



APPROVED Minutes
Board of Directors Meeting
Fort Worden Public Development Authority (FWPDA)
Wednesday, November 25th, 2020 | 9 a.m.
Via Zoom (Remote Meeting Per Governor Inslee's Proclamation 20-28)

- ❖ **Action:** Motion to approve the October 22nd and the October 28th board meeting minutes, as amended. **Unanimously Approved**
- ❖ **Action:** Motion to approve the RFP, in substantially the same form as presented, for reimagining the Fort Worden Lifelong Learning Center Business and Operating Plan, subject to the repurposing of the Jefferson County Public Infrastructure Fund grant. **Unanimously Approved**
- ❖ **Action:** Motion to ratify the PDA's acceptance of \$350,000 from the Fort Worden Foundation to the FWPDA, pending receipt of Makers Square construction grant, to provide temporary financing for grant anticipation revenue for Makers Square and to provide timely payments to the contractor. **Unanimously Approved**
- ❖ **Action:** Motion to approve **Resolution 20-20** authorizing the PDA board co-chairs to sign a grant anticipation note in the principal amount of not to exceed \$214,000 for the purpose of paying costs of constructing the Makers Square project pending the receipt of a grant; fixing the form and terms of the note; and providing for the sale of the note to Kitsap Bank. **Unanimously Approved**
- ❖ **Action:** Motion to approve and execute the employment contract with David Timmons. **Unanimously Approved**
- ❖ **Action:** Motion to temporarily suspend the Executive Committee and Finance & Audit Committee Meetings. **Unanimously Approved**

Regular Board Meeting

- I. Call to Order: 9:00 a.m.**
The November 25th board meeting was a remote Internet- and phone-based meeting in accordance with the "Stay Home" emergency proclamation issued by Governor Jay Inslee on March 23, 2020 and subsequently extended. Access information to the meeting was published on the Fort Worden PDA website, in a meeting notice to the media, and in emails to the stakeholder mailing list.
- II. Roll Call/Introductions of Board Members and Staff**
Fort Worden PDA Board Members: Norm Tonina, Todd Hutton, Jeff Jackson, Gee Heckscher, Jane Kilburn, Cindy Finnie, Terry Umbreit, Herb Cook, Lela Hilton
Staff: David Timmons, Aislinn Diamanti, David Beckman, Joan Rutkowski
- III. Changes to the Agenda/Announcements**
There were no changes to the published agenda.
- IV. Public Comment**
No comments were shared during the public comment period.
- V. Communications of Interest**

Board co-chair Norm Tonina referred people to the partner program update in the packet, which includes reference to the Chinese Gardens Interpretive Trail. The Friends of Fort Worden completed and dedicated the trail in September. Tonina said he was impressed with the interpretive trail and encouraged others to check it out.

VI. Consent Agenda

Tonina said that when he and co-chair Todd Hutton discussed the KPTZ lease at the board's October 28th meeting, their intention was to have the board authorize both the negotiation and execution of the final lease agreement. The approved motion only spoke to the negotiation. He said they would like the board's approval to correct that by amending the motion in the October 28th minutes to allow them to negotiate and execute the final lease agreement.

Action: Motion to approve the October 22nd and the October 28th board meeting minutes, as amended. **Unanimously Approved**

VII. Board Co-Chair Statement and Board Discussion

Tonina read a statement that he and Hutton prepared regarding the PDA's financial crisis: "As board members, we serve in our official capacity as volunteer public servants, and we recognize the severity of the problems confronting the PDA right now. We also feel that we owe it to the public and all those impacted by this current situation to do what we can to remedy what has happened and move forward to secure the long-term viability of the Fort for the community at large. Todd and I have taken several actions to date that we have shared with you, our fellow board members. Moving forward, we and others need the facts so we can all understand from an independent source how this happened. That process is underway, and we are working hard to partner with the State auditors and do what we can to expedite the audit. The State Auditor's Office will provide the board with an independent, thorough, and transparent report that will be made available to the public. Steps will have to be taken by us and David Timmons to ensure that this never happens again. This is a critical time for the Fort, and we ask all concerned to allow the State Auditor's Office to present their findings. We commit to cooperate fully with any and all actions necessary to secure the future of the Fort. Lastly, we'd like to thank David Timmons for his leadership of the PDA through this challenging transition."

