

**Fort Worden Long Range Plan
Recommendations for Increased Revenue and Return to Profitability
Washington Federation of State Employees
August 2012**

(Please note that this was revised on August 21 to correct a typo on p. 6, highlighted in yellow)

Fort Worden Public Development Authority (FWPDA) introductory note: Below, recommendations from the Washington Federation of State Employees (WFSE), the public employees' union that represents the workers at Fort Worden State Park, are presented in full. Review of this "position paper" by the FWPDA resulted in the discovery of misstatements, misrepresentations and errors of fact. Thus the FWPDA has interspersed its comments in the text of the document, in bold-face italics.

The FWPDA seeks an open process and an honest dialogue with the employees of Fort Worden and with the union that represents them. Little will be accomplished at Fort Worden without the good will and hard efforts of its employees and their union. Misrepresentation works in the opposite direction.

The FWPDA review also found many important points in this document with which we fully agree, toward a future for Fort Worden that will be robust, engage much more of the public, but in the context of diminished public subsidy that must be made up for through an enterprise model. The FWPDA also agrees that Fort Worden State Park must always remain a state park with its camping and recreational access preserved for the wider public at the lowest possible cost.

It is telling that in this document, prepared by the professional staff of the public employees' union, there is very little talk directed at the union's primary goal: Preserving the jobs of its members at Fort Worden even in the face of severe state budget cuts. Instead, the bulk of the document is devoted to attempts to tear down the concept of a Lifelong Learning Center—officially endorsed by the Washington State Parks Commission in a process that included the WFSE— and to tear down the FWPDA, also endorsed by the Commission as the entity most likely to carry out the lifelong learning center mission. In addition the WFSE seeks to tear down partner entities like Centrum, the Marine Science Center, Peninsula College, etc. that have been based at the Fort for years or decades.

Further the FWPDA notes that if many of the arguments made in this paper were taken to their logical conclusion, Fort Worden's past 35 years of history as a conference center, a home for performing arts through Centrum, the Marine Science Center, and for many other cultural and educational enterprises that already exist, would be considered a colossal error on the part of Washington State. Rather than blocking public access and enjoyment, as is posited by the WSFE, these organizations have improved the quality of visits and of life for thousands of local, regional and statewide citizens, and they have already produced significant revenues that have paid for renovations, hired employees, enriched visitor's experiences, and have provided crucial infrastructure support for Fort Worden State Park.

In the Executive Summary of the State of State Parks Report to OFM, August 2012, the Washington State Parks and Recreation Commission (“Commission”) made the following findings (among others):

- ***State Parks has taken bold and painful measures to reduce staff and costs. In 2012, 66 of 189 filled full-time year-round ranger positions were reduced to five- and eight-month seasonal positions, focusing services in the parks during the busy season....The agency has redirected staff toward revenue-generating activities and has reached out to partners to help provide services at less cost to the state.***
- ***More than \$17 million in General Fund allocations and \$4 million in Aquatic Lands Enhancement Account one-time funding are slated to go away in 2013. Without any changes in agency programs or revenues, State Parks would be looking at approximately \$42 million less in real dollars from a peak allocation of \$135 million (not including federal, grant and dedicated funds) in 2007-09. This gap is projected to be partially made up with Discover Pass revenues and other fees for services, donations and partnership efforts. Cost-cutting measures include staffing and other spending reductions. But much uncertainty remains....***
- ***Overall, Discover Pass revenues are less than 50% of those originally projected. The month-to-month variability of Discover Pass sales underscores the reality that State Parks’ finances are uncertain.***
- ***The Commission’s 2013-15 budget request assumes a reasonable and achievable improvement from the currently unsustainable service levels. Because of recent reductions to balance its budget, State Parks has lost valuable staff, skills and capacity; resulting in significant harm to legacy resources and visitor experience. The current service level cannot adequately meet the agency mission.***
- ***In order for State Parks to become more self-supporting, the agency needs to understand and “meet the market” for recreation and stewardship services people are willing to pay for. People have to choose state parks from a broad array of recreation choices. The fundamental service provided by State Parks is public access to natural, cultural and recreational resources of regional or statewide significance.***

Our assertion is this: One of the most important reasons for us to act now is the State’s economic environment and its impact on State Parks. The FWPDA is part of the solution, not the problem. The problem is that sharp cuts in public funding threaten our treasured Fort Worden State Park. The WFSE proposals, with some exceptions, do little or nothing to present a more likely scenario for a future that is at least as bright as the past of Fort Worden. And now a new problem is the WFSE in a fight to preserve union jobs, works to damage or demolish a workable plan that would benefit the public and parks employees alike.

