



**APPROVED Meeting Minutes  
Special Board of Directors Meeting  
Fort Worden Public Development Authority (FWPDA)  
Wednesday, February 24th, 2021 | 9 a.m.  
Via Zoom (Remote Meeting Per Governor Inslee's Proclamation 20-28)**

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*The meeting recording and agenda materials are available on the public documents page of the FWPDA website: [www.fortworden.org/category/pda-documents/](http://www.fortworden.org/category/pda-documents/)*

- ❖ **Action:** Motion to approve the January 27th, 2021 board meeting minutes. **Unanimously approved**
- ❖ **Action:** Motion to authorize the Board Co-Chairs and Interim Executive Director to negotiate the terms of the Hospitality Concession Contract and bring a formal proposal to the FWPDA Board in March. **Unanimously approved**
- ❖ **Action:** Motion to authorize the Interim Executive Director to recommend to the Fort Worden Foundation the supplemental terms between Makers Square Landlord and Master Tenant for final assignment to the Fort Worden Foundation. **Motion passes with 2 abstentions**

**Regular Board Meeting**

- I. **Call to Order:** 9:00 a.m.  
The February 24th 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 via email to the campus partner mailing list.
- II. **Roll Call/Introductions of Board Members and Staff**  
Fort Worden PDA Board Members: Norm Tonina, Todd Hutton, Jane Kilburn, Jeff Jackson, Herb Cook, Lela Hilton, Terry Umbreit, Gee Heckscher, Cindy Finnie  
Staff: David Timmons, Aislinn Diamanti, David Opp-Beckman, Natalie Maitland, Joan Rutkowski, Hannah Burn (staff consultant)
- III. **Public Comment**  
No comments were shared or submitted in writing for the first public comment period.
- IV. **Communications of Interest**  
Board Co-Chair Norm Tonina encouraged people to read both the newspaper insert that presents campus partners’ successes during the challenges of 2020 and the “Frequently Asked Questions” flyer on the PDA’s reorganization process (see agenda packet).
- V. **Consent Agenda**
  - A. **Board Meeting Minutes**  
**Action:** Motion to approve the January 27th, 2021 board meeting minutes. **Unanimously approved**

## **VI. FWPDA Recovery and Reorganization Plan Update**

### **A. Fort Worden Hospitality Term Sheet/Contract (Draft) - Staff Presentation and Board Discussion**

Timmons reported on progress with the establishment of the nonprofit Fort Worden Hospitality. He presented an early look at the in-process general terms and reviewed details (see agenda packet). Board Secretary Jane Kilburn asked about public outreach and involvement in the process, and Timmons replied that this will continue to happen through the public board meetings. He said time is of the essence because of cash flow issues. Timmons added that Interim Operations Director Aislinn Diamanti is scheduling a gathering with partners to present and gather feedback on Fort Worden Hospitality's business plan, which also is on today's agenda to inform the board and the public. Timmons said the questions in the draft term sheet involve topics that need more discussion, such as how to handle maintenance and the transfer of inventory and staff. Regarding rent, Timmons is considering proposing a concessionaire fee of three percent, which he said is standard in State Parks contracts and would be tied to gross receipts from goods and services.

Board co-chair Todd Hutton asked about the scope of maintenance responsibilities. Timmons said he is considering having Fort Worden Hospitality be responsible for normal maintenance and repairs of the facilities and equipment that the nonprofit operates, and the FWPDA would still be responsible for major building repairs. He said road repairs would still reside with the FWPDA and/or State Parks, and grounds maintenance that affects guest services would be the responsibility of Fort Worden Hospitality. Paying for major systems, such as fire alarms and boilers, still needs to be addressed separately, he added. Timmons said funding major maintenance and capital needs (asset management) will require a public-private partnership approach.

