21st-century showcase for creative community building and placemaking, as well as a regional and national destination, building on the Fort’s rich history as a center for creative work of all kinds.

Consulting firm KO Projects was engaged by the PDA to undertake a comprehensive business planning study for Makers Square. The study’s objective was to assist FWPDA leadership in a holistic analysis of the financial and operating realities for the new project. This study presented an opportunity to examine the economic ecosystem of the entire Fort Worden Lifelong Learning Center, blending the business objectives of a sustainable PDA with the long-term health and vitality of present and future partner organizations and users, in the context of the Makers Square project.

Developing a credible, sustainable operating approach for Makers Square will build confidence among board and funders in the project’s success and the PDA’s role in programming and operations, and can establish a framework for planning future campus improvements. This report summarizes the business planning study’s findings, including goals, financial projections, and key next steps for bringing Makers Square from concept to reality.
Methodology

The study’s work was divided into three phases:

1. Defining the Purpose

To begin from an informed position and avoid duplication of prior work, the consulting team began by reviewing relevant background documentation provided by FWPDA. These materials included:

- FWPDA strategic plan, marketing plan, capital improvement plan and other campus-wide documents
- 2015 Master Plan & related materials
- State-wide Community Vitality Index reports
- Olympic Peninsula tourism studies
- Architectural plans and concepts for Makers Square buildings and grounds
- Makers Square grant proposals and case statements
- FWPDA operating financial details
- Washington State Parks, Fort Worden Site & Facilities Use & Development Plan

We then conducted more than 30 individual and group interviews with Makers Square stakeholders to assess demand for space and programs, understand key operating structures and relationships, and solicit feedback on the Makers Square concept and how it could be successful. Interviewees included:

- Representatives of current FWPDA nonprofit partners
- Port Townsend community and nonprofit leaders
- Local artists, artisans, and arts administrators
- Regional arts, culture, and heritage leaders
- FWPDA board leadership
- Washington State Parks representatives

Based on this feedback, and on findings from our background review, we developed a conceptual model of economic and non-economic flows within the FWPDA/partner ecosystem which provided a conceptual baseline for our planning. We also distilled a set of shared objectives for Makers Square, reviewed and ratified by the FWPDA Board, and detailed in the sections that follow.

2. Learning from Others

The study’s second phase looked beyond Port Townsend to gather data and inspiration from relevant projects across the country. After a high-level review of a number of comparative sites ranging in scale from small creative centers to large institutions with decades of program history, the team selected a subset of comparative sites to gather data and identify best practices for the effective operation of multi-use creative workspaces.

We compiled activity and use information, assessed management and governance structures, and examined operating revenues and expenses. Extensive interviews with each site’s executive leadership helped establish operating realities for Makers Square, identify key risks and opportunities, and provide baseline best practices for all aspects of management and operations.

3. Framing a Plan

Building on findings from the first two phases, the team developed a detailed activity profile, management and operating plan, and pro forma financial model for Makers Square. This parametric model allowed detailed scenario analysis and sensitivity testing, and was rigorously reviewed by FWPDA staff and board leadership. Finally, 5-year financial projections were developed, leading up to ‘stable’ operations in or around year 3 post-opening, when operations would be expected to stabilize.
Maker Space

The concept for Makers Square draws upon the recent explosion in the development of Maker Spaces around the world. These spaces were inspired by the success of Make magazine, launched in 2005, which spawned a movement of a diverse range of artists, craftspeople, scientists, engineers, and others who came together to invent and experiment. Maker Faires, which emerged soon after, are community gatherings where creations and innovation are shared with others.

Though the maker movement is best-known for high-tech work with 3D printers, robots, and other digital/tech pursuits, this spirit of innovation, excellence, and community resonates with Fort Worden’s long-standing creative activity. Having begun in university settings (e.g. MIT’s FabLabs), maker spaces are now becoming a new component of community cultural infrastructure. They are appearing in libraries, community centers, and museums, and people are coming to believe in the value of ‘the making experience’ - something Fort Worden’s artists and craftspeople have known for decades.

What is a Maker Space?

• A makerspace is a collaborative work space for making, learning, exploring and sharing.
• These spaces house a variety of equipment - often large or costly gear that would not usually be owned by individuals.
• Creating something out of nothing and exploring your own interests is at the core of a makerspace.
• Makerspaces foster entrepreneurship and are used as incubators and accelerators for startups.1

1 See www.makerspace.org for more background.

“Makerspaces are at once an emerging architectural and institutional typology and a manifestation of the so-called sharing economy.”
- Will Holman. Makerspace: Towards a New Civic Infrastructure. 2015. placesjournal.org

“One significant characteristic of the maker movement, which distinguishes it from previous versions of people simply making things, is the impact of community-building and the collaboration of people working to make things within a single space... ‘A hallmark of the maker movement is its do-it-yourself (or do-it-with-others) mindset that brings together individuals around a range of activities.’”
- https://curiositycommons.wordpress.com/a-brief-history-of-makerspaces/
Understanding Makers Square

Flows of Value

Fort Worden is a complex economic ecosystem. The PDA, nonprofit partners, visitors, and funders all make different economic and non-economic exchanges which result in Fort Worden as we know it today. Some of these can be measured in dollars, others resist quantification and range from social impacts to the intrinsic value of arts and culture.

Economic Value

In order to understand how to think about Makers Square within Fort Worden’s overall economic context, we wanted to model these exchanges. This resulted in an economic system map, below. The primary flows of economic value are:

- As a public entity and the steward of the campus and its buildings, the PDA provides **space and services** to partners, tenants, and user groups, largely in exchange for **rent**.

- These partners, tenants, and users provide **programs** and activities that attract visitors, who (often) pay for these activities with program **fees**, tickets, or other forms of payment.

- Many Fort Worden partners, tenants, and user groups are nonprofit organizations, and so provide various forms of **public value** (education, access to programming, etc.) in exchange for **contributed revenue** from interested donors and funding organizations.

- For many programs and activities, the PDA also provides visitors with **room and board**, in exchange for **lodging and food revenue**, paid directly.

- Finally, the PDA works to maintain Fort Worden and its mission, including the availability and affordability of space, the historic campus buildings, and the vibrancy of a center for lifelong learning, and in exchange accrues **financial support** from individual donors, foundations, and the government.

