

Presidio Trust Board of Directors Meeting
April 20, 2005
Minutes

Attending:

Lydia Beebe
Don Fisher
David Grubb
Toby Rosenblatt (10:17 – 10:48)
William Wilson, III
Joseph Yew, Jr.

Michael Boland
Karen Cook
Jeff Deis
Lori Eason
Adam Engelskirchen
Fran Gross
Mollie Matull
Craig Middleton
Steve Potts

Not Attending:

Mary Murphy

Meeting called to order by Vice Chairperson at Grubb at 8:34 a.m.

Actions taken:

- Approval of Minutes of March 16, 2005 (Resolution 05-8). Motion: Beebe. Second: Wilson. Vote: 4-0 (Fisher and Rosenblatt not present for vote).
- Approval of Adoption of Revised Budget for Fiscal Year 2005 (Resolution 05-9). Motion: Fisher. Second: Beebe. Vote: 5-0 (Rosenblatt not present for vote).

Discussion items:

- Craig Middleton reported that:
 - In the second quarter FY05 budget adjustment that is before the Board, the Trust is redirecting some funds from the water reclamation plant project to revenue generating projects, such as Funston Avenue, while staff undertakes a comprehensive review of Presidio water issues. The construction of the water reclamation plant project is being deferred to FY07 although some underground piping will be installed in FY05. Bill

Wilson asked how the reclaimed water was going to be used and if we could charge tenants back for that use. Mr. Middleton explained that the reclaimed water is going to be used only for irrigation and in some cases, like the Letterman Digital Arts (LDA) Center, the Trust will charge the tenant directly for the water.

- The City of San Francisco is interested in working with the Trust to expand the Presidio reservoir and in becoming a customer of the Presidio water reclamation plant for use at Marina Green. Dave Grubb inquired if the City would help put in capital for the plant. Mr. Middleton stated that while the City has said that it has capital for such a plant, the discussion between the Trust and the City is still in an early stage and the Trust intends to proceed carefully with any agreement with the City. Don Fisher and Mr. Wilson inquired about charging back water and sewer to residential tenants under a Ratio Utility Billing System (RUBS). Mr. Middleton said that staff has been talking with the John Stewart Company, the Trust's residential property manager, regarding residential utility billing per Mr. Wilson's earlier recommendation and will bring information about the issue to the next Real Estate Committee.
- Staff is preparing the mid-year budget report; it will be presented to the Finance and Audit Committee next month. Mr. Middleton and Lori Eason commented that the Trust's efforts to control overhead costs is going well.
- The Immigrant Point dedication will occur on May 2, 2005 and the LDA Center will have a pre-opening event on June 25, 2005.
- A residential four-plex on Kobbie Avenue renovated by Trust crews had an open house on Monday and received a great response.
- The Sunday, April 18 Sacramento Bee Travel Section featured a piece on the Presidio as a visitor destination.
- Adam Engelskirchen gave the report from the Real Estate Committee, which met April 7, 2005, and stated that:
 - Staff selected seven parties with whom to begin negotiations for buildings along West Crissy, including Svendsen's Boat Works, the Bay School and the Helen Diller Family Lodge. San Francisco Gymnastics is considering 933 Mason Street as a possible new venue for its program.
 - Staff is awaiting the best and final offers from the two respondents to the Request for Proposals for 99 Moraga Avenue, Landmark and CineArts. These are due on May 2, 2005. Jeff Deis stated that a recommendation would be presented at the next Real Estate Committee meeting.
 - An Exclusive Negotiating Agreement in connection with the Public Health Service Hospital (PHSH) has been executed with Forest City through June 15, 2005. Mr. Wilson asked if staff was also looking at the possibility of demolishing building 1801 and what

resources staff was utilizing in its analysis of this option. Mr. Engelskirchen said that staff is assessing the possibility of demolition and that the Trust would need to re-start the project if the Trust were to consider going in that direction. Mr. Fisher asked about the timeframe associated with NEPA compliance if the Trust were to consider tearing down the building. Karen Cook responded that it would probably be an 18-month process, that it could go faster, but that 18 months is a safe estimate. Mr. Wilson asked if staff was going forward in assessing the costs of rehabilitating the buildings other than 1801 and commented that staff should get started on that as soon as possible. Mr. Fisher agreed.