The WFSE’s position paper begins below in standard text and is followed by the FWPDA response:

Introduction

Beginning in 2007, the Washington Federation of State Employees (WFSE) has been engaged in discussions with Washington State Parks and Recreation (Parks) management, the Commission and key stakeholders interested in the development of Fort Worden to a "Lifelong Learning Center" on the premise that the intent was to increase programming to attract the widest array of visitors to the park and to increase attendance and consequently revenue. The WFSE continues to support programming initiatives that increase public access and improve the quality of the public's experience at State Parks.

The WFSE has had concerns about the potential co-management options that were being explored. We were pleased with the MOU that was reached with Centrum that included provisions protecting the rights of the employees to retain their work unless negotiated otherwise. However, our concerns have been heightened with the withdrawal of Centrum from the MOU and the entrance of the Fort Worden Public Development Authority (FWPDA) with the clear intent to not enter into any similar agreement.

FWPDA Response: The new management and governance model planning completed in 2008 was vetted through a public process that included the WSFE representatives. The concept of a new management model was supported by the WSFE prior to any agreement entered into by State Parks. When Centrum made the first attempt to take on the role of the new management entity, Centrum's new director at that time determined the management of the park did not meet with Centrum's mission and goals for the future. Since then, the FWPDA has been working with the State Parks Commission and Executive Leadership team. The desire of both parties to enter into an agreement is evidenced in the Resolution of March 24, 2011, where it is specifically stated that the intention of the State Parks Commission is enter into an agreement with the FWPDA. The FWPDA has never expressed a "clear intent" to refrain from entering into an agreement with park employees. The FWPDA commits to working with the WSFE in good faith to negotiate an agreement that fairly addresses the rights of any employee at Fort Worden.

The WFSE was aware from the beginning of the endeavor that one of the objectives was to increase revenue for the park. With the severe downturn of the economy, we are even further troubled at the stated deficit at Ft. Worden of \$750,000 per year. Adding to these concerns is the FWPDA's February 2012 attempt to have the park transferred to their care without a business plan, identified funding mechanism or public input and the very clear support of the tenants at the park for this extreme action. We appreciate the Commission's commitment that Ft Worden will remain a state park; we remain concerned about the FWPDA's intentions.

FWPDA Response: The proposal to transfer Fort Worden State Park was put forth by State Parks staff—not the FWPDA. It is true that the FWPDA was interested in exploring the possibility of a full transfer based on its initial financial planning and from its review of the successful transfer of Fort Ward and Faye Bainbridge State Parks to the City of Bainbridge Island. True to its public process, the FWPDA heard the concerns raised by the Commission, public, WFSE, other stakeholders and Legislature regarding a transfer of the Park. The FWPDA responded by adopting a resolution on March 26, 2012 stating that it would not seek transfer of the park and instead work with State Parks to "identify

the best financially viable governance and business model to implement the Lifelong Learning Center while maintaining Fort Worden as a fully accessible public park.”

The intent of the FWPDA is very clear and can be found in the numerous documents posted on its website (www.fwpda.org) as well as enacted in the charter adopted by the City of Port Townsend. The Charter means FWPDA is legally bound to its obligations. Simply stated, the FWPDA commits to the following:

- ***The FWPDA embraces the Commission decision that Fort Worden remains a State Park.***
- ***The FWPDA will assist the Commission and State Park employees to implement the Fort Worden Long-range Plan adopted by the Commission in 2008.***
- ***The FWPDA will work with the Commission, State Parks, Fort Worden Partners (tenants) and the public in carrying out the vision and goals of the Lifelong Learning Center.***
- ***The FWPDA will work collaboratively with State Parks to employ the best business practices to co-manage and operate specific enterprise and hospitality elements of Fort Worden consistent with the Long-range Plan.***
- ***The FWPDA will undertake improvements within the “campus area” (referred to as the “main post” in the WSFE’s position paper) that would generate or foster additional revenues to fund the park’s management and operations, and facilitate the historic preservation and adaptive reuse of its historic buildings.***

The Commission and the Legislature have directed the FWPDA to develop a business plan and directed that there be "ample opportunity for public and stakeholder participation in the development of the plan". Most troubling is that while the WSFE has certainly been available and willing to participate, we have been largely excluded from having any input much less participation in the plan development.

FWPDA Response: Since the Commission meeting at Fort Worden in March, the FWPDA has held monthly meetings which are open to the public as well as numerous public meetings in which the WSFE has been present and given testimony and input. The FWPDA was also in attendance during public testimony portions of Commission meetings at Fort Worden, at which the WSFE spoke at length about its concerns and issues. The FWPDA Board also held an all day retreat on May 7th to discuss the specific tasks and elements to be contained in the business plan. A subsequent special meeting was held on May 17 to obtain public input into the Request for Proposals (RFP) for the business plan consultant. At these latter two public meetings, the WSFE did not participate or offer comments. Members of the FWPDA Board have met with Fort Worden employees on two occasions to discuss the business plan process and to answer questions or concerns. The FWPDA has been and remains willing to meet with Federation representatives or Fort Worden employees.

