

Presidio Trust Board of Directors Meeting
January 19, 2006
Minutes

Attending:

Lydia Beebe
Robert Burke
Curtis Feeny
David Grubb
William Wilson, III (8:34 – 11:18)
Joseph Yew, Jr.

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

Attending via Teleconference:

Nancy Conner (8:32 – 11:18)

Meeting called to order by Chairperson Grubb at 8:32 a.m.

Actions taken:

- Approval of Minutes (Resolution 06-5). By motion duly made and seconded. Vote: 6-0 (Wilson not present for vote).

Discussion items:

- Nancy Conner presented the Park Projects and Programs Committee report. The Committee last met on January 5, 2006. Ms. Conner reported that Committee members toured the Tennessee Hollow watershed area and the ball fields. She noted that both projects are moving forward, that both are important, and that both may be funded philanthropically.

Ms. Conner said that the Committee discussed staff recommendations that the Trust issue the Environmental Assessment (EA) for the Tennessee Hollow project and that “Alternative 3” be identified as the preferred alternative.

Ms. Conner also said that the Committee discussed issuing a Request for Proposals (RFP) for the Paul Goode and Morton Street ball fields for a two-year term with a goal of achieving a mix of for-profit and non-profit users. The Committee also discussed a strategy for funding upgrades to existing fields and increasing the number of ball fields in active play at the Presidio.

Bob Burke wondered whether the ball fields would be funded philanthropically and suggested that the Trust not commit to using philanthropic dollars for the fields. He said that private school or other funding may be proposed by a respondent and that the Trust should evaluate a variety of ideas regarding funding, use, maintenance and operation of the ball fields; that the finance and allocation of use issues are still open for discussion. Ms. Conner responded that the Committee was thinking that philanthropic money would be used for the construction of new fields.

Craig Middleton emphasized that identifying a preferred alternative in the EA does *not* constitute a Board decision and that public comments about the EA will be taken into consideration before a decision is reached. Mr. Middleton also said that the public presentation of the Tennessee Hollow project and Presidio ball fields should be simultaneous. The Board affirmed the Committee's recommendation and directed staff to issue the EA identifying "Alternative 3" as the preferred alternative and to issue the RFP.

Bill Wilson asked how much a ball field costs to construct. Michael Boland responded that a grass field averages \$600K to \$800K and that a synthetic field costs approximately \$1M, but that a synthetic field requires little maintenance. Lydia Beebe asked the Board to consider how it should evaluate similar proposals with competing good uses.

Ms. Conner asked that the role of the Trust Board in the philanthropic Presidio Green Initiative be clarified. Mr. Middleton said that he would provide a regular report about the Presidio Green Initiative.

- Jeff Deis presented the Real Estate Committee report. The Committee last met on January 10, 2006. Mr. Deis summarized the key projects in the Main Post district.

Mr. Deis said that the Committee recommended that the YMCA lease be extended for two to three years. Mr. Wilson said an association with the YMCA is good for the Presidio provided that the Trust's economic needs are met. Ms. Beebe expressed that the Trust should be mindful of its obligation to allow competition for the use of space.

Mr. Deis outlined relevant business provisions of the current golf course operation and the Board discussed various pending issues in connection with the golf course, including meeting with prospective purchasers and identifying the Trust's needs. Curtis Feeny suggested that in general, the Trust should seek to obtain a first right of refusal and a participation right in its transactions.

Mr. Deis reported that the non-binding letter of intent for the Public Health Service Hospital (PHSH) had been sent to Forest City for execution.

Mr. Wilson asked that the Trust identify additional Presidio buildings for lease and that deals be concluded quickly since rents have firmed in recent months. Mr. Feeny asked that developer fees be included in the financial analysis of transactions so that the internal rate of return is fully loaded. Mr. Wilson suggested that the Trust be more aggressive on Main Post rents. Mr. Feeny said that the Board should identify what principal uses it wants in the district since to get such use the Trust may want to accept a lower return.

- Mr. Middleton reported that senior staff gathered at a retreat in December 2005 to discuss the Trust's strategic plan. He said that another retreat will be scheduled in February 2006 to further the strategic planning process.

Mr. Middleton reviewed several positives in the current position of Area B, including the enthusiasm generated by the opening of the Letterman Digital Arts site, the improving commercial real estate market, the strong demand for housing, the ongoing landscape improvements, especially at the Lombard Gate area, and the increasing philanthropic support. Mr. Middleton also identified key challenges facing the Trust, including lack of capital, increasing construction costs, and organizational structure. He reported that approximately 80% of the residential square footage has been rehabilitated and that the remaining 20% will be finished soon. Approximately 60% of the non-residential square footage has been renovated. Mr. Middleton said that to date the Trust has received a total of \$9.5M in philanthropic funds and earmarked federal funds. Mr. Middleton said that among the constraints facing the Trust are budgetary challenges, historic preservation limitations, real estate market trends and endangered species issues. Further, although the Trust must fund projects that generate revenue, it also must respond to the public's desire that it invest in projects that involve public use and that are for the public good. Ms. Beebe said that funding and completing projects such the PHS site eliminate a blight and that such expenditures *are* a public good.

Mr. Middleton outlined a strategic blueprint and vision for the Trust over the next five years, identifying imperatives, objectives and supporting goals. He discussed the Trust's core values that overlay its work and addressed ways to realize those values. Mr. Burke said that the blueprint needs to tie to the Presidio Trust Management Plan. Mr. Burke observed that people have lived and worked in the Presidio for over 200 years and that integral to the Presidio's history is recognizing that the Main Post area and the residential neighborhoods are a fundamental part of the Presidio. Although park-related use is vital, there is no need to apologize for the need to generate revenue to sustain the park and its resources. Mr. Burke said that the Presidio is improved every day and that this fact should be recognized. Dave Grubb said that it might be a good idea to display "before" and "after" pictures side by side to remind the public of the condition of the Presidio under military control. Mr. Wilson said that such photographic displays would show the historic evolution of the Presidio. Ms. Beebe commented that she would like to see a stronger statement of the self-supporting requirement in the blueprint and that she feels core competency is more important than creativity. Mr. Feeny said that goals are important but that the mechanism for measuring progress towards the goals is equally important. Ms. Conner suggested that balancing the interests of competing constituencies should be a core value. Mr. Burke agreed and said that

more than economics drive decisions. Mr. Feeny commented that the Trust needs to respond quickly to proposed transactions; a prolonged period before the Trust makes a decision on a deal is not in the Trust's best interests. He suggested that an aging report be implemented to track proposed transactions.

The Board discussed some financing alternatives. Mr. Wilson asked whether the Trust can borrow against the real estate of Area B rather than having the tenants borrow against the value. Mr. Middleton responded that Trust staff is investigating ways to obtain capital to improve project performance.

Mike Rothman discussed long range financial projections. He presented Fiscal Year 2006 as the base case, identifying land use and capital assumptions as well as operation assumptions. Mr. Rothman explained estimated results compared to the base case when certain variables were changed such as the impact of additional borrowing and the impact of a varied construction and demolition schedule.

Executive Session: 11:33 – 11:55.

Meeting adjourned by Chairperson Grubb at 11:55 a.m.