Tonina invited Board comments. Board Treasurer Jeff Jackson shared thoughts based on conversations he has had in the community and his work as an executive in the travel and hospitality industry for over 30 years. He stated that mistakes were made in overseeing and managing a complex situation, and no one is trying to avoid that. Jackson said it's critical for the community to understand that the enormity of the situation is completely about the impacts of COVID on operations, which is no different than other hospitality businesses, especially those that emphasize group meetings. Jackson stated that based on the facts, he believes the issues the PDA is confronting were solvable as normal business problems were it not for COVID. He noted that board members are not in their uncompensated roles for recognition, and the work has become essentially a full-time job for some since earlier in the year. Jackson expressed gratitude for his fellow board members, and asked the community for support and understanding of the complexity of the situation. Any solution the board proposes will have to be collaborative, and it will not be perfect for any one constituent, he added.

Hutton also spoke, noting that many people are owed thanks on the eve of Thanksgiving, including current and former staff members who have remained loyal, everyone who has supported the PDA, and all those who care for and help steward the Fort. He thanked interim Executive Director David Timmons for stepping in during an extremely difficult time. Hutton said he would like to echo Jackson's entreaty that people work together to solve the enormously complex problem, and added

that it does take a village as the saying goes. He said the village of the Fort extends beyond the campus and includes Port Townsend, the County, and Washington State Parks. Hutton said board members also recognize that partner organizations have their own issues and want to support their endeavors as well.

VIII. Partner Operations Update: Fort Worden Collaborative

Hutton introduced Janine Boire (Port Townsend Marine Science Center) and thanked Boire and Mitch Freeman for the leadership roles they have taken with the Fort Worden Collaborative. Boire said the Collaborative is working well because of its positive spirit and the desire to build a unified and sustainable approach to planning for all of the Fort's constituents. She summarized the focus of each of the Collaborative's three working groups:

- 1) The Diversity, Equity and Inclusion group keeps the Collaborative connected to the work of the larger community and is ensuring that the principles of diversity, equity, and inclusion are woven and integrated into planning.
- 2) The Mid-Term Group focuses on the implementation of how constituents can work together better today.
- 3) The Long-term Group focuses on exploring, vetting, and reporting on concepts and models for the future sustainable path that addresses the interdependence of the PDA, State Parks, the City of Port Townsend, partners, and the community. This will help provide professional consultants with the groundwork for planning. Boire said the next step for this group is to compare and contrast the Fort with other places that have similar visions to present the elements in a manner that allows planners to craft the Fort's unique brand for the future.

Jackson shared that he and Tonina have hired someone who used to work for the PDA, and this person is now building an in-depth spreadsheet based on how the pre-COVID model worked. To show what's affordable and sustainable, the spreadsheet will be adjustable for different dynamics to show how much below market rates can be provided to not-for profits and how much revenue from guests can be generated, he said. Jackson said the work is underway and when it's finished it would be essential to the Collaborative's work. Tonina commended the Collaborative for its progress, and thanked Hutton and board members Lela Hilton and Jane Kilburn for their participation in the Collaborative.

IX. PDA Recovery and Reorganization Plan Update and Presentation

A. Staff Report

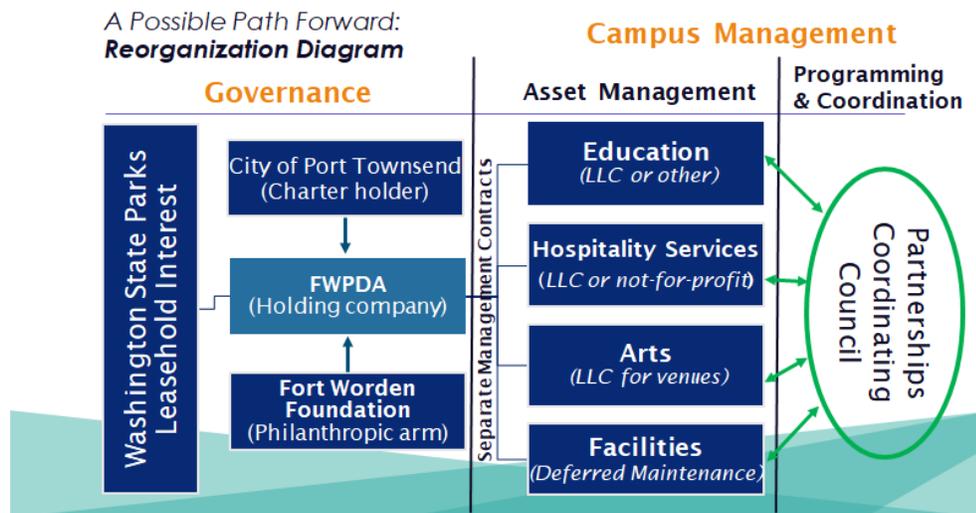
Interim Executive Director David Timmons presented a reorganization concept for the PDA's recovery. Timmons noted that a complex problem requires an equally complex solution, otherwise underlying issues will not be addressed and an organization can be left vulnerable. He said he has been trying to look at a path forward, and what he is presenting is just one concept to stimulate discussion for moving things forward. The proposal focuses on the structures and the exposures the PDA has in terms of its structure, the facility, and the relationship with the partners and the community.

