

Presidio Trust Board of Directors Meeting
September 21, 2006
Minutes

Attending:

Robert Burke
Nancy Conner
David Grubb

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

Attending Via Teleconference:

Lydia Beebe

Not Attending:

Curtis Feeny
William Wilson, III
Joseph Yew, Jr.

Meeting called to order by Chairperson Grubb at 8:35 a.m.

Actions taken:

- Approval of Minutes of August 3, 2006 (Resolution 06-18). By motion duly made and seconded. Vote: 4-0.
- Approval of Formation of Board Committees (Resolution 06-19). By motion duly made and seconded. Vote: 4-0.
- Approval of Adoption of Budget for Fiscal Year 2007 (Resolution 06-20). By motion duly made and seconded. Vote: 4-0.

Discussion items:

- Craig Middleton reported that:
 - He, Mr. Rothman and Dana Polk were in Washington D.C. several days earlier and that they met both with representatives of the Office of Management and Budget (OMB) and with representatives of Senator Feinstein's office. Mr. Middleton said that they discussed three borrowing approaches – private borrowing, Treasury borrowing and lease finance – and potential projects for which the funds would be utilized. Mr. Middleton reported that

the OMB representatives appeared receptive to the Treasury borrowing and the lease finance concepts and that he left the meetings encouraged. Mr. Middleton said that financing options being discussed with OMB should not affect the Trust's appropriations. In response to a question from Mr. Grubb, Mr. Middleton said that at this point nobody in Washington required additional information.

- Trust staff has reached consensus on the direction that the rehabilitation of the Public Health Service Hospital site should take in order to best respond to concerns expressed by the public as well as to achieve the stated project objectives. Mr. Middleton said that Trust staff will speak with Forest City representatives next week about the proposed project direction and will work with Forest City to develop a second phase of public outreach. Mr. Middleton also noted that it is important to make a decision, commit to it and move forward; other projects require attention as well. Mr. Grubb said that he would like the Board to make a decision about the rehabilitation of the site by the end of the year, if possible. Mr. Burke said that the Board should expect opposition to whatever decision it made, and he agreed that once the decision was made the Board needed to stand behind it. Mr. Burke asked about the prohibition of pets at the site. The Board discussed the Trust's pet policies in the Baker Beach and southwest quadrant of the Presidio.
- The Trust received the Urban Land Institute's "Global Award for Excellence" for the Trust's management plan and its efforts to implement the plan. Mr. Burke asked Mr. Middleton to ensure that Representative Pelosi and Senator Feinstein are informed of the award.
- Mr. Deis presented the reports from the Real Estate Committee meetings held on August 3, 2006 and September 7, 2006. He reported that Requests for Expressions of Interest (RFEI) had been circulated to the real estate and leasing communities for the rehabilitation of the Thornburgh area and for the development of a Presidio Lodge in the Main Post area. Mr. Deis said that several sites around the Main Parade Ground area may lend themselves to a Presidio Lodge. The Trust contemplates two rounds in the selection of a developer for the proposed project. The first round, which will occur under the RFEI, asks each respondent to show that it is qualified to undertake the project and to discuss its ideas for the project at a conceptual level. The second round of consideration will commence with the issuance of a Request for Proposals whereby candidates will be asked to submit a more detailed proposal. Mr. Deis reported that Real Estate Committee members had commented that a lodge should be a centerpiece of the Main Post, that it should be a special place and that its architecture would be very important. The Board agreed that the concept of a "great" lodge did not mean large or luxurious, but rather exceptional. Mr. Burke said that the lodge should not aim for the most expensive strata of hotel accommodations.

Mr. Deis suggested that Trust Board members meet with YMCA Board members to hear the YMCA Board's thinking about its Presidio location. Mr. Burke said that he thought it important to meet with the YMCA soon. Mr. Middleton agreed and said that he was moving ahead on scheduling a meeting. Both Ms. Beebe and Mr. Grubb said that they would like to attend.

Mr. Deis reported that at the September 7, 2006 committee meeting the John Stewart Company (JSCo), the Trust's residential property management company, presented a feasibility study to redevelop the Fort Scott site into residential use. JSCo concluded that approximately \$50M would be required, not including another \$13M in infrastructure and landscaping costs. Mr. Deis said that the Trust received an unsolicited proposal to rehabilitate the Fort Scott area that involved new construction as well as building reuse. The Board was not prepared to act on the proposal. Mr. Deis said that Mr. Wilson suggested investigating retirement or assisted care residential use. The Board briefly discussed forming an advisory panel in connection with Fort Scott development.

