

**City of Vallejo and Mare Island Historic Park Foundation
Preservation of St. Peter's Chapel and Other Historic Properties
2006-2007 Solano County Grand Jury**

Reason for Investigation

The Grand Jury received a complaint that St. Peter's Chapel (the "Chapel"), a national, state, and city landmark, located on Mare Island (the "Island") in the City of Vallejo (the "City"), was falling into a state of disrepair and that neither the City nor the Mare Island Historic Park Foundation (the "Foundation") were addressing concerns about its preservation and use. The complainant expressed special concern for the condition of the Chapel's 34 Tiffany stained lead glass windows. The Grand Jury received a second complaint questioning the operation and accounting practices of the Foundation relating to the overall management of the historic properties leased to the Foundation by the City.

The Grand Jury elected to investigate the complaints and to expand its investigation to include a review of all historic real and personal properties owned, leased, or loaned to the City and managed by the Foundation under its agreements with the City.

California Penal Code §925a authorizes a grand jury to examine the books and records of any incorporated city located in the County. Further a grand jury may investigate and report on the operations, accounts and records of the officers, departments, functions, and the method or system of performing the duties of the city and to make any recommendations it may deem proper and fit. California Penal Code section 933.6 authorizes a grand jury to examine the books and records of any nonprofit corporation established by or operated on behalf of a public entity. A grand jury may also investigate and report upon the method or system of performing the duties of the nonprofit corporation.

Grand Jury Actions

- Interviewed a complainant
- Interviewed the City of Vallejo Mare Island Conversion Project Manager
- Interviewed the City of Vallejo Planner and Secretary to the Architectural Heritage and Landmarks Commission
- Interviewed Division President for Lennar Communities
- Interviewed President of Mare Island Historic Park Foundation
- Interviewed Curator of Vallejo Naval and Historic Museum
- Toured Mare Island including St. Peter's Chapel, Chapel Park, Alden Park, Quarters A, and Building 46 – the Museum
- Reviewed numerous documents identified in the appendix to this report

Introduction

In the first section of this report, the Grand Jury provides background concerning the historical significance of Mare Island, its shipyard, and some of its most important historical landmarks. We then briefly highlight some of the complex property transactions between the U.S. Navy, the City of Vallejo, and a private developer after the Shipyard was closed. The background becomes necessary to understand who bears responsibility for the long term care and maintenance of the historical landmarks and artifacts on the Island. Next, we discuss the key role played by the Mare Island Historic Park Foundation in preserving Island history, including

descriptions of the historic landmarks and artifacts for which it is responsible and some of the problems it has faced in meeting these responsibilities. This is followed by information regarding the complaints the Grand Jury received concerning the condition of St. Peter's Chapel as well as the capacity of the Foundation to properly carry out its functions and contractual obligations with the City.

The Grand Jury offers some general observations concerning the results of our interviews, independent research, and tour of the historic areas of the Island. We note some of the financial difficulties faced by the Foundation in terms of its own fundraising activities as well as its financial relationships with the City. We raise issues as to whether the Foundation, as presently organized, has the long range capacity to carry out its important responsibilities, including acting as caretaker of several national, state, and city landmarks and educator and preservationist of the history of the Island or whether some alternative approach is necessary.

Finally, the Grand Jury offers a series of specific findings and recommendations as to what we feel is necessary to maintain and preserve the historic landmarks and artifacts on Mare Island, for now and for posterity.

The appendices include: 1) a chronology of significant events in the history of the Island; 2) a detailed listing of documentation reviewed by the Grand Jury and referred to in this report; and 3) a map showing the specific Reuse Areas.

Historical Significance

Mare Island Naval Shipyard (the "Shipyard"), established in 1854, is the oldest naval installation on the West Coast. By act of Congress, the Shipyard was closed on April 1, 1996. As a result, much of the Island, including many historic properties, was transferred to the City. The City, in turn, entered into agreements with Lennar Mare Island LLC ("Lennar") to acquire and develop portions of the Island for reuse consistent with the City's Final Reuse Plan and Specific Plan for the Island.