These conditions have caused the WFSE to question the rationale and motivation of the parties interested in acquiring the care, custody and control of Fort Worden, whatever the mechanism for acquisition. As a result, the WFSE has taken an opportunity to analyze the current conditions at the park to identify sources of the revenue deficit and to offer input into possible solutions. This report describes the documentation reviewed, description of the current conditions, the resultant impacts to attracting increased public access and revenue and makes recommendations for remedial action.

Through information requests to Parks, the Secretary of State and other external resources the WFSE has received copies of a wide variety of documents detailing the fiscal arrangements and valuations at Ft Worden. Documents include:

- All tenant agreements
- Detailed accounting of payments received from tenants by Parks
- IRS form 990 for 2010 for all non-profit entities filing as 501(c)(3)
- 2011 valuation of 17 structures at Ft Worden
- Deed and title documents from initial acquisition of Ft Worden by Parks to date
- Tuition and fee schedules for all tenants
- Estimated average annual enrollment and attendance for the purpose of revenue projection

The data collected from the fiscal documents is compiled in a summary spreadsheet identified as Attachment A to illustrate the value of each property, the amount each lease calls for the tenant to pay, the amount the tenant actually pays and the amount of revenue generated by the tenant.

FWPDA Response: We found the information in the Federation's Attachment A summary spreadsheet inaccurate and misleading. Instead, we have attached a Corrected Tenant Data Sheet prepared by each of the Partner organizations to correct the record (Please see Attachment B).

The remaining documentation has been analyzed to identify under what conditions leases were agreed to for reduced amounts, what Parks' obligations are, what the tenant obligations are and whether those obligations have been, or are being met, in order to justify continuing discounted lease agreements. The WFSE has compiled a "Data Sheet" for each tenant and has attached the information for all tenants to this report as Attachment B.

FWPDA Response: The FWPDA will defer to the Fort Worden Partners Corrected Tenant Data Sheets to address the misinformation and numerous inaccuracies in the Federation's Data Sheets (Please see Attachment B).

Historical Context

Between the late 1950's and mid 1980's the Washington State Parks and Recreation Commission (WSPRC) acquired what is now known as Fort Worden from various entities, most significantly the United States Department of the Interior, the Port Commission and the Department of Institutions. In

reviewing the deed and title acquisition documents, great lengths were taken by all parties to preserve Fort Worden to be “forever and continuously used and maintained as and for public park and public recreation area purposes.” Master plans, descriptions of appropriate uses and provisions for reversion back to the Department of Interior in the event of any breach of the agreement are included.

FWPDA Response: Any future management agreement between State Parks and the FWPDA would require a reversionary clause to State Parks if any of the deeds, conditions or agreements were violated. In the WSFE video and ad attacking the PDA, the WSFE implies that that the FWPDA is not a "local governmental agency" and that it cannot fulfill the obligation to maintain Fort Worden State Park “for public park and public recreation purposes.” The reverse is true. The FWPDA is not a private development association as the WFSE asserts, but is a public entity created and chartered by the City of Port Townsend. The FWPDA carries the same obligations of transparency and protection of public interests and assets as any other public entity in the State of Washington.

As it relates to the current proposal of abdicating, in some way, management of the park to the FWPDA there is ~ specificity in the acquisition documents that the park "shall not be sold, leased, or otherwise disposed of except to another local governmental agency that the Secretary of the Interior is satisfied can assure the continued use and maintenance of the property for public park and recreational purposes". Further, when the main post was acquired from the Department of Institutions very specific language was included describing that the main post was to be a meeting and conference center full of historical and interpretive programs similar to Asilomar State Park in California. Language in the other acquisition documents varies somewhat however when considered in their entirety, the concepts are essentially the same - Fort Worden State Park was always intended for use as a public park for public recreational uses and for meetings and conferences.

FWPDA Response: As the WFSE knows, management of the park is not being “abdicated” to the FWPDA. Instead the Parks Commission and the FWPDA have both formally agreed to **explore** a co-management model in which Parks still manages the traditional park functions and the FWPDA manages the conference center and lifelong learning aspects of the park. Assuring continuing use and maintenance of the Park is exactly what the FWPDA co-management structure makes possible. It is also interesting that the Federation has suggested Asilomar State Park in California as a prospective model for Fort Worden operation. Elsewhere in this position paper, the Federation proposes that all reservations should be handled statewide by park employees, but they also suggest that Fort Worden should function more like Asilomar. In contrast to a public entity like the FWPDA, Asilomar is operated by a very large corporation, Aramark, under a long-term concession lease. Everything from reservations to maintenance is done by the operator— not state park employees—with the exception that the State does provide rangers at the park. Interestingly, Asilomar is also exempt from the California State Parks Pass, similar to the Discovery Pass, but more expensive at \$195 per year. The contradiction here is striking, and is an indication of the misleading information provided in the WFSE document.

