

Presidio Trust Board of Directors Meeting
January 19, 2005
Minutes

Attending:

Lydia Beebe
David Grubb
Mary Murphy
Toby Rosenblatt
William Wilson, III
Joseph Yew, Jr.

Michael Boland
Steve Carp
Karen Cook
Lori Eason
Fran Gross (8:40 – 11:27)
Tia Lombardi
Mollie Matull
Craig Middleton
Paul Osmundson
Stephen Potts
Rob Wallace (8:40 – 11:27)

Not Attending:

Don Fisher

Meeting called to order by Chairperson Rosenblatt at 8:40 a.m.

Actions taken:

- Approval of Minutes of September 28, 2004 and December 9, 2004 (Resolution 05-2).
Motion: Beebe. Second: Yew. Vote: 6-0.
- Approval of Adoption of Revised Budget for Fiscal Year 2005 (Resolution 05-3). Motion:
Beebe. Second: Grubb. Vote: 6-0.
- Approval of Formation of Board Committee (Resolution 05-4). Motion: Wilson. Second:
Yew. Vote: 6-0.

Discussion items:

- Craig Middleton reported that:

- In Fiscal Year 2004 revenue increased and operating costs were reduced by approximately 12%.
- The Trust has received comments on its five-year strategic “base-line” plan from the Office of Management and Budget (OMB). The comments do not require significant revisions.
- The Trust’s appropriation for Fiscal Year 2005 was not cut by Congress.
- The agreement with the Golden Gate National Parks Conservancy (GGNPC) has been signed and the Executive Committee has been formed. Toby Rosenblatt and Dave Grubb are on the Executive Committee. Projects that are part of the Presidio Green initiative with the GGNPC include trails, overlooks, the Main Parade Ground and revitalizing the forest. Philanthropic funding will be solicited for Presidio Green projects. The Immigrant Point overlook, financed by a gift from George and Sejong Sarlo is being completed and is scheduled to open in May.
- The House of Representatives has designated Representative Jerry Lewis as the new chair of the Appropriations Committee. Mr. Middleton hopes to meet with Mr. Lewis in the first week in February. Bill Wilson said that he would also like to meet with Mr. Lewis and that Don Fisher might want to attend the meeting.
- Negotiations with the Laborers’ International Union of North America (LIUNA) are scheduled to begin this week. Lydia Beebe asked how the Trust will create a mechanism for getting Board input quickly in the course of the talks. A brief discussion followed and Mr. Middleton said that the topic will be addressed in greater depth later in today’s Board meeting.
- The Trust assumed management of the Golden Gate Club (GGC) on November 1, 2004. Mr. Middleton said that business plans were being prepared for the GGC and two other venues that will be presented to the Board at its March 2005 meeting. The plans will include cash flow projections, expenses and required staffing levels. Mary Murphy said that at its September 28, 2004 meeting the Board asked for detailed information about the revenue and costs to run the GGC. Mr. Wilson suggested that the Finance and Audit Committee review the business plans at its next meeting. Mr. Wilson noted that some economies of scale should be achieved since the Trust will be operating three venues instead of one with the same staff. Tia Lombardi said that some additional staff will be required.
- An Associate Director of Landscape Maintenance, Bob Carlsen, has been hired and will start on February 7, 2005. Among Mr. Carlsen’s responsibilities will be to implement a zone maintenance plan. The Trust will look at a range of options for accomplishing landscape maintenance.

- A Chief Operating Officer, Jeff Deis, has been hired and will start on February 22, 2005. Mr. Deis attended the Real Estate Committee meeting on January 14, 2005. Mr. Deis will live in the Presidio.
- Paul Osmundson presented the Real Estate Committee report from its meeting on January 14, 2005. The committee will meet with Forest City on February 10, 2005 regarding the development of the Public Health Service Hospital (PHSH) site.

Mr. Osmundson reported the following leasing and development activity:

- ActivSpace signed a lease for approximately 50,000 square feet in three Mason Street warehouses. The renovation of the historic buildings involves tax credits.
- The committee discussed requesting guarantees from tenants and the advisability of modifying the re-appraisal provision the Trust has been using in certain long-term leases.
- The Trust has re-bid the renovation work for 86/87 Graham Street. The buildings will be used for small office suites. Mr. Osmundson requested \$970K in additional funding for the renovation. He said that \$280K would be used in Fiscal Year 2005 and that the remaining funds would be needed in Fiscal Year 2006 for tenant improvements. The building will be ready for occupancy in Fiscal Year 2006. Rob Wallace said that the Trust is hiring an outside construction manager, Jacobs Facilities Inc. The Board discussed the anticipated return on cost and possible rental rates for the space, noting that the second floor should command higher rents because of the location and view. Mr. Osmundson said that he ran numbers for a higher rental rate for the second floor and that the result was an improved rate of return to the Trust. He agreed that the rates should be higher for the second floor. The Board directed that the project move forward.
- Mr. Osmundson discussed the need for additional funding for the redesign of the transit center at 215 Lincoln Boulevard. The building, which will involve new construction to replace the demolished non-historic structure, was originally designed to include restrooms, a sheltered waiting area, a meeting room, an emergency response command center and a small commercial area. At its September 28, 2004 meeting, the Board concluded that the proposed configuration of the building could be improved and the Board requested that space be redesigned. The Trust met with two experienced and successful restaurateurs to review the plan and receive their feedback. The proposed reconfigured space would include approximately 1200 sf for commercial space instead of the previous 500 sf. Mr. Osmundson said that the additional cost of construction is \$348,600 for the build-out of the base building and the tenant improvements, including FF&E and a full kitchen. Mr. Osmundson said that the space is being remarketed. Mr. Rosenblatt requested that Trust staff speak with additional industry professionals for ideas regarding the type of food-related venue that would be appropriate for the space.
- Mr. Osmundson said that a Request for Proposals had been drafted for the two playing fields currently under contract – the Morton Street Field and the Paul Goode Field. The existing agreements expire August 31, 2005. Mr. Osmundson reported that the Real