Together, all these flows of value make up the organism we understand as the Fort Worden Center for Lifelong Learning. Changes to any of these flows impact the overall economic balance, and must be considered holistically. Each entity must understand and assess its impact on these exchanges as it considers its own decisions, evolution, and growth.

![Economic System Map](image-url)
Non-Economic Value
While the economic flows diagramed above are measurable in economic terms, mostly through direct monetary exchange, the Fort Worden ecosystem creates other forms of value that do not have a standard unit of account and cannot be measured in dollars. Although they are difficult (maybe impossible) to quantify, these values are equally if not more important to the strength and longevity of Fort Worden as a whole. Although business planning in general is focused on economics, for Makers Square and indeed any other project at Fort Worden, it is essential to give equal footing to these flows of value:

**Donors and Funders** create
- Support
- Motivation
- Encouragement

**Visitors** create
- Vibrancy
- Participation
- Community

**Partners/Tenants** create
- Knowledge
- Cultural/aesthetic value
- Lifelong learning

**FWPDA** creates
- Sense of place
- Authenticity/History
- Lifelong learning
Success for Makers Square
In conversations with stakeholders, we asked “How will we know if the Makers Square project has been successful?” Responses were remarkably consistent, and coalesced around five shared objectives for the new neighborhood, described below. Understanding these imperatives helped us prioritize activity and space use, test scenarios, and balance economic and non-economic value for Makers Square. These objectives are the conditions for success at Makers Square, and should be continually referenced as planning, implementation, and operations progress.

Vibrancy
Makers Square is seen as a big opportunity to create a place where ‘something is always happening’ at Fort Worden. While many current programs and events are seasonal or episodic, the prospect of having artists and creative businesses reside on-site and interacting with visitors has widespread appeal. Planning exciting events and activities at Makers Square that add to its reputation as a destination was also seen as critical to its success.

- A wide variety of activity happening all the time
- Consistent activity to draw informal visitors
- Activity that creates a ‘buzz’

Excellence
Maintaining and strengthening Fort Worden’s reputation for artistic excellence was cited by many stakeholders as a key factor in the success of new space and programs. Makers Square should be designed to attract the best and brightest from Port Townsend, the region, and across the country.

- Known for artistic/technical excellence, with highest-quality artists and instructors, quality products, and works of art.
- A reputation for attracting top talent
- Builds Fort Worden’s reputation as a place for innovation

Identity
Makers Square’s identity as a special destination within Fort Worden was seen as key to creating vibrancy, attracting excellence, building community and sustaining spaces and programs. Building a brand and a reputation for the neighborhood is an important component of its operations and management, particularly in early years.

- Local, regional, national, international reputation as an hub for artists, artisans, makers, etc.
- A neighborhood with its own identity within the Fort Worden campus.
- A strong brand, supported by programs, communications, etc.

Community
The Makers Square neighborhood provides a perfect setting for developing the Fort Worden community in meaningful ways. Buildings filled with a diversity of uses increases exposure to new ways of thinking, shared facilities can encourage interdisciplinary work, and the activation of indoor and outdoor gathering spaces can help create an authentic sense of being ‘home.’

- A place with a sense of belonging for makers, locals, & visitors.
- Active cooperation between Square management and users.
- Opportunities for interdisciplinary work, joint marketing, program collaboration, spaces for informal gathering, etc.

Sustainability
Fiscal and operational sustainability is a prerequisite for a good business plan, in addition to the obvious prerequisite of environmental sustainability. Many stakeholders underscored the importance of planning Makers Square from a holistic economic viewpoint - one that considers the PDA, tenants, visitors, and donors to create a sustainable whole.

- Activity drives Fort visitation in a variety of forms, with consistent Makers Square activity
- Partner organizations are fiscally healthy
- Earned revenue and rent help sustain Makers Sq.
- High standard of care for buildings & infrastructure over time
Context and Demand

One of the objectives of our initial work was to understand Makers Square’s market context and assess apparent demand potential for different kinds of space and activity in the renovated facilities. The historic warehouse buildings have a great deal of flexibility in how they can be used, and ideas ranging from dividing them up into small artist studios to offering the Makers Square campus to a single tenant had been discussed. Our findings suggest that market demand for space will come from a diverse array of possible tenants and short-term users, and that Makers Square’s ability to be flexible and respond to market opportunity will be critical to its success.

Market context

The primary market area for space users and tenants is Port Townsend and the surrounding area. Port Townsend is a magnet for creative entrepreneurs, artists, and makers of all kinds, and diverse demand for space is apparent in the community and on the northern Olympic Peninsula.

Flexible space appropriate for creative uses - which require light, water, ventilation, rugged finishes, etc. - is in short supply in the area in general, particularly as the cost of commercial and residential real estate continues to skyrocket. Preliminary investigations suggest that market rate for basic commercial space in downtown Port Townsend (not a retail storefront) is at least $1 per square foot per month, which can be out of reach for creative startups, individuals, and small nonprofits.

However, many stakeholders emphasized that demand for new programming - such as classes, workshops, conferences and overnight programs - would need to come from outside the Port Townsend area. They observed that the demand among locals for these kinds of activities has been met by existing programming. Many also expressed enthusiasm about developing new ways to draw visitors, noting that the disdain for tourism which once existed in Port Townsend has subsided in recent years.

Shared equipment/studio space

There was widespread interest among interviewees in shared studio space for equipment-intensive work as backbone of Makers Square. The concept of “maker space” where people come together to use specialized equipment has, in a sense, already been realized at Fort Worden at Corvidae Press and the Port Townsend School of Woodworking and Preservation Trades. Both these partner organizations build their mission and programs around a shared inventory of printmaking and woodworking equipment, respectively.

There is a shared feeling that a ceramics studio may be a desirable addition to the Makers Square activity mix. Like printmaking and woodworking, ceramic arts bridge between fine and applied arts, have relatively low barriers to entry for beginners, and require large, expensive, highly specialized equipment that is difficult for an individual to acquire and maintain (pottery wheels, kilns, etc.).

