

Fort Worden Public Development Authority Governance and Operations Scenarios

Background

This paper outlines five (5) alternative operating scenarios to facilitate the implementation of the Fort Worden Lifelong Learning Center. Each scenario lists key concepts and assumptions. The key concepts and assumptions will aid in the final development of a business and management plan once an acceptable and supportable scenario is selected. These alternatives were developed based on the past months' discussions between State Parks staff and the Fort Worden Public Development Authority and in support of partner, public and legislative input. The five (5) alternative operating scenarios are:

1. Co-Management
2. Primary Management
3. Cooperative Management
4. Campus Management
5. Full Management (Transfer of park to PDA)

It should be noted from the outset that the transfer scenario (number 5) is no longer an acceptable option. The PDA does not seek transfer of the park and the Commission has expressed its intention to maintain ownership of Fort Worden State Park. However, this scenario is included here because most of the financial analysis conducted by the PDA was based on the original proposal to transfer the entire park to the PDA. The transfer scenario will provide a baseline to evaluate the final selected scenario's financial viability.

The PDA has been requested by the Commission and legislature to provide a business plan that details how the PDA could serve in some governance capacity at Fort Worden State Park in order to help facilitate the Lifelong Learning Center. The first step in this process is to re-examine some of the assumptions used in the 2008 Governance and Business Plan adopted by the Commission.

2008 Business and Operating Plan Assumptions

The 2008 Business and Operating Implementation Plan business plan included four scenarios similar to those identified above. They included:

- Washington State Parks (substantial change in policies and management practices)
- Co-management with non profit
- Primary Management by non profit
- Full Management by non profit

One of the key assumptions was that each of the alternatives required differing levels of financial support from Washington State Parks. There are three prevailing factors that influence these differences:

1. The scenarios that include more operational and capital investment required directly from Washington State Parks feature greater probability of annual operational cost recovery for Washington State Parks - the greater the investment, the greater the potential return.

2. Washington State Parks has the capacity and expectation that state park operations will feature a controlled annual loss - that annual expenses will outpace earned revenues. It is expected that Washington State Parks will pursue appropriate opportunities to manage and increase annual operational cost recovery through earned revenues and partnerships, but will generally operate at an annual loss.
3. A new managing entity will most likely not have the financial resources to proportionally share the annual operational burden to the degree that it involves an annual operating loss. The new managing entity will manage expenses and revenues to a controlled break-even point.

The 2008 plan also addressed the complexities of how to best manage the current state park staff and retain the terms and benefits of their current employment into the future. It found that it would be extremely difficult to pre-determine how negotiations will transpire with respect to the transfer of any current state employees to a non-governmental employer. The final recommended governance plan (e.g., co-management or cooperative) would determine the type and number of state employees to transition to a new management entity.

Other assumptions from the 2008 plan include:

- Governance transition from Washington State Parks to a new managing entity would take from three years to four years.
- State Parks would provide new FTEs (up to 5 new employees) at Fort Worden to facilitate the Lifelong Learning Center project.
- Success of the new managing entity is predicated upon the redevelopment of new accommodations to support the Lifelong Learning Center programs.

Changed Circumstances from the 2008 Plan

The 2008 Plan's recommendations have been dramatically challenged by the current state budget crisis and how it changes the financial assumptions and short-term financial viability of any future management and governance option for consideration. In addition, the following changed circumstances should be noted in the evaluation of any governance option considered:

- Loss of general fund support to State Parks
- Potential of future cuts to State Parks operations and capital funding
- Changes in leadership/management staff at State Parks affecting Fort Worden
- Composition of the Commission has changed; five of the current Commissioners were not involved in the Lifelong Learning Center planning process
- Discover pass requirement at Fort Worden
- Recession and weak economy has slowed new private investment, and Fort Worden Partners growth and stability
- The PDA has agreed to pursue serving as the new managing entity
- Building 202 renovation underway
- Increased interest in Lifelong Learning Center project from key legislators
- Enhanced public scrutiny and need for more public involvement in discussing management options at Fort Worden

Co-Management Scenario

In this option, the PDA will seek a long-term lease (over 50 years) and assume the operation and management of the developed campus area of Fort Worden State Park as outlined in the attached map (112 acres out of 434). The geographic boundaries specified include all the buildings (accommodations, meeting facilities, leased facilities, administrative and operations facilities). State Parks will be responsible for the campgrounds, kitchen shelter, boat launch and day use parking areas. The rest of the Park would be managed and operated by State Parks. However, there are shared areas of responsibilities with State Parks which would include grounds, buildings and infrastructure (utilities, roadways). As property owner, State Parks would assume most of these responsibilities. Final terms and conditions would be negotiated in the final lease agreement.

