



APPROVED Minutes
Board of Directors Meeting
Fort Worden Public Development Authority (FWPDA)
Wednesday, December 18, 2019 | 9:00 a.m. – 12:00 p.m.
Commons B, Building 210, Fort Worden

- ❖ **Action:** Motion to approve the November 27, 2019 Board Meeting Minutes. **Unanimously approved**
- ❖ **Action:** Motion to approve Resolution 19-16 providing for the issuance of a revenue bond in the principal amount of not to exceed \$1,500,000 to finance the Makers Square project; authorizing the Executive Director and Chief Financial Officer to fix the forms and terms of the bond; and providing for the sale of the bond to Kitsap Bank. **Unanimously Approved**
- ❖ **Action:** Motion to approve the 2020 FWPDA Board Meeting Schedule as presented. **Unanimously Approved**
- ❖ **Action:** Motion to authorize the FWPDA Executive Director and Board Chair to sign the MOA between FWPDA and KPTZ in substantially the form presented. **Approved with seven votes in favor and one vote opposed**
- ❖ **Action:** Motion to publicly recognize Gee Heckscher for his outstanding contributions to Fort Worden. **Unanimously Approved**
- ❖ **Action:** Motion to migrate the PDA board from a Chair/Vice Chair model to a Co-Chair model and to appoint Todd Hutton and Norm Tonina as Co-Chairs. **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, Todd Hutton, Terry Umbreit, Herb Cook, Naushard Cader, Cindy Finnie (by phone), Lela Hilton (left at 9:35 a.m.)

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

Public/Staff Guests: Don Engelbach, Jeanie Cardon, Owen Rowe, David Goldman, Aletia Alvarez, Lisa Werner, Maryna Frederiksen, Daniele Costello, Lane DeCamp, Cody Griffith

III. Partner Presentation: Port Townsend School District

Superintendent John Polm and Communications and Maritime Discovery Schools Director Sarah Rubenstein shared a presentation about the partnership between the Port Townsend School District and the PDA. Polm said using classroom and outdoor space at the Fort helps create outstanding learning opportunities for students, and he thanked the PDA for the partnership. Rubenstein described how the partnership provides a variety of learning opportunities for students in kindergarten through high school. This includes collaborations with PDA partners, such as Centrum. First and second graders are the most frequent users, Rubenstein said. Student activities include studying the natural environment along the beach and trails and learning via the natural history exhibit at the Port Townsend Marine Science Center. Salish Coast Elementary School teacher Peter Braden and three of his students talked about how the hands-on,

immersive experiences deepen understanding of concepts presented in textbooks. Describing lessons about erosion, habitat, and birds, one student said: “It’s best to learn about nature if you can actually experience it in person.” Lessons also have included practicing critical thinking skills by developing and applying a rating system for the condition of the bunkers and learning opinion writing skills to support related conclusions. Braden commented on how helpful the classroom space is for warming up from outdoor lessons during colder weather and for being able to work immediately with lessons that begin outside.

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, November 27, 2019

Action: Motion to approve the November 27, 2019 Board Meeting Minutes. **Unanimously approved**

VI. Review and Discussion of Financials

A. Staff Report

Moody reviewed the financial report (see board packet on website). For the month of November total revenue was 91% to budget, and year-to-date revenues were very close to budget and 9% higher than last year, she reported. Sales of Discover Passes were 33% lower than in November 2018, and all other revenue centers helped make up for this decline, Moody said. Ordinary expenses were over budget by 20%, and Moody said this was largely due to repairs and elevator safety tests. The net result for year-to-date is approximately \$148,234 less than budget.