Timmons described the current organizational challenges: the impacts of COVID-19 on operations, the related shutdown and sustainability of the reopening plan, the previously undisclosed financial situation and growing deficit, the regular maintenance expenses to keep the property in shape, and unexpected deferred maintenance issues that come up constantly. Timmons also described the status of capital project loans that are coming due for the Makers Square, Glamping, and Energy Efficiency projects and noting the money that had been diverted from the projects to operations. He is working on renegotiating new loan terms, restoring the diverted funds, and ensuring completion of the projects. Timmons said

that if all goes well and with the success of vaccines, completion of glamping, and State Parks' completion of Officers Row infrastructure work, he expects that the PDA could launch a full reopening by July 1, 2021. Until then, he said approximately \$1.5 million in startup funding is needed to maintain minimum operations. A \$200,000 donation has already been obtained, Timmons said.

Timmons said his reorganization concept is based upon a belief that the PDA needs to empower a partnership management model that encompasses the varied activities and needs of the Fort Worden campus.

Concept slide from presentation:



Timmons said the proposed structural changes address the PDA's current role as both a public entity and an enterprise, noting how unusual it is for a government to run a hospitality business. The arrangements in this concept could help build resilience, he said. The diagram shows how the PDA could operate as or like a holding company and maintain the governance relationships with State Parks and the City of Port Townsend, while asset management and programming can be managed through separate entities, such as LLCs, that each have contracts with the PDA. Under the concept, the PDA would be reorganized and downsized to a small administrative support group with a modified governing body that holds the public trust and the lease with State Parks, interfaces with State Parks, and takes the lead in passing through state and federal assistance for the Fort's capital needs. During the presentation, Timmons also noted that if hospitality had been set up as an LLC before COVID, it would have been eligible for state and federal assistance that the PDA did not qualify for. The hospitality entity/LLC would manage the Commons, rental venues, food services, and hospitality accommodations, and it could involve profit sharing for the partnership. He said the LLC would eliminate the challenges that the PDA has in its need to conform to government prohibitions that restrict what the PDA can do in its management of hospitality. Timmons also said that a management system could be created to make it all look seamless. A new operating group, composed of the partners, could program the assets together as a team, he said. Timmons reiterated that the concept is proposed to stimulate discussion and he hoped it could be part of the Collaborative's studies to see if it would work to manage all of the assets at the Fort and allow them to thrive.

[The presentation is available on the public documents page of the PDA website, which also includes a link to the meeting recording: www.fortworden.org]

B. Board Discussion

Board and staff discussed the model. Jackson said that despite the apparent complexity, the model of a real estate owner being separate from an operating entity of a hotel or resort is extremely commonplace. Finnie said she likes the model but wonders how facilities will be taken care of and preserved, which has been a hard issue for the PDA to address. She said she would like to have time to brainstorm and dig deeper into those concerns. Timmons agreed that facilities maintenance will be the elephant in the room because it has the biggest price tag, with deferred maintenance totaling up to \$100 million. The costs can't fall on just one individual or organization and the model is intended to stimulate discussion with stakeholders, including the State, about how facilities costs can be shared, he said. Board members and Timmons discussed how the model could work to empower partners and more deeply embed the concept of local control in asset management. Hutton observed that the model approximates a university model and suggested that the Collaborative may want to include university structures in its research of models throughout the nation. Jackson said that shared governance may be a great idea, and the inherent tension of having all constituents have a hand in governance would need to be addressed up front. Board member Lela Hilton said it's been a challenge for higher education in this community to address the ideas, assets, needs, and challenges that various processes ultimately identify, because people look for one agency to come in and solve the problem. Hilton said she likes the model because it addresses that. Timmons said the vision is there and the focus needs to be on implementation -- how to make it work and how to make it a more resilient model so that it's not so vulnerable.

