

**PLEASE NOTE THAT THIS POLICY WAS SUPERSEDED
ON FEBRUARY 24, 1999 PURSUANT TO
RESOLUTION 99-10**

TO: PRESIDIO TRUST BOARD
FROM: JIM MEADOWS
RE: INTERIM COMMERCIAL REAL ESTATE POLICIES
DATE: MARCH 17, 1998

This memo formalizes interim policies for commercial real estate leasing at the Presidio for the next six months. These policies will be in effect through September 30, 1998, while the Trust is getting organized, hiring staff, transitioning from the Park Service and creating the required economic model for the Financial Management Program. The intent is to review these policies after September 30, 1998, to see how they are working and either adopt them as permanent policies or modify them, as appropriate, for FY1999.

During FY1998, it is anticipated that several types of real estate opportunities will occur for the Trust: those planned by the Trust staff after consultation with the Board and those unsolicited real estate opportunities presented to the Trust from the public through brokers or by principals.

In addition to compliance with the Trust Act (Public Law #104-333), the Trust has to reasonably meet three objectives when initiating real estate projects:

**Reasonable Competition
Public Outreach/Input
Sound Market Criteria**

Reasonable Competition will be achieved by sending out Requests for Qualifications (RFQs) to interested parties. The Trust Board and Staff will prioritize among all responses.

Public Outreach/Input will be achieved by insuring that the RFQs have the widest possible circulation among the for-profit and non-profit business communities, including businesses and organizations owned and operated by women and members of minority groups. Public input will be achieved by meeting with a wide variety of Presidio constituency groups during the RFQ outreach process and, again, prior to execution of an agreement with a selected entity for major projects. Public input is to focus on compliance with the concepts and uses identified in Trust Act and General Management Plan Amendment (GMPA) and broad concepts of the types of businesses to locate at the Presidio, rather than on economic details of the particular transaction.

Market Criteria are those elements that will make the private real estate market responsive to the Trust real estate policies. That goal will be achieved by establishing clear policies for evaluating proposals, implementing a timely decision making process, assuring that those most qualified will be given the highest priority and keeping details of real estate contracts confidential during negotiations.

PLANNED COMMERCIAL REAL ESTATE PROJECTS

The Trust staff plans to have a targeted approach to real estate negotiations during 1998 and beyond. Specific projects will be identified by staff and approved by the Board rather than opening the entire

Presidio to real estate activity at one time. The planned real estate projects through September 30, 1998, have been identified by staff and presented to the Board in order of preference. The goal is to produce one major real estate project RFQ every 60-90 days and one smaller real estate project RFQ each month.

1. At the March 17, 1998 Board meeting, staff recommended at least three commercial real estate projects to work on in the second quarter of calendar year 1998.
2. The Board approved the priority of commercial real estate projects for staff for March through September 1998. It appears that sufficient interest already exists for at least five projects including Building #39, B99-the Officer's Club, the Public Health Services Complex and the Letterman Complex.
3. For the balance of FY1998 the following real estate priorities have been proposed by Staff and approved by the Board.
 - Building #39
 - The Presidio theater
 - The Letterman Complex
 - The Officer's Club
 - Public Health Complex
 - Building #38
4. Staff will publish an RFQ for each specific project with uses identified by staff to be in conformance with the Trust Act and Trust policy regarding the GMPA. The Board real estate subcommittee will review a copy of the draft RFQ prior to publication. Major projects will have a 45 day response time for interested parties. Smaller projects would have a 30 day response time.
5. Information that might be weighted in specific RFQs includes:
 - Core Business of applicant and related companies
 - Financial capabilities
 - Compliance with Trust Act and GMPA objectives.
 - Outreach for education, training,
 - Evidence of interest in sustainable development practices
 - Demonstrated diversity in employment and procurement
 - Employee/Space ratio
 - Transportation Management Principles - planned or in place
6. Public input will be sought on the RFQ document. To speed the selection process this input will come after publication of any RFQ, but prior to completion of response time periods. The purpose will be for the various constituency groups to help the Trust staff fine tune the suggested uses and priorities among staff directed selection criteria prior to selection of an organization to lease the specific space listed in the RFQ.
7. Staff and outside consultants with specialized expertise will review all submissions. Staff will then select a short list from those submissions that meet the most criteria in the RFQ.