The Shipyard contains some of the oldest shipyard buildings in the country, as well as a diverse collection of industrial and military base architecture. Portions of the Shipyard were designated a National Historic Landmark in 1975. In 1979, the entire Shipyard was listed as a California State Historical Landmark.

In 1997, the Mare Island Historic District (the "Historic District"), encompassing approximately 65 percent of the Shipyard, was listed on the National Register of Historic Places. In 1999, the City also designated this area as a City Historic District and designated 50 national historic landmark structures, buildings, and landscapes on the Island as city landmarks.

Under the City's Preservation Ordinance, demolition of a city landmark is prohibited unless it can be shown that it is not feasible to preserve or restore it using a constitutional hardship test for making the determination. Owners of any landmarks within the Historic District are required to "keep in good repair all exterior portions of such resources, all interior portions of city landmarks, and all interior portions thereof whose maintenance is necessary to prevent deterioration and decay of any exterior architectural feature."

The Mare Island Specific Plan identifies 13 distinctive Reuse Areas, plus the broad wetland and dredge pond areas located on the west side of the Island. (*See Appendix for Reuse Area Map*) Most of the landmark structures are located in Reuse Areas 3B and 4. Reuse Area 4, a 47 acre parcel, is known as the Historic Core. The Historic Core is located centrally on the Island and fronting the waterfront. Some of the most significant national and city landmarks located in the Historic Core are: 1) St. Peter's Chapel (1901); 2) Officer's Quarters A and B (1900); 3) Building 46, the Smithery (1856), now known and used as the "Museum"; and 4) Dry Dock 1 (1891), the oldest dry dock on the West Coast. In August 1996, the City designated the Mare Island Historic Park Foundation as the operator and caretaker for several of these historic properties.

Property Rights

To facilitate the early reuse of the Shipyard, the federal government and the City entered into short and long term leases for lands within Reuse Areas 1 through 6 and Reuse Area 9. In September 1999, the federal government entered into an agreement with the City, giving the City the right to acquire certain real and personal property

Acquisition Agreement

The Grand Jury received testimony that the City's intent is to remain cost-neutral in the development of the Island. To this end, in December 1999, the City and Lennar entered into an Acquisition Agreement which established Lennar as the principal developer for the Island and set forth the terms and conditions for Lennar to acquire the acquisition property upon the City obtaining title from the federal government. The agreement provided for Lennar obtaining title to 677.4 acres in Reuse Areas 1 through 10, with some exceptions. In return, Lennar is responsible for all property management and asset management services, including infrastructure improvements, obtaining permits, and environmental remediation.

The agreement and its amendments: 1) require the City to maintain, repair and operate, or cause the maintenance, repair and operation of St. Peter's Chapel, Chapel Park, and Alden Park at the City's cost; 2) incorporate the agreement between the City and the Foundation related to subleases; 3) state rights and obligations with respect to City occupied facilities; and 4) require the City to put in place a special assessment to be paid by all landowners on the Island, with the exception of federal agencies, for purposes of funding municipal services and infrastructure and services in connection with development of the Island. To accomplish the latter purpose, Community Facilities District No. 2002-1 was formed in 2002.

In March 2002, the federal government conveyed title to approximately 650 acres to the City and in turn the City conveyed these parcels to Lennar. This consisted of most parcels, with some exceptions, in Reuse Areas 1 through 9. Approximately 100 acres in Reuse Areas 7 and 10 have not yet been transferred from the federal government to the City.

Facility Agreement

In March 2002, the City and Lennar entered into a Facility Agreement. This agreement sets forth the terms and responsibilities for the City to occupy specific properties identified in the Acquisition Agreement, including the Chapel, Chapel Park, and Alden Park.

Under this agreement the City does not pay rent on the Chapel, Chapel Park, and Alden Park, but is obligated to pay to Lennar the City's share of common area project expenses and Island operating costs and assessments and is liable for all repairs, maintenance, and insurance on these properties. The agreement allows the City to sublease these properties.

While Lennar temporarily has title to these properties, as stated in agreements between the City and Lennar, these properties are required to be reconveyed to the City within 60 days after Lennar obtains environmental clearance from the California State Department of Toxic Substances Control and upon the City and Lennar reaching agreement on a park improvement plan.

