

Presidio Trust Board of Directors Meeting
February 23, 2010
Minutes

Attending:

Nancy Bechtle
Robert Burke
Nancy Conner
Curtis Feeny
John Reynolds
Michael Shepherd
William Wilson, III

Michael Boland
Steve Carp
Karen Cook
Jeff Deis
Adam Engelskirchen
Bart Ferrell
Tia Lombardi
Mollie Matull
Craig Middleton
Mike Rothman

Meeting called to order by Chairperson Bechtle at 8:33 a.m.

Actions taken:

- Approval of Minutes of January 13, 2010 (Resolution 10-8). By motion duly made and seconded. Vote: 6-0 (Mr. Feeny abstained).
- Approval of Formation of Board Committees (Resolution 10-9). By motion duly made and seconded. Vote: 7-0.
- Approval of Approval Process for Budget Adjustments (Resolution 10-10). By motion duly made and seconded. Vote: 7-0.
- Approval of Adoption of Revised Fiscal Year 2010 Budget Forecast and Revised Five-Year Construction Plan (Resolution 10-11). By motion duly made and seconded. Vote: 6-0 (Mr. Burke recused himself).

- Approval of Approval of Capital Project (Resolution 10-12). By motion duly made and seconded. Vote: 7-0.
- Approval of Approval of Capital Project (Resolution 10-13). By motion duly made and seconded. Vote: 7-0.
- Approval of Approval of Capital Project (Resolution 10-14). By motion duly made and seconded. Vote: 7-0.

Discussion items:

- Mr. Middleton reported that:
 - The appropriations climate in Washington D.C. is more challenging than it has been in years and that discretionary spending is frozen.
 - The Trust is continuing to pursue other strategies that could afford the Trust the benefit it would have realized if it had been able to fully access the borrowing authorized by the Trust Act; Mr. Middleton reminded the Board that when crafting the Trust Act, the tradeoff for declining appropriations to the Trust was access to up to \$150M in borrowing from the Department of The Treasury, but that due to other priorities, the Trust's access has been limited to the \$50M borrowed so far.
 - A draft agreement among the Trust, the National Park Service (NPS) and the Golden Gate National Parks Conservancy for the interpretive framework of a visitor center will soon be circulated among the parties, and a draft Request for Proposals for a consultant to assist in a study of overall program objectives, location selection, governance structure and a strategy for ongoing funding has been completed.
 - The Trust now has the resources needed to make certain long-contemplated improvements to the Main Post as a result of payments from Caltrans for impacts associated with the rebuilding of Doyle Drive. Mr. Middleton noted that over the next few years the Trust will be undertaking double the number of projects it has in the past without increasing the size of the staff. The Board discussed the merits of the proposed budget adjustments and the timing of letting the construction contracts.
- The Board discussed the formation and composition of its committees and concluded that it was best served by retaining the Finance and Audit Committee and the Real Estate Committee. Issues previously considered by the Park Projects and Programs Committee will now receive full Board oversight; Ms. Conner was designated as the point person for such issues.
- Mr. Engelskirchen reported that:
 - A lease with House of Air, a trampoline gym, to rehabilitate and occupy the historic hangar at 926 Mason Street has been fully executed.
 - The Walt Disney Family Foundation project at 104 Montgomery Street and 122 Riley Avenue has been selected as a finalist for the San Francisco Times' Real Estate Deals of the Year and is a candidate for a National Trust for Historic Preservation award.

- The Trust has sent a letter of intent (LOI) to the Presidio Graduate School to lease 103 Montgomery Street. The college is anticipated to respond to the LOI after its next board meeting, scheduled for March 22, 2010. In response to a question from Ms. Bechtle, Mr. Engelskirchen said that the anticipated date for the college's accreditation has been delayed somewhat. He also reported that in addition to making a large security deposit, the college would make a substantial investment in tenant improvements (roughly double the Trust's tenant improvement allowance). Some of the tenant improvements would be a specialized build-out for the school, but approximately 60% would be reusable in the event of a tenant lease default. Mr. Shepherd asked that execution of a lease be contingent upon the college receiving its accreditation. Mr. Wilson said that he wanted to review the college's profit and loss statement.
- The Trust expects to have a signed LOI for 920 Mason Street in March 2010.

Ms. Bechtle asked how many units for occupancy by military households were still subject to the Interagency Agreement (IA) with the Department of the Army, and she asked when those units were scheduled to be returned to the Trust. Mr. Engelskirchen said that the IA terminates September 30, 2010 and that the Trust expected the return of all six residences.

Ms. Bechtle asked about the status of leasing 1808 Wedemeyer Street. Mr. Engelskirchen reported that approximately two-thirds of the former Nurses' Quarters had been leased; most recently 1801 Wedemeyer Street had been leased to the Skoll Foundation. Mr. Feeny suggested that the Trust should find out the reasons that foundations such as the Skoll Foundation decide to re-locate to the Presidio.