8. Interviews will be conducted for the 3-5 entities selected for the short list. Interviews would be by Staff, Consultants and one or more members of the Board real estate subcommittee, 'the Selection Committee.' The Selection Committee will prioritize the interviewed entities.
9. Staff will begin negotiations with the top one or two, at the sole discretion of the Trust, highest priority entities to reach an agreement in the best interests of the Presidio. If negotiations prove unsuccessful, Staff would move to successive entities to find an acceptable agreement. Negotiations will be conducted on a timely basis in an attempt to keep all finalists available. If necessary, Staff will have the authority to reject all entities if Trust criteria are not met, in the Trust's sole discretion.
10. Prior to execution of a final lease agreement for major transactions such as Letterman and PHSC, a second round of public input from Presidio constituency groups will be sought to review the general terms of the proposed agreement including conformance with the original RFQ and conformance with the Trust Act and the General Management Plan Amendment (GMPA). The final selection decision will be made by the Trust Board with a recommendation from Staff.

UNSOLICITED OFFERS

All parties interested in the Presidio are not likely to follow the exact priority list proposed by Staff. A long term successful real estate policy has to address unsolicited offers or expressions of interest for properties not on the Trust priority list. However given limited staffing and other priorities, for the remaining six months in FY1998, no unsolicited offers will be entertained by the Board. As of October 1, 1998 for FY1999, this policy will be reviewed.

OUTREACH & NEGOTIATIONS

Two keys to a successful interim real estate program are the outreach to a full range of businesses and the ability to negotiate in a fashion similar to private sector real estate firms while maintaining the public policy criteria set for the Presidio Trust as a federal corporation.

The outreach has to be comprehensive and wide spread to include major users in the designated industry(s), as well as generic outreach to groups such as regional chambers of commerce, minority chambers, brokerage houses, regional economic development agencies and the applicable "Top 25 list" from the Business Journal for specific uses. In addition, advertisements would run in regional newspapers as well as specialty journals similar to 'The Business Journal.'

Successful real estate negotiations are dependent upon confidentiality and speed. The RFQ process has been adopted to meet those twin goals. A Request For Proposal (RFP) process or open bidding among several groups might result in less interest and lower pricing from the real estate community than direct negotiations with one or two entities after appropriate public outreach.

The public process can be honored by the initial outreach through the RFQ process and through timely discussions with various stake holder groups about the uses, plans, timing and relationship to the General Management Plan concepts, but not through premature disclosure of economic terms of each transaction.

REAL ESTATE BROKERAGE & COMMISSION POLICY

Staff does not intend to list individual properties or all Trust properties with any individual real estate brokerage. The Trust hopes to remain fully competitive with all principals and brokers and to have

sufficient interest from those principals and brokers representing principals without resorting to listing the properties.

Staff does intend to honor reasonable market-rate commissions on all leases. A commission schedule will be developed after consultation with local real estate experts and published. Leasing commissions will be paid according to that schedule on the initial lease period only. Renewals or options will not be included in any commissions paid.

Brokers will have to be the procuring cause in order to qualify for payment of a brokerage fee. Procuring cause will include, but not be limited to, the following:

- **The broker must accompany the client on the initial visit to the Presidio**
- **The broker must have a written agreement between broker and client**
- **The broker must have a continuing involvement in the transaction**

PROPOSED ACTION

This Interim Commercial Real Estate Policy will be made available to all parties interested in commercial real estate activities at the Presidio. This policy will remain in effect through September 30, 1998, unless further modified by the Board of Directors. The official commencement date of this policy is March 30, 1998. Questions should be directed to The Presidio Trust, P.O. Box 29052, The Presidio, San Francisco, CA 94129-0052. The main phone for the Trust is (415) 561-5300. The fax number is (415) 561-5315.