Estate Committee discussed leasing parameters. Ms. Murphy said that the Board should consider whether it made more sense for prospective tenants/users to put in their own capital to improve and maintain the facilities, paying a lower rent, or for the Trust to make the improvements and charge a higher rent. Mr. Osmundson requested additional direction from the Board regarding leasing parameters.

- The Board anticipated receiving additional information from Forest City at the scheduled February 10, 2005 meeting regarding the redevelopment of the PHS site. The Board discussed various project alternatives. The Board recognized that a fundamental strategic decision had to be made about the site. Ms. Beebe expressed concern about the amount of time and resources invested in the project. Mr. Wilson said that circumstances have changed since early plans about the project were discussed, citing in particular the increased cost of construction. Mr. Wilson also said that the Trust should reconsider the entire range of development possibilities for the site. The Board requested that Trust staff provide additional information about project alternatives.
- Mr. Rosenblatt reported that the Arion Press executed a new lease. He also said that the Goldman Foundation is ready to execute a lease for 211 Lincoln Boulevard. Mr. Osmundson said that lease execution is anticipated in early February 2005. Mr. Wallace said that a meeting with the tenant's design team is scheduled for next week.
- Mr. Rosenblatt informed the Board that the Trust likely would receive a request from Letterman Digital Arts (LDA) to sublease one of the buildings at the site. The Board discussed questions regarding proposed use of the space.
- Lori Eason reported that the Trust's outside auditor, Grant Thornton, presented its audit to the Finance and Audit Committee on November 16, 2004. The audit results were issued on time (November 15, 2004) and the Trust received a clean opinion, except for the on-going issue of asset valuation. No material weaknesses or reportable conditions were found. Fewer management comments were noted by the auditors than in the previous year.

Ms. Eason summarized the budget results for Fiscal Year 2004. Earned revenue increased by approximately \$1.3M over the anticipated amount and the operating budget was approximately \$200K lower than expected. The Operations Department was approximately \$820K over budget, due principally to higher natural gas costs. Mr. Wilson asked if the Trust charges residential tenants for utilities. Mr. Middleton said that the Trust charges residents for their utility use in newly-rehabilitated units. Steve Potts said that approximately 80% of all residential units are individually metered for gas but that the 463 Baker Beach units are not individually metered for electrical use. Mr. Wilson said the Trust staff should talk to the Trust's residential property manager, the John Stewart Company, about methodologies for charging for residential utilities. Ms. Eason reported that insurance costs and finance costs were lower than expected. Certain capital projects either were not started or not completed in Fiscal Year 2004, so the remaining funding for these projects was carried forward to Fiscal Year 2005. These projects include the water treatment plant, 86/87 Graham Street, the remaining Kobbe residential units and the transit center. Ms. Eason said that the carry forward figures were more a result of timing than anything else. Ms. Eason reported

that the costs to rehabilitate the Storey Avenue residential units and the high voltage utility work performed so far were under budget.

Mr. Wilson said that Mr. Fisher had questions about the Trust's budgeting of funds for the rehabilitation of 211 Lincoln Boulevard and 86/87 Graham Street this year. Ms. Eason explained that the money allocated to those capital projects was approved by the Board in September 2004 in its budget for Fiscal Year 2005 and that the funds already had been obligated to pay for the work. Mr. Rosenblatt asked that Trust staff forward information to Mr. Fisher that reflects the availability of funds to pay for the capital projects. Mr. Rosenblatt reminded the Board that progress in completing the capital projects will be monitored by both the Board's Finance and Audit Committee and its Projects Committee. Ms. Beebe asked that future budget summaries include more narrative. Mr. Wilson asked if any large infrastructure projects were unfunded. Mr. Middleton said that the high voltage infrastructure required significant investment.

