

DRAFT MANAGEMENT AGREEMENT

Outline for PDA Board Review/Discussion Purposes

Recitals—TBD (to be developed)

Definitions—TBD

Master Lease of Premises

As of January 1, 2014, State Parks (“State”) as landlord will lease to the Fort Worden Public Development Authority (“FWPDA”) as tenant a master lease and the FWPDA leases from the State (“the Parties”) the Premises, commonly referred to as the Campus area (see Exhibit 1).

Description of Premises

The Premises (i.e., Campus) is generally described as including those buildings, grounds, common areas, parking lots and sidewalks, is approximately 90 acres in size with 71 buildings, owned by State Parks but subject to the following exclusions and limitations:

- All public streets, water lines, sewer and other utilities are excluded from the Premises, however, all landscaping, parade grounds, parking areas adjacent to the public rights-of-way are included.
- Any buildings to be excluded in this lease: maintenance shop, ranger housing, etc?
- The State has entered into a variety of leases for commercial and nonprofit use of certain buildings and structures located within the Campus. The State hereby assigns and transfers to the FWPDA the entirety of these Existing Leases. In the event of a default by the FWPDA all leaseholds interests regarding the Premises could revert or transfer back to the State
- The State shall transfer ownership of Building 202 (would not include underlying real property) for to the FWPDA, or a tax credit entity formed by it, as part of this agreement. The State also shall transfer ownership of the

additional buildings (TBD) that may be eligible for historic rehabilitation tax credits (as may be needed in the future) for renovation of historic buildings to help implement the Lifelong Learning Center vision as viable tax credit transactions are confirmed.

- The FWPDA may sublet any or all portions of the Premises; provided, the Commission retains the right to review and approve any sublease by the FWPDA, which exceeds any of the following criteria:
 - A term of sublease (including any rights for successive terms) exceeding fifty (50) years or the remaining term of the master lease;
 - Lease rent amount which is substantially "Below-Market" and/or the lease provides for significant discounts or rent credits below 50%.
 - Lease involves major renovation of the exterior of a building or structure..
 - More than 50% of the gross area of the Premises or square footage of the existing buildings aggregate footprint. The State agrees that it will not unreasonably withhold approval of a sublease which exceeds any of the foregoing threshold criteria.

Terms of Lease Area

This Master Lease shall be an initial term of fifty (50) years. The initial Term may be extended for three (3) additional consecutive 10-year periods at the mutual agreement of the Parties.

Rent

The State and FWPDA agree that there is no cash rent charged for the Master Lease. Rather, in exchange for rent, the FWPDA will provide specific Public Benefits towards the rehabilitation, maintenance and operation of the Campus at its own expense.

Undertaking of the Parties

State's Obligations: The State's obligations include:

- transferring State Park's personal property to the FWPDA;
- funding of \$250,000 as a start-up operating subsidy for the first three years of operation;
- providing law enforcement throughout the park;
- providing maintenance responsibilities and other improvements as may be required to keep the Campus safe and open to public access; and

- seeking state capital appropriations as described in a mutually agreeable Capital Facilities Plan.

FWPDA's Obligations: FWPDA shall be responsible at its sole cost and expense for:

- overseeing daily management and operation of the conference meeting facilities, accommodations and hospitality services within the Campus area;
- maintaining the personal property located at the Campus for the duration of its reasonable useful life;
- providing the customer service needs of Park visitors to the Campus by providing them with access to food services, housing, meeting rooms, technology needs and any other hospitality provisions necessary for their health, safety, and comfort at commercially reasonable cost;
- providing routine maintenance and janitorial services for the grounds, facilities and common areas of the Campus;
- negotiating and serving as the property manager for existing and new lessees;
- assisting and recruiting new partner organizations to offer programs, events and other activities to implement the Lifelong Learning Center vision;
- performing the FWPDA's capital improvements as described in a mutually agreed upon Capital Facilities Plan.
- offering compensation and benefits for FWPDA employees and compensation for contractors and service providers ;
- providing all supplies and equipment necessary for a safe work environment for all employees, contractors and volunteers;
- developing a seven-year capital facilities plan within six months of the effective date to help guide capital improvements; and
- providing such other maintenance, repairs and capital improvements as the Parties may mutually agree; and
- assuring that the Campus is open to public access and Lifelong Learning Center business with the public 365 days per year barring unforeseen emergencies, repairs or public health and safety issues. .