Current Conditions

Through the review of published tenant information, input of our members, WFSE staff observations and input from the local community we have identified a number of conditions that contribute to less than optimum public attendance and opportunities for increased revenues. These conditions exist primarily on the main post but may be an inherent problem with the current thinking of what a Lifelong Learning Center should look like.

First, there is a significant presence of educationally oriented tenants on the main post. Between academic classrooms and student dormitory housing, they occupy the largest portion of the main post. This creates an exclusive environment for students that is not conducive or enticing to the general public. While lease agreements consistently provide for some measure of public access or interpretive programming, those elements of the lease agreements are largely ignored or circumvented.

FWPDA Response: Many of the existing tenants (i.e., Fort Worden Partners) incorporate educational activities as part of their missions, such as Centrum, the Port Townsend Marine Science Center, Port Townsend Woodworking School, the two historical museums, etc. However, there are only two accredited educational providers at Fort Worden: Peninsula College and Goddard College. These two entities currently occupy a few rooms at the Park and are planning to relocate into a single building when its renovations are completed. It is grossly misleading for WFSE to suggest that Fort Worden is being turned into a college campus that precludes public access. Instead these two college entities plan to provide student programs that make them good additions and partners in the Lifelong Learning mission for Fort Worden. Together with the other partners, they meet and exceed the definition of providing “lifelong learning” as mandated in State Parks adopted vision, mission and values for Fort Worden State Parks. Anyone who visits the park during any of the summer festivals hosted by Centrum or any of the other Fort Worden Partners can experience benefits that come from people taking advantage of the programming offered by these organizations. The claim that an exclusive environment is not conducive to the public is not fact but a matter of personal opinion. College programs do and will bring new members of the public to the Fort; at no time would college classes prevent non-students from enjoying the rest of the Park.

Identifying hours of public operation either on site or on internet sites of the majority of tenants requires great effort adding to the exclusive environment of the main post. Hours of operation are generally 11am 4pm and are honored by the Commanding Officer's Quarters and the Coast Artillery Museum. A frustration for visitors exists with the Marine Science Museum, Natural History Exhibit and the Guard House where hours of operation are posted but not adhered to.

FWPDA Response: It is true that hours of tenant organizations vary around the Fort and may cause frustration to some visitors. However, one of the biggest concerns heard from visitors is that the Park Office is closed for lunch between 12 and 1pm and again after 4:30. This greatly impedes the customer service aspects of running a successful hospitality service. How many successful conference centers or hotels could be operated with such limited hours of operation? Nonetheless, having all the buildings

open for public access at any time is inherently dangerous both from the ability to protect and preserve these historic public assets as well as for the safety of the visitors and staff.

In the case of Madrona, their lease specifically calls for accessibility to the gym for the needs of other tenants' programs and attendees (presumably that would include Parks visitors). The only onsite identification of drop in times or rates is available on a menu of services in a box near the front door advising the only time for drop-ins is 7am - 8am for a fee of \$8.00. Nowhere is there a description of what services are available at that hour. Posted on the signage in front of the gym and at the Commons is an identification of the existence of a gift shop however, upon inspection of the premises, none exists. There is no documentation to support that the gym has been available for any use other than to support Madrona. The Port Townsend Woodworking School operates in a similar fashion.

FWPDA Response: All Madrona classes and workshops (unless there is a registration requirement) are open to park visitors, staff and the general community at the drop-in or workshop rate. Madrona conducts multi-day workshop/conferences as part of its lease agreement. Madrona is open seven days a week and is flexible in working with current Partners' space rental needs as well as established conferences that require the gymnasium as part of their conference curriculum. The lease arrangement is similar with the Port Townsend School of Woodworking. More details of these two organizations operations can be found in Attachment B.

Advertising by all main-post tenants and subtenants is directed to very specific, exclusive audiences that are not conducive to enticing the general public or local community. Contributing to this is the lack of on-site advertising or signage inviting the public to the venues. The historical buildings on the main post have significant interpretive significance that, with the exception of the Coast Artillery Museum and the Commanding Officer's Quarters, are limited in accessibility to only the enrolled students in the tenant programs. Very few interpretive signs have been posted at buildings on the main post and no map of these locations for public visitation is readily available.