X. RFP for Reimagining the Fort Worden Lifelong Learning Center Business & Operating Plan

A. Staff Report

Timmons talked about the status of the RFP, which seeks to find a consultant who can provide planning and technical assistance in developing a plan for the future management and operations of the Lifelong Learning Center campus area. He said the PDA is looking for a funding source for the work and has applied to Jefferson County to repurpose a Public Infrastructure Fund grant that had been awarded to the PDA. However, the County has said restrictions on fund use mean the grant would have to first be reassigned to the county's Economic Development Council (EDC), which could then forward the funds to the PDA for the management study, Timmons said. He is in the process of reaching out to the EDC and also looking for other funding sources.

B. Board Discussion

Action: Motion to approve the RFP, in substantially the same form as presented, for reimagining the Fort Worden Lifelong Learning Center Business and Operating Plan, subject to the repurposing of the Jefferson County Public Infrastructure Fund grant.

Unanimously Approved

XI. Financial Report

A. Staff Report

Timmons said he doesn't yet have anything to present while staff and the PDA's independent CPA are focused on the work needed to reconcile and restate the financials from 2015-2019. This involves restating from an accrual to a cash basis for reporting and

audit purposes, while also maintaining the books on an accrual basis to track assets. He said the audit also is underway and the team is requesting volumes of documents to help them determine the scope of the audit, and the work plan that will be presented to the board. Timmons said the board will need to adopt a budget in December, and it will likely involve a skeleton crew and minimal services until July 1 and also require fundraising to maintain operations until that time.

B. Board Discussion

The scope of the audit was clarified, with Timmons stating that the Accountability Audit will span 2015-2019 and the Financial Statement Audit will cover 2018-2019. Finnie asked what would happen if a major maintenance issue arose over the next several months. Timmons said most buildings are being winterized with minimal heat, and staff are dedicated to making it work with few resources. Hospitality bookings are coming in, but they are not enough to carry operating costs at this point in time and more fundraising is needed to make it to July 1st, he said.

XII. Makers Square Loan

A. Staff Report

Timmons described steps he is taking to address what's needed to close out Makers Square. He said that due to COVID-19 rules, Kitsap Bank is able to defer the PDA's payment on the line of credit that was due in December. With the deferment, the PDA no longer immediately needs \$2 million for the line of credit and the restoration of funds for a project grant that didn't come through, and the net requirement is now \$900,000 (\$400,000 for money that was diverted from capital to operations, and \$500,000 for a lost grant). He is submitting requests to draw funds that close out other grants. Timmons said he has made an amended request to the City to see if they would back the reduced loan amount, which could be in the range of \$500,000 to \$900,000. He said the \$350,000 loan from the Fort Worden Foundation would help pay contractors until funds come through from a delayed state grant that pays in the form of reimbursements; because of the timely need for payments, the action was undertaken and now needs to be ratified by the board.

B. Board Discussion

Board member Herb Cook, who also is the Fort Worden Foundation's board president, said he participated in the decision to authorize the Foundation's receipt of the \$350,000 short-term loan from a private individual, which in turn the Foundation has loaned to the PDA on a short-term basis pending receipt of the \$543,000 reimbursement grant so that Makers Square construction could proceed uninterrupted. Timmons described how the loan and the short-term grant anticipation note from Kitsap Bank worked together to provide needed contractor payments. This emergency measure helped prevent the shutdown of the project, he said. Cook noted that the PDA will pay the Foundation 4% interest for the short period in which the loan is outstanding, and the Foundation will in turn pay the private lender the 4%. Timmons said the City has acknowledged the request to back the \$900,000, and he expects discussion about options to happen soon.

Action: Motion to ratify the PDA's acceptance of \$350,000 from the Fort Worden Foundation to the FWFDA, pending receipt of Makers Square construction grant, to provide temporary financing for grant anticipation revenue for Makers Square and to provide timely payments to the contractor. **Unanimously Approved**

XIII. Resolution 20-20 Regarding a Grant Anticipation Note with Kitsap Bank

A. Staff Report

As part of the discussion about Makers Square construction financing, Timmons described why the PDA needs a \$214,000 grant anticipation note, which is the amount left in the \$543,000 grant that can only be received in the form of reimbursement. Because of the PDA's financial challenges, Timmons approached Kitsap Bank about a loan for \$214,000 to pay for other construction costs, and after those expenses are made the grant would then provide reimbursement. The motion authorizes this piece of the funding solution.

B. Board Discussion

Action: Motion to approve Resolution 20-20 authorizing the PDA board co-chairs to sign a grant anticipation note in the principal amount of not to exceed \$214,000 for the purpose of paying costs of constructing the Makers Square project pending the receipt of a grant; fixing the form and terms of the note; and providing for the sale of the note to Kitsap Bank.

