

Memorandum

Date: June 13, 2019
To: Presidio Trust Board of Directors
From: Jean S. Fraser, Chief Executive Officer
Re: Staff Recommendation on the Fort Scott Campus for Change Revised Proposal

Action Requested

On May 24, 2019, we received a revised proposal from the Fort Scott Campus for Change team (Revised Proposal). At the June 19 public Board meeting, you will decide whether to accept it. We recommend that you do not accept the revised proposal and that you conclude the Fort Winfield Scott RFP process.

Summary of Staff Recommendation

While the Revised Proposal made progress towards the project objectives and required elements, we have determined that the Revised Proposal does not meet all of the project objectives and does not include all of the required elements.

Last fall, we offered Fort Winfield Scott as an opportunity to create a campus dedicated to changing the world. We knew that a person or organization would have to put a significant investment into Fort Scott without expecting a financial return to make this happen. We were willing to give up control of Fort Scott, but only for exactly the right proposal.

While nine entities originally responded, in the end, we did not receive a proposal that met the call to action. We received one proposal from a consortium of primarily for-profit entities expecting a return on their investment that did not meet all of the project objectives and required elements.

As a result, we recommend that the Presidio Trust not move forward with developing Fort Winfield Scott at this time. Concluding the RFP will free up staff to focus on developing other

areas in the Presidio. Our ultimate goal is to generate sufficient revenue to be able to develop Fort Winfield Scott ourselves in a phased approach in the future.

Background

As managers of the only national park site in the United States that must earn all of its own revenue to maintain and operate the park, the Presidio Trust uses the vast majority of the Presidio's buildings to earn revenue.

From the beginning, we thought that Fort Winfield Scott might be used differently. Fort Winfield Scott's relative remoteness within the park led those planners to envision Fort Winfield Scott as its own, internally focused area. The General Management Plan Amendment prepared by the National Park Service in 1994 stated that "Fort Scott would be used for conferences, applied research, and training" and "would establish programs focused on solving global environmental problems and demonstrating principles of resource stewardship." This theme was repeated in the 2002 Presidio Trust Management Plan (PTMP), the document the Trust created to replace NPS's General Management Plan. The PTMP designated Fort Winfield Scott as a place for "contemplative retreat" for "organizations devoted to research, policy development, education, and related activities."

Turning this hope into a reality has proven to be a significant challenge. The Presidio Trust has rehabilitated two of the barracks buildings at Fort Winfield Scott (buildings 1201 and 1202) and leased them to non-profit organizations. Buildings 1201 and 1202 currently provide revenue to the Presidio Trust. Two additional buildings could be rehabilitated before additional significant utility and site infrastructure upgrades have to be made. In addition, four of the buildings at Fort Winfield Scott are occupied by the United States Park Police (Park Police). They would have to be relocated to other buildings in the Presidio, which themselves would need to be rehabilitated. Finally, any significant increase in the number of people coming to Fort Winfield Scott requires the creation of a transit center, improved biking and walking paths, and an aggressive plan to get people to and from the campus without cars.

Based on our experience, we estimated in 2017 that it would cost at least \$200 million to rehabilitate the buildings, restore the landscapes, bring the campus' utility and other infrastructure up to modern standards, relocate the Park Police, and create the transportation infrastructure needed to accommodate more people coming to Fort Winfield Scott.¹ With a pressing need to repair and replace many of the Presidio physical assets, we do not have the

¹ The Proposal estimates the total development cost will be higher. The total development costs were marked confidential by the Proposer and were not made available for the public.

money at this time to contribute to the rehabilitation costs of Fort Winfield Scott. For this reason, Fort Winfield Scott has not been developed by the Trust.

In 2018, however, we decided to see if there might be a “deep-pocketed do-gooder” willing to take on Fort Winfield Scott to create a campus of mission-driven organizations focused on environmental and/or social change. With the urging of the Fort Scott Advisory Council, we embarked on a two-step process to test the market to see if there was a person or organization willing to commit their resources to making Fort Winfield Scott a place dedicated to mission-driven organizations trying to change the world.