FWPDA Response: This is one of the problems that would be solved by the FWPDA. The FWPDA would work to coordinate marketing to present all of Fort Worden State Park as a destination in ways that help all entities and uses. Today each of the programmatic tenants (Fort Worden Partners) has its own website and conducts its own marketing for its programs and activities. In addition, the City of Port Townsend uses its Lodging Tax funds to help advertise Fort Worden programs, events and activities. The sum total of these marketing efforts exceeds efforts by State Parks to attract local and regional visitors to the park. This could be enhanced with a coordinated approach. Contrary to the claims here, many of the visitors to the park are drawn to the campgrounds, beaches, trails and facilities by the Partners' extensive marketing efforts.

With respect to interpretive facilities, as one example, the Marine Science Center has invested over a million dollars in tenant improvements to include aquariums, natural history displays and exhibits that are a valued attraction to the typical Fort Worden visitor. Because of the historical significance of the Park, independent tenant signage

needs to go through the historic preservation review process where the design must adhere to the standards in the adopted Fort Worden Design Guidelines for Rehabilitation. All signs currently meet the standards.

Regarding Bon Appétit, their lease provides that they are the exclusive provider of all food concessions and that Parks will compensate for any operation costs over the amount of revenue generated. This provision acts as a perverse incentive to not maximize the vending opportunities available; the Canteen is a case in point. Campers and park visitors would benefit to find a wide array of food, snacks, beverages, supplies and toiletries. Instead there are a few snacks, sodas, beer and ice cream. The walls and shelves are sparsely stocked and act more as a deterrent to business than as an attraction. Nowhere else in the entire park can emergency supplies, first aid, toiletries or food and beverages be procured. With the Commons being surrounded by the exclusive use entities the appearance that the facility is not available to the public is created.

FWPDA Response: We acknowledge there have been concerns expressed about food services at the Park. One of the major concerns is that the current operator is only open for limited hours year-round. One of the primary objectives of the FWPDA is to increase programming and conferences year-round, which should help provide the customer base for increased food services. In any event, this is an issue between State Parks and the current lessee.

In addition to the main post being largely inaccessible to the public and absent of interpretive, historical or native programs, it bears noting that the nature of the tenants' clientele is not conducive to repeat visitation and inhibits the RV'er, vacationer and other local visitor from experiencing the park in full and finding value in repeating visits.

The greater conflict with the current thinking of what is a "Lifelong Learning Center" is in creating a balance between a secure environment for students, maintaining limited attendance for the creative programs to specific limited genres and providing for the quiet spaces necessary for meditation and the creative juices of artists while providing for public access, interpretive programs and activities that appeal to the local community and general public.

FWPDA Response: This claim is simply inaccurate. For example, many of the Centrum festival participants (Fiddle Tunes, Jazz, Blues, etc.) come back year after year, stay in the campground, or in the Fort's accommodations, eat in the Commons and all contribute to the economic health and vitality of the Fort—and the larger Port Townsend community. In fact many Centrum faculty and students, just as one example, move to the local area.

One of the greatest benefits for a participant of any lifelong learning center program is the opportunity for that person to enjoy the quiet spaces and magnificent natural setting of the park. The entire campus area ("main post") encompasses only 112 acres of the 432-acre park.

In 2006 a "passport" program was implemented and an MOU entered into by the Marine Science Center, Coast Artillery Museum, Commanding Officer's Quarters and Jefferson Historical Society to provide a

discounted rate for public visitors to attend each of these operations during their visit. Recently, Parks staff has been advised to no longer make these passports available to the public, further reducing public access and revenue.

FWPDA Response: The “passport” program was a joint venture of Parks and some of the Partners. However, State Parks terminated this program. There is no evidence that the loss of this program has reduced public access or revenue. The passport program was based on the hours of operations of the partners engaged in this program. It did not dictate new or different hours.

In addition to the main post tenants, the Chinese Gardens are also limited in accessibility and use for the general public. The only public access is through the road to North Beach County Park where Discover Pass is not enforced. The property is being used by a large number of local residents grow and harvest hay. It is unknown to what extent, if any, Parks is being compensated for this exclusive use but with sustainability programs on the main post and in the local community, a more beneficial use of this property could easily be identified that is more consistent with its’ historical significance.

FWPDA Response: The statement regarding the use of Chinese Gardens by local residents to grow and harvest hay is incorrect. There is a hay lease which is administered by State Parks (Olympia) for Chinese Gardens. The hay lease is not assigned for revenue but for fire safety. It is mowed to reduce the potential of a grass fire. It is a mutually beneficial lease in which the lessee is not paid to mow for State Parks, but can keep any revenues derived from the hay they mow in the unfarmed fields and State Parks can reduce the potential for grass fires. The FWPDA agrees with the Federation that Chinese Gardens could include other beneficial uses consistent with its natural and cultural significance. See other response below in recommendations section for elaboration on this point.

