



APPROVED Minutes
Board of Directors Meeting
Fort Worden Public Development Authority (FWPDA)
Wednesday, July 24, 2019 | 9:00 a.m. – 12:00 p.m.
JFK Building, Fort Worden

- ❖ **Action:** Motion to approve June 26, 2019 Board Meeting Minutes. **Unanimously Approved**
- ❖ **Action:** Motion to authorize the Board Chair to approve Memorandum of Understanding with the Port Townsend School District in substantially the form presented. **Unanimously Approved**
- ❖ **Action:** Motion to authorize the Board Chair to execute the Memorandum of Agreement with KPTZ in substantially the form presented. Motion includes the delegation of final approval of the MOA and KPTZ lease term sheet to the PDA Executive Committee. **Unanimously Approved**
- ❖ **Action:** Motion to delegate authority to the PDA Executive Committee to review and approve updated amendments to the 2017-2019 grant agreements with Washington State’s Heritage Capital Program and the Building for the Arts. **Unanimously Approved**

Regular Board Meeting:

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

II. Roll Call & Staff Introductions

Fort Worden PDA Board Members: Norm Tonina, Gee Heckscher, Jane Kilburn, Jeff Jackson, Herb Cook, Cindy Finnie, Todd Hutton, Lela Hilton

Staff: Dave Robison, Diane Moody, Rufina Garay, Joan Rutkowski

Public: Linda Henriksen, Sally Warren, Owen Rowe, David Opp-Beckman, Mel Carter, Daniele Costello, David Goldman, Janine Boire, Carolyn Zipeto, Cody Griffith

Staff Introduction:

Daniele Costello, Director of Guest Services, introduced Mel Carter. Carter is the Supervisor of Housekeeping, and she has been working at the Fort for almost two years. Costello commended Carter for her efficiency and tenacity, as well as her patient and thorough guidance of new staff. Board Chair Norm Tonina also noted that Ben Helber and his Event Porter team were recently recognized by the PDA. Helber was selected as employee of the month for June, and he extended the honor to the porter team because of their hard work supporting events and the Food & Beverage Department.

III. Partner Presentation: Port Townsend Marine Science Center (PTMSC)

Janine Boire, Executive Director of the Port Townsend Marine Science Center (PTMSC), presented a PowerPoint about the center (see presentation at fortworden.org/about/public-records). Boire said 2018 was a remarkable year for the PTMSC, with 21,595 visitors to the center’s exhibits. In 2018, PTMSC provided nearly \$67,000 in free programs and scholarships, and nearly 400 volunteers helped support the exhibits and

programs. She said the center owes its successes to their eight full-time staff members, volunteers, interns, and program partnerships. Program highlights include the Conservation Lab, which is a partnership with the Puget Sound Restoration Fund, and the Octopus Learning Project, which involves filming PTMSC's resident octopus to document octopus learning for German Public Television.

Boire said the diversity of the PDA's campus partners is an asset for the community, and she noted that PTMSC is currently partnering with Port Townsend School of Arts to offer an art and science summer camp. Through residential programming since 2014, the MSC has generated nearly \$60,000 in room rentals and nearly \$80,000 in food and beverage income for the PDA. Boire noted difficulty in keeping program costs affordable while also meeting PDA requirements for food service as a part of residential programming, and the need to know residential prices in advance in order to apply for grants. Boire said the PTMSC looks forward to moving and expanding the aquarium upland from the pier to the north of the orca museum. The move has been a goal for PTMSC leadership, Boire said, and it's now possible because of a State Parks proposal to remove the deteriorating pier as part of a shoreline improvement project. Boire said PTMSC supports the preliminary preferred alternative because removing the pier improves littoral drift, removes creosote from the water, and leads to better eelgrass conditions. The timeline for the new facility will be shaped by how long it takes to raise money for the project, Boire said.

PDA Executive Director Dave Robison commended Boire for the PTMSC's work as ambassadors to save the Salish Sea and stated the PDA may need to amend the lease to move the pier back to WSP control and operation.

IV. Changes to the Agenda

The report on capital construction projects and major repairs was moved up to follow the review of financial reports.

V. Public Comment

Linda Henriksen described her opposition to the State Parks proposal to develop an elevated boat launch at Fort Worden. At the PDA's June 18 Executive Committee meeting, Henriksen shared a copy of a petition with approximately 375 signatures asking the State to reconsider locating the elevated boat launch at Fort Worden or to withhold funding for that aspect of the shoreline improvement project. She shared with the full PDA board an additional 120 signatures and said she is still collecting more names. Petitioners are concerned that the boat launch and the trucks and trailers it would bring would adversely affect the beach environment and the pedestrians, bicyclists, and non-motorized watercraft users who use the area. Henriksen said she presented her petition to the State Parks Commission at its July 18 meeting. Robison informed the group that he has asked the State for its final preferred alternative design and learned that it is still in progress.