In January 2018, the Presidio Trust issued the RFCP to solicit interest from qualified organizations to rehabilitate Fort Winfield Scott as a campus for one or more mission-driven organizations focused on addressing the significant environmental and/or social challenges of our time. We included a number of required elements in the RFCP because we wanted to be upfront about the financial and operational challenges facing potential respondents.

We received nine concept proposals. We evaluated each one to see if they made the commitment to create a mission-driven campus, had the experience to take on a project of the scale of Fort Winfield Scott, and had the resources to fund the project including a commitment to fund all of the required elements. Ultimately, four teams were invited to move on to the next stage based on their commitment to fund the required elements and their assertion that they had the funds and the desire to develop the campus according to the project objectives.

The RFP was issued in October 2018. In early 2019, the four teams informed us that they had consolidated into a single team, and on March 14 we received one proposal. After reviewing the proposal, we were concerned that the combined team had backed away from commitments each had made individually in response to the RFCP and had failed to include all of the required elements. On April 1, 2019 we issued clarifying questions to the team, to which the Proposer responded.

We then held a public meeting on April 24, 2019 where the Proposer presented their Proposal and we received public comment. In response to the Proposer’s presentation at the April 24 meeting, we extended the schedule to provide the Proposer additional time to prepare a

revised proposal. In addition, staff accommodated multiple requests for meetings to discuss infrastructure, transportation, and financing. On May 24, 2019, we received a revised proposal.

Evaluation of the Revised Proposal

Staff finds that the Fort Scott Campus for Change Revised Proposal does not meet the project objectives and does not include all of the required elements as described in both the RFCP and RFP. Exhibit A summarizes our assessment of the Revised Proposal as evaluated against the project objectives and required elements. Details of our findings are listed below.

The Revised Proposal does not meet the project objectives

Although the Revised Proposal meets several project objectives, it does not meet two objectives:

- (1) Establish Fort Winfield Scott as a mission-driven campus for the duration of the lease; and
- (2) Enhance the Park by supporting the Presidio Trust's financial sustainability,

The RFP asked the respondents to ensure that the campus remain mission-driven for the duration of the lease. Staff found that the original proposal did not meet this objective.

The Revised Proposal might initially appear to meet this objective; the Proposer states that it will form a new nonprofit entity to lease the buildings from the Trust. However, the new nonprofit entity does not appear to have assets or to serve any real purpose. The vast majority of space (approximately 86%) will be subleased to and controlled by two for-profit entities – The We Company and OpenAI. The World Economic Forum would remain in their two existing buildings (1201 and 1202) while EPIC would lease a fraction of the space (approximately 3%) from The We Company.

Moreover, the revised proposal takes on even more debt via loans from commercial banks on market terms. Should there be a downturn in the market, there is a very significant risk of default on the loans. A default on the loans would result in Fort Scott being controlled by banks. As such, the proposed financing and business terms do not allow the Proposer to make a solid, enforceable commitment to ensuring that Fort Winfield Scott will remain a campus of mission-driven organizations for the duration of the lease.

In short, despite the addition of the new nonprofit entity, the underlying structure remains unchanged from the initial proposal: The Revised Proposal still is built on delivering a financial

return to its investors. And it continues to lease the vast majority of Fort Scott to for-profit companies. This was not what the Trust had in mind when we issued the RPF. Worse yet, as you can see below, the Revised Proposal would require the Trust to contribute to the costs of the development, something that we explicitly said from the very beginning that we would not do.²

The Revised Proposal does not include all required elements

Although the Revised Proposal includes several of the required elements, it does not include two elements:

- (1) The cost of the Park Police relocation; and
- (2) A feasible transportation plan to accommodate the proposed density.

We were clear throughout this process that anyone wanting to develop Fort Winfield Scott would have to include the required elements in their proposal and cover the costs. The revised proposal made significant progress in funding the site and utility costs. And it mentioned the restoration of, and public access to, the murals in Building 1216. However, the Revised Proposal does not pay for the Park Police relocation or provide a feasible transportation plan to address the density of their proposal.