A new ceramics studio, likely operated by a nonprofit partner organization (existing or new), could serve as an anchor for Makers Square. It could host vibrant programming for locals and visitors and set the bar high for artistic/craft excellence. An outdoor kiln area could become a shared ‘hearth’ for the entire neighborhood, serving as a focal point for building a sense of community.

Blend of spaces and uses desirable

Remaining Makers Square space would benefit from a vibrant mix of creative businesses, co-working spaces, and some areas available for short-term use, in addition to longer-term ‘anchor’ nonprofit partners. Making space available to both for-profit and nonprofit organizations, as well as individuals, was seen as a way to bring new energy to the Fort Worden campus and capitalize on opportunities for interdisciplinary work and inspiration.

The idea of individual artist studios had been discussed during early planning for Makers Square, as a driver for segmenting one or more buildings into multiple small spaces. Our research found limited apparent demand for individual artist studio space, as many Port Townsend working artists work from their homes or already have workspace. However, there may be some individual artists who wish to rent space at Makers Square, and they should be encouraged to participate in neighborhood programming through residency programs, open studio demonstrations, gallery shows, or other means, and welcomed to rent studio space if needed.

Large institutions

Larger institutions from outside the area - such as universities or arts/culture nonprofits - could be cultivated to establish satellite locations at Fort Worden, as Peninsula and Goddard Colleges have done. However, the vibrant mix of activities envisioned for Makers Square suggests that having a single tenant for the entire neighborhood is not desirable. That said, if relationships with these institutions can be cultivated for episodic programming or more modest space needs, they could add to the vibrancy of Makers Square.
What is Makers Square?

Building on these findings, on the developing architectural plans for Makers Square buildings, and on extensive conversations with PDA and Foundation leadership, we developed a Makers Square statement of vision to guide future planning:

*Makers Square is a vibrant new neighborhood at Fort Worden where makers of all kinds come together to create, collaborate, and learn.*

We offer nonprofits, entrepreneurs, and artists space to produce and expand programming, grow creative businesses, celebrate innovation, and draw inspiration from Fort Worden’s historic setting.

Our goal is to launch a year-round community of makers that adds to the vibrancy of Fort Worden’s existing programming, creates an intriguing destination for locals and visitors, and supports the Fort’s mission of lifelong learning.
Learning from Others

Comparative Sites

Armed with an understanding of Makers Square’s context and objectives, the team researched a range of comparative sites across the country. The purpose of this work was to gather real-life data on delivery of programs and accommodations, day-to-day operations and management, and site economics to help inform Makers Square planning.

Based on input from FWPDA leadership and project stakeholders, we identified eight sites focused on providing space and programs for creative work. Some are focused on education and learning, others were formed as communities of practice where people come together to create and be inspired. Some do both and more.

It should be noted that we did not find a ‘peer’ site with comparable operational structure to Makers Square within Fort Worden PDA. Most comparative sites are operated by a nonprofit that also controls core programming, whereas at Fort Worden the programming is provided by partner organizations and user groups, not the PDA. Nevertheless, these comparators provided valuable data about financial results, key challenges and opportunities, and day to day operations of a site where people come together to make.

Data on the eight profiled sites is in the matrix below and on the following page. We selected four sites for more in-depth research, and interviewed their executive and program leadership to learn more. These interviews underscored the importance of affordable, accessible space for makers of all kinds, and the difficulty of maintaining such space while also developing and providing programming. In this sense, many interviewees expressed interest in Makers Square as a new model for segregating these responsibilities and combining many entities together to form a vibrant, sustainable whole.

See Appendices A and B for more information on comparative sites.

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<th>Name</th>
<th>Web</th>
<th>Op. Expense</th>
<th>Acreage</th>
<th>Disciplines</th>
</tr>
</thead>
<tbody>
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<td>Banff Centre, Banff, AB</td>
<td><a href="http://www.banffcentre.ca">www.banffcentre.ca</a></td>
<td>$64m</td>
<td>42</td>
<td>performing arts, leadership, recording, studio arts</td>
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<td>Chautauqua Institution, Chautauqua, NY</td>
<td><a href="http://www.ciweb.org">www.ciweb.org</a></td>
<td>$24.7m</td>
<td>750</td>
<td>lectures, learning, participatory workshops &amp; other activities in summer</td>
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<td>Penland School of Craft, Penland, NC</td>
<td><a href="http://www.penland.org">www.penland.org</a></td>
<td>$5.9m</td>
<td>420</td>
<td>books/paper, ceramics, draw/paint, glass, iron, metals, photo, printmaking/letterpress, textiles, wood</td>
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<td>John C. Campbell Folk School, Brasstown NC</td>
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<td>Haystack Mountain School of Arts &amp; Crafts</td>
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<td></td>
<td>$950k</td>
<td>130</td>
<td>folk arts</td>
</tr>
<tr>
<td>North House Folk School, Grand Marais, MN</td>
<td><a href="http://www.northhouse.org">www.northhouse.org</a></td>
<td>$785k</td>
<td>150</td>
<td>Craft: ceramics, smithing, fiber, metals, graphics,</td>
</tr>
<tr>
<td>Touchstone Center for Craft, Farmington, PA</td>
<td><a href="http://www.touchstonecrafts.org">www.touchstonecrafts.org</a></td>
<td>$630k</td>
<td></td>
<td>woodworking, fiber arts, blacksmith, jewelry, basketry, etc.</td>
</tr>
<tr>
<td>Peters Valley School of Craft, Layton, NJ</td>
<td><a href="http://www.petersvalley.org">www.petersvalley.org</a></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sitka Center for Art and Ecology, Otis, OR</td>
<td><a href="http://www.sitkacenter.org">www.sitkacenter.org</a></td>
<td>$555k</td>
<td>0.66</td>
<td>visual arts, craft, writing</td>
</tr>
</tbody>
</table>
### Comparative Sites Programs & Amenities

<table>
<thead>
<tr>
<th></th>
<th>Lifelong Learning / Making Destinations</th>
<th>Ceramics Destinations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Banff Centre</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Chautauqua Institution</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Penland School of Craft</td>
<td></td>
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<tr>
<td>John C Campbell Folk School</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Haystack Mountain School of Arts and Crafts</td>
<td></td>
<td></td>
</tr>
<tr>
<td>North House Folk School</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Touchstone Center for Craft</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Peters Valley School of Craft</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sitka Center for Art and Ecology</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Archie Bray Foundation for the Ceramic Arts</td>
<td></td>
<td></td>
</tr>
<tr>
<td>La Meridiana Ceramics School</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Medalta</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pottery Northwest</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Watershed Center for the Ceramic Arts</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