B. Board Discussion

Board members and Moody discussed financial details, including food and leisure sales. The report shows leisure accommodation sales at 67% to budget, and the sales received from nonrefundable bookings is 335% to budget. Board member Naushard Cader and Moody discussed whether “income and expense” or other terminology would be better than “revenue and expense”. Cader suggested reviewing terms to avoid confusion with terms used in bond information. Moody noted that the State auditor has reviewed the PDA’s reporting, and Tonina said the use of revenue and expense terms is intentional. Board member Terry Umbreit and Moody talked about adding the “revenue per available room” (RevPAR) statistic to formal reports. Moody said staff considers that statistic internally. She said the PDA is transitioning to a new property management system that will make it easier to work with data and provide reliable RevPAR information. Moody added that once the property management system installation is complete there will be an opportunity to review the metrics used due to the ability to create improved reports. Board member Herb Cook observed that the PDA’s balance sheet suffers when the PDA makes capital expenditures, such as for glamping and Makers Square, because the property isn’t an asset that the PDA owns. Moody noted that the snapshot improves when reimbursable grants come in. Cader expressed interest in exploring options for capitalizing long-term leasehold expenses that will bring in revenue. Board member Todd Hutton said that a consolidated view of Fort Worden Foundation and PDA finances would be helpful.

VII. Kitsap Bank Revenue Bond for Makers Square

A. Staff Report

Moody reviewed Resolution 19-16, which provides for the issuance of a revenue bond with a principal amount that does not exceed \$1,500,000 to finance the Makers Square project, fixes the form and terms of the bond, and provides for the sale of the bond to Kitsap Bank.

B. Board Discussion

Board members and Moody talked about repayment of the principal. Moody said the bond is essentially a bridge loan and structured as a line of credit to help with cash flow needs during Makers Square construction. She added that the bond payments are set in alternate quarters in order to help preserve cash flow. When asked why Kitsap Bank is taking on the risk, Moody said it aligns with the bank's interest in supporting community development projects and helps meet Community Reinvestment Act requirements. She noted that Kitsap Bank holds the majority of their bonds in a debt folio and does not sell them.

Action: Motion to approve Resolution 19-16 providing for the issuance of a revenue bond in the principal amount of not to exceed \$1,500,000 to finance the Makers Square project; authorizing the Executive Director and Chief Financial Officer to fix the forms and terms of the bond; and providing for the sale of the bond to Kitsap Bank. **Unanimously Approved**

VIII. Approval of 2020 FWPDA Board Meeting Schedule

The board reviewed the suggested schedule for executive committee and full board meetings in 2020.

Action: Motion to approve the 2020 FWPDA Board Meeting Schedule as presented. **Unanimously Approved**

IX. Staff Report

A. Current Construction Projects and Major Repairs

Robison reviewed the progress of glamping construction. Site work is complete and work has begun on constructing tent platforms. The low bid received for the tent platform work was \$702,000, which was much higher than expected, Robison said. Instead, with the hiring of a local general contractor as a temporary employee, the PDA is self-performing the work at a much lower rate and the cost is estimated at approximately \$410,000, Robison said. He added that the PDA is considering whether to use the tent platform crew (PDA facility team members) to construct building 288, which would provide restroom facilities for the four more rustic glamping accommodations.

Robison also reported that the PDA recently submitted a grant proposal to help develop accommodations within building 203 for seasonal employees as well as partner program participants, interns, and program faculty. The PDA is seeking \$70,000 from the Department of Archaeology and Historic Preservation to address ADA access needs and building code deficiencies and to upgrade bathroom facilities. A Jefferson County public infrastructure grant is providing \$150,000 for the project. He noted that workforce housing is one of the critical constraints to the PDA's long-term success.

Robison reviewed a summary of current and estimated project costs for Makers Square and the funding that has been secured. The \$14 million project is divided into two phases that include: 1) the renovation of buildings 305, 308, and 324 and related infrastructure needs, and 2) site and parking lot improvements. Robison said management of the project includes tracking grants requirements regarding which buildings the funds can support, what sources can be used for matching funds, and site securitization needs. A \$1.275 million grant from the Washington State Building for the Arts program has been locked up while PDA staff have been working on addressing grant contract requirements, he said. Robison said staff have been working with the funding agency and legal counsel, and he anticipates the release of funds by the end of the year. He said that approximately \$1.9 million in Federal Historic Tax Credits will come through in increments upon closing, after a certificate of occupancy is issued; a \$500,000 grant from the M.J. Murdock Charitable Trust will be available to finish the capital campaign. When asked if supplemental legislation might help with remaining needs, Robison said this is unlikely because the 2020 session is short, capital appropriations will be limited, and the revenue forecast is down due to the passage of Initiative 976.

