

PDA RESTRUCTURING

Background of the PDA Restructuring Plan and
Launch of Fort Worden Hospitality

UNIQUE SOLUTION FOR A SPECIAL COMMUNITY RESOURCE

Nature

- Access to trails, forest, beaches, water

History

- Preserve our past to inform our future

Education

- Partner Programming
- Conference Center

Events

- Home-Grown & World Class



PDAS ARE PART OF A COMMUNITY TOOLKIT

- PDAs are created to “(1) administer and execute federal grants or programs; (2) receive and administer private funds, goods or services for any lawful purpose; and (3) to perform any lawful public purpose or public function.” PDAs are public corporations created by a city or county to perform a particular public purpose or public function specified in the ordinance or resolution creating the PDA and its charter. [citation: [Public Development Authorities by Reich, Crawshaw-Lewis, and Gregory, Preston Gates and Ellis LLP](#)]
- 2008 Pros Plan identified operational need for the campus to be run by a non-profit; FWPDA was formed to address loss of historic properties and act as a form of land trust and development arm to secure tax credit funding; based on reports, plans, and guidance from experts, FWPDA and the Hospitality Concessionaire should be different entities

PDAS AROUND THE STATE

- <https://mrsc.org/Home/Explore-Topics/Economic-Development/Financing-Economic-Development/List-of-Public-Corporations-Public-Development-Aut.aspx>
- Examples:
 - Bellevue Convention Center (Meydenbauer) is a PDA – with a focused purpose, no partner orgs, and no hotel element
 - Historic Seattle – established as a PDA in 1974 and with a 501c3 in 1996. Properties held by PDA for historic preservation purposes, including securing tax credits for rehabilitation. Work with contracted property managers. <https://historicseattle.org/all-projects/>
 - Pacific Tower/PHPDA – “campus steward” while using contracted property management services and other service contracts
- Key Takeaway:
 - PDAs are not typically operators. Most PDAs established with operating roles have failed or been restructured, i.e. Mission Ridge, Hurricane Ridge. Those that do operate are VERY focused on operating one thing, like Grays Harbor Historical Seaport and museums.

BUILDING A SUSTAINABLE FUTURE AT FORT WORDEN

- Structural defects identified and understood – change required
- COVID impacts to business simultaneously created existential threat
 - Demand for business also provided motivation to move forward
- Sought solutions that addressed core issues but supported Lifelong Learning Center intent and years of work that went into creating the local control model

FACTORS NECESSITATING A PUBLIC/PRIVATE MODEL

- The PDA was not set-up to succeed in the old model, even before COVID 19. No other PDA is structured like this one – PDAs are not typically operators, and especially not of multi-pronged businesses.
 - **Accounting and State Reporting:** SAO has struggled with auditing FWPPDA due in part to it being so unlike other PDAs.
 - **Public Gifting and Operations:** As a quasigovernmental organization, “public gifting” is strictly prohibited within the PDA; unfortunately that has been determined to include things like shift meals for employees, a standard practice in food service.
 - **The Public Records Act and Operations:** The Public Records Act is important, as is transparency for projects the PDA is designed to undertake (centered on providing public benefit) and the financials of the PDA, which will contractually include financial reporting of Fort Worden Hospitality. But under the current structure, every staff communication is also subject to the Public Records Act. This severely limits the programs and software we can use, and is expensive on both the equipment and personnel sides. It’s unnecessary and **the PRA was not designed for the circumstances in which it applies to FWPPDA** – another downside of being so unique.
 - **Conformance to Master Plan Objectives:** Pros plan released in 2008 (“Long Range Development Plan/Business and Operating Implementation Plan”) states, “The implementation of a new governance structure that engages an independent, non-governmental managing entity of Fort Worden Lifelong Learning Center will allow for more flexible management practices in tiered pricing, more efficient procurement practices, and establishing improved relationships with the private sector. This increased flexibility will enable Fort Worden to be operated more proactively with market conditions and increase the probability of successful and sustainable financial operations.”

