

## **Meeting Notes from Fort Vancouver Visit—**

Dave Robison & Kate Burke, Fort Worden PDA, May.26.12

### **Meeting with Elson Strahan, CEO and Mike True, CFO—Fort Vancouver Trust**

The City of Vancouver originally created the PDA (“VADA”) for its bonding authority to help with the renovation of Officers Row, which was transferred from the Army to the City for one dollar

The Trust was formed in 1998 and operated the gift shop and supported the Reserve Partners in their goals. Reserve Partners include the City of Vancouver, National Parks Service and State of Washington (WA State Historical Society)

The City had hired a private property management company to manage the properties transferred to the city at the Fort. The property management company was not fulfilling its obligations to maintain the property. In addition, the City could not keep up on the capital costs associated with Officers Row and its other Fort Vancouver properties. In 2006, the Trust submitted a proposal to the City for property management operations.

The Trust and their proposal were not supported by the City at first. They were very unsure of the Trust’s capabilities in management of the property. However, the Trust made the case that its mission was to support the historic preservation efforts of the Fort. The first lease was very short term – 3 years – in order for the Trust to gain credibility. The Trust was “untested” but was solving the problem for the City on what to do with the property management.

The City had a “prove it to us” attitude and wanted to maintain control.

The lease had some oversight by the City. In less than two years, the lease was being renegotiated due to the success of the Trust in management.

Trust had a verbal agreement with the NPS for property management of the Army section of the park (East Barracks). However, a change in administration at NPS has resulted in the NPS not honoring previous discussions. Currently, the NPS is going to try to manage the property itself. The Trust anticipates that at some point in the future the NPS will be back and ready to re-negotiate the Trust’s property management assistance.

The Trust’s By-laws include a property committee which has the authority to make policy decisions and act independently from the Trust Board. The Committee meets monthly and is compromised by representatives of the NPS, Trust, City and at-large community members. The Properties Committee meetings are not open to the public.

The Properties Committee has the authority to negotiate leases, lease rates, and terms and conditions. It provides oversight to the city and the trust on the property management issues. They have a 1% vacancy rate. 60% of their leases are commercial and 40% are

residential. Leases generally do not go over five (5) years. The Committee's focus is on filling the buildings with "compatible" tenants.

Tenant improvements are done by Trust; NPS does the historic review (Section 106 process)

They do not have the level of programming at Fort Vancouver as Fort Worden. They have NPS conducting interpretation and they have some special events.

The Trust covers deferred maintenance from its revenues.

Example:

\$600,000	Net revenue (after maintenance and management costs)
\$150,000	Retained for administration of the property management services
\$450,000	Subtotal
\$150,000	Approximate lease payment to the City; this covers basic administrative costs to the city (3% accelerator based on CPI – so this is rounded down)
\$300,000	Remaining funds go to development of the property – 60% to the City for capital projects at the Fort, 40% to the Trust for a development fund (a/e studies or other identified needs)

The Trust plays the development role by seeking new tenants and prioritizes A&E expenses under the development account.

The City usually completes the capital projects (use their city capital projects staff and process) and usually does the RFP process to comply with competitive bidding process

There is a 7 year capital facilities plan that is submitted to the City for the development fund. It is much like a deferred/preventative maintenance plan. They have not used historic tax credits but have used debt on leasehold interest. The Trust sits down with the City each year to identify/recommend capital projects.

The Master Lease took about six months to complete. They suggested an advisory board comprised of members of the Commission, Legislators, City for oversight and to protect the interest of both the PDA and the NPS.

Tenant improvements are done by the Trust. Only in rare circumstances will a tenant be allowed to do TI improvements.

The Post Hospital will be the arts education building. The hotel was about a \$21 million project. It was put on hold due to the economy downturn in 2008. They will still go out for the project once the economy has returned and there is growth in the hospitality industry in their area.

The Culinary School had a long term lease with the but is going to negotiated for an early termination. The business model is not working. The commercial kitchen in the building will be used for local caterers or maybe a B&B model.

The Trust business plan was completed in three year increments and has not substantially changed.