



**Executive Committee Meeting  
Fort Worden Public Development Authority  
Tuesday, September 17, 2019 | 9 a.m. to 11 a.m.  
Seminar Building (297), Fort Worden**

**Public Meeting Agenda:**

- I. Call to Order
- II. Review of draft September 25, 2019 Board Meeting Agenda
- III. Review of Cash Flow Report
- IV. Review and Approval of:
  - August 20, 2019 Executive Committee Minutes
- V. Staff Update and Board Discussion
  - Current Construction Projects & Major Repairs
  - Leasing Update
  - Special Events
- VI. Makers Square Planning Framework
- VII. Public Comment
- VIII. Adjourn
- IX. Executive Session to review personnel matters and lease terms and conditions in accordance with RCW 42.30.140 (4) and RCW 42.30.110 (c), respectively.



**DRAFT AGENDA**  
**Board of Directors Meeting**  
**Fort Worden Public Development Authority (FWPDA)**  
**Wednesday, September 25, 2019 | 9:00 a.m. – 12:00 p.m.**  
**Commons B, Fort Worden**

**Regular Board Meeting**

- I. Call to Order
- II. Roll Call & Staff Introductions
- III. Partner Presentation: Newport Academy at Gray Wolf Ranch
- IV. Changes to the Agenda
- V. Public Comment
- VI. Correspondence
  - A. Partners Report
  - B. Aug. 20, 2019 Executive Committee Minutes
  - C. Cash Flow Report
  - D. David Thielk Letter re: Tourism and Carbon Footprint in Jefferson County
  - E. Fred Obee Email and Dave Robison Response re: Removal of Recycling Bins
  - F. State Parks Letter re: Meditation Center Lease Request
  - G. Lease Correspondence
  - H. August & September Employee of the Month
  - I. August & September Employee Newsletter
- VII. Consent Agenda
  - A. Review and Approval of Regular Board Meeting Minutes, July 24, 2019  
**Action:** Motion to approve July 24, 2019 Board Meeting Minutes
- VIII. Review and Discussion of Financials
  - A. Staff Report
  - B. Board Discussion
- IX. Kitsap Bank Construction Bridge Financing
  - A. Staff Report
  - B. Board Discussion  
**Action:** Motion to approve Resolution 19-13....
- X. Review and Approval of Contract with Thyssen Krupp Load Test Proposal
  - A. Staff Report
  - B. Board Discussion  
**Action:**

XI. Review and Approval of Bids and Contract for Glamping Platforms

- A. Staff Report
- B. Board Discussion

**Action:**

XII. Review and Approval of Bids and Contract for the Glamping Building 288

- A. Staff Report
- B. Board Discussion

**Action:**

XIII. Staff Report

- A. Special Events
- B. Current Construction Projects & Major Repairs
- C. Makers Square RFP Framework
- D. Marketing and Sales Report
- E. Leasing Update

XIV. Public Comment

XV. Next Meetings

- A. Executive Committee Meeting: October 15, 2019, 9 a.m.
- B. Board of Directors Meeting: October 23, 2019, 9 a.m.

XVI. Executive Session to review personnel matters and lease terms and conditions in accordance with RCW 42.30.140 (4) and RCW 42.30.110 (c), respectively.