An 18 month interim lease period is anticipated to allow for the thoughtful resolution of outstanding issues related to the change in management and operations of the campus area. In addition, this option anticipates that legislation may be needed to successfully allow for the PDA to enter into a long-term lease.¹ Parks and the PDA would submit legislation in fall of 2012 to clarify statutory requirements (i.e., the need to renegotiate long-term leases every five years) to allow for long-term leases of 60 or more years with renewal clauses. Legislation could also include language deemed necessary to support the use of historic tax credits. Further development of this scenario would evaluate the PDA and State Parks ability to work together to secure historic tax credits for redevelopment of historic buildings in the campus area.

Key Concepts:

- Terms for a long-term lease would be completed by October 2012 with the transition beginning in January 2013 period culminating in a completed lease by December 2013 or sooner
- The phased lease will allow for the following:
 - Preparation of a Lease Agreement with Washington State Parks that eliminates current language of negotiated terms every five years.
 - Provide for the operational revenues to remain within the Park.
 - Completion of on-going and scheduled capital projects within the park in the current biennium.

¹ Under existing state law, RCW 79A.05.030, the Commission approved ability to enter into a 50 year lease agreement is constrained by the following statutory language:

(5) Grant concessions or leases in state parks and parkways, upon such rentals, fees, or percentage of income or profits and for such terms, in no event longer than fifty years, and upon such conditions as shall be approved by the commission: PROVIDED, That leases exceeding a twenty-year term shall require a unanimous vote of the commission: PROVIDED FURTHER, That if, during the term of any concession or lease, it is the opinion of the commission that it would be in the best interest of the state, the commission may, with the consent of the concessionaire or lessee, alter and amend the terms and conditions of such concession or lease: PROVIDED FURTHER, That television station leases shall be subject to the provisions of RCW [79A.05.085](#), only: PROVIDED FURTHER, That the rates of such concessions or leases shall be renegotiated at five-year intervals. No concession shall be granted which will prevent the public from having free access to the scenic attractions of any park or parkway.

- Segregation of management and operation of Fort Townsend and Rothschild House from the campus area (staff and operations)
- PDA oversight on lease negotiation during the transfer period (including building 202)
- Resolution of employees issues affecting staff that work within the campus area
- New policy that provides exemptions of the Discover Pass requirements in the campus and concessions areas

Assumptions:

- The PDA will provide a business and management plan by December 31, 2012 that meets operational needs to successfully implement the Lifelong Learning Center project over 5-10 years.
- The PDA and State Parks will develop a policy framework to assure the flexibility of management practices to implement the Lifelong Learning Center, as well as the ability to resolve shared responsibilities or conflicts that could arise with a co-management agreement. An annual report would be submitted to the FWAC and Commission documenting the successes, challenges and future opportunities for co-management partners.
- The use of historic tax credits is addressed through legislation (if needed) or by an agreement between State Parks and the PDA. PDA retains tax credit funds for supporting management and operations or for investing into capital projects in the campus area.
- State Park retains ability to implement Discover Pass in day use parking areas (Lighthouse loop, Knapp's loop, boat launch area, Kinzie lots, trail head at Peace Mile and start of Artillery Hill, Kitchen Shelter and adjacent beach lot)
- PDA manages and is assigned all buildings on upper campus, and in the lower area, it would include Marine Science Center, Natural History and Cablehouse Canteen with associated parking lots (signed and/or marked).
- State Parks retains the remaining areas of the park and is responsible for maintenance and stewardship of natural, cultural and historic resources.
- PDA is responsible for program, marketing and revenue collection, stewardship of historic resources in the leased facilities, upper campus and lower areas.
- A reimbursement schedule is developed for shared or split resources (utilities, equipment, supplies and others as identified) and infrastructure maintenance (roadways) are calculated at an agreed to annual rate.
- A policy will be adopted for sharing of equipment and resources for maintenance of areas as well as storage of equipment and supplies. Replacement costs will be shared. Storage, maintenance and fuel of equipment and supplies will be charged at an agreed annual cost.