#### For Locals

- **Artwalk/studio tour openings**
  - Does not offer
  - Some offerings
  - Core offering

- **Membership-based use**
  - Does not offer
  - Some offerings
  - Core offering

- **Weekly/recurring classes for locals**
  - Does not offer
  - Some offerings
  - Core offering

- **Individual studio rentals**
  - Does not offer
  - Some offerings
  - Core offering

- **Free or discounted events for locals**
  - Does not offer
  - Some offerings
  - Core offering

#### For Visitors

- **Artwalk/studio tour openings**
  - Does not offer
  - Some offerings
  - Core offering

- **Weekend getaway “packages”**
  - Does not offer
  - Some offerings
  - Core offering

- **1 or 2 week-long intensive workshops**
  - Does not offer
  - Some offerings
  - Core offering

- **Symposia (weekend w/workshops/lectures)**
  - Does not offer
  - Some offerings
  - Core offering

- **Master Classes/Workshops (<2w duration)**
  - Does not offer
  - Some offerings
  - Core offering

- **Multi-week certificate courses**
  - Does not offer
  - Some offerings
  - Core offering

- **Internship/Fellowship**
  - Does not offer
  - Some offerings
  - Core offering

- **Residencies**
  - Does not offer
  - Some offerings
  - Core offering

- **Residency Housing**
  - Does not offer
  - Some offerings
  - Core offering

- **High-end**
  - Does not offer
  - Some offerings
  - Core offering

- **Shared bath**
  - Does not offer
  - Some offerings
  - Core offering

- **Dorm style**
  - Does not offer
  - Some offerings
  - Core offering

- **Meals**
  - Does not offer
  - Some offerings
  - Core offering

### Notes
- **does not offer**
- **some offerings**
- **core offering**
Comparative Sites - Key Findings

Research and interviews with comparative site leadership yielded a number of findings that are applicable across all sites. These results directly informed the development of the Makers Square business model:

Programs & Accommodations
- Intensive workshops are the mainstay of each destination’s programming, usually long weekend, 1 or 2-weeks long, focused on out-of-town visitors.
- Marketing is largely by word-of-mouth, with some targeted outreach by artistic/maker genre. Use of social media is increasingly pervasive.
- While all sites seek to draw attendees from outside local area, the majority also have programs to serve local schools, citizens, etc., and maintain a relationship with their local community.
- Scholarships, sometimes endowed, are a key component of driving attendance. Many first-time attendees come on scholarship.
- Dorm-style housing is key to high attendance, though there is increasing demand for singles and doubles, particularly with private baths.
- Foodservice is largely a break-even line of business.

Operations
- Peer sites are largely operated seasonally with substantially reduced operations in winter. The core executive/program staff are typically full-time year-round, with instructors and support staff contracted for the high season.
- Sites with casual visitors have operated successful retail/gallery operations, though the margin is not large. For some sites, a gallery/retail store serves as an orientation point for visitors.
- Buildings and studio spaces are generally rustic, many buildings unheated and/or unfinished. Precious materials are not desirable because the work of making can be messy.
- Many staffing roles are filled by volunteers, work-study positions, fellowships, etc. Sites underscored the importance of engaging stakeholders and supporting a community of practice.
- Genre-specific studios (e.g. ceramics, printmaking, hot glass, etc.) each have a dedicated staff member acting as studio tech/coordinator. These are typically paid positions.

Economics
- Executives all noted that economic success comes from a number of balanced lines of programming. No one element is a ‘profit center,’ i.e. accommodations and housing do not make a substantial ‘profit’ at peer sites to subsidize program delivery - programs ‘carry their own weight.’
- Contributed income from grants fund certain programs but sites’ contributed revenue comes largely by individual donations, cultivated over many years.
- Many sites have substantial operating endowments, often established when they were first opened.
- Endowed scholarships have proved successful fundraising drivers. Donors find the idea of endowing a ‘seat’ in an artistic course an attractive gift opportunity.
- All executives noted the high cost of maintaining buildings and grounds. Several suggested that Fort Worden’s setup of separating responsibility for the physical plant from responsibility for program delivery would be preferred over having both responsibilities under one roof.
- Most sites operate with (almost) break-even annual budgets - typical of arts, culture, and heritage nonprofits.
# Business Plan

## Roles & Responsibilities

Fort Worden is a complex site, and achieving the Makers Square vision will require collaboration among a number of entities. In addition to the PDA and its current and future program partners, tenants, and renters, the Fort Worden Foundation will play a key role in the project's success. The Foundation, still in its early phases of development, will support capital fundraising and will also hold a master lease from the PDA for Building 305. Clearly establishing the roles of the PDA, the Foundation, and Makers Square users early-on will help facilitate smooth project implementation, as well as drive the Foundation's evolution into a robust philanthropic partner.

The PDA's core role will continue to be to **sustain** the campus's physical assets, providing an environment where lifelong learning can flourish. They are the landlord responsible for upkeep of building and grounds, capital projects, and overall management and administration. The PDA will also continue to provide lodging and foodservice amenities to users and visitors. In its early years the PDA was able to be very entrepreneurial and take capital, programming, and management risk. Because the organization is a public entity, as it matures, it will likely be less able to take risk, nimbly capitalize on opportunities, and push the envelope.

The Foundation, as a private nonprofit organization, can take on this entrepreneurial function. In its fundraising capacity it can work to support innovation, enhance Fort Worden amenities, drive new programming and exciting collaborations, and help the Fort Worden ecosystem weather economic and social change.

The diverse users of the spaces within Makers Square - both existing spaces and new ones coming online - would have primary responsibility for program creation, drawing people to campus, and generating the vibrant activity that will make Makers Square a successful destination.

The framework below is intended to serve as a guide for roles and responsibilities as Makers Square moves ahead. There will no doubt be some overlap and gray areas between these roles, and all should maintain an open mind and respond together to achieve the shared vision.