XVII. Adjourn

9/17/2019

<b>Monthly Cash Flow Projection</b>					
<b>Hospitality Services</b>					
	Projected				
	Aug	Sept	Oct	Nov	<b>TOTAL</b>
<b>1. CASH ON HAND</b>	280,427	395,581	198,581	226,581	
<b>2. CASH RECEIPTS</b>					
Lodging & Services	1,178,232	560,000	580,000	500,000	2,818,232
(Main Account (Payment- Owed)	0	0	0	0	-
Leases	8,723	8,000	8,000	8,000	32,723
From Advance Deposits	0	0	0	0	-
Loan or Other Cash Injection	0	0	0	0	-
Grants	25,000				25,000
<b>3. TOTAL CASH RECEIPTS</b>	1,211,955	568,000	588,000	508,000	2,875,955
<b>4. TOTAL CASH AVAILABLE</b>	1,492,382	963,581	786,581	734,581	3,977,125
<b>5. CASH PAID OUT</b>					
Personnel and Payroll Expenses	580,000	350,000	320,000	310,000	1,560,000
General Operating	366,801	265,000	240,000	200,000	1,071,801
Furniture-Fixtures-Vehicles					-
Leasehold Improvements					-
Fund/Account Repayment	150,000	150,000			300,000
Subtotal	1,096,801	765,000	560,000	510,000	2,931,801
Loan Principal Payment					
<b>6. TOTAL CASH PAID OUT</b>	1,096,801	765,000	560,000	510,000	2,931,801
<b>7. CASH POSITION</b>	395,581	198,581	226,581	224,581	
Difference from previous report	100,154	50,154	80,154		

**Previous Month Report**

<b>Monthly Cash Flow Projection</b>					
<b>Hospitality Services</b>					
		Projected			
	July	Aug	Sept	Oct	<b>TOTAL</b>
<b>1. CASH ON HAND</b>	187,427	280,427	295,427	148,427	
<b>2. CASH RECEIPTS</b>					
Lodging & Services	980,000	1,000,000	600,000	550,000	3,130,000
(Main Account (Payment- Owed)	0	0	0	0	0
Leases	8,000	8,000	8,000	8,000	32,000
From Advance Deposits	0	0	0	0	0
Loan or Other Cash Injection	0	0	0	0	0
Grants	5,000	25,000			30,000
<b>3. TOTAL CASH RECEIPTS</b>	993,000	1,033,000	608,000	558,000	3,192,000
<b>4. TOTAL CASH AVAILABLE</b>	1,180,427	1,313,427	903,427	706,427	4,103,708
<b>5. CASH PAID OUT</b>					
Personnel and Payroll Expenses	400,000	478,000	340,000	310,000	1,528,000
General Operating	400,000	390,000	265,000	250,000	1,305,000
Furniture-Fixtures-Vehicles					0
Leasehold Improvements					
Fund/Account Repayment	100,000	150,000	150,000		400,000
Subtotal	900,000	1,018,000	755,000	560,000	3,233,000
Loan Principal Payment					
<b>6. TOTAL CASH PAID OUT</b>	900,000	1,018,000	755,000	560,000	3,233,000
<b>7. CASH POSITION</b>	280,427	295,427	148,427	146,427	



*Fort Worden*

— PORT TOWNSEND —  
A HISTORIC GATHERING PLACE

**DRAFT Minutes**  
**Executive Committee Meeting**  
**Fort Worden Public Development Authority (FWPDA)**  
**Tuesday, August 20, 2019 | 9 a.m. to 11 a.m.**  
**Commons Building 210, Room B, Fort Worden**

*All Executive Committee minutes are draft until approved by the Committee*

- ❖ Motion to approve the July 16, 2019 Executive Committee Minutes. **Unanimously Approved**

**Regular Executive Committee Meeting:**

**I. Call to Order:** 9:00 a.m.

**II. Roll Call**

Executive Committee Members: Norm Tonina, Gee Heckscher, Jane Kilburn, Jeff Jackson

Immediate Past President: Cindy Finnie (by phone)

Other Board Members: Terry Umbreit, Herb Cook

Staff: Dave Robison, Rufina Garay, Diane Moody, Joan Rutkowski, Maryna Frederiksen, David Opp-Beckman, Lane DeCamp

Public: David Goldman, Carla Main

**III. Changes to the Agenda**

The staff update on major construction projects was moved to an earlier time in the agenda.

An update on the Makers Square Operations Plan was added.

Discussion about succession planning was added.

An executive session was not needed for this meeting.

**IV. Correspondence**

Executive Director Dave Robison referred the committee to articles and correspondence in the agenda packet (see executive committee packet on website). The packet includes correspondence between Robison and Port Townsend resident Jay Neville. Neville, who lives near Fort Worden, has concerns about traffic increases, the existence of free parking on the PDA campus, and vehicle emissions. Robison noted that the PDA is working with the City on improvements to the flow of traffic to Fort Worden, and some of Neville's concerns are germane to the City but out of the scope of the PDA.