RESTRUCTURING PLAN ROOTED IN POLICY, RESEARCH, & ANALYSIS

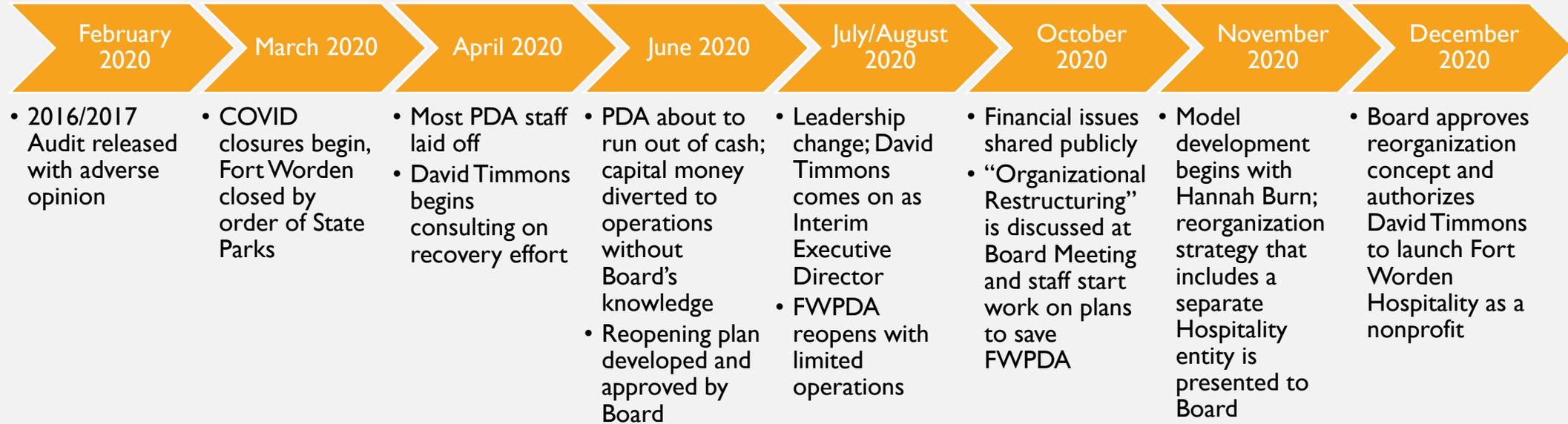
Looking Back

- FWPDA was always a little different from other similar PDAs (like Pike Place Market), including no funding from chartering entity (this separation was by design)
- Facing severe cash shortages as maintenance was assumed from WSP, PDA made decision to run all business elements themselves, a departure from the original long-range planning that assumed contractor/concession model
- Government entities and hospitality businesses lack key career skills overlap – hiring and keeping qualified candidates a constant struggle
- PDA management, including Executive and Board level, often subsumed by hotel and catering needs – business demands forced PDA to act more like a hospitality business than a government entity

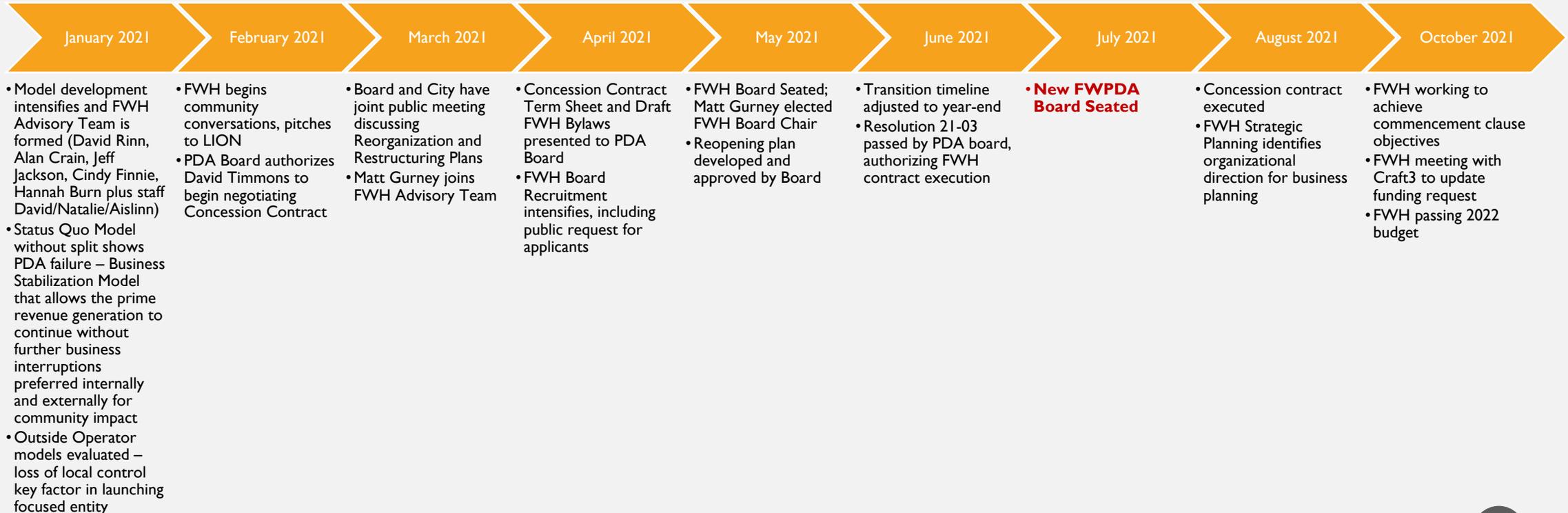
Looking Forward

- Restructure FWPDA to work more like other PDAs across the state
 - Hospitality services run via concession agreement with subject-matter-expert entity; creation of nonprofit for this purpose keeps jobs and profits local and mission-focused
 - PDA responsibility becomes monitoring a contract, rather than running a business – this allows FWPDA to focus on being a landlord and developer, as designed
 - Master Lease requirements remain in effect; same objectives, new structure, better outcomes

