

Presidio Trust Board of Directors Meeting
June 2, 2009
Minutes

Attending:

Nancy Bechtle
Robert Burke
David Grubb
Michael Shepherd
William Wilson, III

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

Not Attending:

Nancy Conner
Curtis Feeny

Meeting called to order by Chairperson Grubb at 8:03 a.m.

Actions taken:

- Approval of Minutes of April 29, 2009 and May 13, 2009 (Resolution 09-14). By motion duly made and seconded. Vote: 5-0.
- Approval of Adoption of Operating Budget for Fiscal Year 2010 and Five-Year Construction Plan (Resolution 09-15). By motion duly made and seconded. Vote: 5-0.
- Approval of Revised Budget Forecast for Fiscal Year 2009 (Resolution 09-16). By motion duly made and seconded. Vote: 5-0.
- Approval of Final *Touhy* Regulations (Resolution 09-17). By motion duly made and seconded. Vote: 5-0.
- Approval of Temporary Public Use Limits of Presidio Roads (Resolution 09-18). By motion duly made and seconded. Vote: 5-0.

Discussion items:

- Mr. Deis presented the Real Estate Committee report of its May 13, 2009 meeting. Mr. Deis discussed a possible lease with the Presidio School of Management (PSM) for 103

Montgomery Street. He said that the Trust delivered a letter of intent to PSM the previous week. Mr. Deis also discussed alternative buildings in the Presidio that might meet PSM's needs with a view to expanding the school's space as its needs grow. The school currently has 180 students and wishes to focus primarily on internet students with a goal of enrolling 1,000 students. PSM has been clear that they are only interested in leasing 103 Montgomery Street, not alternative buildings. Mr. Deis reported that given the school's limited track record, the Trust intends to require an increased security deposit or investment of approximately \$5M. He said that the security deposit is based upon a rent/service district charge formula. In response to Mr. Wilson's question about the source of the school's funding, Mr. Deis said that its board members are funding the school's desired growth. Mr. Deis also reported that the next step is for PSM to respond to the letter of intent and for them to evaluate whether they can meet the Trust's security deposit requirement. Mr. Deis said that the Trust tenant improvement cost would be \$1.7M and that PSM would put in approximately \$1M in improvements. Mr. Grubb asked what lease term PSM contemplates, and Mr. Deis said 15 years. Mr. Shepherd asked when the school will be accredited. Mr. Deis said that the school anticipates accreditation in spring 2010 and that accreditation is a Trust condition of leasing the space to PSM. PSM would like to occupy the building next spring. Mr. Deis reported that the rehabilitation of 682 Schofield Road will be completed this fall, but that PSM is not interested in the space.

Ms. Bechtle asked about the status of the Moore Foundation's occupancy of 36 Keyes Avenue. Mr. Deis said that they vacated the space and that the master tenant of the building, Equity Community Builders, subleased the space to web-based businesses.

Mr. Burke asked about the impact of the Doyle Drive project on the Presidio. Mr. Grubb asked whether Trust tenants are being advised of the impacts of the project. Mr. Middleton reported that a meeting with Trust residents was scheduled for June 11, 2009, and that the Trust has been informing both residents and commercial tenants of likely impacts. The Trust is working on tailored solutions for categories of tenants. Mr. Middleton also said that the Trust has been negotiating with Caltrans on construction hours. Ms. Bechtle said that she received a telephone call from Exploratorium management concerned that nobody from the Trust had contacted the Exploratorium about the impact on parking lots in Area B. Ms. Cook reminded the Board that the Exploratorium has been using the parking lots without any agreement with the Trust. Mr. Wilson asked whether the Trust was going to be compensated by Caltrans for required relocation of Trust tenants. Mr. Middleton responded that compensation is currently being negotiated. Mr. Grubb asked for an executive report and regular updates to the Board. The Board discussed the importance of emphasizing that this is a Caltrans project, not a Trust project.

- Ms. Bechtle presented the Park Projects and Programs Committee report of its May 13, 2009 meeting. She said that proposed revisions to the Art Collections Manual had been made and suggested that such revisions be made public for comment and input before being adopted. The Board discussed the implications of soliciting public comment on Trust policies before adoption. Mr. Middleton said that he would compile a schedule of what policies should be made public for comment before adoption. The Board tabled the draft revised Collections Manual.

