APPROVED Minutes
Board of Directors Meeting
Fort Worden Public Development Authority (FWPDA)
Wednesday, November 27, 2019 | 9:00 a.m. – 12:00 p.m.
Seminar Building, Fort Worden

❖ **Action:** Motion to approve the October 23, 2019 Board Meeting Minutes. **Unanimously approved**
❖ **Action:** Motion to designate Gee Heckscher as the PDA board member representative on the Fort Worden Coordinating Committee. **Unanimously Approved**
❖ **Action:** Motion to approve Resolution 19-15 authorizing the Executive Director to sign a commitment letter for up to $1.5 million in bond financing for Makers Square through Kitsap Bank. **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, Jeff Jackson (by phone), Jane Kilburn, Herb Cook, Cindy Finnie (by phone), Todd Hutton, Lela Hilton, Terry Umbreit, Naushard Cader
Staff: Dave Robison, Diane Moody, Rufina Garay, David Opp-Beckman, Maryna Frederiksen, Joan Rutkowski; Lane DeCamp (Fort Worden Foundation)
Public/Staff Guests: Teresa Verraes, George Randels, David Goldman, Carla Main, Aletia Alvarez, Renee Klein, Kathy Fridstein, Mark Manley, Sonya Baumstein

Staff Introductions:
Food & Beverage Director Maryna Frederiksen introduced Chef Cliff Heater and Chef Erwin Gabot.

III. **Partner Presentation: Port Townsend School of the Arts**
Board chair Norm Tonina introduced Teresa Verraes, the Executive Director of Port Townsend School of the Arts (PTSA), a campus program partner. Verraes shared a PowerPoint presentation about PTSA’s programs, highlights, and plans (see PDA documents page at fortworden.org). She said PTSA is focused on delivering exceptional visual arts education and experiences that inspire personal and social well-being. Their mission is to bring out the artist in everyone, she added. Verraes said that since the nonprofit PTSA began in 2015, it has become a leader in arts and culture on the Olympic Peninsula. Their artists have offered more than 600 classes to over 2,700 students since 2015, she said. Offerings include programs for youth and teens. Verraes said she is especially proud of their ability to support working artists who lead classes. She noted the success of Program Manager Julie Christine’s efforts to grow class offerings and enrollment. 40 percent of participants are new students, 60 percent are returning, and 35 percent of the total are from out of town. PTSA’s Grover Gallery, located downtown, has helped expand programming, she said. They also have invested in improvements to their Fort Worden campus location. Verraes said PTSA is
rich in relationships beyond its support of working artists, and this includes partnerships with Northwind Arts, the Pacific Northwest Art School, and Bainbridge Arts and Crafts. A core team of 20 volunteers has also guided PTSA’s success.

Verraes said their revenue and program growth has been helped by increased community support and fundraising efforts, such as the Sherry Grover Arts Sparks fundraiser. Revenue growth has increased by 500% since 2016 and the current budget has a 50-50 split for contributed and earned income, Verraes stated. Verraes said PTSA looks forward to an emphasis on health and well-being through the arts, continued regional growth, curriculum development, the establishment of a long-term lease, and other expansion. She said their five-year financial plan highlights the need for dedicated spaces given the nature of the work and tools needed; PTSA also hopes to be part of Makers Square.

Board members and Verraes discussed the challenges of improving partners’ buildings on the Fort Worden campus and how partner programs that involve housing rentals for participants help bring in income for maintenance and repairs.

IV. Correspondence
See board packet on the website for PDA-related articles and communications.

V. Consent Agenda
Review and approval of regular Board meeting minutes, October 23, 2019
Action: Motion to approve the October 23, 2019 Board Meeting Minutes. **Unanimously approved**

VI. Capital Construction Projects Update

A. Staff Update
Capital Projects Director David Opp-Beckman provided an update on major construction projects. Civil work for glamping accommodations is almost complete, he reported. The bids for the tent platforms and the event building are still too high, even after value engineering efforts, Opp-Beckman said. He is evaluating whether PDA staff can perform the work and has identified a contractor who could oversee staff. Because the PDA doesn’t pay prevailing wage rates, the cost for staff performing the work would be lower than what was bid for the work, he said. Opp-Beckman also summarized work currently happening at Makers Square, which includes the installation of sidewalks, decks, and roofing. He said the PDA may soon solicit bids for the site work around the Makers Square buildings.