B. 2020 Budget Process

Moody reported that the budget will likely be ready for the board's consideration in January.

C. State Audit

Moody said the 2017 audit report should be ready in January after delays due to staff turnover at the State auditor's office. Moody said that instead of scheduling the next audit after a two-year interval, she has scheduled an audit of 2018 activity to begin in February because the PDA's former finance director, who worked in 2018, is available now for assistance with the process.

D. Leasing

Chief Strategy Officer Rufina Garay referred board members to a Memorandum of Agreement (MOA) that she said KPTZ is ready to sign. Garay said that in the interest of transparency for the public record, she would like board approval for the MOA; the draft MOA has evolved from when the board last saw it to now provide for the construction costs of tenant improvements to count as pre-paid rent, which Garay said is a characterization needed for Historic Tax Credit (HTC) eligibility. Garay also provided an overview of the relationships between the subsidiary entities that have been established for the receipt and application of HTCs that are available for the rehabilitation of historic buildings (see board agenda packet on website). Garay said the "Makers Square Landlord LLC" is what will be on Makers Square lease agreements as part of the structure needed for HTCs. Following the closure of the HTC transaction, the Makers Square Master Tenant LLC (which is 10% owner of the Makers Square Landlord LLC) will be the landlord for five years for compliance purposes, she said. Cader expressed reservations about the structure. Robison said that the structure has been reviewed by an attorney who specializes in HTCs. Tonina noted that the ownership structure in place is essentially what was used to secure HTC proceeds for Building 202 (Peninsula College).

Action: Motion to authorize the FWPDA Executive Director and Board Chair to sign the MOA between FWPDA and KPTZ in substantially the form presented. **Approved with seven votes in favor and one vote opposed**

E. Marketing and Sales

Cody Griffith, Director of Sales and Marketing, reviewed the reports on marketing efforts and sales via group, partners, and leisure activities (see agenda packet). Sales and accommodations revenue from leisure, partner, and group business as of December 6th were 98% to budget. She said forecasts for 2020 reflect anticipated revenue from glamping and a multi-night summer festival, as well as losses from taking NCO Row and Officers Row housing off-line for several months for a Washington State Parks' sewer and water infrastructure project. Griffith also noted that meal plans for partner programming will increase \$5 to a total of \$46 per head per day. Hutton pointed out that even with this increase, the PDA will only make 25 cents per head per day on food for partner programming. The partner meal plan rate is less than the \$55 charged to other groups, he noted. Marketing report highlights included statistics about Fort Worden's Instagram audience, which includes a large percentage of females between the ages of 25 and 44; Tonina noted that potential sponsors are especially interested in that demographic and the PDA could increase awareness of this reach. Griffith also reported that the sales team is working hard to increase business beyond the peak season. Tonina and Robison commended Griffith for her team's work building off-season business.

F. Fort Worden Collaborative

Robison provided an update on the collaborative planning effort involving the PDA and partner representatives. Called the Fort Worden Collaborative, the group is comprised of the PDA's executive team (Robison, Moody, and Garay), and Renee Klein (Madrona MindBody), Janine Boire (Port Townsend Marine Science Center), and Teresa Verraes (Port Townsend School of the Arts). They are exploring areas of alignment and how stakeholders can work together on common efforts, such as events, collaborative programs, marketing, fundraising, and capital improvements. Robison said the

group will work with Peter West, a professional facilitator, to shepherd the process. In late January the group will host a full day retreat involving leaders from each partner organization, he said. Funding for the effort will come from the Fort Worden Foundation and partners, and Garay added that partner funding will be on a sliding scale. Garay said the Fort Worden Collaborative also has launched a survey asking stakeholders to provide feedback on strengths, weaknesses, opportunities, and threats. Board members agreed that Hutton and Lela Hilton will represent the PDA board, and Naushard Cader will be an alternate.