<table>
<thead>
<tr>
<th>FWPDA</th>
<th>FW Foundation</th>
<th>Tenants/Partners/ Users</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>sustain</strong></td>
<td>provide environment for lifelong learning to flourish</td>
<td><strong>enhance</strong></td>
</tr>
<tr>
<td>Responsibilities</td>
<td>Preserve capital assets</td>
<td>Research &amp; development</td>
</tr>
<tr>
<td></td>
<td>Lodging</td>
<td>Identify opportunities</td>
</tr>
<tr>
<td></td>
<td>Foodservice</td>
<td>Enable program innovation &amp; collaboration</td>
</tr>
<tr>
<td></td>
<td>Maintenance</td>
<td>Invest in change</td>
</tr>
<tr>
<td></td>
<td>Administration</td>
<td></td>
</tr>
<tr>
<td>Primary Funding Sources</td>
<td>Public Funding</td>
<td>Individual gifts</td>
</tr>
<tr>
<td></td>
<td>Earned Income</td>
<td>Historic pres. $</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Grants</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Earned income</td>
</tr>
</tbody>
</table>
**Staffing & Management**

At present, it is anticipated that Makers Square will be managed by a blended team of PDA and Foundation staff. The PDA CEO would remain in the lead decision-making and strategy role, with oversight over the entire Fort Worden campus. They would continue to report to both the PDA Board and the Foundation Board.

**Makers Square Coordinator** - 1FTE @ $50-60k/yr

Manage the Makers Square to:
- Serve Fort Worden’s mission of lifelong learning
- Ensure year-round vibrancy
- Maintain financial sustainability
- Promote and market Makers Square facilities & resources to visiting groups, prospective users, and others
- Coordinate use of Makers Square spaces for partner, tenant, rental programs
- Oversee 1-3 Makers Square-wide events annually, e.g. Maker Fairs, creative festivals, etc.
- Coordinate with part time help, gallery manager, partners, etc.

The Makers Square coordinator would work closely with the PDA’s sales and marketing staff to ensure coordination of promotion, amenities packages, and programming.

**Visiting Groups Coordinator** - .25FTE @ $20/hr
- Manage visiting group logistics
- Coordinate & supports visiting groups sales/mktg

**Gallery Management** - negotiated fee
- Manages Gallery 305 in consultation with M2 leadership
- Curates shows, coordinates with artists
- Staffs gallery during peak season in concierge role

**Management Allocation** – % of Exec time
- Oversight, board coordination, fiscal mgt, facilities, etc.
- A % of CEO, CFO, Sales/Mktg, Development, Partner Services Mgr

As the Foundation grows, it would also eventually need development personnel, tentatively labeled **Development Director** in the chart below. This position would have responsibility for all Foundation fundraising activities, not just Makers Square.
**Pro Forma Structure**

The pro forma for Makers Square uses baseline economic assumptions, facilities data, and activity and attendance forecasts to create a parametric financial model describing a stable year of operations. The baseline assumptions inform detailed revenue and expense calculations, resulting in an estimate of the annual net operating result (revenue less expenses).

Because Makers Square is a new ‘line of business’ being added to FWPDA's complex current operations, this model has been designed to describe only new expenses and revenues associated with the development of Makers Square. It does not attempt to describe all the current economic activity that occurs (and will continue to occur) in the Makers Square neighborhood through continuing partner programs.

Because this is an economic model and not an operating budget, it does not attempt to prescribe how Makers Square-related expenses and revenues would be documented within FWPDA and/or Fort Worden Foundation’s chart of accounts. This work would be undertaken in the months leading up to Makers Square opening.

**Economic Assumptions**

Major economic assumptions upon which the model is based include:

1. All values are in 2017 dollars.
2. 38% taxes & benefits load for full-time employees (consistent with FWPDA current rates).
3. Food & Beverage Expense ratio 77% for catering, 90% for all other foodservice.
4. Lodging income tracked as net revenue per person per night for 5 accommodation types, based on current rates.
5. Space rental rates are based on approximately break-even cost for FWPDA to make space available; could be adjusted depending on extent of TI and new program attendance.
6. Model is based on stable operating year – year 3.
7. Years 1, 2, are extrapolated from that base to describe early growth. Years 4 and 5 are assumed to be mostly stable and comparable to year 3 results.

---

1. See Appendix C, Makers Square Pro Forma for detailed list of assumptions.
Facilities Data

The availability of new space within Makers Square is one of the driving factors behind the project. These new spaces are spread across a number of buildings, and the Makers Square neighborhood also includes buildings with existing uses that will remain. The chart below shows the gross area of all the buildings in the Makers Square neighborhood (by building number), and indicates current uses/users in color. Areas in gray are the 'new' Makers Square spaces described in this pro forma.

<table>
<thead>
<tr>
<th>bldg #</th>
<th>proposed use</th>
</tr>
</thead>
<tbody>
<tr>
<td>305</td>
<td>main floor: Gallery and Studio at either end, large classrooms available for rental basement: Spaces available for a variety of creative uses. May be best suited for uses requiring acoustic isolation (e.g. recording, film, digital arts). attic: Space available for individual workstations, co-working, generally quiet activities.</td>
</tr>
<tr>
<td>307</td>
<td>Makers Square 'hearth' - open pavilion/gathering place with kiln(s) and/or pizza oven. 307 is a historic building footprint, not an existing building.</td>
</tr>
<tr>
<td>308</td>
<td>New spaces available for a variety of creative uses. Space can be subdivided as demand dictates, with tenants likely responsible for fitout.</td>
</tr>
<tr>
<td>309</td>
<td>The filling station building is an interesting destination and could be fitted out as a meeting point, a concierge station, a demonstration area, an artist studio, a retail shop, or made into a site-specific sculpture. Options for 309 should be explored as artists and makers are engaged in the Makers Square project.</td>
</tr>
<tr>
<td>324</td>
<td>New spaces available for a variety of creative uses. Space can be subdivided as demand dictates, with tenants likely responsible for fitout.</td>
</tr>
<tr>
<td>304</td>
<td>The PT School of Woodworking and Preservation Trades would continue to occupy half of this building. The other half is anticipated to be used by a culinary institute, currently in development by PDA leadership and not included in this model.</td>
</tr>
<tr>
<td>306</td>
<td>PT School of the Arts is anticipated to remain in 306. The vacant attic space in this building could be fitted out and used as rental space, but would need capital investment that is not currently in the Makers Square project.</td>
</tr>
<tr>
<td>325</td>
<td>The Bandmaster's House is currently one of the only ADA-accessible housing units on campus, and is expected to remain in use for housing for the time being. In the future, this house's proximity to Makers Square makes it a candidate for an artist residency studio, a retail space, or other uses related to the neighborhood vision.</td>
</tr>
<tr>
<td>326</td>
<td>The USO Building is currently a multi-use classroom and event space with a large stage. It can house performances, lectures, meetings, and workshops and is anticipated to remain available for these uses.</td>
</tr>
</tbody>
</table>
Activity Profile