Other recent work on campus includes finalizing repairs to a fire escape stairway to Building 275, which is used by Centrum, and repairs due to smoke damage from a small heater fire. Opp-Beckman said Building 204 has fire alarm failure and State Parks has said it can’t fund repairs. As a result, the cost will be covered by the PDA and will be between $30,000 and $40,000. Opp-Beckman said State Parks will soon solicit bids for water and sewer work that is planned for 2020.

B. Board Discussion
The group discussed the timing for the water and sewer projects, which will require taking NCO and Officers Row housing offline at times and will affect other accommodations. Tonina asked if there will be a rolling approach to the work so that affected accommodations don’t have to be offline all at once. Opp-Beckman said the PDA is trying to negotiate with State Parks for this, but the current plan involves a total shutdown of affected housing. The PDA budget may allow for housing improvements to be made while the units are offline, he added.

VII. Review and Discussion of Financials
A. Staff Report
Moody reviewed the financial report (see board packet on website). Total revenue for October is 91% to budget. Personnel costs for the month are 10% above budget and the remainder of ordinary expenses were under budget by 6%.

B. Board Discussion
Board members and Moody discussed hospitality revenue trends and maintenance needs impacting cash flow and budget goals. Income from nonrefundable bookings is helping the PDA offset minor revenue declines in other accommodation streams, she said. To address higher than planned personnel costs, Moody said departments are being very mindful about spending and reducing hours where efficiencies can be found that don’t diminish customer service. Moody said that it will be difficult to meet projections presented at the last meeting due to maintenance needs and additional unbudgeted expenses, such as the $30,000 fire alarm expense. Board member Naushard Cader asked for more information about how non-refundables are accounted for, and Moody said she could develop a report. Cader and Moody also talked about providing comparables for context for cash flow statements and the balance sheet, which Moody could begin including in her report in early 2020.

VIII. Board Member Representative to the Fort Worden Coordinating Committee
A. Staff Report
Executive Director Dave Robison reviewed the purpose of the Fort Worden Coordinating Committee, a body that serves to review and monitor the partnership between the PDA and State Parks to manage Fort Worden campus area and the relationship with partners and the larger community. The board needs to review or appoint its representative to serve on the committee, he said.

The PDA’s master lease with State Parks calls for the committee, and Robison said the primary intention was to help referee disputes as the PDA began to take over operations and management of the campus from State Parks. The committee reviews the annual maintenance plan and develops a maintenance report. It also helps the PDA and State Parks have aligned plans for capital improvements requests to the legislature. The five-member committee is composed of two PDA leaders, two State Parks leaders, and an at-large member. Robison serves as one of the PDA representatives and the other seat is for a PDA board member. The committee also is seeking an at-large member to replace Lynn Kessler, who said she can no longer continue in the role, Robison said. At its last meeting, the board’s executive committee identified vice chair Gee Heckscher as a candidate for the role.

B. Board Discussion
No board discussion.

Action: Motion to designate Gee Heckscher as the PDA board member representative on the Fort Worden Coordinating Committee. Unanimously Approved

IX. Construction Bridge Financing
Moody provided an overview of Resolution 19-15, which would authorize the Executive Director to sign a commitment letter for bond financing for Makers Square for up to $1.5 million through Kitsap Bank. Moody and board members discussed the proposed terms, which include a draw-down period of 12 months and a 4.75% interest rate. The bond will help fund the project because grants awards and historic tax credits will not be received until after project expenses are made, Moody said. Robison noted that the PDA recently received $500,000 from The M.J. Murdock Charitable Trust, which will help complete the capital campaign for Makers Square. Board member Naushard Cader recommended adding a line item on the profit and loss report showing costs for debt financing.
**Action:** Motion to approve Resolution 19-15 authorizing the Executive Director to sign a commitment letter for up to $1.5 million in bond financing for Makers Square through Kitsap Bank. **Unanimously Approved**