Public Benefits

The FWPDA as a "municipal public entity" shall provide, operate or maintain certain public benefits indentified in Exhibit ___ during the term of this Agreement. A reporting of public benefits shall be provided by the FWPDA to the Commission in its annual report.

Condition of Premises

The State will deliver the Campus and its facilities to the FWPDA in its current condition. The FWPDA assumes the repair and maintenance obligations subject to the following conditions:

- The FWPDA shall provide for the costs of normal maintenance and repair as part of its annual budget.
- The FWPDA maintain the Campus and its facilities in good working order and condition in keeping with the historic nature and public uses of Fort Worden State Park.
- The FWPDA shall establish an annual preventive maintenance plan.
- As landlord and owner of the Campus, the State shall have all reasonable and necessary access to make any inspection, repair or improvement.

Development of the Premises

The FWPDA's activities will be consistent with the collective vision for implementing the Lifelong Learning Center vision for the Park. Development, redevelopment, sublease, and/or use of the Campus shall be generally consistent with the various agreements, plans, documents or regulations including, but not limited to the following:

- Fort Worden Site and Facilities Use and Development Plan (2008);
- Fort Worden Design Guidelines for Rehabilitation (2008);
- Lifelong Learning Center Vision (2006);
- Fort Worden Business & Management Plan (October 2012);
- WSPRC Cultural Resource Management Policy (2004); and
- U.S. Department of Interior Secretary's Standards for the Treatment of Historic Properties.

Transfer of Personal Property and Equipment within the Premises

The State transfers the identified Personal Property to FWPDA (such as vehicles, furniture and equipment,) that is necessary to and exclusively used in the operation and maintenance of the Campus activities and hospitality services that is not:

- (a) real property;
- (b) Premises facilities or improvements described in Section __, or;
- (c) proprietary equipment that the State must safeguard (e.g., servers, computers, software, telephone switches, etc).
- (d) Records; State retains and we have access or we retain and provide for public access under public records act?

By May 1, 2013, the Parties shall agree on an inventory of the Personal Property to be transferred to the FWPDA.

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Permitted Alterations, Improvements and Additions

Tenant improvements: All customary tenant improvements within the Premises will be subject to the review and approval of the FWPDA's (subject to outcome of governance discussions). Tenant improvements or alterations to Premise facilities are at the tenant's own expense.

Exterior improvements: Except for normal maintenance and repair to the exterior of any building within the Premises, the FWPDA will not allow or make any alterations, improvements or additions to the exterior of any building inconsistent with the Secretary's standards and without the State's prior written consent. The FWPDA or its lessee must first supply preliminary plans and specifications for its intended changes. Emergency repairs excepted.

New facilities and improvements: As the FWPDA funds and builds new improvements, the corresponding increases in operating, program and maintenance costs will be the responsibility of FWPDA.

Title to improvements: All tenant improvements shall become and remain the property of the FWPDA. If this agreement is terminated all improvements shall transfer to the State.

Restrictions: Due to the historic nature of the Campus, plans for building alterations or improvements are subject to:

- Secretary of the Interior Standards for Historic Preservation through oversight of the Washington State Department of Archeology and Historic Preservation;
- The Native American Graves Protection and Repatriation Act (NAGPRA);
- The federal Archeological Resources Protection Act;
- Fort Worden Site and Facilities Use and Development Plan; and
- Fort Worden Guidelines for Historic Rehabilitation (2008)

Prevailing Wages: All capital construction or repair work, including facility maintenance performed under contract using public funds shall be subject to prevailing wage requirements. Work undertaken by the FWPDA using volunteer labor and/or private donations may be exempt from the use of prevailing wages.

Signs: All signage in the Campus will comply with the Guidelines for Historic Rehabilitation (2008) as adopted, or amended, by the State. The FWPDA will not allow signage or advertisements that detract from the historic integrity and public nature of the Park.

Description of Management Services & Maintenance Responsibilities

FWPDA Management Services: The FWPDA will provide or manage the following operational responsibilities for the Campus area in order to implement the Lifelong Learning Center vision for the Park:

- Conference management
- Program and event management
- Visitor services (meals, laundry, housekeeping, etc.)
- Marketing and sales of conference center usage and programs within the campus area
- Accommodations and hospitality management (rental houses, dormitories, hotel operators)
- Private partnership development and management
- Reservations and customer service for campus operations
- Reservations and customer service for upper and lower campgrounds

Transfer of existing leases: The State assigns and transfers to the FWPDA all existing leases in the Campus area. The FWPDA has the authority to renegotiate the terms of any the existing leases transferred by the State subject to tenant concurrence. The FWPDA shall receive all rents, payments and revenues generated from existing or new leases.