- The rehabilitation of 86/87 Graham Street is under way and that there is a lot of interest in the buildings. Mr. Wilson encouraged staff to look at other buildings that the Trust can renovate for smaller office space leasing. Mr. Deis commented that the Thornburgh area would be the next area to receive staff attention. Mr. Engelskirchen added that the current LDA project office (1051 Edie Road) is easily split up for office use, so that building will be a priority.
- Staff has a signed Letter of Intent with the Family Violence Prevention Fund for 100 Moraga Avenue.
- The Arnold Palmer Company has approached the Trust about reassigning management of the golf course to another firm. Messrs. Wilson and Fisher suggested that staff talk with other good golf course managers to see how they would view this situation. Mr. Fisher asked about other approaches to the question of the Arnold Palmer Company's request for assignment.
- CB Richard Ellis (CBRE) has taken over as the Trust's non-residential property manager. Mr. Engelskirchen stated that the Trust's former non-residential property management firm left the books in an unacceptable condition, but that CBRE is moving forward. Mr. Wilson and Lydia Beebe said that if the Trust's former property manager was missing rent increases, then staff should do an audit.
- The YMCA has requested a five-year extension. Staff has recommended a substantially shorter extension and that the Trust and the YMCA agree to a timeline with milestones for more information about a longer term proposal.
- Staff met with LDA representatives regarding a proposed medical office sublease. Board members asked questions regarding traffic, parking and the LDA lease provisions. Mr. Middleton stated that staff will come back to the Board for further direction after obtaining additional information on the issues raised by the Board.
- Ms. Cook provided an overview of the proposed personnel policy explaining it was an update to the Trust's current policy. Ms. Beebe said that she had many comments and felt that the Trust was missing a chance to step up and be a more modern organization. She expressed concern about the document's tone and expressed her view that the Trust should establish a personnel committee. Ms. Cook clarified that this is an overarching policy document and that through a series of operational documents staff implements the

policy in a manner consistent with that recommended by Ms. Beebe. Mr. Grubb inquired as to whether the operational documents should be attached or referenced in the policy. Mr. Middleton suggested that the matter be tabled until staff could address the comments raised. All agreed and Mr. Wilson recommended that staff coordinate with Ms. Beebe and make a recommendation to the Board.

- Mr. Middleton introduced the budget adjustment resolution explaining that staff was requesting changes to the FY05 capital projects schedule. The reprogramming of funds for capital projects is a result of additional residential revenues, unused funds from completed projects, de-obligation of funds from the previous year and the reprioritization of existing projects. Mr. Middleton reviewed each of the items included in the capital projects spread sheet, including new projects, cancelled or deferred projects and budget adjustments to existing projects.
- Mr. Middleton provided an overview of the analysis undertaken by the Trust regarding the costs associated with operating a telecommunication business at the Presidio. Staff has recommended that the Trust move out of that business and allow our non-residential tenants the ability to choose their own provider. Doing so will allow the Trust to reduce the cost of operating the telecommunication business by approximately \$12 million over the next 15 years. The Trust will continue to maintain the cable and to use the switch that it owns to provide telecommunications service to itself and to the National Park Service (NPS). The Board endorsed the staff recommendation and directed to move ahead with implementing it.
- Mr. Wilson inquired about the environmental remediation plan for Landfill E (Pop Hicks Field). Mr. Middleton responded that the proposed remedy is to install an engineered cap on the landfill and retain a ball field.
- Mr. Middleton discussed the importance of a visitor center to the Trust as well as to the NPS to tell the story of the park and to define the roles of the two agencies. Staff has strong ideas about what a visitor center could be. 102 Montgomery Street, which is designated under the Trust Act as the visitor center, is part of Area A, which is administered by the NPS. Seismic upgrades to the building were started for which the NPS paid \$1.6 million to the Trust. After the work was commenced, the cost of completing the upgrades proved to be approximately \$4 million so the project was halted. The NPS has since raised an additional \$1.5 million. Mr. Middleton has proposed to the NPS the idea of the Trust and NPS having shared jurisdiction of the building. Under such an arrangement the Trust would contribute funds toward the upgrades and would become a partner with the NPS in the visitor center and in the building's occupancy. The Trust has approximately \$1 million from a Department of Defense (DoD) earmark that it could contribute to the upgrades. The NPS has expressed its agreement with this proposal and the Trust and the NPS have been working on specific terms. Mr. Fisher asked if the DoD funds could be used for construction of a new building and if the Trust might seek other government funds for such a building as well as the parade ground. Mr. Middleton said he would talk with the NPS about this idea and would inquire about the flexibility of its funding.

Outstanding items:

- Staff is to bring information about RUBS for discussion at the next Real Estate Committee meeting.
- Staff will present the mid-year budget report to the Finance and Audit Committee in May.
- Staff will present a recommendation regarding next steps for the proposed 99 Moraga Avenue project at the next Real Estate Committee meeting.
- Staff is to obtain cost estimates associated with rehabilitating the Wyman Terrace houses and other ancillary buildings in the PHSH district.
- Staff is to talk with other golf course managers about management of the Presidio golf course.
- Staff is to conduct an internal audit of non-residential tenant books.
- Staff is to schedule a presentation to the Board about a Presidio parking management program.
- Staff is to consult with its outside consultants regarding the sublease proposal from LDA.
- Staff is to confer with Ms. Beebe on updating the personnel policy and then to bring a recommendation back to the Board.
- Mr. Middleton is to confer with the NPS regarding its flexibility over the establishment of a visitor center.

Meeting adjourned by Vice Chairperson Grubb at 10:48 a.m.