The activity and attendance forecasts for Makers Square were developed in collaboration with FWPDA leadership. They outline the kinds of events and programs that might take place at Makers Square, their duration, frequency, and expected attendance. These values inform staffing needs, food & beverage and lodging revenue, and event-related revenues and expenses. For each category, the number of locals vs number of visitors has been estimated, because locals and visitors have different impacts on foodservice and lodging revenues.

The following categories are described on page 6 of the pro forma:

General Operations: an allocation for marginal increases in people visiting Fort Worden because of the new draw of Makers Square. These visitors might purchase food and drink, or stay the night, yielding new revenue. This model anticipates between 20 and 60 new people visiting per week (1,920 per year), fairly conservative given the current 1.25 million annual visitors to campus.

Studio and Gallery Activity: The north and south ends of building 305 have been designated as an artist studio and gallery space, respectively. The Gallery would serve as a welcome/orientation point to Makers Square, and would be managed by a partner organization or contractor. The model forecasts several gallery shows 1-2 months long, as well as a handful of one-day event rentals. The Studio would be used most of the year for artist residencies, with periodic uses for other events, workshops, etc.

Bldg 305 Classroom Rentals: The large classrooms in Building 305 are among the most important economic spaces in the new neighborhood. Existing rental spaces at Fort Worden are in great demand by visiting groups, who also bring in ancillary revenue through their use of FWPDA's lodging and foodservice amenities. This model projects substantial visiting group use of these spaces, giving rise to associated ancillary revenue forecasts. Allowances have also been made for local organizations, partners, and other groups to use these spaces throughout the year.

Special Events: Special events are a key component of realizing vibrancy at Makers Square and cementing its identity as an important creative destination. The activity profile suggests 3 weekend-long events celebrating Makers Square itself - these could range from Maker Fairs to interdisciplinary arts festivals to a public raku firing weekend. The model also allows for 11 other day-long or multi-day events where an organization hosts an event within Makers Square. These could include a local culinary festival, a day-long outdoor workshop, or a robotics gathering.

New Partner Programs: This category of the pro forma is intended as a placeholder for a possible new ceramics studio or other shared-equipment program space. Allowances for master classes, workshops, and longer courses are based on findings from comparative site research. These forecasts would be updated when a possible operator has been identified.
Pro Forma Summary

Based on these inputs, including economic assumptions, activity forecasts, and management structures, revenues and expenses were projected for a stable operating year. Ramp-up forecasts were developed for years 1 and 2, stabilizing in years 3, 4, and 5.

Key results include:

- The Makers Square line of business, as a whole, is projected to be approximately break-even once operations are stable by year 3, even after accounting for a substantial expense contingency and contribution to a capital reserve fund.
- Reliance on contributed income is very low in this model, with earned revenues comprising almost 94% of total revenues.
- Makers Square has the potential to substantially increase earned lodging and food and beverage revenue at Fort Worden.
- Administration (including marketing) and staffing drive the expense side.
- Operations are likely to result in a deficit during years 1 and 2, requiring an allocation of about $300k in 'startup capital.'

Stable Year Summary (year 3)

Revenue Summary

<table>
<thead>
<tr>
<th>Revenue Category</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rental Revenue</td>
<td>$89,900</td>
</tr>
<tr>
<td>Event Revenue</td>
<td>$11,300</td>
</tr>
<tr>
<td>Food &amp; Bev Revenue</td>
<td>$60,700</td>
</tr>
<tr>
<td>Lodging Revenue</td>
<td>$190,300</td>
</tr>
<tr>
<td>Contributed Revenue</td>
<td>$23,500</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$375,700</strong></td>
</tr>
</tbody>
</table>

Expense Summary

<table>
<thead>
<tr>
<th>Expense Category</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Admin. Expense</td>
<td>$226,500</td>
</tr>
<tr>
<td>Event Expense</td>
<td>$9,700</td>
</tr>
<tr>
<td>Occupancy Expense</td>
<td>$73,200</td>
</tr>
<tr>
<td>Facility Reserve</td>
<td>$26,500</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td><strong>$335,900</strong></td>
</tr>
<tr>
<td>Expense Contingency</td>
<td>$34,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$369,900</strong></td>
</tr>
</tbody>
</table>

Net Result: $5,800
Multi-Year Projections

Projections for years 1-5 were prepared to outline the early stages of Makers Square operations. They were developed using the parametric financial model and assumptions about ramping-up of Makers Square occupancy, activity, and visitorship. These changes in activity yield changes in attendance-related revenues and expenses in the model. Other costs, such as management and occupancy costs, were estimated based on expected level of effort and the percent of space expected to be occupied in a given year.

These results suggest that, as expected, this new line of business will require ‘start-up capital’ in its first few years, but then is expected to at least break even going forward. This start-up capital - in the amount of about $300k - should be added to capital campaign costs so that it is available for use when Makers Square opens.