- Mr. Middleton presented a proposed resolution creating a Board Ad Hoc Committee. Karen Cook explained that the Trust is about to engage in negotiations with LIUNA and that the Ad Hoc Committee would enable consultation with the Board as issues arose rather than delaying input until a formal Board meeting was convened. Ms. Cook provided the Board with a brief overview of negotiating sessions that Trust management has conducted with the union in the past. Ms. Beebe asked what types of issues LIUNA wanted to include in an agreement with the Trust. Ms. Cook said the issues typically were those that involved hiring/termination, compensation and duties. Ms. Cook said that the Trust has never entered into a formal agreement with LIUNA and that the term of the contemplated agreement may be three years. Ms. Beebe suggested that the Board consider a written statement of principles and goals to establish a framework of understanding of the Trust's overall position. Mr. Rosenblatt suggested that, rather than creating a written framework, the Board approve the formation of the Ad Hoc Committee, that it be comprised of one Board member, Mr. Grubb, and that Ms. Cook regularly give the Board a progress report at its meetings.
- Mr. Rosenblatt told the Board that the dedication for the opening of the Immigrant Point overlook is scheduled for May 2, 2005 at 3:30 p.m. He also said that the tentative date for the opening of the LDA facility is June 25, 2005. Mr. Wilson said that he would like to tour the LDA site.
- Michael Boland reported that Trust staff has identified sites where new ball fields might be built to increase recreational opportunities. There are currently three baseball fields and one soccer field in active use in the Presidio. Mr. Boland said that all existing fields have substandard support facilities that are in need of upgrading. He identified three potential sites for additional fields which, where possible, would consolidate ancillary facilities such as restrooms, parking, picnic areas and equipment storage that would result in operational efficiencies. Mr. Boland estimated the cost of each new field at \$1M.

Ms. Murphy expressed doubt about the ability to create an acceptable additional field at the Fort Scott site. Mr. Wilson said that the creation of an additional field at Fort Scott might not be compatible with the future use of the area. Ms. Murphy also commented that there is

great public demand for ball fields. She suggested that the Morton Street and Paul Goode Fields be put out for bid for medium-term leases and that the successful bidders be required to pay for the capital improvements and to be responsible for the maintenance of the fields. The Board discussed the merits of the proposed new sites and whether the Trust should make improvements and charge higher rentals rates or have the successful bidders make the improvements and be charged lower rental rates. Messrs. Wilson and Rosenblatt asked that Trust staff prepare a written summary of the options, including the cost to upgrade the Morton Street and Paul Goode Fields, the cost to create a new field in the Crissy Field area (Area B), the ability to accelerate both the remediation of the Pop Hicks Field and the creation of a new field at Crissy Field (Area B), an analysis of the parking requirements for the alternatives, an analysis of the financial options for the alternatives. Recognizing the time needed to develop comprehensive materials and recommendations, the Board directed staff to extend the existing Morton Street and Paul Goode agreements for one year.

- Mr. Middleton reported that the conceptual design phase of the Main Parade Ground development has been concluded and that the schematic design phase required discussion. The Main Parade Ground area is part of the Presidio Green initiative and will be the subject of philanthropic funding efforts. The Board reviewed the renderings prepared by the Trust's designer, the Olin Partnership. Ms. Beebe asked how much had been spent to date. Mr. Boland said that \$317K has been spent so far and that approximately \$880K more was required to complete the schematic design and the design development phases. Mr. Wilson expressed concern about the adequacy of parking and asked to see specifics on how it would be funded. He also commented that the renderings look like big lawns. Ms. Murphy said that the Board's consensus was for a simple plan. Mr. Wilson suggested that the Trust obtain a price from Olin for the schematic design and consider asking Olin to partner with a local firm for design development and for construction drawings. Ms. Beebe asked whether this project is a priority and, if so, how it became a priority. Mr. Rosenblatt said that the project has been integral to the Presidio Green initiative with the GGNPC and that such an undertaking is part of the Trust's focus on enhancing those resources that are more characteristic of a park.
- Joe Yew asked about the status of the Doyle Drive reconfiguration. Mr. Middleton said that Caltrans wants to use freeway specifications for the design rather than parkway specifications. The Board engaged in a general discussion about the status of the project and its funding.
- Executive Session: 12:42 – 1:05.

Meeting adjourned by Chairperson Rosenblatt at 1:05 p.m.

Outstanding items:

- Staff is to speak with additional industry professionals for ideas regarding the type of food-related venue that would be appropriate for the transit center.

- Staff is to provide additional information regarding PHSB project alternatives.
- Staff is to talk to the Trust's residential property manager, the John Stewart Company, about methodologies for charging for residential utilities.
- Staff is to forward information to Mr. Fisher that reflects that the availability of funds to pay for the rehabilitation of 211 Lincoln Boulevard and 86/87 Graham Street.
- Staff is to extend existing agreements for use of the Morton Street and Paul Goode fields for one year while it undertakes an analysis of ball field options. Analysis should include: the cost to upgrade the Morton Street and Paul Goode Fields, the cost to create a new field in the Crissy Field area (Area B), the ability to accelerate both the remediation of the Pop Hicks Field and the creation of a new field at Crissy Field (Area B), an analysis of the parking requirements for the alternatives, an analysis of the financial options for the alternatives.
- Staff is to report on discussions with the Olin Partnership as to price and the use of local firms for portions of the work on design development and construction drawings. Staff is to report on funding for parking improvements associated with the proposed project.