The PDA also received a letter from some of its programming partners regarding the PDA's long-term lease approach. The partner group does not agree with the PDA's draft approach to long-term leases and seeks an improved and comprehensive long-term lease structure for their consideration. Robison said he understands concerns about the appraisals the PDA received for campus buildings and the frustration with the slow process; he said some of their concerns can likely be addressed through better information-sharing going forward. The draft approach includes incentives for capital investments, earn-backs, and a gradual move to market-rate leases. PDA leadership is working to schedule a time to meet with concerned partners.

**V. Review of June Cash Flow Report**

Chief Financial Officer Diane Moody reviewed the Cash Flow report (see packet on website). She said that July was a strong month, which led to a higher cash flow position than projected. Another difference she noted was the projection of both increased revenue and increased expenses from the upcoming THING event.

**VI. Major Construction Project Update**

Capital Projects Director David Opp-Beckman provided an overview of major construction projects. He said that hydroseeding following the completion of sewer and electrical work is being scheduled for fall. Other projects include undergrounding the JFK building's electrical system and the fire systems in JFK, 272 and 277. Beckman also noted that the completion of the glamping project may be delayed by a month or so due to the discovery of collapsed sewer lines. Washington State Parks will pick up a portion of the sewer repair, he said.

**VII. Review and Approval of July 16, 2019 Executive Committee Minutes**

**Action:** Motion to approve the July 16, 2019 Executive Committee Minutes. **Unanimously Approved**

**VIII. Updated Amendments to Washington State's Heritage Capital Program and the Building for the Arts Grant Agreements**

Robison and Moody described the adjusted amendments to the grant agreements for the renovation of buildings 308 and 324 in Makers Square. Reasons for the adjustments include needs to simplify the scope of work, streamline the reimbursement process, and reflect funding received by other grants and the legislature. Moody said a notable change involves adjusting what needs to be raised given the addition of expected historic tax credits. With the Executive Committee's approval, staff will submit the amendments for approval.

**Action:** Motion to approve updated 2017-2019 Grant Agreements with Washington State's Heritage Capital Program and the Building for the Arts. Motion includes authorizing the Vice Chair's review and approval of any non-substantive updates to grant amendment package. **Unanimously Approved**

**IX. Staff Update & Board Discussion**

● **KPTZ Lease**

Chief Strategy Officer Rufina Garay shared that discussions with KPTZ regarding their lease are still in process. Robison noted that the PDA's historic tax credit consultant said capital improvements KPTZ may make would be eligible for historic tax credits, which may shape the negotiated lease rate.

- **Food and Beverage Presentation**

Food and Beverage Director Maryna Frederiksen presented plans for changing the dinner concept and menu for Reveille. Frederiksen said that for the last several months she has been analyzing Reveille's performance and customer demographics to understand why its dinner business struggles. Breakfast and lunch are doing well, but dinner is slow and usually only two to six parties visit each night. She has seen potential guests walk away after reviewing the menu and prices. Frederiksen has concluded that the French bistro dinner concept and prices do not suit Fort Worden's market, which involves many recreationalists and families with children. She is proposing a more casual and less expensive concept that includes barbecue options and still involves a farm-to-table menu. Frederiksen noted that this concept isn't offered anywhere else in Port Townsend. Special-event winemakers' dinners will continue at Reveille, Frederiksen said. Dinner at Reveille will temporarily end this fall when business is especially slow, she said. During the fall and winter, the PDA's executive chef will test new menu ideas during wine dinner events at Reveille. This plan will give staff time to fully vet new dinner ideas before the new dinner menu and concept are launched in early Spring 2020, Frederiksen said.

Board and staff members expressed support for the change. Chief Strategy Officer Rufina Garay agreed that shifting from fine dining to a more casual, family-friendly restaurant is the right move for this location. Board member Terry Umbreit said he has been working with Frederiksen on her plans and is impressed with her research and analysis.

