

Project: Fort Worden Business Plan
Applicant: Fort Worden Public Development Authority
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Project Description

This grant will fund a business development plan that will guide operating and investment decisions about the future of the learning and conference center campus at Fort Worden. The Fort houses 70 historic buildings that are used for a variety of overnight accommodations and meeting spaces, offering 450 beds and 68,000 square feet of conference space. Our plan is to greatly expand these offerings and diversify our business.

In the last 10 years, accommodation and conference uses have declined over 30% due to employee cuts, deferred maintenance of the facilities and lack of major investment. On May 1, 2014 the Washington State Parks and Recreation Commission entered into a 50-year master lease with the Fort Worden Public Development Authority (the "PDA") for the 90-acre learning and conference campus. The PDA is charged with revitalizing the campus as a center for life-long learning, providing better hospitality services, expanding accommodations, and improving meeting spaces. The PDA faces pressing decisions about how to attract new business and what improvements to make.

Scope-of-Work

The business development plan will meet CERB requirements for feasibility analysis. The business development plan will concisely define customer need, the improvements needed to serve these, and a critical path for financing these. Elements of the plan will include:

1. An identity and positioning statement defining the Fort Worden brand and how it will compete for business.
2. Target customers, both current and potential, and their needs. Some of the most important new customers will be companies and organizations that book groups.
3. A prioritized list of improvements in infrastructure, facilities, operating systems and marketing needed to serve customers. These needs will be considered in terms of their revenue potential, cost, risk, and difficulty of development.
4. A financing plan showing sources and uses of cash over time. This financing will likely include public, private and philanthropic sources.
5. An action plan showing critical steps over the next six months to five years, identifying outcomes, resources and responsibilities.

Estimated Schedule

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| Approval: | January 15 |
| Contracting: | February 15 |
| Commencement: | February 30 |
| Completion: | June 30 or earlier |

Time is of the essence in the preparation of this plan. The PDA inherited an operation with declining visitation and conference bookings and it must rapidly turn these around, making critical investment decisions in 2015. It will take the active involvement of its

management team to prepare this business investment plan, and that time will become increasingly scarce as the visitor season ramps up in late spring.

Short and Long-Term Benefits

The PDA's short-term focus is stabilizing operations and increasing conference bookings back to historic levels. The plan will guide staff decisions about where best to target marketing efforts first, and board decisions about where best to invest its critical supply of cash. The philanthropic community is prepared to assist the PDA, but it needs to see that the board has a strategy for moving forward and becoming sustainable in its operations.

Longer term, the plan will guide major investment decisions about how, when and how best to repair crumbling infrastructure; whether to renovate existing buildings as upscale hostel rooms or more expensive private hotel rooms; what conference facilities and audio visual systems are necessary to attract higher paying groups; and sources of financing for all these investments. There are both investment and marketing aspects to all of these decisions.

Accomplishments

It has long been the dream of the Port Townsend community to create a stronger center for life-long learning, both to support the 15 nonprofit organizations housed on the campus, and to expand the volume and variety of business throughout the year. The visioning process for the Lifelong Learning Center began in 2006, leading to the detailed negotiations for more local control which lasted between 2012 and 2014, and the turn-over last spring.

As a requirement for the lease, the PDA first raised \$600,000 for start-up operations. Given short notice that its food and beverage vendor was leaving, the PDA hired full-time staff to manage and operate this department, providing better quality for conference users. Since taking over, the PDA also installed a state-of-the-art reservation system, created a logo, developed a new website tied to the reservation system, renovated the check-in reception and dining areas, and installed a campus-wide WiFi and high-speed internet system.

Community Impact

The Fort is one of three economic pillars in the community, contributing to the sense of place and bringing money and talent to Port Townsend. Several weeklong events bring upwards of 500 people to stay and learn here. Ten years ago, the Fort generated approximately one-third of the lodging tax sales in the city. In 2014, this number has fallen to a little over 20%. The Fort Worden community currently employs about 150 people year-round and will hire another 25 workers seasonally for food and hospitality services. In January, the PDA will bring housekeeping services in-house, adding an additional 10 full-time employees and up to 20 additional seasonal employees.

Request and Funding Match

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| Grant Request: | \$50,000 |
| Local Match | <u>\$16,500</u> |
| Total cost | \$66,500 |

PDA Board members will donate funding for the local match. This business plan is an important part of showing local supporters and prospective funders that the PDA is acting in a business-like fashion and that it has a longer-term strategy for success.

Consultant Selection

The PDA will issue an RFQ and select up to three consultants from its roster on the Municipal Research Services Center for an interview. The consultant will be selected based on their expertise in revitalization strategy, hospitality services, business planning and project finance.

Project Link with Economic Diversification Efforts

Learning has been a central value that makes this community strong. A remarkable number of the city's most talented people came here first to learn and then stayed to establish themselves professionally. The school district, the Northwest Maritime Center and the city have jointly developed a vision statement for a marine-based economy for which education and training of all kinds is key. This involves making the city the classroom, with education for all ages in a variety of venues. The Fort already has partnerships with three higher-education providers, and is a major lodging and meeting room provider for larger events.

Industry Clusters

Port Townsend's main industries are tourism, the marine trades, and professional services. Much of the tourism is cultural and educational, with events like Fiddle Tunes, Jazz and Blues Festivals at the Fort attracting people for week-long classes. Centrum, the Fort's arts events organization, produces many of these summer programs. The Fort is also in partnership with organizations like the Northwest Maritime Center are a venue for professional training. The intent is to maintain and expand these relationships locally, regionally and nationally while revitalizing and upgrading facilities to attract more industry symposia, trade fairs, corporate retreats, government seminars and specialty workshops.

Infrastructure Construction Support

This grant will help the PDA understand and plan for its capital needs. Longer term, the PDA may consider applying to CERB to help meet these.

Private Investment Interest

The PDA plans to attract private partners who may finance, redevelop and operate some of the historic buildings here as upscale hostels or hotel rooms. These partners could include companies like McMenamins, Ace Hotels or Silver Cloud. The PDA may also seek financing from capital partners like JP Morgan or American Infrastructure LLC. The question is which operations and assets are best controlled or financed in-house and which can be leveraged, both operationally and financially, with private partners. The business plan will address these questions.

The PDA has a strong track record of working with philanthropic partners, including one local foundation that is funding a new initiative that may include a culinary institute. Longer term, the PDA may seek funding from foundations like Norcliffe that provide program-related investments. To be successful at this, the Fort will first need to establish itself as a national leader in life-long learning, one that has revitalized and expanded from its current base.

Scope of the Project and Anticipated Accomplishments

The 70-building complex is one of the largest learning centers of its kind in the United States. A number of the buildings were built in the 19th century, and many of these have been updated for modern use. Over the next ten years, the PDA will renovate a number more, to make this a major learning destination like Asilomar in California and the Chautauqua in New York, but with more of a business twist. It is quite possible that

employment at the Fort could double or even triple over this time, with related benefits to industry in other parts of the city. The most immediate and anticipated accomplishment is creating a clear business or “game plan” that will unify the board, the staff, partners and the community in their next steps to revitalizing this important asset.