### **B. Fort Worden Hospitality Business Plan (Draft) - Staff Presentation and Board Discussion**

Interim Operations Director Aislinn Diamanti and Sales and Marketing Manager Natalie Maitland presented the draft business plan for Fort Worden Hospitality (see website for the presentation PowerPoint). Timmons is the incorporator, and Diamanti and Maitland will be leaving the FWPDA to serve as the Interim Managing Director and Director of Hospitality Experience, respectively. Diamanti said the nonprofit was conceived in the FWPDA's reorganization plan with deep acknowledgement of the importance of local control. She said the nonprofit should be able to run hospitality operations better than the FWPDA, which had limits as a government entity. \$1 million is needed to bridge hospitality operations during the transition, and \$400K has been pledged. She anticipates Fort Worden Hospitality providing 50 jobs in 2021 and 80 in 2022 and meeting or surpassing pre-COVID revenues by 2023. She read the mission: "Fort Worden Hospitality welcomes visitors to a treasured state asset – Fort Worden State Park and Lifelong Learning Center. We connect people to the park's resources: the lifelong learning center campus; the cultural, educational, artistic, environmental, and recreational programs offered by the park's partner organizations; and the trails, beaches, and historic batteries. We also provide hospitality packages; meeting and events spaces; food services; and lifelong learning programming."

Regarding leadership roles, Diamanti said managers in the areas of facilities, housekeeping, finance, human resources, and food programs will comprise the management team. The company values are community, passion, integrity, environmental stewardship, and a culture of learning. She said the advisory team involves volunteers with professional backgrounds in

banking, hotels, venture capital, and start-up companies. Board members are being recruited for at least four open board positions, and Diamanti invited recommendations. She summarized operational efficiencies that the team is developing. The plan is to execute the concessionaire contract with the FWPPDA in March, begin hiring for key roles in April, and separate from the FWPPDA's administration in June, Diamanti said. Community open houses are planned for September.

Maitland provided an overview of the vacation rental houses, venues, and food & beverage outlets that Fort Worden Hospitality will operate, as well as the types of customers the nonprofit will serve. Restaurant service will continue to be modified due to COVID through 2021, she said. Maitland noted that glamping units will come online in 2022. Partner organizations will remain a vital part of the groups that Fort Worden Hospitality serves, she said. Maitland presented statistics from the travel and tourism industry regarding recovery from the pandemic that were used to shape revenue predictions. Industry estimates show 68 percent of revenue returning by the end of 2021. She noted the importance of Fort Worden Hospitality activity to the local economy, stating that in 2019 the FWPPDA's gross sales contributed \$125,521 to the Port Townsend Lodging Tax Fund, which is used to support a variety of tourism impact projects. Maitland summarized key events that Fort Worden Hospitality looks forward to continuing to host to support local organizations. The group also is looking for new revenue opportunities through partnerships, sponsorships, an education program, new events, grants, and donations to help build financial sustainability.

Diamanti presented a draft five-year proforma, noting that the numbers are still being worked on with the Fort Worden Hospitality advisory team. She reiterated that an investment is needed for the nonprofit to make it through 2021. The 2022 numbers assume the start of glamping rentals and shows the first year of a positive cash flow. The main debt payments will begin in 2023, which is when revenues are predicted to return to 2019 (pre-COVID) level. Years 2024 and 2025 show a flat rate percentage growth year over year. Treasurer Jeff Jackson added that anticipated debt payments would cover only interest for the first two years and then principal payments on the \$1 million start-up loan(s) would begin. An application for start-up funding has been submitted to Craft3. He noted that the objectives of being conservative and sustainable are reflected in the setting aside of funds for capital needs and reserves. The reinvestment reserve line is for profit that would be available to help improve hospitality offerings, Jackson said. Timmons added that the proforma uses existing rate structures and agreements that incorporate other discounts and benefits. Diamanti said the plan reflects the team's belief in the power of Fort Worden and how the nonprofit can help hospitality build back stronger and support the community at large.

Board members provided feedback on the proforma and its assumptions. Tonina expressed appreciation for the inclusion of reserves and commended the group for synthesizing multiple scenarios. Timmons said segregating major maintenance needs helps identify what pieces of the business model are working and what aren't. Hutton said the hospitality business has dominated the board's attention for years, and this change will help the FWPPDA focus more on lifelong learning and asset management. Board member Terry Umbreit said the proforma format is better than previously used formats, and this will help with the management of the business. Kilburn cautioned against capping management salaries, noting that it costs money to bring in the right talent to run a \$7 million operation. Maitland said adjustments have been made in this area, and the team wants to avoid carrying forward inequalities, especially during lean years. Tonina recommended that the team's research include a look at salary reports that focus on the hospitality industry.

