

Responses to Questions from Team Jefferson— March 14, 2012

1) Fort Worden was placed into State hands in public trust. How will this public trust in Fort Worden, as an asset of the State, be preserved under the PDA?

The City Charter and ordinance that established the Fort Worden Lifelong Learning Center Public Development Authority specifically states the guidelines for preserving Fort Worden as a public asset. The following is an excerpt from the Charter:

- manage and or/lease buildings and property, including the Park or portions of the Park;
- lease or acquire real property;
- promote and brand the Park as a Center for Lifelong Learning,
- secure funding and financing to undertake the (re)development, construction and maintenance of structures and facilities located at the Park;
- further the historic preservation goals of the Park through rehabilitation and reuse of historic structures;
- provide public access to and enjoyment of the Park's resources; including through management and operation o f the Park or portions of the Park;
- facilitate private investment at the park and create jobs to further the economic development of the City and Jefferson County;
- recruit and attract new programming partners;
- further the development of sustainable programming through marketing, development of shared services and infrastructure improvements, and;
- enhance the Park as a significant heritage-based destination and attraction, providing opportunities for cultural tourism and the appreciation and enjoyment of the natural, cultural, and historic resources of the Park.

The Charter clearly states the PDA's purpose in regards to protecting the public trust at Fort Worden. The PDA is committed to public access and would seek to not require the Discover Pass or other parking fees. This would help to assure and encourage more public access for people of all economic levels.

The PDA understands that it will need to build additional mechanisms to assure that it will be accountable to the people of Washington in protecting a state-wide asset. Currently, the PDA Board is comprised of local citizens from Jefferson County. If a transfer were to occur for a portion or all of Fort Worden, the PDA would likely seek to expand its board to include state-wide representatives. The PDA has discussed including a State Parks Commissioner on the PDA Board. In addition, the Fort Worden Advisory Committee (20 member) by-laws would likely change from providing advice and policy direction to the State Parks Director on Fort Worden issues and focus on the activities undertaken by the PDA Board. One other impending change is that the Fort Worden Conservancy will be recruiting state-wide and national representatives to serve on its board. The Conservancy, a 501c3 organization, plans to serve as the philanthropic arm of PDA and as an advisor on priority capital projects and programs at Fort Worden.

2) What are the liabilities the PDA and/or the City (and its taxpayers) assume as responsibility for some or all of Fort Worden is transferred?

The FW PDA does not have the authority to tax nor is the City and its residents responsible for the PDA's debts, liabilities and obligations. Although the City has limited oversight responsibilities for PDA operations under state law—such as reviewing an annual report and appointing new members to the board—the general management, operation and facilitation of its charter is in the hands of the PDA governing board. The PDA acts autonomously from the City. PDAs are often used by cities or counties for special purpose projects because it reduces the liability and financial risk to a city. The PDA would assume all responsibilities for the outcome of the negotiations with State Parks whether that is a lease, transfer of all or a portion of the Park. However, if the PDA violates terms of its deed agreement or other covenants required by the state, the Park could revert back to State Parks management.

How will the gap between operating income and operating expense be closed, and if that gap were not to be closed who pays for any shortfall?

The business plan is being developed based on a balanced forecast, not with an operational shortfall. The expenses are based on the level of revenue forecasted. The PDA will operate like any business with a balance sheet, profit and loss statement and a cash flow sources and uses statement. When revenues are not meeting forecasts, the expenses will be adjusted accordingly. The PDA is ultimately responsible for the operation of the park and any financial shortfall that might be created.

Our initial business strategy takes a three-prong approach: one third of the initial “gap” will be filled by new revenues; one-third by cutting operational expenses, and; one third in new contributions—memberships, private foundation and public grants, and individual donors. The strategy is to achieve operational stability with little or no shortfall generated.

Does the State continue to maintain responsibility for the pensions for Fort Worden State Park employees?

At this time, we cannot answer for State Parks in regards to their commitment to the employees at Fort Worden. They have not stated how they will deal with this matter. Future employees of the PDA are considered “public” employees. The PDA is in the process of exploring and assessing future employee benefit packages as part of its business planning that would include some form of employees retirement plan.

3) What are the ongoing capital expense requirements to adequately maintain and refurbish the portfolio of Fort Worden buildings and facilities?

In the 11-13 capital budget, State Parks has allocated \$2 million towards building 202 to match the \$2 million from Peninsula College. It is important to recognize that the PDA secured \$2 million of this through the legislative capital budget process; not State Parks. Part of the reason the PDA and Peninsula College were successful was because it could leverage the City’s contribution of \$500,000 to the project. The PDA will also be helping to seek additional private foundation and federal grants monies to help complete the Building 202 project.

The remaining capital funds allocated for this biennium is about \$900,000. It is difficult for State Parks to allocate enough funds for Fort Worden when it must consider the other 115 state parks that also require capital funds. With the PDA and the Fort Worden Conservancy being able to focus on raising capital funds, using bonding capabilities, leveraging historic tax credits and looking for applicable grants, the PDA believes it has a much better chance of securing more funding sources for capital projects at the Fort than does State Parks. Some of the existing partners at the park are planning to increase their investment into their leased facilities. One example is Madrona Mind and Body, where they have invested about \$50K in their facility but are having trouble getting an additional \$250K in financing from banks, The PDA could help partners like Madrona by issuing tax exempt bonds to secure financing from banks for redevelopment purposes.

The key for the PDA is to maintain and rehabilitate the historic structures by attracting new investment and build partnerships with other organizations and institutions that align with the vision for a Lifelong Learning Center, such as the building 202 project. The School of Woodworking and Preservation Trades could also add an important component to the renovation efforts. Their use of Fort Worden as the learning lab for Preservation Trades will continue to rehabilitate buildings while teaching trades skills.

What buildings and facilities are beyond repair - can they be demolished? What buildings and facilities can reasonably be restored - where do funds come to accomplish this? What funds are in place to continue to upgrade and maintain existing buildings and facilities?

There are a few buildings that are questionable as to whether they can be restored. However, any demolition would need to be approved by the WA State Office of Historic Preservation and Archeology in Olympia.

Building 409, a former soldier's theater, on Artillery Hill has been heavily vandalized and has not been slated for any historic preservation by State Parks. To save the building may require its relocation to another area within the campus area. There has been some interest in converting this building to an active performance space.

Building 365 (motor pool building) has been rehabilitated on just one side. The remaining exterior and interior are in poor condition. This building has been identified by the PT Wood School to be renovated for use as a new wood shop. Senator Murray and Congressman Dicks have been helping to identify federal funds that may be used for this rehabilitation.

Building 372 (carriage house aka mule barn) has not been slated for a capital improvement project by State Parks. There is a potentially interested organization in rehabilitating this building.

One of the financing mechanisms for these capital projects is the potential for the PDA to secure historic tax credits. The PDA is exploring, with the National Historic Trust, if it could secure a 20% income tax credit that is available for the rehabilitation of historic, income-producing buildings. The buildings must be "certified historic structures," in which most buildings at Fort Worden are certified. The State Historic Preservation Offices and the National Park Service review the rehabilitation work to ensure that it complies with the Secretary's Standards for Rehabilitation. The tax credits that are secured by the PDA could be sold by the National Trust to generate new capital funds for the PDA. For example, Building 202 would likely meet the historic tax credit criteria, and generate up to \$1 million dollars in cash that could be used to seed other capital renovations of other buildings.