TOWER TALK

Volume IV, No. 9
September 2018 Edition

Open Letter to New SFT Director

James W. Guthrie

Dear Ms. Spence:

Welcome to San Francisco Towers! You can be assured that virtually every SFT resident is hoping for your success and will assist you whenever possible.

You will construct your own priorities. Take your time. There is little regarding SFT day-to-day operation that is in urgent need of your attention. There is little to impede a smooth transition.

SFT is an enormously complicated operation, part hotel, part cruise ship, part hospital, etc. We have facets that are excellent, e.g., Health Services and Maintenance. These are far from broken, so you might consider leaving them alone for now. We have other operations that are not yet excellent but are notably improving, e.g., dining.

Conversely, there are parts of SFT that could benefit from your attention. Security is emerging as important. We have mistakenly conflated security with transportation and concierge services. This might be a place for you to start.

Our 21-year-old building and its furnishings are showing wear and looking shabby. Second floor amenities, such as the hair salon and fitness center, are in need of updating. Oh yes, if you can, please try to inject added urgency into the memory care endeavor.

As important as are the above, there is something more fundamental. Trust between SFT residents and COVIA management is badly frayed. This is a particularly vexing condition and is addressed in a following column. However, we have confidence that you will try to understand the issue and help reach a productive solution.

Again, welcome, and you have our unalloyed support.

Opinion: Trust is the Basic Issue: COVIA Acts as Though Profit Seeking

James W. Guthrie

If it walks like a duck, quacks like a duck, etc., it just might be a profit seeking duck

COVIA, previously known as Episcopal Senior Communities (ESC), is chartered by California as a religious nonprofit corporation that is also an Institution of the Episcopal Church. Being as a State-chartered religious nonprofit has at least two legal consequences:

(1) The ESC Board's purported 2016 separation from the institutional structure of the Episcopal Diocese violates its duty to protect the rights of SFT residents under state law (as charitable beneficiaries of ESC's religious nonprofit status), and

(2) The ESC Board's purported separation violates First Amendment Free Exercise rights of the Episcopal Church to carry out its State-approved religious mission.

Long established U.S. Supreme Court precedent requires civil courts to uphold the institutional structures and canon law of religious bodies from subversion by insubordinate Church entities.

Putting these basics aside, here is what renders COVIA increasingly suspect as a nonprofit.

Marvelous Money Making Model

With desirable property, and a government charter, it is possible to create and operate a senior community in which residences are, in effect, leased but never sold. Occupant turnover redounds to the agency's benefit: an unoccupied property repeatedly can be "re-sold." This plenteous revenue generating dynamic is at the heart of COVIA's business model.

Given an approximate 20-year senior resident occupant cycle, 5% to 10% of living units are annually available for resale. At an estimated average per unit lease price of $500,000, and assuming 200 apartment units, 5% to 10% resale equals 10 to 20 apartments or $5 -$10 million in annual resale revenue.

If one assumes a facility costs $100 million to construct, above calculations result in an annual return of 5-10%. This is a solid investment.

When initiated, COVIA operated under the protective coloration of The Episcopal Church This arrangement contributed to an aura of legitimacy and, simultaneously, attenuated pesky expenses such as property taxes.

Once a revenue stream was secured, with hundreds of Baby-Boom applicants, COVIA unilaterally divested itself of a church connection. This eliminated the prospect of a bishop and his appointees nosing around and divestiture also freed COVIA management from complying with cumbersome Canon Law.

A next step was to adopt a modern corporate stance with a fashionable name. What once was a respected and understandable label, "Episcopal Senior Communities," quickly morphed into an invented and empty corporate moniker.

Once protecting revenues and gaining freedom from the church, the challenge becomes one of minimizing annual operating costs so as to maximize annual profit.

By systematically underestimating future revenues, overestimating future expenses, and using possibly extralegal expense subterfuges, e.g., "Net Operating Margin," management is able to accrue substantial reserves in excess of what is legally required and distributes "profit" to charitable organizations of its choosing.