VI. Consent Agenda

Review and approval of regular Board meeting minutes, June 26, 2019

Action: Motion to approve the June 26, 2019 Board Meeting Minutes. **Unanimously approved**

VII. Review and Discussion of Financials

A. Staff Report

Chief Finance Officer Diane Moody shared highlights from the financial report (see board packet on website), which includes an update on the Capital Improvement Project budget. She noted that the storm window project for Building 305 is complete, and window improvements will continue elsewhere on campus through the Energy Efficiency Project fund. Regarding the operations report, Moody said that actuals to budget is incrementally moving up to 100 percent. Total revenue in June

was 96 percent to a budget of \$671,302. She said accommodations revenue is 9 percent lower than it was last year at this time, partly due to sewer project disruptions. Regarding the Balance Sheet for June, Moody said she is watching cash flow closely given expenses that won't be covered until grant reimbursements are received. She said her other focus is improving net equity.

B. Board Discussion

Board members asked why more guests used the dorms in June 2018 than in June 2019. Moody said she is working with staff to understand the change. It also was noted that group sales in June were at 60% of budget; board treasurer Jeff Jackson encouraged staff who can directly speak to notable trends to attend board meetings. Moody said she anticipates a staff report on revenue generating efforts at the August Executive Committee meeting. She noted that the net result at month-end is 127% to budget. Herb Cook requested that the board also have the Foundation balance sheet, and Jackson asked for a proforma.

VIII. Capital Construction Projects and Major Repairs

A. Staff Report

Director of Capital Projects David Opp-Beckman provided an update on construction projects. He referred the Board to a preliminary capital project schedule from State Parks for additional sewer work, water line improvements, roof replacements, and exterior improvements for 2020-2021. Robison and Beckman met with State project managers on July 18 to help coordinate schedules for this anticipated work to minimize disruptions to PDA operations. Robison noted that this higher level of coordination is a major paradigm shift for State Parks and will help minimize the disruptions that the PDA experienced this year. Sewer and water line work in 2020 will be done in two phases to avoid the busy summer season, he said. While phase two sewer work is happening on NCO row, interior renovations could result in the temporary closure of NCO row accommodations, Robison said. He added that this would impact PDA revenue while housing is off-line but will be a good opportunity to upgrade the interiors of the NCO row buildings.

The Glamping project is proceeding on schedule, Opp-Beckman reported, and the PDA will soon put out a bid for the Community Hall (288). The hall will provide a gathering area as well as restrooms and showers for the four glamping sites that won't have their own. Makers Square work has expanded to buildings 305, 308, and 324, and Opp-Beckman is sending weekly construction schedule updates to partners on potential construction impacts.

IX. Memorandum of Understanding with the Port Townsend School District (PTSD) to support learning opportunities for K-12 students at Fort Worden

A. Staff Report

Chief Strategy Officer Rufina Garay referred the board to a proposed Memorandum of Understanding (MOU) with the Port Townsend School District (PTSD) for on-campus educational programming. Garay said the MOU is very similar to the one the board reviewed last year, and current PTSD programming on the PDA campus has gone well for the district and is a good alignment with the PDA's mission. Some provisions have been added to guide the shared use of the space and PTSD's management of students.

B. Board Discussion

Action: Motion to authorize the Board Chair to approve Memorandum of Understanding with the Port Townsend School District in substantially the form presented. **Unanimously Approved**

X. Leasing Process

A. Staff Report

Garay presented a PowerPoint about the PDA's framework for approaching long-term leasing arrangements (see board packet on website). A framework has been in place, and Garay said more clarity was needed. The presentation also identified the need to gradually move to market-rate lease arrangements to help the PDA remain financially sustainable and address approximately \$100 million in unfunded capital needs for the campus. Garay said that as existing leases are winding down, the PDA needs to be mindful about how it establishes new leases that escalate to market rates while also avoiding potential gift of public funds issues. The proposed approach includes capital investment tiers that would tie to different lease terms, renewal options, and discounts. Rates could stairstep to full market rate over a seven-year period. Garay reiterated that the approach is still a draft.

B. Board Discussion

Board members talked about how to ensure fair rates. Tonina noted that the appraisals came in higher than expected, which led the PDA to propose to lengthen the amount of time to seven years for bringing renewing partner-tenants to full market rates for long-term leases. The earn back template includes deductions for partner programming that leads to revenue for the PDA in areas such as accommodations, food & beverage, and conference services. Garay said the PDA also is working on a calculation to reflect contributions per square foot to benefit smaller partners who contribute a high percentage relative to their space use. Board Treasurer Jeff Jackson said starting with fair market value and providing deductions based on earn back incentives seems to provide the least arbitrary and most fair approach that also avoids the gift of public funds. There was discussion on adding credit for "outward bound" contributions to the community (i.e. "public benefit" credit), and Lela Hilton suggested that we encourage partners to develop programming for the underserved.

XI. Memorandum of Agreement with KPTZ to provide for the terms of construction of KPTZ's tenant premises in Building 305 of Makers Square.