On January 19, 2007, Lennar notified the City that Lennar had obtained environmental clearance for the Chapel, Chapel Park, Alden Park, and Quarters A and B and that Lennar intends to transfer these parcels to the City pursuant to their agreement. The City stated in a letter to the Grand Jury dated February 6, 2007 that these parcels will be transferred to the City during 2007 upon Lennar's completion of improvements to Chapel Park and completion of the tentative map process.

Mare Island Historic Park Foundation

In anticipation of the Shipyard's closure, a group of citizens interested in preserving the history of the Shipyard formed the Mare Island Historic Park Foundation. The Foundation received its articles of incorporation as a non-profit public benefit corporation in January 1995. Its by-laws state that its purposes are: 1) to promote awareness and to educate the public about the history, crafts, arts, and industries of the Shipyard and certain vessels and naval artifacts contemplated to be displayed there and to obtain the facilities, artifacts, and vessels to accomplish these objectives; and 2) to raise funds and hold events and campaigns related to furthering these purposes, including the operation of displays and continual development of the Historic District.

In August 1996, the Vallejo City Council named the Foundation the operator of the Historic District. The Foundation operates with a board of directors and an all-volunteer staff. At this time there are approximately 300 volunteers on its roster, with approximately 60 volunteers available on a regular basis. The president of the board also acts as the executive director and oversees the day-to-day operations of the Foundation.

Naval Artifacts

In February 1998, the City and Foundation entered into an agreement regarding the naval artifacts on the former Shipyard. This was done in response to the Foundation's earlier request of the Department of the Navy, Naval Historical Center (the "Naval Center"), to borrow naval artifacts to include in a museum on the Island. The Naval Center had determined that the Foundation's request did not meet the Navy's guidelines for eligibility for the following reasons: 1) no permanent experienced paid staff; 2) lack of a collections policy requiring lenders to fund the return of items; and 3) insufficient financial resources.

This agreement requires: 1) the Foundation and the City to develop a plan for the care and protection of all Navy-owned artifacts consistent with Navy requirements and to provide all required reports to the Naval Center; 2) the Foundation, in cooperation with the City, to enter

into a loan agreement with the Navy; 3) the Foundation and the City to allow Naval Center representatives access to the Foundation's records and facilities; and 4) the City to assume full control and custody of the artifacts if the Foundation fails to perform its obligations under the loan agreement. This agreement also requires that the City appoint one or more staff or council members to serve as ex-officio members of the Foundation's board of directors to facilitate coordination between the City and the Foundation concerning the care of naval artifacts. The City's last appointment to the Foundation's board was made in 2002. Based on interviews with City staff, the staff person appointed has not been attending meetings of the board.

In October 1999, the Navy entered into an agreement to loan several thousand naval artifacts to the Foundation, with the City as "co-borrower" and the responsible party in event of default by the Foundation.

As part of the loan agreement, the Foundation agreed to: 1) use the property for display purposes only; 2) use protective measures to protect and secure the property; and 3) provide insurance for theft, damage, loss or destruction. The agreement also required the Foundation to provide reports including: a) annual reports on condition and location of property including photographs; b) immediate notification of any damaged, missing, lost, stolen or recovered items; and c) annual reports on financial status and staffing. The agreement also provides that Navy and City representatives have access to the Foundation's records and facilities to assure accuracy of information provided by the Foundation and compliance with terms of the agreement. The loan agreement expired in October 2004. However, the Navy has continued to allow the Foundation to be in control of these artifacts until such time as the Navy makes a decision whether or not to enter into a new loan agreement with the Foundation or to ask that the artifacts be returned to the Navy.

Inspection by Naval Center

In December 2004, curator staff from the Naval Center toured the Island and inspected the artifacts displayed and stored by the Foundation. At the time of the inspection, the staff informed the Foundation of certain deficiencies that would need to be corrected if the Navy was to enter into a new loan agreement. The Naval Center followed up with a letter to the Foundation, copied to the City, in April 2006.