**X. Staff Report**

A. **Leasing update**
   Chief Strategy Officer Rufina Garay reported on efforts to finalize a Memorandum of Agreement (MOA) and eventually a lease agreement with KPTZ. As restructured, both the MOA and lease agreement will allow the PDA and an investor to take advantage of historic tax credits and to characterize the KPTZ tenant improvement costs as pre-paid rent. As for the effort to establish a framework for long-term leases with programming partners, she said recent conversations with the partner committee have largely been focused on the appraisal. The appraiser has offered to update the appraisal report to include other comparable properties. Garay said the research of comparables is showing that the inventory of spaces for arts and culture uses in the area is limited. Many landlords have been subsidizing artist spaces to support the arts, she added. Tonina noted that the PDA continues to look at how to provide justifiable credits.

B. **Marketing and Sales**
   Moody reviewed the reports on marketing efforts and sales via group, partners, and leisure activities (see agenda packet). She noted that contracted business is steady and tentative business has increased by 30%. Some projections have been affected by group and partner event cancellations, Moody said. The PDA is considering shortening the period in which cancellations can be made without penalty and is researching industry norms to help with the decision, she said. Board member Lela Hilton noted that deposits and penalties might be a deterrent for smaller, more entrepreneurial groups.

   Board members, staff, and guests discussed some of the challenges that partners face in meeting residential programming expectations and that the PDA has in providing single-user units within houses and dorms that involve shared restrooms. Robison noted that the PDA doesn’t have typical resort, hotel, or conference center accommodations. Aletia Alvarez commented on the risk that goes with needing to reserve a block of housing in advance of knowing how many participants will sign up for programming.

C. **Fort Worden Collaborative Planning Process**
   Garay reported on a collaborative planning effort between the PDA and partner representatives. The group involves the PDA’s executive team (Robison, Moody, and Garay), and Renee Klein (Madrona MindBody), Janine Boire (Port Townsend Marine Science Center), and Verraes (PTSA). Garay said the process is helping the PDA and partners reconnect and understand their areas of alignment. Robison said the group is focused on how stakeholders can work together on efforts such as marketing, fundraising, and capital improvements. The process includes understanding each other’s challenges and opportunities, he said. Robison invited Klein and Verraes to talk about the work. Klein noted that the PDA, program partners, and the City have a shared economy and the process is needed to help ensure everyone’s success. Board member Todd Hutton asked participants to clarify how the process is different from a traditional strategic planning process and to describe what the group’s work product will be. Klein said each organization will continue having independent strategic plans, and the process will instead focus on the nexus of those plans and systems that support intersecting interests and needs. Robison added that the process provides opportunities for social learning and finding areas where collaboration is needed. Hutton likened the process to the collaborative planning that happens among university departments but cautioned the group to avoid creating unrealistic or false expectations about the product of the effort. Board Secretary Jane Kilburn agreed that care is needed with the language used to talk about the group’s work and also commended partners for initiating a positive process.
D. Holiday Party
Robison provided an update on the PDA’s holiday party, happening from 4-6 p.m. on December 18th. Catering options are being explored. The PDA board and Fort Worden Foundation boards are invited.

VIII. Public Comment
George Randels said he has heard many discussions about collaboration over the past several years, and he is enthusiastic about what he heard today because he said it shows a promising level of maturity about the process and needs. David Goldman said he is happy that partners attended the board meeting and could share their insights about residential programming expectations and program planning. He said the challenges reflect the spectrum of needs that are difficult to address. Carla Main thanked the PDA board for dedicating an enormous amount of time to making the Fort Worden campus an asset to the community.

IX. Adjourned: 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 11.27.19