- PDA will continue to sell State Parks' passes for camping (off season low income seniors, disability, Foster Home and veterans), and will sell Discover Passes for State Parks and Natural Investment Passes. State Parks and PDA will negotiate for the cost to sell these passes.
- Transfer of all personal property within campus area buildings to PDA
- Future building leases are negotiated and managed by PDA.
- State Parks maintains the campground operations, boat launch, kitchen shelter and associated support facilities at FW and retains the revenue. There is continued promotion of FW campgrounds by State Parks. Campground reservations for Fort Townsend are included in FW operations and billed back. Cama Beach reservations are separated or reimbursed to PDA as negotiated
- Signage by State Parks is replaced over time for areas leased by PDA.
- Rothschild House and Fort Townsend State Park expenses are separated for accounting purposes or shifted to another management area

Personnel - Washington State Parks is essentially responsible for the maintenance of facilities and grounds in the campus area. The PDA is responsible for the day-to day management of the campus area in terms of facility use, negotiating leases, attracting new tenants and marketing and promotion of the Lifelong Learning Center.

Sections to be managed by PDA in the campus area:

- Facility Use (manage leases/oversee tenant improvements)
- Customer Services (reservation systems)
- Administrative
- Marketing and Promotion

Sections to be managed by State Parks

- Park Manager
- Rangers
- Park Maintenance (facilities, custodial and grounds)
- Custodial
- Park Aides

Capital Program

- PDA and State Parks will jointly develop a 10 year capital plan in Year 1 for the campus area.
- As property owner, State Parks maintains all park areas and functions, including maintaining the roadways, trails, streets and sewer/water lines

- State Parks and PDA will support requests to the legislation for capital infrastructure projects at Fort Worden.
- State Parks will continue to seek funding for the new maintenance building and PDA will seek funding to complete rehabilitation of building 305 (current maintenance facility)
- The PDA will prepare a RFP for a new accommodations provider as a priority capital project.

Primary Management Scenario

In this option, the PDA assumes the operation and management of the developed campus area of Fort Worden State Park as well as the two campgrounds. The geographic boundaries specified include all the buildings (accommodations, meeting facilities, leased facilities, administrative and operations facilities) including the campgrounds and kitchen shelter and associated parking lots. State Parks will retain management and operations for the boat launch and day use parking areas. There are shared areas of responsibilities with State Parks which would include infrastructure (utilities, roadways). The PDA through a lease and the temporary transfer of the buildings (to enable use of historic tax credit financing), ensures that the campus area continues to be accessible and serve the local and regional public while implementing the Lifelong Learning Center vision.

An 12 month lease period is anticipated to allow for the thoughtful resolution of outstanding issues related to the change in management and operations. Legislation may or may not be required to successfully complete this option (revise current lease language to remove the renegotiated rates every five years).

Key Concepts – same as Co Management but with the addition of the campgrounds

Assumptions:

Same assumptions from Co-Management Scenario with the addition/revisions as follows:

- PDA will continue to sell **and accept** State Parks' passes for camping (off season low income seniors, disability, Foster Home and veterans), and will sell Discover Passes for State Parks and Natural Investment Passes. State Parks and PDA will negotiate for the cost to sell these passes.
- State Park retains ability to implement Discover Pass in day use parking areas (Lighthouse loop, Knapp's loop, boat launch area, Kinzie lots, trail head at Peace Mile and start of Artillery Hill) revised
- PDA manages and is assigned all buildings on upper campus, and in the lower area, it would include Marine Science Center, Natural History and Cablehouse Canteen with associated parking lots (signed and/or marked) and **Kitchen Shelter and with associated beach lot**
- State Parks maintains the boat launch and associated support facilities at FW and retains the revenue. There is continued promotion of FW campgrounds by State Parks. Campgrounds at Fort Townsend are included in FW operations and billed back. Cama Beach reservations are separated or reimbursed to PDA as negotiated
- Washington State Parks will retain primary responsibility for facility maintenance and law enforcement only.