Multi Year Pro Forma Summary

<table>
<thead>
<tr>
<th></th>
<th>Year 1</th>
<th>Year 2</th>
<th>Year 3</th>
<th>Year 4</th>
<th>Year 5</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenues</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rental Revenue</td>
<td>$22,475</td>
<td>$44,950</td>
<td>$89,900</td>
<td>$89,900</td>
<td>$89,900</td>
</tr>
<tr>
<td>Event Revenue</td>
<td>$2,050</td>
<td>$7,050</td>
<td>$11,300</td>
<td>$11,300</td>
<td>$11,300</td>
</tr>
<tr>
<td>Food &amp; Bev Revenue</td>
<td>$22,031</td>
<td>$44,633</td>
<td>$60,700</td>
<td>$60,700</td>
<td>$60,700</td>
</tr>
<tr>
<td>Lodging Revenue</td>
<td>$43,357</td>
<td>$86,050</td>
<td>$190,300</td>
<td>$190,300</td>
<td>$190,300</td>
</tr>
<tr>
<td>Contributed Revenue</td>
<td>$10,000</td>
<td>$16,250</td>
<td>$23,500</td>
<td>$25,700</td>
<td>$28,500</td>
</tr>
<tr>
<td><strong>Total Revenues</strong></td>
<td><strong>$99,913</strong></td>
<td><strong>$198,932</strong></td>
<td><strong>$375,700</strong></td>
<td><strong>$377,900</strong></td>
<td><strong>$380,700</strong></td>
</tr>
</tbody>
</table>

| **Expenses**     |            |            |            |            |            |
| Admin. Expense   | $179,220   | $216,500   | $226,500   | $226,500   | $226,500   |
| Event Expense    | $3,233     | $6,667     | $9,700     | $9,700     | $9,700     |
| Occupancy Expense| $33,075    | $46,450    | $73,200    | $73,200    | $73,200    |
| Facility Reserve | $26,500    | $26,500    | $26,500    | $26,500    | $26,500    |
| **Expense Contingency** | $24,000  | $30,000    | $34,000    | $34,000    | $34,000    |
| **Total Expenses** | **$266,028** | **$326,117** | **$369,900** | **$369,900** | **$369,900** |

| **Net Result**   | $(166,115) | $(127,184) | $5,800     | $8,000     | $10,800    |
Revenue

The revenue categories modeled in the pro forma are described in the sections that follow. Each category has its own matrix in the pro forma document where calculations are shown. Note that these forecasts are based on assumptions, current plans, and data gathered from comparative sites.

The biggest single revenue source in this model is net revenue from lodging, described below. The majority of this income is associated with the large number of anticipated visiting groups using new spaces in building 305. This is driven by the high attendance for this activity as well as a high capture rate. If substantial changes are anticipated in visiting group accommodations, these revenue projections should be re-examined. As the Makers Square project progresses, factors influencing these revenue streams should be noted, and revenue forecasts updated periodically.

Rental Revenue (p.8 of Appendix C)

Rental revenue is divided into two categories: spaces available on a short-term (hourly/daily) basis and managed by Makers Square staff, and space that are leased to a tenant individual or organization for long-term use. Rental rates for Makers Square managed spaces have been set on the basis of current rental rates for other similar rooms on the Fort Worden campus. Rental rates for leased spaces are based on an estimate of the approximate cost of making the space available to renters. These costs include maintenance, management, building insurance, and a portion of building reserve funding. Cleaning and some utility costs would pass through to tenants. At between $0.25 and $0.85 per square foot per month, these new spaces are below-market rate in order to attract the kind of users that will support Makers Square’s objectives.

Event Revenue (p.9)

Event revenue is comprised of minimal admission revenues for selected Makers Square events, and event fees paid to Makers Square for use of the grounds by others.

Food & Beverage Revenue (p.10)

Net revenue from food and beverage sales is calculated using the activity and attendance forecasts discussed earlier. For each category of both locals and visitors, a capture rate has been estimated - the percent of total attendees who are likely to buy something. An average sale value has also been estimated, based on current PDA estimates. Gross revenue is discounted by 90% to account for the cost of labor and goods.

Catered events, which have a much lower expense load, have been estimated using an allocation of $12,000 gross revenue per event (based on PDA estimates), and a 77% expense load. These net revenues are significant and should be updated as plans develop.

Lodging Revenue (p.11)

Because new attendance is estimated in ‘attendee-days,’ lodging use must be counted in ‘head-nights’ which is slightly different from room-nights typically used in the hospitality industry. PDA staff calculated the approximate net revenue per person per night for five different lodging types on the Fort Worden campus, using both the standard ‘rack’ rates, and the discounted rates offered to partner organizations.

<table>
<thead>
<tr>
<th>Net rev/head/night</th>
<th>rack rate</th>
<th>partner rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>NCO Row</td>
<td>$26</td>
<td>$20</td>
</tr>
<tr>
<td>Officers’ Row</td>
<td>$45</td>
<td>$35</td>
</tr>
<tr>
<td>Cottages</td>
<td>$57</td>
<td>$50</td>
</tr>
<tr>
<td>Dorms</td>
<td>$10</td>
<td>$10</td>
</tr>
<tr>
<td>Reunion House</td>
<td>$42</td>
<td>$20</td>
</tr>
</tbody>
</table>

For lodging, only visitors are counted, and again a capture rate is used for each category of attendance. Note that lodging revenue from visiting groups is projected to make up more than 70% of total net lodging revenue, a substantial portion of Makers Square earned revenue.

Contributed Revenue (p.12)

Contributions to Makers Square operations are projected conservatively in this model. It is anticipated that grants and program-related-investments could support mission-driven Makers Square events or other programs. As the Fort Worden Foundation matures and as its fundraising capacity grows, they can invest in change, innovation, and excellence at Makers Square.
Expense

The expense side is driven by staffing and other administrative costs associated with managing an active new neighborhood with a diversity of tenants, events, visitors, and stakeholders. Event expenses, the costs of building occupancy, and contributions to a facility reserve fund make up the remaining costs. This model also carries a 10% expense contingency which accounts for uncertainties in the whole model.

On the whole, expenses have been estimated conservatively, and estimates should be refined during the first years of operations to reflect operating realities.

Administrative Expenses (p.13)

Administrative expenses include direct staffing (including taxes and benefits), marketing, and general administrative overhead, as well as an allocation for portion of existing PDA staff who will spend time on Makers Square in a given year.

Makers Square staff are, as described in Roles and Responsibilities above, limited to a full-time Makers Square Coordinator and a part-time Visiting Groups Coordinator to assist with the large numbers of visiting groups projected.

An allowance for marketing expenses has been set at over 10% of total operating expenses. This is a rule of thumb and should be refined as a marketing plan for Makers Square is developed.