RESTRUCTURING TIMELINE TO ADAPT TO A SUSTAINABLE MODEL - 2020



RESTRUCTURING TIMELINE TO ADAPT TO A SUSTAINABLE MODEL - 2021

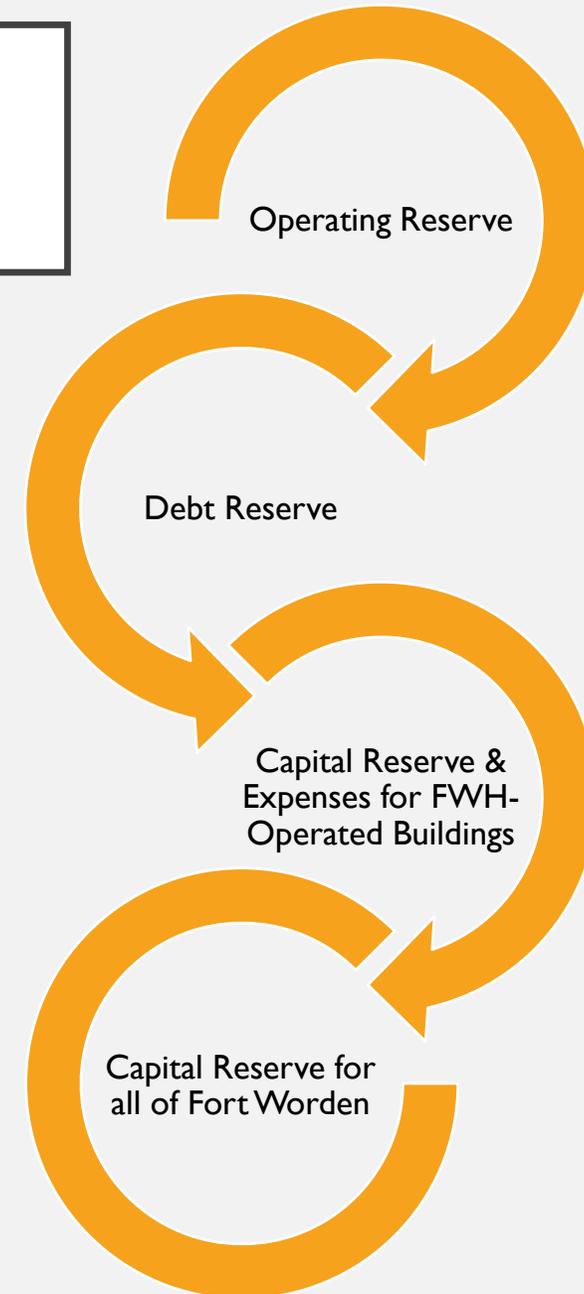


CONTRACTUAL ACCOUNTABILITY FOR PRIVATE SIDE OF PARTNERSHIP

- Section 2.5. Public Benefit: Mission
 - “[...]operation and use of the Campus will be consistent with such Public Benefit as defined in the Master Lease. [...] While operating within this Agreement, FWH’s mission statement will include reference to the Lifelong Learning Center.”
- Section 3.5 Operational Transparency
 - a. Reporting Annual Audit, due by May 1st of the following year;
 - b. Twice yearly public meetings, one on future strategy and one on financial results;
 - c. Quarterly Financial Reports (closed within 45 days);
 - d. Any kind of pending default must be reported within 15 days;
 - e. Disclosure of material adverse events/legal proceedings;
 - f. Annual marketing and advertising plan submitted