A. Staff Report

Garay said the Memorandum of Agreement (MOA) under discussion would replace and supersede the 2017 MOA with KPTZ. It sets forth terms that would govern the construction of and payment for improvements to the basement space that KPTZ seeks to lease in building 305 of Makers Square. Garay said the proposed MOA captures that tenant improvements have begun and that the PDA is already working with KPTZ on reimbursements for the construction work. The PDA is working on value engineering to reduce the cost of the KPTZ tenant-funded improvements. She noted that the MOA also calls for KPTZ to establish a savings account that will serve as a reserve or contingency for costs of tenant improvements. Garay said the PDA is still discussing the MOA with KPTZ, and with board approval would proceed and negotiate a lease with KPTZ within 90 days of signing the MOA. Robison said he is very comfortable with the direction set by the MOA, and the PDA's legal counsel has provided input.

B. Board Discussion

Board members talked about the lease term and the need to be more tentative about the completion date for construction. Tonina said that because more information is needed and the PDA doesn't have a full board meeting in August, board members should consider delegating authority for approval so that the process with KPTZ can move forward in August.

Action: Motion to authorize the Board Chair to execute the Memorandum of Agreement with KPTZ in substantially the form presented. Motion includes the delegation of final approval of the MOA and KPTZ lease term sheet to the PDA Executive Committee. **Unanimously Approved**

To keep the full board informed on the developments, all directors will receive the August Executive Committee agenda packet, and full distribution of packets for both meetings also will become standard practice.

XII. Updates to grant agreements with Washington State’s Heritage Capital Program and the Building for the Arts.

A. Staff Report

Robison reported that the PDA needs to update two grant agreements to reflect changes to the scope of work and budgets for Makers Square capital improvements. He said the goal is to marry the construction contract with the grant contract so that there isn’t confusion when invoices are submitted for reimbursement. Robison said PDA staff have met with grant program staff as part of the process. The updated amendments require board approval because the board approved the grant applications.

B. Board Discussion

Board members asked that finalized, redlined updates to the grant agreements be shared with the full board before the August Executive Committee meeting.

Action: Motion to delegate authority to the PDA Executive Committee to review and approve updated amendments to the 2017-2019 grant agreements with Washington State’s Heritage Capital Program and the Building for the Arts. **Unanimously Approved**

XIII. Staff Report

A. Major Events Review

Robison provided a recap of the Old School 4th of July event. More than 3,000 people attended. The laser light show got mixed reviews, he said, but the PDA is happy that it could provide an alternative to fireworks. Robison said the festivities provided approximately \$30,000 in sales for Food & Beverage outlets across the campus. The board asked for a review of major of events at the September meeting, and STG staff and the Neighborhood Advisory Committee will be invited.

B. Fort Worden Accessibility Issues

Robison reported that a local attorney, Joan Best, has shared concerns about accessibility at Fort Worden. The PDA has worked with Disability Awareness Starts Here (DASH) to improve access and information about accommodations at the Fort, Robison said, and work is ongoing. He noted that the Fort’s buildings are old with limited Americans with Disabilities (ADA) facilities, and State Parks recognizes that ADA accommodations are an issue for all of its properties across the state. Each biennium State Parks seeks funding from the state for ADA improvements, Robison said. He said that this fall or winter the PDA plans to conduct an ADA accessibility plan, consider establishing an ADA compliance officer, and seek funding from the State for ADA improvements.

C. Makers Square Operations Plan

Robison shared that he is working with a few staff members to develop an operations plan for Makers Square. The plan will shape how programs and partners are chosen in order to make Makers Square a vital space. Robison said the working group is testing its ideas with Tonina, Jackson and board member Todd Hutton and may have a draft ready for full board review in September.

D. Marketing and Sales Report

Moody introduced an updated version of the Sales Report that now shows changes in projected revenues by market segment from the previous month's report. Moody said that some weddings and reunions were cancelled due to campus construction projects, which has affected Q3 revenue projections. She noted that Q4 looks good at this point. Moody said there has been a slight decline in confirmed contracted business alongside increases in tentative business that may help the PDA catch up. Moody also reviewed highlights from the marketing report, including social media captions for events and their reach and engagement. Board Secretary Jane Kilburn suggested that staff produce a similar report for major food events to help understand the impact of associated marketing.

E. Our Next Five Years

Robison presented a PowerPoint that he has been developing with Kilburn and Fort Worden Foundation Board Member Barry Mitzman to tell the story of the PDA's last five years and look forward to the next five years. He said he plans to share the presentation with the Executive Directors and Board Chairs of the PDA's partners right after the August 20th Executive Committee meeting. The presentation will help people understand the PDA's unique identity and that the path forward requires stronger relationships, increased community involvement, and a shared vision for Fort Worden.

F. Public Comment

David Goldman briefly shared thoughts on any comparison that might be made between market value lease rates for Fort Worden buildings and Port of Port Townsend lease rates. He said the Port's lease rates don't reflect the real stakes the Port is facing.

G. Next Meetings

- Executive Committee Meeting, August 20, 2019, 9 a.m.
- Board Meeting: September 25, 2019, 9 a.m. (No August Board of Directors Meeting)

H. Adjourn: 12:19 p.m.

Board Packets and PowerPoint Presentations are available on our website at: www.fortworden.org under public documents>agendas & documents>public meetings>PDA Board Meeting 7.24.19