

Presidio Trust Board of Directors Meeting
May 22, 2013
Minutes

Attending:

Nancy Bechtle
Paula Collins
David Grubb
Charlene Harvey
Bill Hambrecht
Alex Mehran
John Reynolds

Michael Boland
Steve Carp
Karen Cook
Jeff Deis
Bart Ferrell
Mollie Matull
Craig Middleton
Mike Rothman
Joshua Steinberger
Greg Werkheiser

Meeting called to order by Chairperson Bechtle at 9:35 a.m.

Actions taken:

- Approval of Minutes of [April 9, 2013](#) and [April 12, 2013](#) ([Resolution 13-10](#)). By motion duly made and seconded. Vote: 7-0.
- Approval of Adoption of Revised Operating Budget Forecast for Fiscal Year 2013 and Revised Five-Year Construction Plan ([Resolution 13-11](#)). By motion duly made and seconded. Vote: 7-0.

Discussion items:

- Ms. Bechtle said that she had recently toured the Presidio with Rick Swig, an expert hotelier, and that his conclusion was that additional lodging in the Presidio would be a home run. Mr. Middleton said that it did not appear feasible five years ago, but that it now is. Ms. Bechtle said that lodging is an important component of welcoming the public. Mr. Reynolds suggested that the Trust hire an expert to review the entire Presidio to determine the best

location and type of lodging facility. Mr. Mehran said that there are many good lodging consultants and that the Trust should carefully vet them before engaging one. Ms. Harvey said that the future needs of commercial tenants for lodging and conference space should be considered, and Ms. Collins observed that smaller lodging and convenience space is missing in San Francisco. Mr. Mehran said that lodging is an area where a consultant adds value to the decision making process; he will supply the names of qualified consultants to Trust staff.

Ms. Bechtle reported that Bon Appetit will move into 101 Montgomery Street. Mr. Rothman said that the design and associated costing issues have been revised several times, and that an opening in January is anticipated. Mr. Mehran asked that the parties aim for an opening in early November to capture the holiday traffic.

- Mr. Middleton reported that:
 - Phase II of the Doyle Drive rebuild has started.
 - The Mt. Lake remediation project, involving dredging the bottom of the lake and performing restoration work, will be conducted in the summer and fall. The cost of the work is partially paid by San Francisco International Airport wetland mitigation funds.
 - Work is underway on the Tennessee Hollow watershed, from El Polin Spring to the Bay, and the cost is also partially paid by San Francisco International Airport wetland funds and by CalTrans.
 - Accessibility work is ongoing at the World War II memorial; Max Cleland, the former Georgia Senator and Chair of the American Battle Monuments Commission, will attend a Memorial Day ceremony in the Presidio and inspect the work at the WWII Memorial.
 - A Korean War memorial has been proposed by the Korean War Memorial Association; former California Representative Pete McCloskey is the president of the Association.
 - YMCA representatives have looked at possible relocation sites in the Presidio and are now considering expansion at their existing site.
 - Both residential and non-residential leasing is strong. The occupancy rate is high and the revenue is above budget.
- Ms. Cook updated the Board on the status of the Presidio Historical Association/Sierra Club (“PHA”) lawsuit. She reminded the Board that PHA had filed a lawsuit challenging the Trust’s proposal to construct a hotel on the site of Building 34, the former Presidio Trust offices, that would exceed the square footage of the pre-existing building, on the basis that Section 104 (c)(3) of the Presidio Trust Act should be interpreted as meaning that the Trust could only undertake new construction where the building to be built would be the exact same size and in the same location as the building that it would replace. PHA argued that the language of Section 104(c)(3) is the same as language in the Golden Gate National Recreation Area Act, which placed such a restriction on the Army. The case has been argued in District Court and the parties are awaiting a decision by Magistrate Judge Laurel Beeler.

Ms. Cook also updated the Board on the status of the Zurich Insurance non-binding arbitration. Zurich had denied the Trust’s submissions for reimbursement of certain project management costs associated with environmental remediation. The arbitrator concluded that the costs were allowable and should be reimbursed under the insurance policy issued by Zurich. Zurich has accepted the arbitrator’s decision and will reimburse past costs as well as similar future costs.

- Mr. Rothman presented the Finance and Audit Committee report. He said that the Committee recommended approval of the revised Fiscal Year 2013 operating budget forecast and the revised column 2(a) of the five-year construction plan. Mr. Hambrecht said that the Trust had made great progress in having its balance sheet reflect the true value of assets. Mr. Mehran asked whether the re-valuation of assets would change the Trust's insurance cost. Mr. Rothman responded that it would not. Mr. Hambrecht said that the Committee also discussed implementation of a new computer accounting system to replace Oracle in order to improve the Trust's accounting tools. Mr. Rothman will provide the Board with regular updates on the implementation. Mr. Hambrecht reported that the Committee met with Trust auditors and that their conclusion was that Trust internal audit systems had improved.
- Mr. Boland presented the analysis for two potential art acquisitions – a Rezanov & Arguello commemorative statue, and Bernar Venet's *Indeterminate Line*. He first summarized the acquisition procedure outlined in the Trust's Art Collections Manual. The required steps are review by an art panel including outside experts, environmental and historic compliance review, and the receipt of public comment. After considering the opinions rendered at each step in the procedure, the Board concluded that the Rezanov & Arguello story would best be interpreted through exhibition and public programming at the Officers' Club or in the Heritage Center, rather than the precedent-setting placement of commemorative statuary in the park. Additionally, the Board expressed concerns about placing such sculpture in an active archaeological site. The Board's consensus was that *Indeterminate Line* is an exceptional work and a generous gift, but that its acceptance and placement on the future bluff at the foot of the Main Parade Ground is premature since designs for the bluff have not yet been developed.
- Mr. Middleton reviewed the overall strategic plan and significant projects, identifying three key areas – welcoming the public, creating a broad impact, and stewarding the Presidio. Mr. Middleton and Mr. Rothman discussed the financial outlook for the next 15 years.
- Mr. Werkheiser discussed the vision for Fort Scott as the National Center for Service & Innovative Leadership. He reviewed the first six months of planning and operation and outlined what he hoped to achieve in the next six months, including securing partners and stakeholders, completing a capital campaign planning study, and fully developing the business plan. Ms. Bechtle asked about the Center's plan for securing rent-paying tenants. Mr. Werkheiser indicated that the 3rd floor of 1201 Kinsey Street is already fully occupied by a tenant paying market rent. He further said that discussions were underway with eight near-term prospective tenants for the 2nd and 3rd floors of 1202 Ralston Avenue. Ms. Harvey noted that the plan is capital intensive and that everyone would have to play a role in fundraising. Ms. Collins said that it was important to refine the Center's case statement into a more formal but concise and clear summary of the Center's plans.
- Executive Session: 12:15 – 12:42.

Meeting adjourned by Chairperson Bechtle at 12:42 p.m.