**Action:** Motion to authorize the Board Co-Chairs and Interim Executive Director to negotiate

the terms of the Hospitality Concession Contract and bring a formal proposal to the FWPCA Board in March. **Unanimously approved**

*[Cindy Finnie temporarily left the meeting.]*

**C. Makers Square Status Report and Term Sheet - Staff Report and Board Discussion**

Timmons reported that the Historic Tax Credit process is complete, which provides an initial deposit of \$417,000. Capital Projects Director David Opp-Beckman said the Certificate of Occupancy is driven by when Clark Construction completes Makers Square, which is anticipated for the end of March and will lead to the second portion of the Historic Tax Credit (HTC) deposit. Timmons said the HTC funds will help the PDA catch up on project payments. The final phase of the process will involve an audit of qualified expenditures and report for approval by the National Parks Service. This will provide a final HTC payment.

Timmons also reviewed the temporary tax structure that is needed for the HTCs for at least five years. The HTC investor can renew twice for a total of 15 years, but he said this does not happen often. The structure also involves an LLC that reconciles the HTC structure with the requirements of a state grant. Timmons said that when the HTC structure goes away, the lease agreement between the PDA and Makers Square Landlord LCC dissolves and goes to the Fort Worden Foundation as the holder of the lease for Makers Square, Timmons said.

Timmons said after final terms are negotiated, the Foundation will have a 25-year lease on the property and terms and conditions of all the grants that have been awarded to the project will be incorporated. Timmons and Tonina said the FWPCA is considering providing credit for the capital investments provided by the Foundation's private sources as well as a two-year start-up window for the Foundation to get their business plan up and running. Timmons said this would be similar to KPTZ's terms and establish a standard Fort-wide for long-term interests on property. Board member Herb Cook, who also is president of the Fort Worden Foundation, provided an overview of the Foundation's role with Makers Square. Cook said that because of the Historic Tax Credit structure and grant requirements, the Foundation's relationship to Makers Square has evolved to the point where the Foundation will lease and operate the three Makers Square buildings and will be in the same relationship to the PDA as other partner tenants. The Foundation is considering its options, which could include adding staff and conducting its own programming or subletting one or more buildings to one or more other organizations for purposes consistent with the lifelong learning center mission. Cook stated that it is important for people to understand that the FWPCA will no longer make determinations about the operation of Makers Square; the Fort Worden Foundation will be making those determinations. He noted that the Foundation's primary objective is to raise money for the overall benefit of Fort Worden. Timmons added that the lease terms being worked out will be assignable to a concessionaire or a sublessee.

Cook said that given his dual roles, he will abstain from voting on the supplemental terms. Finnie also serves on both boards, and Tonina noted that she was having issues staying connected to the Zoom meeting but told him that she also intended to abstain from the vote.

**Action:** Motion to authorize the Interim Executive Director to recommend to the Fort Worden Foundation the supplemental terms between Makers Square Landlord and Master Tenant for final assignment to the Fort Worden Foundation. **Motion passes with 2 abstentions**

**VII. Financial Reports - Staff Report and Board Discussion**

#### **A. Asset and Liability Reconciliation**

Timmons presented a chart showing the allocation of assets and liabilities for the Makers Square, glamping, and energy efficiency projects as the FWPDA is reorganized (see agenda packet for chart). He said he consulted with State auditors on how to book funds that he discovered had been diverted from capital to operations without the board's awareness or authorization. The FWPDA owes \$404,000 to the Makers Square project, \$600,000 to glamping, and \$330,000 to asset management for the use of energy efficiency funds.