- **Makers Square Operations Plan**

Robison reported on the process to develop an operations plan for Makers Square. Staff have been examining multiple business models for a range of possible uses and users, including multi-purpose operations, artistic nonprofits, and commercial renters, he said. Robison said one of the models involves using contributed funds to underwrite operations for the first two years. This approach would provide time to test different uses before establishing leases, build regional awareness of Makers Square, develop collaborative programming among existing onsite partners, and attract additional contributed support, he said. Robison said staff will have a draft operations plan ready to review in a joint meeting with the Foundation and the PDA board on October 23rd.

Board Secretary Jane Kilburn recommended including one or two partners in the process for their insights into how they run programs and use spaces at Fort Worden, before the RFP framework is developed. Robison agreed that their involvement is valuable and noted that Foundation staff member Lane DeCamp has already had a few conversations about Makers Square with partners. Before more formally engaging in planning with partners, which will happen soon, Robison said he would like to first have in place an RFP framework along with visible progress on building renovations so that it's easier for partners to envision how the space can be used. Kilburn suggested offering tours of the site, and Robison agreed. Vice Chair Gee Heckscher noted a need to see what it will cost to manage Makers Square in next year's budget, and board member Herb Cook said that the worst outcome would be to arrive at first quarter 2021 with only KPTZ in the building.

- **Succession Planning**

Robison reported that the process to nominate board members for appointment by City Council has begun. Tonina's and Jackson's terms expire this fall. The board currently has



nine seats, and the PDA's charter allows for up to 11 board members. The Nominating Committee per the PDA's charter involves the mayor, Robison, and the board's vice chair and secretary, as well as representatives from the PDA's program partners, State Parks, and the Fort Worden Advisory Council. The committee will interview candidates in October and make a recommendation for City Council's consideration.

Tonina stated that upcoming board work this fall and winter may include revising bylaws and reviewing administrative policies that govern the Executive Director role. Kilburn recommended that the board also consider establishing a succession plan for officer and key staff positions. Tonina said a subcommittee, such as a governance committee, could form and be voted on by the full board to address leadership succession at the PDA.

**X. Public Comment**

Port Townsend resident Carla Main commented on topics the board discussed. She suggested that the PDA share Reveille plans with Fort Worden's neighbors to help build excitement for changes to the dinner menu and concept. She also encouraged capitalizing on evening events and concerts at Fort Worden that could provide dinner guests. As for Makers Square, she suggested that tours also include partners' board members. With lease negotiations, she said it's complicated work that can easily lead to getting stuck in concerns or fears. She encouraged all parties to understand each other's limitations and constraints and to recognize their many common goals and shared desire to better the community.

Port Townsend resident David Goldman said he believes the circle of people who understand the PDA and its story is very small. He encouraged PDA leaders to seek to understand what is true about the partners' position and to engage with them earlier rather than later, especially regarding leases and Makers Square.

**XI. Adjourned: 11:19 a.m.**

## Rufina Garay

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**From:** FWProgramming Partners <fwprogrammingpartners@gmail.com>  
**Sent:** Thursday, August 15, 2019 1:13 PM  
**To:** Norm Tonina; Dave Robison; Rufina Garay  
**Attachments:** PDA Ltr 8\_19.pdf

Dear Members of the PDA Board:

Representatives of the Fort Worden Programming Partners delivered the attached letter concerning long-term leases and the current appraisals to Dave Robison and Rufina Garay today. As our letter is addressed to them, and to you, we wanted to be sure that you received a direct copy, and we explained this desire with Dave and Rufina.

All of us look forward to an immediate constructive and productive process to ascertain how the process of building our campus' identity and cementing cooperative arrangements will develop. As always, starting with shared and fair commitments to one another is the foundation for our future together at Fort Worden. The Partners wish to see long-term lease arrangements for all of us in place this year. We stand ready to work with you and the staff on comprehensive plans to see that this is done.