By the way, larger budgets also justify more management layers and higher management salaries.

COVIA has taken steps to minimize operational expenses. At its inception, SFT residents routinely received three meals a day, were covered by in-house health insurance, and were assured an on-site skilled nursing facility.

In the past four years, resident meal plans have been reduced. Incoming occupants are required to have their own health insurance, and adjacent skilled nursing for those not under an appropriate contract is imperiled.

COVIA could use excess reserves and annual profits to lower resident monthly fees or, for some duration, furlough future fees. Regrettably, the Episcopal Church is not a completely innocent party. Many residents were attracted to the Towers thinking they were protected by the church's moral shield. Until recently, however, the church has not been active in management. Bishop board appointees sometimes have been rubber stamps of management proposals. COVIA officials have had wide latitude.

Corrective Action is Difficult

Many SFT residents are unaware of or indifferent to the above-described profit seeking. For those who are informed and who do care, the options are limited.

Appeals to COVIA management for transparency have not borne fruit. Requests of the oversight agency, the California Department of Social Services, have not resulted in change. Conversations with legislative officials have not yet proven useful.

There is a "nuclear option." Intense legal action, a lawsuit requesting damages, is possible, but runs the risks of dismantling COVIA and disrupting the living arrangements residents seek.

Failure to resolve the status and direction of COVIA's trajectory contributes to a persistent aura of distrust that is unpleasant, at least, and costly of time and temperament for both management and residents.

Golden Era Nostalgia

Sugar Caen

The coming of September and the opening of the fall school term prompts reflection about coming of age in San Francisco and attending Grant, Presidio, and Washington public schools.

Aerial view of Washington High School

Generally, what a happy time it was! We pretended to be cowboys and Indians in Golden Gate Park. We sailed our toy boats on Stow Lake and flew our model planes in the Great Meadow. We went to triple feature Tarzan Matinees on Saturday at the Balboa Theater. As youths, we endlessly played basketball with friends at Fulton Playground. We marched in Traffic Boy parades at Kezar Stadium.

Traffic Boy Parade at Kezar

In junior high, we taunted the foolish among us to climb into the Park's buffalo pen. We went swimming at Fleischacker Pool, Sutro Baths, and China Beach. We watched the Frankie Albert-led 49ers practice at the Polo Field and then saw them play on Sunday at Kezar.

In high school, we knew little or nothing about drugs. We got high on the thrill of using dad's car on weekends for a double date: driving to North Beach to eat the new food sensation, pizza; going to Mels' and Otts' drive-ins and then heading for the Marina Green. We loved "necking" with our girl friend, and how innocent we were.

We passed for being older and sneaked into the Barbary Coast strip clubs in the International Settlement. We thought ourselves sophisticated to listen to Mort Sahl's adult humor at the Hungry I.

We were not heavily supervised, and it seemed not to have mattered. We did not get in much trouble, and we were seldom at risk of being harmed, mugged, kidnapped, or bullied. We may have grown up in a rare golden era of peace, prosperity, and calm.

We were born in the 1930's, and we exist as a very special age cohort. We are the smallest number of children born since the early 1900s. More than 99% of us are either retired or deceased.

We are the last generation, climbing out of the Depression, that can remember the impact of a world at war that rattled our daily lives for years. We are the last to see the gold stars in the front windows of grieving neighbors whose sons and husbands died in the War. We are the last to remember ration books for everything from gas to sugar to shoes to stoves. We saved tin foil and poured fat into tin cans. We remember milk being delivered in the morning and placed in the "milk box" on the porch.

We are the last generation who spent childhood without television; instead, we imagined what we heard on the radio. We played outside on our own.

Telephones were one to a house (often party lines) and hung on the hall wall. Computers were called calculators, they only added and were hand cranked; typewriters were driven by pounding fingers, throwing the carriage, and changing the ribbon. Newspapers and magazines were written for adults and Gabriel Heatter reported the news on our table radios.