After all grant and HTC income is received, which will clear contract liabilities, Makers Square will have a net deficit of approximately \$800,000 in the line of credit. Timmons said he is working on strategies to service that debt. He said the glamping project will be transferred to Fort Worden Hospitality and a term loan will pay off line of credit and leave the \$600,000 that the FWPDA owes to glamping. The FWPDA also will be restoring money to the advance deposit fund, Timmons said. The net liability for the FWPDA is \$2,582,970, and Timmons said he will work with banks to structure an agreement that restores the diverted funds while paying off the liability.

Kilburn asked about the current approach to long-term leases with partners and whether having those in place would benefit the FWPDA when talking to banks. Timmons said he will be making long-term leases a priority with the resolution of other aspects of the reorganization. Kilburn said she fully supports making that a priority.

*[Jackson left the meeting at 10:53 a.m.]*

#### **B. Business on the Books**

Maitland presented the current projected business on the books for group and leisure activity for the first and second quarters of 2021 (see board agenda packet). The report breaks down activity by revenue for rooms, venues, and catering. She said she is seeing an uptick in business. Maitland said it's important to note that group activity is included in the projection with required capacity limits factored in, and actualization will be based on whether the county stays in or moves past Phase 2. She noted that in a few weeks an organization that regularly comes in March will be visiting and staying in the dorms, and the visit will be shaped by the required precautions on spacing, capacity, and food preparation and distribution. This will be the first time the PDA has hosted a group visit since the shut-down, Maitland added.

*[Finnie returned to the meeting.]*

### **VIII. Public Comment**

- Comments submitted by Centrum were read:
  - May I confirm for all partners that Legacy Programs and Priority Booking Privileges will continue as is under this reorganization?
  - Are the start-up funds of \$1 million all loans? Or are any of those funds grants?
  - Venue revenue is listed in the hospitality forecasts. Is that strictly F&B revenue? Will the non-profit have any management or lease role in venues?
  - What are the 5 outdoor venues they referred to?
  - What, if any, public accountability will there be for the new non-profit? Any role of oversight by either the PDA or the City?

Timmons said oversight will be through the concession contract between the FWPDA and Fort Worden Hospitality. Diamanti said the rentable outdoor spaces include Littlefield Green, Parade Grounds, the area outside of the Commons, Madrona Hill, and the Bliss Vista

outdoor area. She said Fort Worden Hospitality would be managing the venues, which shows up in the revenue forecast. Timmons added that the agreement for venues hasn't been finalized and Diamanti's comments reflect what is currently envisioned. Diamanti also confirmed that the numbers account for carrying over Legacy Programs and Priority Booking Privileges for partners. Diamanti and Timmons confirmed that the start-up funds are all loans and no grants are identified.

- Steve Reed, from the Fort Worden Advisory Committee, called for FWPDA management and its new board (when appointed) to form a close relationship with partners. Reed said the new organizational scheme doesn't show how it can resolve tensions that have developed. He said he is encouraged by the meeting discussion and the expressed desire to work on long-term leases with partners.
- A comment submitted by Heron Scott from the Port Townsend School of Woodworking was read: What are the assumptions around board members serving for multiple organizations in this new model? Can Hospitality or Foundation board members serve on the PDA board?

Timmons said the new FWPDA board members wouldn't be allowed to serve on other campus organization boards. Tonina added that the practice would continue until the current FWPDA board sunsets. Timmons said there is a plan to repair relationships, which he said is an issue that has developed over time.

Board members discussed changes that might be made by the City of Port Townsend. Kilburn asked Timmons about that process and said there is frustration about being pilloried in the community for things the board has not done. Timmons said it's not yet clear when public discussion with the City might happen about proposed changes to the City Code and the FWPDA's charter. Finnie noted that three board members have continued their expired terms without confirmation or otherwise from City Council. She said she would like to remain with the Foundation board and shift off the FWPDA board at an appropriate time. Tonina said the draft board objectives identify sunseting the current PDA board no later than June 1st, adding that the ideal date may be April 1st. He said he would like the board to deliver on finalizing the Foundation lease agreement and the concession agreement with the Fort Worden Hospitality and closing out the State audit.

## **IX. Adjourn**

The board adjourned its meeting at 11:28 a.m.