- Mr. Feeny presented the Finance and Audit Committee report from its meeting on January 22, 2010. Mr. Feeny reported that Louie & Wong, LLP has been reapproved as the Trust's internal auditors. Mr. Feeny also reported that the Committee reviewed the Trust's key financial operating metrics and concluded that when considering the condition of the economy and the real estate market, the Trust is in a relatively strong position. Mr. Wilson asked if representatives of CB Richard Ellis, the Trust's non-residential property manager, were scheduled to make a presentation to the Finance and Audit Committee on the status of the Trust's portfolio and the current market conditions. Mr. Middleton said that such a presentation was scheduled for the Board meeting in April 2010. Mr. Feeny said that the John Stewart Company, the Trust's residential property manager, was doing a good job and that their excellent performance speaks for itself.
- The Board discussed proposed revisions to the Approval Process for Budget Adjustments, which Mr. Rothman explained were not substantive changes, but rather clarifications to the intent and application of the existing policy.
- Mr. Rothman reviewed the revised Fiscal Year (FY) 2010 budget forecast and the revised five-year construction plan. He explained that with funds available, in part, because of the Doyle Drive settlement, the principle revisions to the budget forecast and construction plan involve accelerating the funding of certain projects and adding new projects to the overall budget in order to recognize the benefits of bringing the assets into service earlier and to take advantage of the competitive construction bidding environment. Mr. Rothman identified 101

Montgomery Street rehabilitation, 934 Mason Street rehabilitation, and greening of the Main Parade Ground as projects that would be accelerated from FY 2011-14 to FY 2010, and Baker Beach repairs and maintenance, Infantry Terrace landscape improvements, and 933B Mason Street rehabilitation as projects newly added to the overall budget. Mr. Wilson said that the Trust must maintain discipline when deploying Doyle Drive settlement funds to ensure that either important Trust goals are being met or that a satisfactory return on the dollars is achieved.

Mr. Deis explained that in earlier planning for the renovation of 103 Montgomery Street, staff worked extensively with the general contractor, design team and sub-contractors over several months on “value engineering” for the project. Since 101 Montgomery Street is virtually identical to 103, the Trust should realize approximately \$1.3M in construction cost savings by proceeding with the rehabilitation of both simultaneously. Staff estimates that a cost savings of approximately \$1.7M could be saved over the current five-year plan budget by applying value engineering-related savings recently found for Building 103 to Building 101 and additional savings would result from the elimination of escalation of construction costs by completing the rehabilitation of Building 103 earlier than planned.

Mr. Reynolds asked that staff explore whether there might be additional cost savings if the rehabilitation of 102 Montgomery Street were also undertaken and whether the Trust might be able to work with the NPS to utilize a \$1.2M fund the NPS is holding to apply to the construction cost of a visitor center.

The Board discussed whether to proceed with the rehabilitation of Buildings 101 and 103 simultaneously without a prospective tenant for 101 Montgomery Street. Mr. Burke said that he typically is not comfortable investing renovation funds without a viable tenant, but that he could become so in this case if additional analysis of a detailed construction budget, anticipated rent, usable footage and floor plan configuration, parking and other considerations showed that the project was economically feasible. The Board agreed that such detailed review of this proposed project and any associated lease business terms as well as a review of the proposed Baker Beach repair and maintenance and the 933B Mason Street rehabilitation projects were necessary and would be best handled by the Real Estate Committee. The Board approved Resolutions 10-12 (101 and 103 Montgomery Street capital project), 10-13 (920, 933B and 934 Mason Street capital project) and 10-14 (Baker Beach capital project), subject to the Real Estate Committee’s review and approval of the final project scope of each.

The Board discussed the ambitious construction plan anticipated for the next five years and whether there is sufficient Trust construction oversight expertise to handle the work. Mr. Deis said that the Trust has staff members with substantial experience and expertise in managing major construction projects focused solely on construction management and oversight.

- Mr. Deis explained that performing health and safety repairs and addressing deferred maintenance are necessary at the Baker Beach residences. The Board discussed expenditures on and upgrades in units that, under the Presidio Trust Management Plan (PTMP), may be

demolished over the next many years. The Board agreed that even though the units may be razed, immediate repairs are required. Mr. Reynolds said that his understanding was that the \$5M proposed to be obligated for FY 2010 for the Baker Beach apartments would be deployed to address the immediate health and safety issues. Staff was directed to establish a priority list and set of recommendations for performing the necessary health and safety repairs and for other immediate required repairs, while not compromising the Trust's ability to achieve the PTMP objectives. Mr. Wilson was designated as the Board point person to work on Baker Beach issues, and Mr. Reynolds expressed his desire to be involved.

- Mr. Middleton provided a Main Post planning update. He said that the Trust was expecting to receive comment letters soon from the Advisory Council on Historic Preservation and from the NPS regarding the draft Programmatic Agreement that the Trust provided to all the participants in the ongoing National Historic Preservation Act consultation process. The Board discussed the steps remaining in the compliance process for the Main Post and the anticipated timing of those steps.
- Mr. Shepherd was designated as the point person for issues pertaining to future planning of Fort Scott.
- Executive Session: 10:52 – 11:04.

Meeting adjourned by Chairperson Bechtle at 11:04 a.m.