Thank you all for your commitment to elevating the lifelong learning on our campus and the vital programming that helps define our Park and our community.

- Fort Worden Programming Partners

## MEMORANDUM

TO: Board of Directors and Senior Staff  
Fort Worden Public Development Authority

FROM: Fort Worden Programming Partners

DATE: August 12, 2019

RE: Long-Term Lease Planning

Ladies and Gentlemen:

The materials composing the PDA's concepts to its tenants for what we understand to be the foundation for long-term leases has been reviewed and considered by each of our organizations. Each organization has issues related to its specific mission and operations but much of what has been proposed relates to all of us. Accordingly, we will respond and negotiate as a group (via a small team of representatives) with respect to the common issues and separately as to other matters. Each of our organizations is a dynamic, growing and disciplined operation. Our respective Boards of Directors expect and require proposals made to them to be complete, coherent and realistic. The PDA's current preliminary lease proposal concepts meet none of these standards. We therefore reject the proposed approach and request that the PDA reconsider this matter and promptly resubmit a comprehensive long-term lease structure for our consideration and review.

The PDA's revised proposal needs to address the following issues:

1. **Long Term Leases.** This subject has been under discussion for years without progress. We cannot plan or raise necessary capital without long term leases. What is the PDA proposing? Is there a minimum capital raise required? Do leases evergreen as additional capital is raised? How will this actually work?
2. **The Appraisal.** The appraisal submitted to us is not accepted as the basis for rent calculations. The "comps" selected are not appropriate, various adjustments to the rental rates are not explained and appear arbitrary and the appraisal is completely silent on the fact that substantial capital investments will be required of PDA tenants in order to make our facilities fully functional and compliant with code and the PDA's requirements. The PDA needs to commission a new appraisal *with the tenants having the same participation as the PDA* and which specifically addresses the capital investment obligation imposed on the tenants. If the PDA does not proceed with a new appraisal, the tenants will do it.
3. **Recovery of Capital Investments.** The formula for recovering capital investments appears to limit recovery to a one-time credit of 5% which we assume cannot be intended. However, even assuming the 5% *is* intended to apply over the course of the lease term, that cap makes it impossible, as example, for a tenant with a 15-year lease to recover its investment (5%/year x 15 years = 75%). Further, the value of points

awarded at different investment levels vary irrationally, there seems to be no rationale for the wide ranges in point categories and investment recovery is apparently capped at \$500,000. This does not need to be complicated: Tenant investments in PDA assets must be recovered in full over the lease term.

4. **The Earnback Template Form.** We welcome spreadsheets which reflect and implement coherent concepts. This spreadsheet does not. We cannot agree to an incomprehensible proposal.

As we have stated in the past, negotiating rates at Fort Worden requires that we consider their impacts in total—rental rates, leases, food and beverage costs, lodging fees, utilities, etc. We, and the public, were assured (repeatedly) that, “overnight accommodations will sustain the business model [for the PDA.]” The current preliminary concepts engineered by the staff for long-term lease planning appears to represent a radical departure from this position.

We have referred to ourselves in this letter as tenants rather than PDA Partners because the lease discussions to date and the preliminary proposed concepts the PDA is sharing are not reflective of the healthy partnership we all desire and sincerely hope to reestablish. We look forward to receiving a revised long-term lease concept and to working with the PDA immediately on finalizing long-term leases so necessary and beneficial to us, the PDA and our community.

We are prepared to coordinate a reasonable basis for an appraisal and begin earnest negotiations for long-term lease arrangements for all campus-based programming Partners immediately after Labor Day.