Unanimously Approved

XIV. Operations Update

A. Staff Report

Interim Operations Director Aislinn Diamanti provided an update on staffing and the consolidation of guest services, maintenance & facilities, food & beverage, information technology systems, and sales & marketing. Recent changes include Reveille again becoming to-go service only due to the increase in statewide COVID-19 restrictions, and Front Desk services have returned to the Commons. Diamanti reported that someone is always available to help with security and after-hours emergencies and guest needs. As for bookings, Diamanti noted that her revenue numbers come from the more robust property management system but won't necessarily show recent cancellations. She reported that the PDA hasn't been able to hit the reopening budget numbers. September was on track to exceed the goal, but the impact of wildfire smoke led the month to close under budget, she added.

B. Board Discussion

Tonina thanked Diamanti for the revenue numbers. Timmons thanked Diamanti for stepping up and managing operations so well, and he commended operations staff for their work.

XV. KPTZ Lease Update

A. Board Report & Discussion

Tonina reported that they are waiting to hear back from the Historic Tax Credit attorney, which will help with the conversion of the high-level term sheet presented last month to a lease document that allows for the execution of the Historic Tax Credit transaction. Timmons clarified that the December deadline that has been referenced before is for the credits to be eligible to be used in 2020; if the closing doesn't happen by then, the tax credits don't go away and they roll into the next year. He added that the investor can choose to amend their tax return and apply credits that were earned in 2021 to their 2020 taxes. Timmons said that if the investor provides the green light, the closing process will begin for the tax credits for both KPTZ and Makers Square.

XVI. Employment Contract with David Timmons

A. Board Report & Discussion

Tonina summarized key points from the employment contract, which runs through June 30, 2021. He noted that Timmons will go from part time to full time because of the number of issues at hand. Tonina, Hutton, and Timmons will meet quarterly to assess whether Timmons needs to continue on a full-time basis, and the board will be updated on those conversations.

Action: Motion to approve and execute the employment contract with David Timmons
Unanimously Approved

XVII. Board Appointment Update

A. Board Report & Discussion

Hutton provided an update on the Nominating Committee process, which had concluded with a recommendation that the City reappoint Jane Kilburn, Lela Hilton, and Gee Heckscher and also appoint a liaison from the City and a liaison from partner organizations. He said that since then, Mayor Michelle Sandoval has decided that the three could continue with their current terms rather than be reappointed to new terms at this point in time. Hutton said he thinks this is because the PDA is in flux and that it's more prudent to not add new people to the board, whether they are current or new. Kilburn noted that this also means that liaison nominees won't be joining the board at this time. Hutton encouraged the unofficial participation of the nominated partner liaison, who is Heron Scott (Port Townsend School of Woodworking).

XVIII. Executive Committee Meeting Status

A. Staff Report

Timmons said he has suggested to the co-chairs that the board indefinitely suspend its Executive Committee and Finance & Audit Committee so that the full board is engaged in all matters during this critical time.

B. Board Discussion

Hutton agreed, saying that the Finance & Audit Committee essentially has been folded into the full board, and noted that previously Jeff Jackson also was meeting with staff at least once a month for a deep dive into the finances.

Action: Motion to temporarily suspend the Executive Committee and Finance & Audit Committee Meetings. **Unanimously Approved**

The board agreed that this decision should be revisited in a few months

XIX. Capital Projects/Makers Square Construction Update

A. Staff Report

Capital Project Director David Beckman provided an update on Washington State Parks capital projects. Improvements to building 4 and 5 of Officers Row are underway, and he expects the sewer and water project to begin January 4th. Beckman has had meetings regarding securing the certificate of occupancy for Makers Square, and is informing partners that when this is in place all surrounding pathways to Makers Square become fire access lanes and parking won't be allowed within that zone. Beckman said that occupancy requirements for each building mean additional work is needed, which will change the contract with Clark Construction by approximately \$25,000 to \$30,000. He expects that the

certificate of occupancy will be secured by December 15th, and Clark will continue finalization work for at least another 30 days to reach total occupancy. He said KPTZ is working on finalizing the location for their signal. Timmons provided an update on Glamping, saying that the facilities crew is beginning to erect the remaining tents.

B. Board Discussion

Beckman and board members talked about scheduling a walkthrough at Makers Square. Tonina noted how much Heckscher has been helping with the management of capital projects. The group discussed the heating and security needs for the tents.

XX. Public Comment

No comments were shared during the public comment period.

XXI. Adjourn

The meeting adjourned at 11:16 a.m.