Personnel - Basic division of responsibilities is that Washington State Parks is essentially responsible for the maintenance of facilities, and the co-managing entity manages promotion and facility use.

Sections to be managed by PDA

- Facility manager
- Customer Services
- Administrative
- Custodial
- Marketing and promotions

Sections to be managed by State Parks

- Park Manager
- Maintenance (facilities, grounds)
- Rangers
- Park Aides

Cooperative Management Scenario

This option provides for the development of a mutually beneficial partnership and cooperative management agreements to facilitate the Lifelong Learning Center project. It is based on an “evolutionary” model of cooperative management that would likely involve a building-by-building approach. The long-term goal would be to work towards the possibility of the PDA securing a long-term lease for a portion of Fort Worden State Park but it would be negotiated on an incremental basis. Cooperative management would allow the parties to work together, over time, to build the capacity of the FWPCA to manage and operate buildings in the park. The focus of this scenario is to identify and redevelop certain buildings for new LLC uses and tenants.

Key Concepts and Assumptions:

- No major changes to state employees are anticipated under this option.
- Discover Pass is required throughout Fort Worden State Park
- Building 202 is the priority project for the PDA. Upon rehabilitation the PDA operates and manages Building 202.
- Long-term leases (up to 50 years) could be entered into by the PDA on a building-by-building approach. The PDA could lease and renovate other buildings and recruit new tenants under a sub-lease to the PDA.
- Parks and the PDA would submit legislation in fall of 2012 to clarify statutory requirements (i.e., the need to renegotiate long-term leases every five years) to allow for long-term leases of 60 or more years with renewal clauses and any legislative language deemed necessary to support the use of historic tax credits.
- The PDA serves primarily as a redevelopment partner with State Parks. The PDA collaborates with State Parks, park partners to develop a ten-year capital redevelopment plan. State Parks will be responsible for requesting capital funds in the budget process.
- Implementation of the Lifelong Learning Center facilities will be dependent on the PDA’s fundraising success to support specific capital projects or new initiatives.
- State Parks is responsible for the operation and completion of implementing the lifelong learning center operational programs and partnerships.
- No direct services (e.g., marketing) are provided by the PDA to the Fort Worden Partners (unless a grant for such purpose is obtained).
- State Parks is responsible for operational and capital maintenance at FW.

- The PDA would be provided office space at Fort Worden at no cost.
- No business plan is required to move forward with this option
- PDA is dependent on fundraising support until it can generate revenues from any leases it may manage (e.g., Building 202 would be fall of 2014). The PDA works closely with the Fort Worden Conservancy to raise philanthropic funds for capital projects to help implement the Lifelong Learning Center facilities.
- Fort Worden's long term success is still subject to future state funding cuts

Personnel

- Fort Worden is operated and managed by State Parks. State Parks is responsible for funding all current Fort Worden Area park staff to remain as state employees and carry out traditional responsibilities and duties to maintain, operate and manage Fort Worden, Fort Townsend and Rothschild House State Parks.
- The PDA would have a small staff to undertake capital projects and other grant funded initiatives.

Capital Projects

- The PDA works with State Parks and FW partners to identify capital projects for renovation by the PDA.

Campus Management Scenario

This option is predicated upon the assumption that the FWPDA would take on an increasing role over time for specific management and operations responsibilities rather than the transfer of real property interests (i.e., property or buildings). Whenever “transfer” is used in this scenario, it is intended to mean the transfer of management responsibilities and not real property. Subsequent agreements would define the parameters conditions, provisions and timelines for transferring such responsibilities. These agreements would address the following matters:

- Specific timelines for the transfer of management responsibilities
- Performance measures or benchmarks to evaluate the performance of the PDA’s management responsibilities
- Business and management plan

State Parks will maintain all of its policy roles and responsibilities as the property owner of Fort Worden State Park. As management responsibilities are assumed by the PDA, State Parks would provide management fees and other financial and in-kind support for the improvement and operations of Fort Worden properties.