Sincerely,



Robert Primm  
Rene Klein & Aledra Alvarez  
J.M. Brown, Main Science Center

## MEMORANDUM

DATE: August 19, 2019

TO: Fort Worden Programming Partners:  
Mike Rainey, Port Townsend Woodworking School  
Teresa Verraes, Port Townsend School of Arts  
Robert Birman, Centrum  
Renee Klein and Aletia Alvarez, Madrona MindBody Institute  
Janine Boire, Port Townsend Marine Science Center

FROM: Dave Robison, Fort Worden PDA  
Rufina Garay, Fort Worden PDA

RE: Long-Term Lease Planning

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We acknowledge receipt of your August 12, 2019 memo to the PDA Board of Directors and Senior Staff regarding Long-term Lease Planning. When you handed us your memo on Thursday the 15<sup>th</sup> in Reville, we did not discuss the list of issues or details regarding your concerns on the lease approach and process. We wish we would have.

If you drew your conclusions from a summary set of materials posted to our website/public records link (discussed at our July 16 Executive Committee meeting and/or July 24 board packet materials), these materials are a work-in-process and were reviewed in draft form to gather Board member feedback. The materials provided to the Board were for preliminary discussion of our approach to long-term lease negotiations and back-up information that we have developed. We walked through the materials to ensure that Board members understood what the potential implications of the information were.

We also shared the recent appraisals with the partners currently seeking a long-term lease in person, and in some cases, prior to sharing with our full Board. As Rufina shared in the past, the recent appraisal rates came in much higher than we anticipated. Senior staff has begun to explore options on how to address the higher lease rates recommended in the appraisals. We would like to discuss the variety of approaches that staff and board members discussed at recent publicly-held meetings in person with you:

- Changes to the original earnback template to provide greater incentives and greater reductions to lease rates
- Identifying additional credits for “outward bound” contributions to the community (i.e., public benefit)

- Longer staircase of rate adjustments over a longer term (the original plan was a three-year stair step and the most recent proposal is a seven-year to lessen the financial impact)
- Longer capital investment tiers that tie to different lease terms, including options to extend the terms and rent credits to amortize the capital investment by a partner organization
- The ability of partners to solicit a peer review of the appraisals or to engage an independent appraiser to identify market rates for potential leased spaces

At the Board meeting, a discussion of the need to “strike the right balance” took place. As you are aware, we must manage the financial sustainability of the PDA, avoid concerns about public gifting, and lessen the impacts of a real estate market and economy that may be outpacing the growth of our partners. None of this discussion was captured in your memo.

As you know, the Partners did not have a meeting in July due to partners’ summer programming, and after discussion with Teresa, the draft lease approach was determined not to have relevance currently for all of the partners. A draft of the lease process will be provided to partners at the partners meeting for comment this week. The intention has always been to develop a lease approach and process that are transparent, equitable, and understandable. We believe that an in-person discussion can eliminate the current confusion or lack of full information.

As mentioned, McKee Appraisal is the same firm that was commissioned by State Parks for the appraisals of partner-leased buildings in 2010 and 2011. And, as we have stated, there may be the need to proceed with a counter appraisal from a different firm. We are open to the partners engaging one. We understand your concern with the appraisals, particularly in the context of compressed financial concerns regarding increasing rates (whether due to rising minimum wages or other matters) in all aspects of your relationship with the PDA. As a PDA, it is an important part of property management responsibilities to understand the value of the State Parks assets that we are preserving.

We have a common purpose, to promote a thriving lifelong learning center where all of our organizations are successful and work together more fluidly. We are committed to improving our communication with each of you, engaging respectfully, and inviting each of you to the table for deeper discussions of your concerns. In addition, we would like to avoid the distraction that misinformation or lack of information creates from our common purpose.

We will extend an invitation via doodle poll (with dates after Labor Day) to meet with you as a group. We hope to exchange comments directly regarding all issues, including any common issues, outlines, or questions about documents referenced in the memo that are very much in draft discussion form.

We look forward to taking the next steps in addressing this issue with you on this important matter. Let’s find a time to meet to get on the same page with concerns and issues to be addressed.