The Revised Proposal describes a transaction where the Proposer would fund the Park Police for the rehabilitation of new facilities by charging them a very significant annual rent. Since the Presidio Trust pays the costs of the Park Police, this annual rent payment is essentially a charge to the Presidio Trust. This directly contradicts the RFCP and RFP which required that the “respondent will bear the cost of the rehabilitation of the building(s) that the Park Police ultimately occupy.” Staff reiterated the fact that the Trust would not pay for relocating the Park Police in our meetings with the Proposer before they submitted their revised proposal.

The RFP also required a detailed plan for managing transportation to and from the campus. Fort Winfield Scott is relatively remote and any proposal for the campus was required to deal with the transportation challenges associated with its location. The proposed employee density that the Proposal includes compounds this challenge. The Revised Proposal did not lower the

² The Trust has other concerns with the Revised Proposal’s terms. But since the proposed financing structure and business terms have been redacted from the public by the Proposer, we have not identified those in this document.

density; they project 2,570 workers at Fort Winfield Scott, which is a 64% increase in the total number of workers in the Presidio.

To accommodate the large number of employees coming to Fort Winfield Scott, the proponent plans for a transit mode share of 56%, much higher than the 34% transit mode share for employees in both the Presidio and San Francisco County. It is not clear how they will achieve this very high mode share other than by extending one MUNI line and by encouraging employees to use existing Golden Gate bus lines. Even were this to be sufficient to entice employees and visitors to use transit, Proposer wants the Trust to pay for the additional transit by redirecting parking revenues generated at Fort Winfield Scott that would normally fund Trust operations.

Next Steps

The RFCP, RFP, the Fort Scott Campus for Change proposal, the clarifying questions and the answers to the clarifying questions, the revised Fort Scott Campus for Change proposal, and this staff recommendation have all been posted on the Presidio Trust's project website. The comment period for the proposal has been open since March 15, 2019. We will provide any additional written public comments received by June 18 to you at the June 19 public Board meeting.

Following a presentation by the Proposer, a presentation by the staff and public comment, you will deliberate and decide whether to accept the Revised Proposal. We recommend that you do not.

EXHIBIT A: Staff Recommendation

Fort Winfield Scott RFP

Fort Scott Campus for Change Proposal

06/13/2019

Project Objectives (RFCP and RFP)	Meets	Does Not Meet
Establish Fort Scott as a campus for one or more mission-driven organizations focused on addressing the significant environmental and/or social challenges of our time		X
Rehabilitate Historic Resources	X	
Be a Model of Environmental Sustainability in Design, Construction, and Operation	X	
Enhance the Public Realm	X	
Enhance the Park by supporting the Presidio Trust's Financial Sustainability		X
Deliver the Improvements Expediently	X	
Required Elements (RFCP and RFP)	Meets	Does Not Meet
1 Upgrade the utility infrastructure to support the reuse of the Fort Scott campus.	X	
2 Rehabilitate Buildings 1203 to 1208, 1213, 1214, 1216 to 1221, 1224 to 1227, plus associated landscape and hardscape, in compliance with historic preservation requirements and to a minimum of LEED Silver Certification.	X	
3 Restore the culturally significant and ecologically rich Fort Scott parade ground.	X	
4 Create a safe, clear, and distinct entrance from Lincoln Boulevard into Fort Scott including the construction of a new building for a transit center with public restrooms.	X	
5 Temporarily or permanently relocate the United States Park Police. The respondent will bear the cost of the rehabilitation of the building(s) that the Park Police ultimately occupy.		X
6 Restore and make available to the public the historic murals in Building 1216.	X ⁽¹⁾	
7 Develop and operate food service (or ensure the operation by others) for Fort Scott tenants and the visiting public near the northern end of Fort Scott, ideally in Building 1208.	X	
8 Implement an intensive transportation demand management program to include mobility service options, such as ride share/taxi drop-off zones and space for car, scooter, and bike share vehicles. Construction of surface parking will be the responsibility of the respondent.		X

Notes

(1) The Revised Proposal did not articulate a plan for public access nor does the project budget submitted include a line item for restoration of the murals. The budget was marked confidential by the Proposer and was not made available for the public.