

MINUTES
Fort Worden Public Development Authority (PDA)
6 Feb 2013, Fort Worden Commons

Call to Order: Scott Wilson called meeting to order at 8:35 am

Roll Call: Bill James, Jeff Jackson (via phone), Lela Hilton, Bill Brown, Scott Wilson (chairing), Norm Tonina, Anne Murphy, Gee Hecksher, Dave Robison

State Parks Representatives: Rodger Schmitt, Mike Sternbeck, Larry Fairleigh, Ed Girard, Brian

Public: Tim Lawson (Fort Worden Partners), Ron Kubec (Fort Worden Advisory Council), Rick Zajicek, Carla, Rochelle - Bon Appétit, Kevin Alexander, Bob Gray, Herb Cook, Alicia Alvarez, David Goldman, Alfred Chiswold

Review of Draft Management Agreement: (Dave Robison)

Management agreement is DRAFT and for discussion purposes only – document handed out :

- Discussion points:
 - Why would State have to transfer ownership of Building 202 (or other buildings to be renovated) to the PDA? In order for historic tax credits to be monetized, the building would have to be transferred to the PDA for a 5-7 year period. The only asset that would be transferred is the building, not the underlying property.
 - For any leases meeting any of the criteria on the top of page 2, the Commission would have to review and approve – the PDA would not have authority to enter into any leases meeting any of these criteria.
 - Discussion and clarification of the language regarding the operating subsidy to \$250,000 annually for three years
 - Ensure documents referred to in the Development of the Premises section of the plan on Page 4 are consistently named throughout the document
 - If Management Agreement is approved by the Commission, a transition plan will need to be created for the period between July 1 and – January 1 2014
 - Need to add language on permitting of Tenant Improvements. Question also raised on capital campaigns. Tenant improvements – State Parks (SP) would like language added to the agreement that if FW reverts back to State Parks at some point, they want the flexibility to revert property back to condition prior to tenant improvements.
 - Signage – Partners would like to have better signage opportunity within the Park for improved navigation purposes.

- Add IT services to the list of PDA Management Services it would be manage.
- Maintenance responsibilities of SP – health and safety funding is top priority. SP cannot commit to fixing other repairs unilaterally. Agency is being forced to be self-sustaining and may not be able to respond to every request. Can we mitigate through some insurance policy?
- Allocation of surplus revenue remaining after operations – allocation questions; what about reserving some funds for unfunded operational needs? Need to make it clear that this fund is controlled and managed by the PDA.
- Next Steps
 - More content to be added to draft agreement
 - Try to review a draft governance section in March PDA board meeting
 - Draft Agreement will need to be reviewed by SP AG and the PDA’s attorney
 - There will be a staff update on the process to State Parks Commission in Olympia in late March
 - SP plans to hold a public meeting at Fort Worden in April to review and take input on the draft agreement
 - Commission could review draft agreement at its May meeting
 - Commission is scheduled to take action at its June meeting in Spokane

Board Member Discussion:

- Pleased to see that \$250K in transition support is still available; Rodger Schmitt articulated that Commission is supportive of providing us with transition support
- Reservation system question – State Park is looking into whether campground reservations could be managed by the State
- PDA needs to preserve as much authority as possible to execute against its plan. Need to pay close attention to terms on top of page 2, lease terms, building construction.
- PDA is in a partnership and agreeing to certain responsibilities and agreeing to very specific capital responsibilities although SP is making commitments and might not necessarily be there to deliver on their part of the capital bargain. What offset or insurance can the PDA get? We shouldn’t be so willing to step in and fill the void. Rodger Schmitt thinks we need to get this level of commitment from the Commission. Dave to work with Gerry on language with respect to performance standards, expectations’ and default provisions.

- Retained earnings – keep the three categories (including Operating Reserves) but have the Board decided how to allocate funds across these three categories.
- Bill Brown working up standard – cost of utilities to be shared.