FWPDA's Maintenance Responsibilities: FWPDA shall provide all routine maintenance and janitorial services required to maintain the Campus.

- The FWPDA shall be solely responsible for janitorial, custodial and daily upkeep of facilities not leased to other tenants.
- Maintenance responsibilities include all site and grounds maintenance within the Premises.
- In general, the FWPDA will be responsible for maintaining and repairing electric and plumbing fixtures, interior and exterior window washing and repairs, wall, ceiling and floor repair (not including plaster), caulking, tenant improvements (FF&E) and interior painting.
- The FWPDA may require partners/tenants to perform some of these maintenance responsibilities on the facilities they lease.

Maintenance responsibilities by Parks: Parks employees will provide regular maintenance in the Premises leased by the FWPDA for the following maintenance needs:

- underground utilities, roof maintenance and repair, electric wiring and systems, plumbing and plumbing systems, exterior painting, wall, ceiling and floor replacement, HVAC/ duct maintenance and repair, roads, sidewalks and parking lots, porches, doors and window replacement.

Maintenance of Historic Features: Fort Worden was designated a National Historic Landmark in 1976, encompassing certain contributing structures, historic landmarks, historic elements and features. All improvements, repairs, restoration and maintenance of the Historic Features must be in compliance with the requirements of Fort Worden Guidelines for Historic Rehabilitation (2008). (refer to governance decision-making process here).

Placement of Artifacts in the Campus: The FWPDA may place artifacts or other interpretive items be installed or placed in the Campus area pending a written to State Parks. The State shall have 30 days to respond, in writing, to any concerns or suggestions. In the event of a disagreement, the Parties will seek resolution through (refer to governance decision-making process here).

Capital Improvements

One of the greatest benefits of the co-management partnership between the Parties is the opportunity to broaden the shared burden of capital expenses for improvements necessary to renovate the numerous facilities and infrastructure in the Campus area. As the owner of Fort Worden State Park, the State retains a responsibility to support capital expenses as they are ultimately the beneficiary of all capital improvements on site. The FWPDA, on the other hand, as a managing partner for the Campus area and Lifelong Learning Center functions, has the responsibility to attract and manage outside funding support and private investment for capital improvements and new uses.

State Parks Financial Commitment: Many of the buildings in the Campus area were constructed at the turn of the 20th century, and although the facilities have been improved from time to time throughout the years, a substantial amount of capital maintenance has been deferred. The Parties further acknowledge that the Fort Worden competes with other State Park facilities for limited financial resources and the State cannot make any promises that State funds will be available to finance discretionary capital improvement needs beyond the amount provided by the Legislature on an annual basis.

By June 1, in even-numbered years, State Parks representatives and the FWPDA shall have met and mutually developed a list of capital maintenance items and any new or redevelopment capital improvements that the Parties wish to take in the upcoming biennium. Upon completion of such list, the Parties shall recommend to the Director of State Parks to incorporate the list into its capital projects budget considered by the Commission for submittal to the Governor and the legislature for an appropriation of state capital funds. The State will not be responsible for FWPDA initiated capital improvements.

FWPDA Financial Commitment: The FWPDA's Capital Plan (2012) identified over \$89M in proposed capital projects to repair, renovate, and redevelop facilities and infrastructure in the campus area of Fort Worden over the next ten years. State parks

staff and the FWPDA agree that a more realistic timeline and specific milestones are needed, such as:

- The FWPDA shall prepare an updated Capital Facilities Plan for the Campus. The Capital Facilities Plan shall identify and provide a projected cost for priority capital improvements for buildings, structures, and/or grounds for the time period 2014-2021
- The FWPDA shall identify a good-faith financial commitment and specific milestones over the next seven years to fundraise or secure private investment of \$15,000,000 in improvements in the Campus area, provided that:
 - The FWPDA shall have no liability for non-payment towards meeting its milestones for capital improvements;

Utilities and services: The State shall provide heating and ventilation, water and sewer and electricity to the Campus for the operation of the Campus for the operation of the Lifelong Learning Center functions. FWPDA shall be responsible for all bills for water, sewer, electricity, heating and ventilation, data and telecommunications services for the Premises.

- Metering--TBD
- Broadband--TBD
- Servers--TBD
- Telephones--TBD

Financial Requirements

FWPDA Financial Requirements: The FWPDA is responsible for all operating expenses of the Campus.