Finally, and most recently, Port Townsend Police Department (PTPD) has formally expressed concern over lack of compensation for police and other emergency response and notes a lack of revenue from the Discover Pass as their basis to limit emergency response. In all of the years Fort Worden has been a public park and park rangers have been commissioned law enforcement officers such an action has never been taken. This leaves the park with two rangers to serve and protect the tenants, their clients and the general public. Typically when businesses are operated within the city or county they pay local taxes and that helps to pay for law enforcement or police protection. The tenants at Fort Worden enjoy exemption from such taxes and again, leave Parks with the bill while enjoying the exemption from the Discover Pass further depriving Parks of a much needed revenue source.

FWPDA Response: It is our understanding that there are 3.5 rangers assigned to Fort Fort Worden. The City of Port Townsend has responded in a letter to the Federation to the PTPD issue discussed above and is attached as Appendix A. It should be noted the Partners do pay taxes (B&O and lease excise taxes, as well as sales tax and lodging taxes.). Tenants are not exempt from such taxes as stated above.

In summary, WSPRC and the agency have been most generous in creating an environment to attract tenants and have conditioned that generosity on the creation of interpretive programs, public activities and at least a minimum of public access. Further, Parks has paid for the materials and in most cases the labor for tenant improvements and building renovation. Reduced lease rates were predicated on the tenants participating in renovation and repair, public accessibility and advertising that would increase revenue for not only the tenant but for Fort Worden as well. It is the WFSE's assessment that the largest contributing factor to the negative cash flow at Fort Worden is due to the failure of the tenants to adhere to these provisions.

FWPDA Response: This issue is addressed in our summary response below.

General Cost - Benefit analysis

Under the current conditions, Fort Worden is operating at a \$750,000 deficit. In the early stages of planning for a "Lifelong Learning Center" consultants identified estimated costs for small renovations and repairs as well as for capital projects to preserve and adapt the historic buildings for the uses contemplated at that time. The established minimum need of \$26 to \$37 million has surely increased since that time due to inflation and further deterioration of the buildings and necessary infrastructure improvements.

Contributing to the negative cash-flow are the significantly reduced rents, state paid and performed lease improvements & maintenance, discounted utilities and other preferences contained in the leases. See Attachment B for specific tenant detail. Tenants have successfully lobbied for exemption from the Discover Pass further depriving Parks of any revenue generation. Oddly, the types of businesses on the main post traditionally charge for parking so their clientele should not be surprised, much less opposed to the nominal annual fee for a Discover Pass. Such reticence may be attributed to the tuition and other program fees being charged at full market rates.

FWPDA Response: Tenants do make improvements when permitted by not just State Parks, but the WFSE staff. Madrona MindBody, Port Townsend Woodworking School, Centrum, Port Townsend Marine Science Center have all made significant tenant improvements. The Fort Worden partners are very sensitive to labor rights of WFSE members. Given the staffing levels at Fort Worden, there simply are not adequate resources for union employees to undertake all the needed work. If the Partners could do more and not worry about a grievance being filed (for grounds, maintenance, etc) they would gladly participate.

It is true that partners have pushed for a Discover Pass exemption. Partners that serve day-use visitors or "drop-ins" such as the museums, Marine Science Center and Madrona MindBody, have experienced significant declines in clientele since implementation of the Discover Pass. While Partners are promoting purchase of the Pass to their clients and volunteers, they continue to request an exemption until provisions for parking can be worked into their leases, allowing for the broadest possible access by the public.

In 2011, Parks sought an appraisal of the lease values of 17 specific buildings. The total appraised value is \$636,400 per year. Unfortunately, Parks only receives less than \$100,000 per year in leases. Some revenue, from Bon Appétit and Port Townsend Hospitality (PTH) in particular, is indeterminate due to the complexity of the concession agreements. Initially, the lease agreements acknowledged the need for renovation and repair. Some leases called for various levels of tenant investment ranging from very minor tenant operation oriented work to major building investment in the \$100,000 - \$150,000 range. In these cases, leases at significantly reduced rates for extended time periods were agreed to in order to ensure the tenant had ample opportunity to achieve a return on that investment. Due to lack of compliance with the lease terms, these arrangements have not materialized to the benefit of Parks.

When considering the operating costs of administration, ranger staff and repairs and general upkeep that are not accounted for in the rents, the limited revenue generated for Parks by the tenant clientele, tenant exemptions from Discover Pass, lack of tenant investment in advertising and the reduced opportunities for programs and activities that appeal to the general park visitors it should be no surprise that Fort Worden is operating in a deficit situation.

FWPDA Response: This should be a response by State Park and not the FWPDA.