This letter stated the Navy's findings and recommendations and need for corrective action as follows: 1) Foundation uses an all-volunteer staff with no professional training and must hire one full-time paid curator or trained museum professional; 2) Foundation must submit annual reports on time; 3) Foundation must cease collecting and displaying material from around the Shipyard without the Navy's consent; 4) Foundation must provide insurance or bond to ensure cost of returning artifacts to the Navy; 5) Foundation uses non-museum quality material to display and store the artifacts and many items on loan have yet to be restored. The Foundation must upgrade its preservation materials and practices; 6) Foundation must upgrade its interpretation of the exhibits as the exhibits do not have a coherent storyline and are not professionally displayed; 7) Foundation must provide the Navy with a security plan and procedures; and 8) Foundation must provide the Navy with documentation of its expenditures on the artifact collection.

The Naval Center requested a schedule of corrective actions by May 26, 2006 and stated its reluctance to renew the loan agreement for the following reasons: 1) the Foundation does not appear to have adequate funds to accomplish its objectives and sustain its long-term vision; 2) the Foundation's goals do not realistically match its resources; and 3) the Foundation has made limited progress with the operation of a museum in the past ten years.

On May 24, 2006, the Foundation responded to this letter stating its intent to rectify any deficiencies including developing a job description and a plan for a full-time curator. In February 2007, the Naval Center staff completed a subsequent inspection and verbally informed the Foundation President that many of these earlier issues had not been addressed.

City Leases

Meanwhile, in April 2001, the City entered into an agreement with the Foundation, including 31-year subleases, for the Foundation's use of several national, state, and city landmarks, including St. Peter's Chapel, Quarters A and B, Building 46 – the Museum, and portions of Building 215, as well as Chapel Park and Alden Park. These buildings and parks are to be used for nonsectarian religious activities, weddings, receptions, fundraising events, and the display of naval artifacts within a museum. All areas are required to be accessible to the public and serve as a general benefit to the Island.

St. Peter's Chapel and Chapel Park

The Chapel, built in 1901 and the oldest naval chapel in the United States, sits on a three acre park, known as Chapel Park. The Foundation provides tours of the Chapel and schedules weddings, memorials, baptisms, and other similar events in the Chapel. The Foundation charges \$700 per event for use of the Chapel.

The Foundation is not required to pay rent or common area project expenses and Island operating costs for the Chapel and Chapel Park, but is required to pay to the City its share of the Community Facilities District 2002-1 assessment. As of February 2007, this assessment is \$2,077 per month. The sublease also requires the Foundation to carry insurance and be responsible for all repairs, maintenance and for all improvements required by the federal government and any historic oversight body, including the City and the State Historic Preservation Officer. The Foundation performs regular maintenance and repair work on the Chapel.

Alden Park

This five acre park includes a formal landscaped ceremonial area, a bandstand, flagpole, and an informal area with landscaped walking paths. The Foundation maintains naval artifacts in the Park and provides tours of the area.

Quarters A and B

Officers' Quarters A and B, built in 1900, consist of approximately 10,000 and 7,500 square feet respectively. The Foundation provides tours and schedules weddings, receptions, and other social events in the Quarters. The Foundation normally charges \$1,400 for use of Quarters A and \$1,000 for use of Quarters B.

As of February 2007, the Foundation pays the City: 1) rent of \$1 per year per building; 2) CFD 2002-1 assessment of \$1,668 per month for Quarters A and \$810 per month for Quarters B; and 3) common area project expenses and Island operating costs of \$204 per month for Quarters A and \$133 per month for Quarters B. The Foundation is also responsible for insurance, maintenance, repairs, and all improvements. In addition to general maintenance, the Foundation spent approximately \$57,000 to paint the exteriors of both Quarters.

Building 46, (the “Museum”) and portion of Building 215

Building 46, the former Smithery built in 1856, is the oldest building on the Island. The Foundation is currently using this 50,000 square foot building as a Museum, including a gift shop, to display naval artifacts on loan from the Navy. The admittance fee to the Museum is \$4 per visitor. A portion of Building 215 is used for storing additional artifacts.

As of February 2007, the Foundation pays the City: 1) rent of \$1 per year per building; 2) CFD 2002-1 assessment of \$4,456 per month for the Museum and \$2,247 per month for Building 215; and 3) common area project expenses and Island operating costs of \$867 per month for the Museum and \$438 per month for Building 215.