G. Board Governance

Tonina talked about board member Gee Heckscher's upcoming move away from Port Townsend, which has led Heckscher to step down from his role at Vice Chair. Heckscher will remain on the board in 2020 and serve in his role as the board's representative to the Fort Worden Coordinating Committee. Tonina praised Heckscher for his contributions via many roles since his involvement in the formation and development of the PDA began in 2011. He said that Heckscher is tenacious and principled and his contributions have been of the highest quality. Tonina thanked Heckscher for being a great role model. Robison said Heckscher's dedication cannot be overestimated. Heckscher said that Fort Worden means a lot to him and his involvement has provided a rewarding way to apply his background in architecture and facilities. Umbreit suggested a commendation for Heckscher's contributions, and Robison proposed that a celebration of Gee's contributions be held in early January.

Action: Motion to publicly recognize Gee Heckscher for his outstanding contributions to Fort Worden. **Unanimously Approved**

Tonina also talked about his own work as board chair. Tonina is entering his fifth year in the role, and he noted that the first board chair, Cindy Finnie, passed the baton during her fifth year. He said the Governance Committee is recommending a move to a co-chair model, which was in place as the PDA was forming. Tonina said he is committed to remaining involved at a leadership level for the next year, and the Governance Committee believes the co-chair model makes sense for the PDA's current stage of development. Tonina said he has asked Hutton to serve with him, and the two have explored how they would work together and divide the chair responsibilities. Tonina will continue to chair board and executive committee meetings, act as the board's spokesperson, lead the evaluation of the Executive Director, lead the Governance work group, and take part in partner lease negotiations. Hutton will participate in the Fort Worden Collaborative; lead the strategic planning effort; participate in branding activities, lobbying and fundraising; and will support the Executive Director with partner and constituent relations.

Action: Motion to migrate the PDA board from a Chair/Vice Chair model to a Co-Chair model and to appoint Todd Hutton and Norm Tonina as Co-Chairs. **Unanimously approved**

Hutton expressed his appreciation for Heckscher's contributions. Hutton said he looks forward to supporting the PDA's partners and enhancing the environments that allow PDA partners to thrive and grow in the ecosystem of lifelong learning. As examples of partner efforts to be proud of supporting, Hutton referred to Centrum's new program, an arts and lecture series called "Communiversities," and the recent awarding of the National Book Award in Poetry to a Copper Canyon-published author. Robison added that the PDA will be sending a congratulations letter on the board's behalf to Copper Canyon.

X. Public Comment

David Goldman said he thinks it's important to note that the temporary closure of Officers Row and NCO Row housing for infrastructure projects in 2020 will have a bigger impact in terms of dollars than when the PDA was taking over campus maintenance from State Parks. He also encouraged leaders to consider how

major events such as THING may be just as important as Makers Square will be in 2020 to the PDA's success and increasing awareness of its efforts.

Owen Rowe thanked Garay and other PDA leaders for the explanation about HTCs. He also thanked Heckscher for his service and the emphasis he has placed on working with partners and stakeholders. Rowe said he is excited about the path forward through the collaborative planning effort.

Aletia Alvarez thanked board members for the hard work they've put in for partners and the campus. She also expressed appreciation from partners for Heckscher's support and his integrity, and in particular she thanked him for his work with Madrona MindBody.

XI. Executive Session

At 11:43 a.m. Tonina announced that the Board will enter into executive session to review lease terms and conditions in accordance with RCW 42.30.110(c). Tonina stated that the session would last approximately 15 minutes, and no action would be taken.

XII. Regular Meeting Adjourned: 12:08 p.m.

The board re-opened the public meeting at 12:06 p.m. Tonina stated that no action was taken during Executive Session. The board adjourned.

Board Packets and PowerPoint Presentations are available on our website at: www.fortworden.org under public documents>agendas & documents>public meetings>PDA Board Meeting 12.18.19