



Finance & Audit Committee
APPROVED Minutes
Fort Worden Public Development Authority
Wednesday, June 24, 2020 | 9:00 a.m. to 10 a.m.
Via ZOOM

Attendees

Finance & Audit Committee Members: Jeff Jackson, Todd Hutton, Cindy Finnie, Herb Cook, Diane Moody, Sonya Baumstein; Invited Guest: Erik Wishneff

Board of Directors: Norm Tonina, Gee Heckscher, Jane Kilburn, Terry Umbreit

PDA Staff: Dave Robison, Aislinn Diamanti, Carolyn Zipeto, Daniel Nyby, Jess Morris, Cody Griffith, Natalie Maitland; FW Foundation Staff: Lane DeCamp

Other Attendees: David Goldman, David Rinn, Lisa Werner, Renee Klein, Mitch Freeman, Nora Mitchell, Owen Rowe, Rob Birman, Julie Christine

Public Meeting Minutes

I. Call to Order

Finance & Audit Committee Meeting called to order at 9:02am.

II. Historic Tax Credits (HTC) Update & Review

Tax Credit Consultant Erik Wishneff shared that a prospective investor in the Historic Tax Credits has been identified and negotiated with, and the outstanding issues are that of a board-approved budget and a subordination agreement assuring control of the property for at least five years from the time a Certificate of Occupancy (COI) for Makers Square is issued. PDA Executive Director Dave Robison confirmed that State Parks and the Fort Worden Foundation have agreed on a legal structure to guarantee that the investor's requirements can be met, and Wishneff confirmed that any investor would ask for this and it would be needed even if the deal with the committed investor didn't go through.

Wishneff outlined a closing process of at least 4-6 weeks to close the deal with the current prospective investor; identifying a new investor would take at least that long to line up and then again to close, or a minimum of 2.5 months, with the same requirement to finish construction and have a COI issued by the end of this year.

PDA Board Treasurer Jeff Jackson requested additional information on the process and terms with the investor, stating he would not feel comfortable with the committee approving any additional moves from capital accounts until that request has been satisfied, and Robison agreed to this request.

III. Review Updated 6/18 Presentation and Discuss Next Steps

Jackson outlined three main scenarios being considered at this time, which are 1. Limited Reopen of Hospitality Services August 2020, 2. Do not reopen until April 2021 (managed with very limited staffing), and 3. Dissolution, which has not been modeled but is a possibility to be considered especially in light of larger issues outside of the PDA's control. Chief Finance Officer Diane Moody presented her assumptions and forecasts for Scenario 1 citing a net loss of \$693K for 2020 and \$193K for Quarter 1 of 2021,

requiring an additional \$250K to be sourced for cash flow. Moody also presented assumptions and forecasts for Scenario 2, citing a net loss of \$1.25M for 2020 and \$254K for Quarter 1 of 2021, requiring an additional \$700K to be sourced for cash flow. Makers Square is a potential source of additional cash flow for either scenario, noting Jackson's request not to borrow money from there until achieving greater clarity on the Historic Tax Credits.

PDA Board Co-Chair Todd Hutton asked if we choose not to reopen, are we required to refund "non-refundables" since we chose to stay closed? Moody replied that two lawyers have said that if we refund any, we have to refund all, which is an additional liability of \$500K. Sales and Marketing Director Cody Griffith added that with the Park and Lighthouse reopening, if we do not reopen then it reduces the strength of the position taken on being forced to close.

Treasurer Jeff Jackson shared his assessment, stating that given the history and the current situation, he believes a partial reopening is the best option, financially. Jackson said he believes the committee and board should not recommend dissolving at this time, and personally recommended to go ahead with the reopening plan (Scenario 1) while working on a business plan overhaul.

Board Member Cindy Finnie also spoke, citing leisure business as the key to financial viability. Finnie requested that partners share their long-term business models, to determine how they play in to the overall future of the PDA business model.

Finance and Audit Committee Member and Fort Worden Foundation Board Chair Herb Cook shared that he is of two minds, one being that not opening until next April allows more focus on redesigning the business model. The other is that the longer the PDA stays closed, the more "public capital" the PDA spends, as opposed to "financial capital," and the PDA's reputation with the public will be critical, no matter what business model is adopted, to success or failure. Cook stated that he believes the Historic Tax Credits are needed to succeed, and there is a possibility the current purchase deal will not go through, but that risk increases substantially if the PDA does not reopen. Despite the risks, Cook also recommended a partial reopening (Scenario 1).

Hutton shared his own assessment, echoing Cook's concerns about redesigning the business model. Hutton stated the board will be an integral part of driving the business model redesign process, as Robison and Moody will be at reduced time. Hutton also noted that while not reviewed in this presentation, the "downward cash line" will go past March 2021.

IV. Recommendation to the PDA Board

Each member of the Finance and Audit Committee made an individual recommendation to move forward with partial reopening in August 2020 (Scenario 1).

V. Public Comment

Held for the Board Meeting.

VI. Adjourn

Finance & Audit Committee Meeting adjourned at 10:55am.