Administrative overhead includes an allowance for a fee to be paid to a visual arts organization for gallery management, as well as supplies, contracts, IT, and other costs associated with new staff and operations.

The management allocation is intended to help describe the real cost to FWPDA of bringing the Makers Square project online. A new line of business will take up bandwidth for current executive staff and will add to the responsibilities for the sales department and the Partner Services Manager. The Foundation’s Grants Manager is also anticipated to spend some of their time on Makers Square. While these are not necessarily new costs, they do attempt to quantify the administrative impact of the Makers Square project.

Event Expenses (p.14)

Expenses associated with Makers Square-produced events include supplies, additional advertising costs, and support staff. For events produced by others, Makers Square would provide some level of support staff for setup and tear down, which is offset by the fees paid to Makers Square by the event host.

Occupancy Expenses (p.15)

The costs of building occupancy include cleaning, utilities, and repair and maintenance. These are estimated on a per-square-foot basis, using data from existing campus buildings. Cleaning and certain utility costs are pass-through costs for those buildings occupied by longer-term tenants and are excluded from this model. More general costs including roads and grounds upkeep, contracts such as fire and security systems, and general liability insurance have been estimated by PDA staff and applied pro rata to each building based on area.

Facility Reserve Contributions (p.16)

A facility reserve fund is a critical part of building ownership, particularly when capital assets are not subject to market-value appreciation, as most cultural facilities are not because they cannot be sold. However, it has not been common practice in the nonprofit cultural sector to create sinking funds to support the long-term costs of ownership. This is typically because the annual contributions required to fund straight-line depreciation of costly structures is too much for small annual operating budgets to bear, or because nonprofit managers feel they must allocate available funds to other nearer-term priorities with more visible impacts.

At Fort Worden, the PDA is well positioned to model best-practices, realizing its role to sustain the campus and its buildings. Typical public-sector practice (for libraries, police stations, etc.) is to contribute 1.5% of the building’s initial value per year to an interest-bearing sinking fund. This results in approximately the whole value of the building being available in 30 years time. However, this ties up valuable capital and also assumes that a given building will have no residual value at the end of 30 years.

Instead, we recommend a facility reserve model targeted at having 20% of the current building value available after 30 years have passed. This would provide funding for systems replacement (HVAC, roof, etc.), and if major repairs or alterations were needed, would provide seed money for a capital campaign. This pro forma uses valuations for each building provided by FWPDA and targets a future value facility reserve fund of $2.5m (in year 30). This results in a manageable contribution of $26.5k per year, which can be funded from earned revenues.
Looking Ahead

Near Term Next Steps
The progress of the Makers Square capital improvements is presently awaiting authorization of State capital funding as well as several grant requests. It is anticipated that these funding sources will be confirmed and the project will go ahead in the coming months.

In the meantime, there are a number of tasks that can be completed on the management and strategy side that will help prepare the Makers Square project for success:

1. Test visiting group & event demand
Because visiting groups and events drive earned lodging and food & beverage revenue, more in-depth demand testing for this activity is recommended. Identifying target groups and target markets, and initiating informal focus groups with these constituents could yield valuable data to affirm projections.

Piloting small events that combine a diversity of Fort Worden programming with the intention of drawing both locals and visitors would be a good way to validate assumptions about event revenue and expense.

2. Build connections with makers & their networks
In preparation for the issuance of RFPs for Makers Square tenants and partnerships, FWPDA leadership should continue to identify regional and national networks to get the word out about availability of space and the objectives of Makers Square. Just as important are continuing to foster and strengthen local connections with makers, artists, inventors, and creative organizations.

3. Draft visiting group marketing/sales plan
Now that FWPDA has engaged a new marketing and sales lead, a preliminary group sales marketing plan should be prepared. Connections to national groups (e.g. Road Scholar) could be drawn upon for suggestions and strategies.

4. Affirm governance structures
While the general roles and responsibilities of the PDA and Foundation are becoming clearer, the specifics of hiring, management, coordination, and reporting are still in development. As the Foundation matures, the recommendations in this report with regard to personnel hiring for Makers Square, and the flow of operational funding between the two entities should be confirmed. An agreed budget structure, based on this pro forma model, should be developed and approved prior to opening.
Keep in View Items

Beyond these immediate tasks, FWPDA leadership should also continue to consider the following overarching themes. Each of these issues will have an impact on the success of the Makers Square idea, and likely on future joint initiatives of the PDA and the Foundation.

Transparency of rental rates for exclusive use spaces

Rental rates for exclusive-use space at Fort Worden have been the subject of much discussion among partners and at the PDA leadership level. Many current agreements are based on long joint histories, and some newer agreements have been established to capitalize on available opportunity.

The Makers Square model seeks to set rental rates at approximately the cost of making space available (including direct overhead expenses), leaving ancillary revenue like lodging and foodservice to yield net surpluses and support mission-driven initiatives. Future work on campus rental policies should consider the benefits of increasing residential programming while also fostering new relationships and partnerships within the Fort Worden community.

Nurturing current partners while welcoming new relationships

The Makers Square concept welcomes new programs and users to Fort Worden with the objective of adding to the existing vibrancy, excellence, and community created by the PDA and current partner organizations. In the search for exciting new partners, strategies should be established to welcome them into the current Fort Worden community, as well as ensure that the needs and aspirations of current partners/tenants/users are considered in parallel. The organizational capacity and space security of all tenants - current and future - will be critical to sustaining a healthy Makers Square neighborhood.

Cultivating ability to take risk & respond to change

A healthy cultural organization (or a portion thereof - as Makers Square is a portion of the Foundation/PDA partnership) must take pains to cultivate and protect its ability to innovate. Too often, break-even budgets and a hand-to-mouth existence constrain risk-taking and prevent organizations from responding to market and social change. Makers Square - as well as the PDA and the Foundation - must bear this in mind as the project moves ahead.

Institutional growth & capacity-building at Fort Worden Foundation

Makers Square is a significant project, and it will be the first large-scale undertaking of the Fort Worden Foundation. The Fort Worden Foundation is newly-formed and still establishing its identity as distinct from - though in partnership with - the PDA. The Foundation has the opportunity to adopt a kind of ‘startup culture’ where experimentation, risk taking, and sometimes failure, pave the way for exciting institutional growth and accomplishments.