Mr. Deis said that JSCo also reviewed its annual residential report at the last committee meeting. Residential occupancy remains at approximately 95% and turnover is below the industry norms. Given the strong residential market, rents are increasing; they are raised higher at the time of unit vacancy than they are at lease renewal if the occupants remain. Mr. Middleton said that an article regarding Presidio housing would soon appear in the Chronicle.

- Ms. Conner presented the reports from the Park Projects and Programs Committee meetings held on August 3, 2006 and September 8, 2006. She reported that the committee members agreed that their efforts should focus on larger policy questions. Ms. Conner also reported that the committee recommended the formation of an Art Ad Hoc Committee to address issues in connection with public art in the Presidio. Guidelines for public art will need to be established. Ms. Conner said that the committee took a tour of the archeology lab and that a guest volunteer, Jan Blum, addressed the committee regarding park stewardship. Ms. Conner spoke about the need to maintain areas of the park once they have been improved.

Ms. Conner said that at the September 8, 2006 meeting the committee came to the same conclusions about the Fort Scott site as the Real Estate Committee; specifically that conversion to residential use was prohibitively expensive and that an advisory committee that would function more as a task force than a body imbued with authority should be established to look at use options.

Ms. Conner reported that the committee discussed the timeframe, enforcement and phasing for implementing the non-residential parking management program. The committee members urged that the program be implemented quickly and that the public receive extensive notification of its implementation and purpose. Ms. Conner reminded the Board of the evening's public workshop about recreational facilities and resource restoration.

- Ms. Beebe presented the report from the Finance and Audit Committee held on September 8, 2006. She said that the committee reviewed the proposed budget for Fiscal Year 2007 (FY07) and recommended that the Board adopt it. Ms. Beebe also reported that the Trust had made progress in limiting the carry forward from the prior year, that the committee reviewed the Trust's financial position, and that it discussed financing options.
- Mr. Boland explained the rationale for constituting an Art Ad Hoc Committee. Mr. Burke suggested that the proposed committee set both near-term objectives and parameters for the

acceptance and placement of art. He indicated that pending issues required immediate attention. Ms. Beebe said that the committee required a charter outlining the scope of its authority and its guiding principles before any decisions were made.

- Mr. Rothman reviewed the year's financial performance through August 31, 2006. He then introduced highlights of the proposed budget for FY07, projecting revenue growth at 10% over Fiscal Year 2006 (FY06) and increased expenses of 2.6% over FY06, below the internal projection of 3%. Ms. Conner asked how carry forward is calculated for incomplete projects and Mr. Rothman responded that funds are considered obligated at the time contractual commitments are entered.

Mr. Rothman then updated the Trust's long range financial projections which were last reviewed with the Board in January 2006. Mr. Rothman said that the financial modeling reflected the Presidio Trust Management Plan's programmatic goals. He reported that the Trust is on a trajectory to meet its goal of financial self-sufficiency by 2013 as well as longer-term financial self-sustainability. In response to a question from Mr. Burke, Mr. Rothman said that the modeling did not reflect any philanthropic funds that the Trust may receive. Messrs. Burke and Grubb asked Mr. Rothman to model the Trust's financial position assuming the receipt of philanthropic funding for certain earmarked projects.

- Mr. Rothman presented an update of the Trust strategic blueprint for the next five years. He said that there were no material changes from previous versions and explained how success in implementation would be measured against the plan's six imperatives.
- Mr. Deis reported on recent meetings in connection with a possible golf course buyout. Mr. Deis discussed the financial performance of the course over the last few years, noting that revenues have declined. He also said that the operator of the course, Olympus Real Estate Partners, is talking to other potential buyers. Mr. Deis said that a letter of intent had been drafted by the Trust. The Board directed staff to present a buyout offer to Olympus.
- Mr. Middleton said that the Board should expect a large public presence at the evening's workshop on ball fields and the Tennessee Hollow riparian corridor. Mr. Boland said that he had received many telephone calls from concerned neighbors about the subjects of the meeting. The Board reviewed the Trust's objective of achieving a balance of recreational facilities and resource restoration.

Meeting adjourned by Chairperson Grubb at 10:40 a.m.