## MEMORANDUM

DATE: AUGUST 26, 2019

TO: Dave Robison, Fort Worden PDA  
Rufina Garay, Fort Worden PDA

FROM: Fort Worden Programing Partners

RE: Long-Term Lease Negotiation

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Thank you for the updates at the Partners' meeting on August 20. For the sake of clarity and expediency, allow us to respond simply as follows:

1. The Programming Partners at Fort Worden have agreed that Rob and Teresa will coordinate all discussions related to Partner leases on behalf of the Partners. This will allow us to move efficiently, immediately after Labor Day, to schedule formal negotiations with your team to arrive at suitable lease terms that work in everyone's collective interests.
2. The Partners' Negotiation Committee will be Malcolm Harris, Scott Wilson, Jock Patton, Rene Klein/Aletia Alvarez, Robert Birman/Teresa Verraes.
3. Guiding principles are a required first step. Meetings with individual Partners will be deferred until an appropriate level of structure is in place to inform such discussions.
4. Out of respect for your time, and ours, our meetings must be productive. Accordingly, we will expect the proposed meetings to be focused and have the clear objective of generating a specific foundation from which negotiations can proceed. There are three components to such a foundation all of which, the Partners feel, require an advance reply with specificity from the PDA:
  - a. Long Term Leases. It is apparent to Partners who are expected to make capital investments that leases of less than 15-years will not work. We need affirmation that this minimal term is on the table as a starting point, and that these leases will be evergreen. A non-evergreen lease, by definition, will be less than 15-years after Day One.
  - b. The "Process for Consideration" draft is not helpful—it is impractical without context. We understand its motivation. We can review the reasons for this at our meeting – they are too numerous to elucidate here. The Partners most strongly recommend this not be acted upon prior to negotiations.
  - c. A skilled approach to this matter will start with principles, then structure, and end with details. The process should start with Partners and PDA confirming in principle, all subject to an acceptable application, that Partner organizations are "aligned with the PDA's strategy and mission," and that the lease term desired by the Partners is achievable. Together, we need to assess:
    - i. How will earn backs and rent escalations work?

- ii. What is fair market rent? If no comparables exist, how do we plan to arrive at this figure?
- iii. Are capital investments to be recaptured in full by the tenants over their lease term?
- iv. What is the recapture formula?

Proposed deliverables with a lease application cannot be prepared without these and similar matters settled. Getting fixated on a cumbersome process structure is a faulty first-step. We are not adversaries—we are mutual stakeholders. Let's commit to clear, fair and comprehensive terms to support one another.

5. Appraisal/Rent. The Partners have never objected to the principle of paying fair rent after an appropriate ramp-up process and including credits for capital investments. For the reasons stated in the August 12, 2019 Memorandum, the appraisal presented is flawed. Your Memorandum states: "...the recent appraisal rates came in much higher than we anticipated." We agree. However, your proposed solution is to "explore options" rather than to obtain an accurate determination of fair rental rates. All the various credits and earn backs to be negotiated are necessary and appropriate but they should not be distorted into a convoluted mechanism for patching flawed fair rental value determinations. Using the same appraiser that did an analysis almost 10 years ago may make the result easier to explain to Parks but that does not make it accurate. This needs to be done right. How do you propose to do that?

Your reply to our memorandum also states: "At the Board meeting, a discussion of the need to "strike the right balance" took place. As you are aware, we must manage the financial sustainability of the PDA, avoid concerns about public gifting, and lessen the impacts of a real estate market and economy that may be outpacing the growth of our partners. None of this discussion was captured in your memo."

Actually, this was captured in our memo: the "public gifting" issue is resolved with an accurate determination of fair rental rates. The financial situation of the "partners" is resolved with long term leases which enable us to raise capital and make long term plans. We did not cover the "financial sustainability of the PDA" because we assumed that with properly structured and priced leases the PDA will manage its financial affairs properly just as we are expected to manage ours.

Teresa and Rob will coordinate communications with you on long-term leases.

We look forward to hearing your responses to these matters prior to the upcoming negotiation meetings.