The G.I. Bill gave veterans the means for an education and spurred college expansion. VA loans fanned a housing boom. New highways brought jobs and fed a move to the suburbs. Pent up demand coupled with a newly invented "installment plan" put factories to work.

Our parents were free from the confines of the depression and the war, and they threw themselves into exploring opportunities they had never imagined.

The Korean War was a dark presage in the early 50s and by mid-decade, school children were ducking under desks for Air-Raid training. Russia built the "Iron Curtain" and China became Red China. Eisenhower sent the first "advisors" to Vietnam. Castro came to power in Cuba and Khrushchev rose in Russia.

We came of age in the 50s. The war was over and the cold war, terrorism, "global warming," and perpetual economic insecurity had yet to haunt our lives. Only our generation can remember both a time of horrible war, and a time of promise. We have lived through both.

The New Salesforce Transit Center: A Public-Private Fusion

Paul Sedway

The new "Transbay" transit terminal opened August 11. Its massive structure accommodates 11 different transit systems, including MUNI and AC buses, and later Caltrain rail cars to San Jose and High-Speed trains to LA. It will now be called Salesforce Transit Center, under a deal between Salesforce with the Transbay Joint Powers Authority.

The new terminal is contiguous to the Salesforce Building, whose CEO, Mark Benioff, is a native San Franciscan. Notwithstanding what I see as name game overreach, I will avoid the blame game and note that he is a major philanthropist annually donating to charity one percent each of Salesforce equity, employee hours, and product.

Whatever else you may think of it, the Salesforce Transit Center will act as a powerful symbol. Its very name, this colossal transportation structure in the South of Market area of downtown will symbolize not only transportation mobility but also corporate enterprise.

Some might attribute the renaming to corporate ambition while others will see it as corporate philanthropy. Just hearing the name "Salesforce Transit Center" may not be troubling, but when it is there in lights it will dramatically present a new reality. The public and private sectors are in this, and so much else, together.

Whether a public facility of this importance and magnitude should be privately named is debatable. My wife, Lynn, reminds me of Oracle (Corporation) Arena and of the $125 million dollars that Salesforce will be paying to the Transit Authority over the next 10 years. And she throws in the $100 million that Salesforce's CEO Mark Benioff donated to UCSF for a children's hospital.

The terminal is opening too early to include our statewide high-speed rail system, but that was always known. The terminal will nonetheless be a welcome addition for local riders. It will be the terminus of many local and inter-county bus routes, including those now terminating at the temporary SOMA facility.

One notable regional transit shortcoming, a result of local geography, is that there will be no direct connection to our regional backbone system, BART, the nearest station of which is one long block away. Someday there might be a connecting tunnel but meanwhile all we can hope for is a covered walkway. The state High Speed Rail System will not be arriving for twelve years when it will be brought into the lowest Terminal level. If a second cross-bay tube were built, it would allow for through tracks in the Terminal extending BART, Caltrain and other rail access to the East Bay and Sacramento.

Meanwhile, the Transit Center will function also as a spacious food hall. This is because it is opening just as retail activity is declining here and nationally and there may not be much demand for other forms of retail. As travelers walk through its Grand Hall, they may see store vacancies, making it also a dramatic symbol of local land use transition.

A 2½-block long park tops the terminal. Even if you are OK with the name Salesforce Transit Center, you may not welcome the park's name: Salesforce Park. (I do not.) It will be a welcome addition to its park-deprived SOMA setting. It includes a restaurant and other eateries, but its major attraction is likely to be a 5-story high aerial tram from Mission Street. This will operate in a few months. The park landscaping should be varied and interesting: think New York's High Line.