Recommendations

Based on member and community input, the WFSE has identified areas of improvement that would result in increased revenues to Fort Worden sufficient to not only eliminate the existing deficit but would provide for reinvestment in building and grounds improvements that attract appropriate new tenants and would encourage increased visitation to the park. '

- Charge reasonable rents that account for the maintenance, repair and renovation of the buildings and dedicate a portion of the rent for reinvestment into building renovations and repair. Provide adequate lease monitoring that compels tenants to provide regular public hours of operation, published rates & interpretive programs and public activities in accordance with lease agreements. This should most definitely be applied for Building 202 which has cost in excess of \$4 million in renovation costs.

➤ **FWPDA Response: The FWPDA agrees with this recommendation.**

- Centralize all reservations of park facilities to Parks staff and reinvest the income in adequate staffing to develop & promote marketing packages. As Parks on a statewide basis transitions to more of an enterprise model, such programs will need to be developed and should be coordinated by a centralized marketing program.

➤ **FWPDA Response: The cost of centralizing reservation and marketing services by Parks staff would be inordinately expensive. One of the primary reasons to involve a new management entity in the hospitality function at Fort Worden is that there could be some efficiency savings. In addition, it has been acknowledged by State Parks that marketing and hospitality functions are not a core service or expertise provided by State Parks.**

- Adopt 5-10 year plan to return Ft Worden's main post into a meeting & conference center like Asilomar, CA. This is what was originally intended when the property was acquired by Parks and was the initial concept of the Lifelong Learning Center. It appears this plan has gone off-track and has become more of a local college with only very narrow appeal.
 - ***FWPDA Response. This is an incorrect statement and a poor recommendation. As noted earlier, Fort Worden State Park was established to be a multi-purpose recreation and conference center to facilitate the "arts" aspects of recreation, seminars, and compatible activities in a park setting. While it is true that one of the FWPDA's priority projects is the renovation of Building 202 as a higher education center, this project is intended to enhance the classrooms of Peninsula and Goddard Colleges as well as the other tenants at the Park. It is important to realize that Peninsula College and Goddard have resided at the Fort since 2004 and were integral in the Lifelong Learning Center vision.***

- Publish an activity program for visitors that includes and onsite map of interpretive programs, trails on Bunker Hill etc. Parks such as Deception Pass, in collaboration with "friends" groups and staff, publish a monthly newsletter that promotes activities, events and special times of the year for viewing of plant life and wildlife. Existing onsite tenants could easily assist in preparing the artwork, publishing and development and could add interpretive publications for sale.
 - ***FWPDA Response. We agree with this recommendation. One of the clear benefits that the FWPDA believes it can bring to the park is better coordination in interpretative programming, joint marketing, enhanced websites and regular newsletter of program of events at Fort Worden State Park.***

- In 2009 the Legislature directed Parks to analyze which leases should be moved to the Office of Financial Management (OFM) for administration. In the 2012 legislative session, more legislation was passed to reform procurement practices and directed Department of Enterprise Services (DES) to provide training. It appears that Parks would benefit from training on negotiating and monitoring lease agreements. It may be that Parks should reconsider moving the lease functions at Fort Worden to DES. In the absence of either of these options, rather than a co-management agreement with an inexperienced entity, a professional property management company with experience in managing historic properties should be considered.
 - ***FWPDA Response: In 2009, the governor proposed consolidating and shrinking governmental agencies and that effort was not supported in legislation. We believe the FWPDA Board member composition has the right set of skills and experience to serve in a property management role. The Board is well equipped to recruit the qualified staff needed to fulfill this role. The Governor and the Legislature have both asserted that Washington State Parks needs to shift to an enterprise model to become more, or completely, self-sustaining. The FWPDA effort is what "enterprise" looks like when***

proposed by a public entity within a state-defined mission. Additionally, “professional property management” companies are private and profit driven, exactly opposite of the stated concerns of the Federation.

- Locally, Washington State University has an extension campus that provides courses in sustainable farming and cooking. South Seattle Community College has a nationally recognized culinary arts program that provides meals on campus. A similar program could be established to take over meal concessions, provide evening meal options such as picnic baskets and other food operations around the park. Working in collaboration with WSU’s farming program, turning the Chinese Garden into a garden that provides options for the food concession should be explored. WSU also has a program that could make use of the mule barn and benefit the local community.
 - ***FWPDA Response: The FWPDA supports this idea and it has been discussed by the Partners as part of the Lifelong Learning Center. What is odd about this recommendation by the Federation is that it suggests stronger partnerships with other higher education partners—whereas educational uses have been criticized throughout this position paper as increasing an exclusive environment that restricts public access and/or as being incongruent with the significant military history of Fort Worden.***
- Bring laundry and janitorial functions in-house. The park would benefit greatly from having a regular, onsite accessibility to services that are historically provided for significantly less than a private, for-profit vendor. The costs of additional Staffing and management are more than offset by Parks retaining the proceeds from these operations.
 - ***FWPDA Response. Unfortunately, one of the reasons that State Parks finds itself in a fiscal crisis is the high cost of labor for state employees. Our financial analysis shows that Fort Worden can save significant labor costs by contracting for laundry and janitorial services with the private sector.***

