



Approved Minutes
Special Board of Directors Meeting
Fort Worden Public Development Authority (FWPDA)
Tuesday, December 29th, 2020 | 1 p.m.
Via Zoom (Remote Meeting Per Governor Inslee's Proclamation 20-28)

- ❖ **Action:** Motion to approve Resolution 20-24 adopting an Enterprise Services Fund budget for fiscal year 2021. **Unanimously approved**
- ❖ **Action:** Motion to authorize the Interim Executive Director to execute necessary documents that cancel lease agreements between the PDA as lessor and Fort Worden Foundation as lessee for Buildings 305, 308, and 324 in connection with receipt of grants for rehabilitation of the buildings, and directing the Interim Executive Director to make the cancellation effective on execution of a replacement lease between Makers Square Master Tenant, LLC, as landlord, and Fort Worden Foundation, as lessee. **Unanimously approved**

Special Board Meeting

I. Call to Order: 1 p.m.

The December 29th 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.

The meeting recording and materials are available on the public documents page of the PDA website: www.fortworden.org/category/pda-documents/

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, Lela Hilton, Terry Umbreit, Herb Cook

Staff: David Timmons, Aislinn Diamanti, David Beckman, Joan Rutkowski

III. Resolution 20-23 Re the 2020 FWPDA Budget

A. Staff Report

Interim Executive Director David Timmons said he put a resolution to amend the 2020 budget on the agenda in case the action was needed per State law that says public entities cannot exceed approved budget thresholds. However, Timmons said, no action on the resolution is needed because the budget was not exceeded. He noted that finance staff are working through the challenge of reconciling financials from 2015 to the present, which has delayed the production of finalized financial reports for the board. Timmons said 2020 appears to have ended with a total income of \$1.7 million and total expenses of \$2.6 million, for a \$1 million operating loss. Income loss from 2019 to 2020 was approximately \$5 million, directly related to the impacts of COVID-19, Timmons said.

B. Board and Staff Discussion

Board Secretary Jane Kilburn said the losses from COVID-19 are a triple whammy, and she

commended partners for still making their lease payments in spite of the impact COVID-19 has had on their operations. Timmons agreed. He added that he will soon do a deeper dive into the year-end reports and comparisons.

No action was taken on Resolution 20-23 because it was not needed.

IV. Resolution 20-24 Re the 2021 FWPDA Budget

A. Staff Report

The resolution before the board was for the adoption of an Enterprise Services Fund Budget total of \$5,765,581. Timmons said 2021 isn't like any other year, and some form of a budget needs to be adopted going into the year in order to continue to operate. He said the budget is typically adopted with a fund total as an expenditure limit. Because of the challenges the finance team is having to pull together the line item details and forecast for the new hospitality nonprofit, a line item budget isn't yet ready to support the final budget number, he said. Timmons apologized for not having more detail available. He said there is just 1.5 FTE for finance, and they also are trying to keep up with the documentation and reconciliation needed for the audit and Makers Square grants.

Timmons said one fund total is presented, and it combines best estimates for capital and operations based on a high level review. In early 2021, the supporting details will be analyzed to build a line item budget that may lead to the amendment of the budget fund total, he added. Timmons said that absent a budget being adopted by the end of the year, any expenditures made prior to budget approval can lead to personal liability for those expenses.

B. Board and Staff Discussion

Board co-chair Todd Hutton said it's important to emphasize that the number presented is a placeholder based on year-end numbers. Finnie commended Timmons and staff for their work and said they should take the time needed to get the budget right.

Board Treasurer Jeff Jackson provided an update on work to create a forecasting model. Jackson said Hannah Burn is working to develop a sophisticated model for the PDA's business. Burn, Jackson, and Tonina are working with staff on the model and the inputs that will help inform decisions, he said.

Action: Motion to approve Resolution 20-24 adopting an Enterprise Services Fund budget for fiscal year 2021. **Unanimously approved**

Hutton reiterated that board members understand that the budget is a placeholder number, and they will receive a detailed budget with revenue projections in the next several weeks.

V. Makers Square Lease Changes

A. Staff Report

Timmons explained why the PDA board is being asked to cancel the lease agreement between the PDA as lessor and Fort Worden Foundation as lessee for Buildings 305, 308, and 324. The move will allow for the execution of a replacement lease between Makers Square Master Tenant, LLC, as landlord, and the Fort Worden Foundation. Timmons said that in the process of finalizing the historic tax credits, he came across the need for this change to which entity is leasing the buildings to the Fort Worden Foundation. He said the PDA's 14-year lease with the Fort Worden Foundation was created to satisfy a grant requirement that the Foundation have ownership interest in the asset in order to receive the funds. The LLC needs to be the leaseholder, not the PDA, Timmons said. The correction will bring the lease into compliance with the historic tax credit structure that's legally

required for the receipt and use of the credits, he said. Timmons said the work is critical and needs to conclude prior to closing on the tax credits, which is targeted for January. Timmons noted that other work is needed to pass through the conditions and terms of the grants the PDA has received for Makers Square to the LLC to pass on to the Foundation. Adjustments to the booking of grant expenses also are needed, and Timmons said this is part of the finance team's restatement of the financial reports.

B. Board and Staff Discussion

Hutton commented on the complexity of the historic tax credit structure and asked that a diagram and explanation of the structure be shared at the next board meeting. Cook said that as President of Fort Worden Foundation board, he discussed the lease change with Dave Robison, the PDA's former Executive Director. Robison talked about it with attorneys and all parties are satisfied that this change will allow for the proper execution of grants and historic tax credits, Cook said. He said he is in favor of the resolution.

Action: Motion to authorize the Interim Executive Director to execute necessary documents that cancel lease agreements between the PDA as lessor and Fort Worden Foundation as lessee for Buildings 305, 308, and 324 in connection with receipt of grants for rehabilitation of the buildings, and directing the Interim Executive Director to make the cancellation effective on execution of a replacement lease between Makers Square Master Tenant, LLC, as landlord, and Fort Worden Foundation, as lessee. **Unanimously approved**

VI. Public Comment

Mayor Michelle Sandoval asked Timmons for clarification on the liability that he talked about related to not adopting a budget by year-end. He cited State law, which says expenses made without an approved budget can incur personal liability for the person who authorized the expenditure. Sandoval asked who specifically could be held liable, and Timmons said it could be anyone involved in an expenditure.

Jeffrey Krida, a Fort Worden Foundation board member, thanked the PDA board and staff for their work. He noted that it's easy to be a critic and a lot harder to do what has been accomplished.

VII. Next Meetings

Tonina noted that the next board meeting date is in the process of being identified, and public notice will be provided when it is scheduled. Kilburn asked about the timeline for when the new PDA board will be in place. Timmons estimated that it might happen by February or March. Kilburn said that three of the nine board members are still in limbo because the recommendation to reappoint them to new terms hasn't yet been addressed by City Council. Timmons confirmed that this means the directors continue on the board until any changes that affect them are made.

VIII. Adjourn

The meeting adjourned at 1:38 p.m.