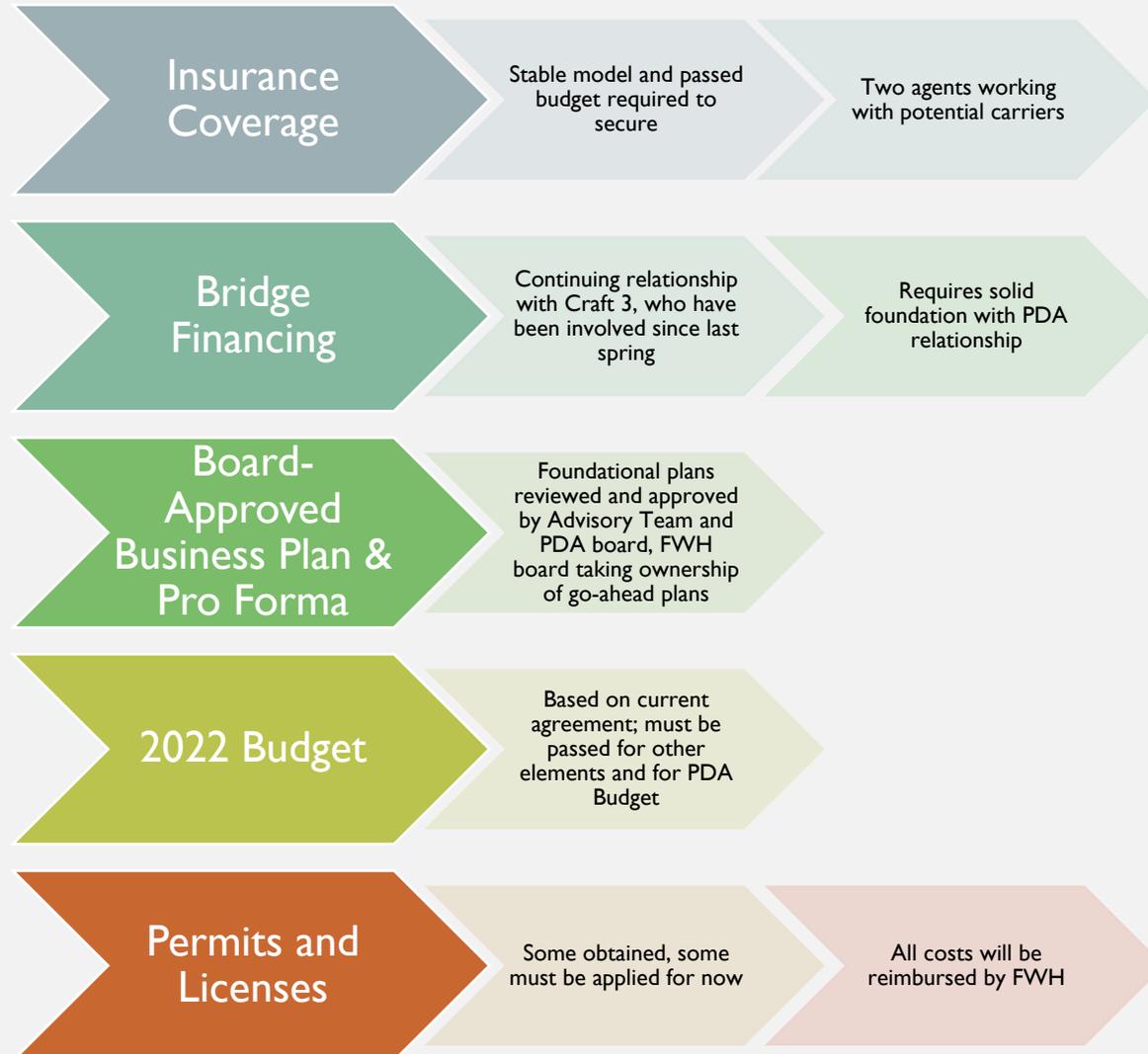
REINVESTING LOCALLY TO SUPPORT SUSTAINABILITY

- While business analysis forecasts Fort Worden Hospitality to be successful in the future, projections show a steady rebound over several years
- 3.5% of Gross Operating Revenues go to FWPPDA; additional amount will go to Parks in future (intended as capital reserve for Fort Worden)
- Building FWH operating reserves for resiliency
- Debt service – Glamping agreement to come
- Capital expenses for equipment and amenity improvements
- Later-year positive cashflow reinvested in Fort Worden PDA to be used to support entire campus



FORT WORDEN HOSPITALITY COMMENCEMENT CLAUSES

Path to Successful Launch – What Remains Prior to 1/1/2022



TASK FORCE

GOAL: To identify mutually beneficial improvements to the operating agreement (Concession Contract) through the modification period of 2022.

COMPOSITION:

- Up to three PDA board members
- Other interested parties to be invited to participate:
 - Parks
 - Partner Representative

COMMITMENT:

1st meeting in January, Orientation

Quarterly meetings, plus any special meetings as needed

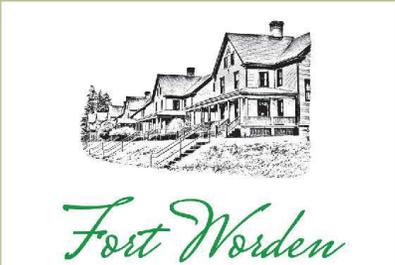
APPENDIX

Items for Reference



Hospitality Overlay

- Accommodations, Venues, and Restaurants
- Bookable Outdoor Spaces (stay within Hospitality)
- Maintenance and Support Facilities



FORT WORDEN CONFERENCE CENTER