These are just a few recommendations compiled for an expedient implementation to generate revenue and put Fort Worden back on track with the original intentions of the acquisition documents and master planning. That the lease agreements are currently under renegotiation is fortuitous and most timely. The WFSE considers it a conflict of interest for anyone other than the Commission and the agency to manage the programming and tenants that bring appropriate uses to the park. We believe that only the agency can be the objective keeper of this historical landmark and Public Park. To have the City of Port Townsend, through the FWPDA, or one of the tenant businesses, manage any part of Fort Worden and the staff attached thereto violates basic deed and grant provisions as well as public trust.

FWPDA Summary Response: Overall, the Federation’s response does not acknowledge the six year public planning process and \$1.2 million invested in the process to develop the concept of a lifelong learning center. The WFSE was a full partner in this process. This vision and the resulting plan documents were fully vetted and adopted by the Commission in 2008. The WSFE was present and testified in favor of the Lifelong Learning Center vision and plan prior to any agreement signed with a new management entity. It is important to point out that the adopted Fort Worden Long-range Plan was not

centered on the military history of the fort. The vision, mission, guiding principles, values contained in the Plan were all developed and approved to enhance the conference and meeting facilities at the park by embracing and implementing the lifelong learning center vision. As part of the adoption of the Lifelong Learning Center vision, the Commission recognized that State Parks alone did not have the resources required to achieve that vision, and in fact that Parks' traditional recreational paradigm was a barrier to success. It needed to find a way for nonprofits and businesses operating at the Fort to be coordinated in marketing, in common facilities and services, to share resources, expand programs, find new appropriate partners, establish new financial support and better coordinate with one another.

The Business and Operating Implementation Plan adopted by the Commission in 2008 was predicated on the assumption that the best method to improve the financial performance of the Park was to increase the number of visitors that stay overnight—or the number of nights that visitors stay. Key to that is the ability of the Fort Worden Partners to provide high quality multi-day programs and services that are designed and delivered in context with the Lifelong Learning Center concept. As described in detail in the 2008 Plan, lease rates, though part of the revenue picture at Fort Worden, would not be capable of achieving financial stability for long term health of the Fort. Currently, lease rates for Fort Worden Partners (i.e., tenants) are “discounted” based on their ability to attract overnight visitors to the Park.

The Federation's assertion that by increasing tenant lease rates would undermine the entire concept of the adopted plans for Fort Worden because it would make Fort Worden too expensive for the type of educational programming needed to implement the Lifelong Learning Center. It cannot be overstated that without the Partners' significant annual revenue contributions to the Park, the financial situation at Fort Worden would become much worse. It is simply a gross mischaracterization to state that the negative cash flow at Fort Worden is due to the failure of the tenants. The Federation's “analysis” does not even acknowledge that the Partners have generated over \$274,000 annually in meeting room and accommodation rentals. This does not include food services, sales and lodging taxes, and other ancillary fees that go directly to the Park.

The Federation has also claimed (in an ad to its members) that the “tenants contribute nothing to the upkeep and maintenance of the buildings leased.” Many of the Fort Worden Partners undertake tenant improvements at their own cost, spending hundreds of thousands of dollars through the years. The tenant data sheets in the Federation's position paper have been revised by the tenants and each tenant has indicated a range of magnitude cost based on their tenant improvements. The ad also states that “Vendors (tenants) fail to pay fair market rates.” Again, this is incorrect. State Parks has based its lease rates on appraisals that document the highest and best use of specific buildings. However, as discussed above, individual lease rates for tenants can be “discounted” as directed by the State Parks Commission. See June 2010 Commission Agenda item E-7A (excerpt – Appendix 3 “(4) Discounts based only on the agreed-to value of the public benefit derived, reciprocal benefit to the Commission. Discounts may additionally consider additional park revenues received due to concessionaire's activities. In kind/in

lieu services may additionally be accepted per Commission policy. NOTE: Concession agreements within Fort Worden State Park may be eligible for additional FMV discounts up to a maximum of 20 percent, based on agreed-to and documented benefits that assist the park in achieving its Commission-adopted vision as a “life-long learning center.”

Finally, the Federation recommendation to adopt a 5-10 year plan to return Fort Worden’s main post into a meeting and conference center like Asilomar, CA would be a tremendous waste of public resources, halt the progress of the Fort Worden Partners’ (tenants) investment in the Lifelong Learning Center, and further the “privatization” of Fort Worden that the Federation so fears.