## Rufina Garay

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**From:** Rufina Garay  
**Sent:** Thursday, September 5, 2019 5:08 PM  
**To:** 'Teresa Verraes'; 'rob.birman@gmail.com'  
**Cc:** Dave Robison; John Watts; Joan Rutkowski  
**Subject:** RE: FWPP Response to Memo from 8 19 19

Dear Teresa and Rob,

In response to your memorandum dated August 26, 2019, we are in agreement with you that guiding principles would be useful as a first step. To ensure that we have common understanding of the principles that guide our approach to leasing, Gerry Johnson, the attorney who led the negotiations of the Master Lease Agreement on behalf of the PDA and served on the Governor's task force to establish the lifelong learning center at Fort Worden, has agreed to come here to discuss specific considerations that should be addressed in leases on public properties. Gerry represents many cultural organizations and public development authorities in Washington state.

Gerry will be traveling from Seattle and is available as early as the afternoon of September 25. Would you please confirm availability of the Partners' Negotiation Committee to meet that afternoon? We will also be inviting the mayor and Michelle Sandoval.

Regarding the advanced reply request, I'll be coordinating some collective comments and should have full input by tomorrow.

Best regards,

Rufina C. Garay  
Chief Strategy Officer  
Fort Worden  
200 Battery Way, Park Office  
Port Townsend, WA 98368  
360.344.4400 ext.119  
rcgaray@fortworden.org  
[www.fortworden.org](http://www.fortworden.org)



*Fort Worden*

— PORT TOWNSEND —

A HISTORIC GATHERING PLACE



## Friends of Fort Worden State Park

Enhance your nature and make a difference  
by becoming a member or volunteering

Join or Donate Today!

**From:** Rufina Garay

**Sent:** Wednesday, August 28, 2019 4:04 PM

**To:** 'Teresa Verraes' <fwprogrammingpartners@gmail.com>; Dave Robison <drobison@fortworden.org>

**Cc:** rbirman@centrum.org; Joan Rutkowski <jrutkowski@fortworden.org>

**Subject:** RE: FWPP Response to Memo from 8 19 19

Dear Teresa,

We're in receipt of the reply memorandum and will get back to you soon. Thank you.

Best regards,

Rufina C. Garay  
Chief Strategy Officer  
Fort Worden  
200 Battery Way, Park Office  
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*Fort Worden*

— PORT TOWNSEND —

A HISTORIC GATHERING PLACE

## Rufina Garay

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**From:** Rufina Garay  
**Sent:** Tuesday, September 10, 2019 11:22 AM  
**To:** Teresa Verraes; 'Robert Birman'  
**Cc:** Dave Robison; Norm Tonina; John Watts; Joan Rutkowski  
**Subject:** Leasing Meeting and August 26 Memorandum Item

Dear Teresa and Rob,

As you know, we have scheduled a meeting for September 25<sup>th</sup> (1-3p.m.) with Gerry Johnson to discuss principles that guide our approach to leasing. We will be extending the invitation to all partners to ensure that those who would like to learn about the guiding principles may attend on behalf of their organizations. At least one partner has mentioned continuing further conversations with us separate from representation by the Fort Worden Programming Partners.

We hope Gerry's presentation will help clarify our leasing principles and set a framework for working together to develop longer term leases that are mutually agreeable.

With respect to your August 26 memo, you raised two issues regarding appraisals and rent. (See item 5 of the memo).

With respect to appraisals, it might be of value to the partners to solicit a separate MAI (Member of the Appraisal Institute) certified appraisal. Comparable properties are difficult to find for a unique property like Fort Worden, particularly when many state park campuses operate using a concessionaire model rather than a leasing model. To the extent that Fort Worden Partners disagree with the market rate conclusions in the certified appraisals we received, we would encourage the partners to obtain their own. If you are seeking a contact for an appraisal, the Port of Port Townsend recently had an appraisal done by Matthew Kidder. We have not worked with this firm.

Please feel free to submit a separate appraisal for review. To the extent that there might be any significant discrepancies in market rate conclusions, a peer review of both appraisals could be done to determine the fair market rate. The PDA cannot pay for a second appraisal of the same buildings and spaces in roughly the same time period when the market has not changed significantly.

Please feel free to contact me with any questions or comments.

Best regards,

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