State Parks responsible for:

- All maintenance functions (facilities, custodial and grounds)
- Law enforcement
- Management of state parks’ functions
- Service contracts associated with maintenance operations
- Utilities and infrastructure
- Capital projects associated with infrastructure
- Satellite parks (Fort Townsend and Rothschild House)
- Providing internet access cables and cable lines to all buildings
- Discover Pass requirements only in day use areas (not campus/business areas of park)
- Boat launches and beaches
- Interpretive services
- Stewardship of natural, cultural and historical resources
- Campgrounds?

FW PDA responsible for:

- Lease management (partners and businesses associated with LLLC)
- Reservations and rentals
- Conference and customer services
- Business contracts
- Capital projects associated with program development (partners and businesses associated with LLLC)
- Marketing, branding and promotions of LLLC
- Internet access provider
- Partnership and program development
- Special event management
- Fundraising for LLLC programs, support functions and capital projects
- Campgrounds?

Full Management Scenario (Transfer option is not an acceptable option)

In this alternative, the FW PDA assumes the operation and management of Fort Worden. The PDA through a leasehold and/or transfer insures that the Park continues to be accessible and serve the local and regional community while implementing the Lifelong Learning Center. An 12-month transfer period is anticipated to allow for the thoughtful resolution of outstanding issues related to the change in management and operations. Legislation will be required to successfully implement this approach.

Key Concepts:

- The phased lease/transfer will allow for the following:
 - Preparation of a Transfer/Lease Agreement with Washington State Parks
 - Ensuring the associated operational and capital funding remains within the Park (date specific)
 - Completion of on-going and scheduled capital projects within the park in the current biennium
 - Disposition of management and operation of Fort Townsend and Rothschild House
 - PDA oversight on lease negotiation during the transfer period (including building 202)
 - Resolution of staff and union status
 - Elimination of the Discover Pass program within Fort Worden
- Preparation of a Transition Schedule and Plan within 60 days of adoption of Legislation. The Transition Schedule and Plan shall follow the key concepts identified here in
- The PDA future role will evolve as a redevelopment agent and the FW Conservancy increases capacity for property management and LLLC operational support.
- Investment in branding, marketing and sales teams for increasing revenues is initiated in year 1
- Stabilized operations by year 3 by reduction of expenses, increase in revenue generation supplemented by philanthropic funds from the FW Conservancy
- Private and public investment into the LLLC facilities is initiated in year 3

Options Matrix

Governance	Full Management	Co Management	Primary Management	Cooperative Management	Campus Management
Operation	Transfer of Park	Lease w/o campgrounds	Lease w/ Campgrounds	Capital Redevelopment	LLC Services
Supports LLC vision	Yes	Yes	Yes	No	Yes
Includes Operations	Yes	Some	Yes	No	Partial
Transition of Employees	100%	50%	80%	0%	33%
Sustainable Options (estimated)	Year 3	Not likely	Possible	Dependent on fundraising	Will require management fee
Capital program	PDA	Shared	Shared	Shared	Shared
Management fee	None	From SP	Rent paid to State Parks	From SP	From SP
Insurance	PDA	PDA/SP	PDA/SP	SP	SP
Maintenance functions	PDA	SP	SP	SP	Shared

Financing and Terms

Options/Financing	Bonds	Historic Tax Credits	Private Investment	Grants	State Park Funding Required to FW PDA
Transfer of park	Yes	Yes	Yes	Yes	One time
Long term lease of campus area, building transfer with campgrounds	Yes	Yes	Limited to specific buildings	Yes	Yes
Long term lease of campus area, building transfer without campgrounds	Yes	Yes	Limited to specific buildings	Yes	Yes
Redevelopment	Yes	Yes*	Limited	Yes	Yes
Property Management	Yes	Yes*	Limited	Yes	Yes

*Dependent upon tax credit requirements. If transfer of buildings for a time specified period can be negotiated with State Parks and any other requirements are able to be satisfied by NPS.