Public comment:

- David Goldman – when you draft these types of issues, should take off municipal hat and put on corporate hat – what risks am I taking? What are we going to do when things go south? Wants us to identify our business model, our risk. What are we most concerned about going wrong? How does governance model, business model reflect the risk. SP as a partner cannot guarantee anything at this point.

Executive Session: 10am to 10:30—No action was taken.

Consent Agenda:

- Minutes from Board Meetings on October 17th and January 9th approved. Gee motioned, Bill seconded. Board unanimously approved.

Election of Officers:

Officers – Anne moved that Norm served as Treasurer and Gee as Secretary and Bill seconded. Board voted unanimous approval

Review of 2012 Financials:

- Dave walked Board through 2012 Financials compiled by City of Port Townsend. \$1107 remaining in operations. Cindy has made Fundraising a priority. No accrued expenses. \$30K for Pros Consulting paid by Friends of FW. Friends has paid about \$100K in invoices directly in 2012.

Capital Projects update:

Building 202 – Dave, Gee, and Bill met with the Peninsula College's project team along with Artifacts from Tacoma (Michael Sullivan and Spencer ?).

- o Hope to have construction documents completed this spring, which would mean they could start construction this summer. Peninsula is reluctant to start construction until funding gap is closed. Historic Tax Credits (HTC) could fund from \$500K to \$1mm of the gap.
- o Artifacts attended to review design and provide consulting on historic tax credits. Michael evaluated design document, which is first step in the historic tax credit process. Design complies with historic tax credit guidelines at the 20% level. About to enter next step for the tax credit process is to complete an application. Third step will be to go out and put together legal agreements. Michael to help prepare the documents for first two steps.

- Monetizing the HTC will require State Parks to transfer building 202 to the HTC investor for a period of 5 to 8 years (but not the underlying property).
- Need to sit down with Peninsula College to understand updated estimate. Bill and Gee estimate project could cost between \$6.6 and 6.7 million; this would result in a larger project gap (up to \$2M). Peninsula College also has an independent estimator looking at the project estimate.

Coast Guard property:

- Dave and Bill walked through the property. Coast Guard is in process of transferring lighthouse to State Parks. SP asked whether we would be interested in taking on the management of this property and buildings. Units can be upgraded at very little cost.
- Property in good shape. 3BR, 2Bath. + 2 caretakers quarters. Could get \$250 a night for the units as accommodations. Desirable location for rental.
- PDA would be able to take down the fence and provide property access to the public
- PDA would not have maintenance responsibilities for rip rap and shore defense works.
- Rodger said that this came back before the Commission and they did not accept the proposal because of potential liability issues. SP staff claims this issue has been resolved but transfer issue needs to go back to the Commission for approval.

Building 225:

- Pre-design report for building 225 was completed in 2009 by Waterleaf in Portland.
- Report was initially commissioned to study putting a laundry room in the basement appropriate for the size of the fort.
- Report also included concepts for lodging and accommodations for 50 overnight rooms; Waterleaf believes they have enough information to come up with a rough order of magnitude of estimate, in addition to a proposal and project plan.
- Anne asked if Partners would have opportunity to look at design – Dave said yes.

Director's report:

Dave handed out correspondence from the Port, WA Trust, and discussed State Parks Transformation Strategy.

Public Comment:

- Was expecting to see SP commitments to declining investment in FW called out in Management Agreement but wasn't there. Rodger responded to question. Commission said that they expect to see PDA break even in year 4.

- Jill DeCianne led familiarization tour yesterday with interested parties looking at meeting spaces and accommodations. Public and new partner employees attended. Tour went for two hours and very well received. Looking to do this once a month.
- 2 ½ weeks from now Gee will be in DC for preservation lobby day.
- Tim Lawson noted that they are holding a pot luck at Fort Worden Partners and Staff. PDA invited to Madrona on Feb 13 from 4-6.

Adjourn: 11:55 am