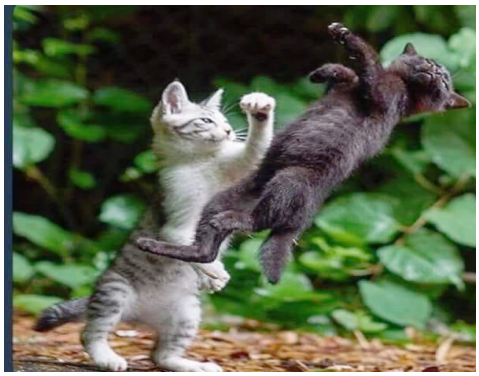
All in all, this building will be a valuable addition to the city. Now if we could just change that strange architectural "skin" covering it. And I would be a lot happier if the building's graphic designers would at least highlight the "S" and the "F" in the SalesForce Transit Center sign, giving near-equal billing to San Francisco!

James W. Guthrie, under the sobriquet Sugar Caen, independently produces *Tower Talk*. It receives no financial resources from San Francisco Towers. Paul Sedway regularly contributes content and Kathy Trapani, John Darby, and Peter Hertzmann assist with advice and production. Errors and editorial views are solely the proprietor's. Those desiring to unsubscribe should notify Sugarcaen00.com.

Entre Nous

Sugar Caen

Austin and Van Ness (SFT #1501) continually bicker, sometimes about important things, usually about trivia. Regardless, it is fun to listen.



Aus: The Blue Wave is escalating, and I am so excited.

Van: I am happy for you. I just wish I had a clue about what you meant.

Aus: Surely you know about The Blue Wave, the soon-to-come tsunami of Democratic victories unseating the House majority and retaking the Senate.

Van: Blue wave! Really! How about "Blue Haze" or "Blue Waive?"

Aus: I didn't think you would be happy, but you must agree with my prediction. By following Pelosi and Schumer, Democrats can lead us out of this mess.

Van: You might as well be predicting a 50,000-point Dow Jones average by 2019. You are lost in a wave of cannabis.

Aus: You are such a contrarian. Dems need to flip only 23 seats to control the House and virtually every prognosticator predicts this will happen.

Van: Democrats have everything going against them. Republicans have everything going for them.

Aus: To wit?

Van: Democrats are so unhinged, I hardly know where to begin. For example, tell me what Democrats stand for these days? I know they are against Trump. But what are they for?

Aus: For starters, they are for free medical care, free college tuition, minimum income, expanded corporate regulation, higher taxes on the super rich, and doing away with carbon fuels.

Van: What about eliminating ICE, opening borders completely, reducing defense spending, banning plastic straws, and granting 16-year-olds and prisoners the right to vote?

Aus: Bernie would likely support those ideas, but more importantly, what do you think Trump stands for other than divisiveness, racism, separating children from parents, higher tariffs on everything, demeaning McCain, and colluding with Russia.

Van: Sanders' and Ocasio-Cortez' socialist agenda is DOA. Most primary candidates they endorsed and every candidate espousing your agenda lost.

Aus: What can Republicans claim that would possibly stop the Blue Wave?

Van: Annual GDP now exceeds 4%. Unemployment is at an all time low? African-American and Hispanic workforce participation is at an all-time high? Consumer confidence has never been higher? The Bull Market is the longest lasting ever. Wages are up, inflation is low. The number of employed Americans has set a record.

Aus: Do you really believe the economy trumps social issues?

Van: Yep. Not only is it unlikely that Republicans lose the Senate, they may even gain several seats.

Aus: Democrats will take the House.

Van: Out parties almost always do well in off years. However, it is uncertain that Democrats will retake the House.

Aus: So, contrary to virtually every pundit, you believe Trump will emerge from midterm elections with the same political support as now? Aren't you overlooking persistent private scandals?

Van: By November, few voters will remember Stormy Daniels or be able to distinguish her from Mother Teresa. It might be that Trump eventually will have four Supreme Court appointees.

Aus: That idea really makes me blue.

Van: Fret now, Roseanne's on CNN.