Ms. Bechtle briefed the Board on the proposed Presidio Habitats Project, a temporary site-based art project designed to elevate public awareness of the ecology of the park through a series of temporary installations along Presidio trails, coupled with educational and interpretative programming. The project would be funded by the FOR-SITE Foundation, the funder of the Goldsworthy *Spire*.

The Board tabled the draft Commemorative Works Policy.

The Board discussed the status of the Heritage Center.

- Mr. Rothman presented the Finance and Audit Committee report of its May 13, 2009 and May 22, 2009 meetings. Mr. Rothman reviewed the proposed revised five-year construction plan. He said that it incorporated the Main Post Preferred Alternative, the Public Health Service Hospital (PHSH) build out, and the impacts of the Doyle Drive reconfiguration. Mr. Rothman discussed the impacts of revenue loss from the recession. He said that the elimination of six staff positions was contemplated. He also said that funds from an anticipated financed lease transaction were not included in the 2010 numbers, but that \$88M in available funding has been assumed for 2011-2014. Mr. Burke asked how the financed lease transaction was progressing. Mr. Rothman said that it currently is stalled given market conditions, and that there is an approximate 18-month lag between incurring the debt and generating revenue from financed projects. Mr. Shepherd and Mr. Grubb asked that projections be made past 2014, one assuming that no funds are available from a financed lease deal, and another assuming that the funds are realized.

Mr. Grubb asked why \$3M less in residential revenue was assumed. Mr. Rothman responded that the vacancy rate has been somewhat higher than anticipated, that units have been vacant longer, that rents have been lower than expected, and that the lowered revenue number includes concessions in connection with the Doyle Drive project. Mr. Grubb asked for additional breakdown and detail of the concessions. Mr. Grubb also asked that the net operating income be included for conferences and special events. Ms. Bechtle reported that the Committee agreed to re-appoint KPMG to perform the fiscal year 2009 audit. The Board discussed KPMG's fee.

Mr. Grubb said that he wanted to review the staffing chart. Ms. Bechtle asked about the difference between what is characterized as "Public Programs" versus "Presidio Programs." Mr. Rothman said that Public Programs are special events and include the cost of staff for those events. Mr. Grubb asked that the budget for fiscal year 2010 not be revised, but that revised forecasts are provided instead.

- Mr. Deis reported that abatement work for 103 Montgomery is being performed and that the plan is to finish the abatement and perform no further work until the leasing market has improved. He said that the rehabilitation of the Wyman Avenue houses is proceeding. Mr. Middleton said that rehabilitation of the PHSH nurses' quarters buildings would be completed in mid-July and that there are some leasing prospects. Mr. Deis said that the Funston Avenue buildings are leasing well. Mr. Deis also reported that he is discussing

alternative locations for Public Storage in connection with the Doyle Drive reconfiguration. Mr. Wilson asked how the golf course was performing. Mr. Deis responded that revenue has been slightly behind since the beginning of the year, but that overall it was a little ahead of the pro forma numbers and that the return on investment has been approximately one percent lower than expected.

- Ms. Cook and the Board discussed finalizing the draft *Touhy* regulations.
- Mr. Boland discussed various traffic calming measures adopted by the Trust and reviewed the results of traffic counts performed over the last few years. He proposed temporary road closures to study the impact of such measures in reducing cut-through traffic in the Presidio. Mr. Middleton reported that Ms. Conner asked that the end date of the road closures be announced and that the Trust engage in a great deal of outreach to the community. Mr. Boland said that outreach would begin immediately so that the temporary closures and impacts could be measured during the summer months. Mr. Middleton said that he would consult with the National Park Service about the temporary closures, although such consultation was not mandatory. Mr. Boland said that the closures would begin in mid-July and last approximately 30 days.
- The Board discussed the status of the proposed Contemporary Art Museum at the Presidio and the Main Post Update to the Presidio Trust Management Plan (MPU). Mr. Middleton reported that June 1, 2009 was the close of the public comment period, and that the next steps include preparation of responses to the comment letters, advancing the National Historic Preservation Act consultation process to the next stage of resolving the adverse effects created by the projects described in the MPU, and preparation of a final Environmental Impact Statement.
- Executive Session: 11:02 – 11:29.

Meeting adjourned by Chairperson Grubb at 11:29 a.m.