- As property manager, the FWPDA shall receive all rents, payments, and revenues generated from sub-leases, concession agreements and other activities.
- The FWPDA will have in place by January 1, 2014 an operating/reserve account of \$250,000 or an operating line of credit.
- The FWPDA shall apply all revenues according to the following priorities:

First: Payment of the operating expenses of the Campus.

Second: If there is any surplus revenue remaining after operations at the end of any fiscal year, then sixty percent (60%) of the amount remaining shall be paid into the Capital Fund held by the FWPDA, and jointly administered by the Parties for priority capital projects, and forty-percent (40%) shall be deposited in a Historic Reserve Development Fund ("Development Fund") to be held and administered solely by the FWPDA.

Capital Fund: The purpose of the Capital Fund is to leverage capital dollars necessary

for the continued development of the Lifelong Learning Center, with priority given to deferred maintenance and capital improvements.

Development Fund: The purpose of the Development Fund is to make resources available to fund activities necessary to the continued development of the Lifelong Learning Center, such as:

- Contracts for planning, architectural, engineering, legal or similar services in support of development alternatives or proposals for the Premises;
- Expenses necessary to solicit and evaluate potential development proposals for the Premises;
- Matching funds for grants relating to development for the Premises;
- Marketing of facilities; and Augmenting the Capital Fund

Parks Operating Subsidy: Depending on the outcome of 2013 State Legislative session and the State Parks operating budget for the 2013-2015 biennium, the State will provide an operating subsidy to the FWPDA of \$250,000 annually for the first three years of operation.

Law enforcement: State Parks is responsible for law enforcement within the entire Park boundaries. PDA staff will provide response to complaints (noise, fire alarms, etc.) in the campus area from 7am to 10 pm daily. State Parks will provide law enforcement duties and responses to complaints in the campus area and the rest of the park from 10 pm to 7am daily.

Financial Reporting: The FWPDA shall maintain a chart of accounts and records that shall be open to review by the State's representative on a reasonable basis. The FWPDA shall provide the State a copy of an annual Independent Auditor's Report and Financial Statements.

Fees and Prices. FWPDA shall have the authority to set the amount of all prices and fees for accommodations, meeting room rentals, lease rates, hospitality services rendered, concession agreements, parking within the campus or sales made to the public.

Solicitation of Private and Public Funding: FWPDA shall:

- solicit private support for FWPDA through charitable contributions and solicit federal, state or local grants or other funds to support the operation and purposes of the Lifelong Learning Center; and
- apply all funds raised to the operating expenses, maintenance expenses, capital Improvements of FWPDA.
- coordinate with the State in the solicitation of federal, state and county grants or other sources of public funding to support the capital and historic preservation needs of the Campus.

Naming Rights: The State will permit FWPDA to recognize donors for their contributions to specific interior capital improvements (e.g., rooms or spaces) or contributions for FF&E (fixtures, furniture or equipment) by naming such improvements and displaying recognition names as agreed between FWPDA and its donors, provided that the naming of any building is subject to the approval of the Commission's adopted policy.

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Staffing, Employees and Contracting Services

Existing Park Employees: It is the intention of the Parties that all Park Employees who wish to continue employment at Fort Worden apply to become employees of the FWPDA. State Parks will offer employment to Park Employees for similar employment in the state parks system to the extent similar positions are available.

Employee transition plan: TBD

Contract Services: TBD

FWPDA staffing: TBD

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OTHER SECTIONS TO BE COMPLETED

Performance Expectations

- Milestones:
- Periodic Review:
- Consistency with adopted plans and policies:
- Public involvement requirements:

Insurance

Indemnity and Hazardous Substances

Taxes

- Leasehold excise tax:

Covenants and Title Restrictions

Events of Default; Remedies

- Responsibility for operating losses:

Governance: Fort Worden Oversight Board:

- Authority
- Composition and terms
- Operational/Maintenance issues
- Policy issues
- Meetings and decision-making authority
- Relationship to other entities
- Dispute resolution

Annual Reporting

- Annual report and audit:
- Annual budget:

General Provisions

Signatures

Exhibits

- Legal description of Premises
- Public benefits
- Inventory/personal property
- Covenants/title restrictions

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Error! Objects cannot be created from editing field codes.Error! Objects cannot be created from editing field codes. EXHIBIT 1—Aerial of Premises/Campus boundaries

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