Under its sublease with the City, the Foundation is responsible for funding all improvements, including seismic and ADA upgrades. The Foundation spent approximately \$450,000 to make seismic improvements before the Museum could be open to the public.

Overall, the Foundation is required to pay the City close to \$13,000 a month and over \$150,000 a year in Island assessments and common area project expenses and operating costs, in addition to any cost associated with maintenance, repairs, and capital improvements.

In many of the agreements between the Navy, City, Lennar, and the Foundation, there are requirements that the City and the Foundation carry significant insurance on both the real property and historic artifacts. The Grand Jury reviewed a certificate of insurance for the Foundation and statements of self-insurance submitted by the City. The Foundation carries general liability insurance and the City, being self-insured, carries building and content insurance on all buildings subleased to the Foundation. However, the insurance amounts do not appear to meet the requirements of the various agreements.

The agreements between the City and the Foundation state the Foundation will be considered in default of its leases if the Foundation: 1) fails to complete any required renovations per the leases; 2) has a net operating loss for two consecutive years in its operations on the leased premises; 3) fails to maintain the required insurance; 4) fails to maintain properties in neat and clean condition; or 5) fails to make any payments required under the lease agreements.

Complaints

The Grand Jury received a complaint that St. Peter’s Chapel was falling into a state of disrepair and that neither the City nor the Foundation were addressing concerns about its preservation and use. The Grand Jury received a second complaint questioning the operation and accounting practices of the Foundation relating to the overall management of the historic properties leased to the Foundation by the City.

Condition of St. Peter's Chapel

St. Peter's Chapel, a national, state, and city landmark, designed by Albert Sutton and completed in 1901, is the oldest naval chapel in the United States. The Chapel contains 34 stained glass windows, including 29 designed and signed by Louis Comfort Tiffany. This is one of the largest collections of Tiffany windows under one roof west of the Mississippi River. Professional estimates made by several stained glass experts and historians place the value of this collection of windows at between \$5 and \$20 million. While the Navy turned over the Chapel in less than pristine condition, interested parties in recent years have noticed an increase in the number of cracks in some of these windows. People attribute these cracks to various causes: age, environmental conditions, foundation issues, improper maintenance, and ongoing demolition work by Lennar's contractors near the Chapel.

Due to complaints that the vibration from nearby demolition work could be felt in the Chapel and might possibly cause additional cracks in the stained glass windows, Lennar commissioned Engeo Inc. to perform ground vibration monitoring services at the Chapel. An August 2005 report concluded that there was no adverse impact. Lennar commissioned a second report prepared by Nzilani Glass Conservation in October 2005. This report assessed the condition of the windows and made recommendations for preservation. This report states that of the 34 windows, 13 are in good condition, 6 are in fair condition and 15 are unstable. This report recommends that the stained glass windows, some of which have cracks imbedded in the glass, should be removed and stored during the demolition and that they be restored before they are put back in the Chapel. The report included estimates of \$11,900 to remove and store the windows for one year and \$378,863 to restore the windows.

A June 2005 report, commissioned by the Foundation and prepared by Architectural Resources Group, described the Chapel as being in good, serviceable condition. This report indicates areas of deterioration as: 1) paint on exterior shingles; 2) build up of lichen and other biological growth on the roofing shingles; and 3) deterioration of some of the wood trim on the porches. Although the report makes numerous recommendations concerning repair and maintenance, it did not address the condition of the windows. In September 2005, the Foundation provided the City with a statement from Cummings Stained Glass Studios that: 1) the windows are in good condition based on their age; 2) the windows should not need restoration for another 25 years; and 3) removal of the windows may cause additional damage.

In April 2006, the City, in conjunction with the Vallejo Architectural Heritage and Landmarks Commission, selected a team headed by Thomas Rex Hardy, AIA, and including structural engineers, Tennenbaum-Manheim Engineers, and art glass conservators, Reflections Studios, to prepare a Historic Structures Report for the Chapel. This report is intended to serve as a baseline document to the City and the Commission when making decisions about the Chapel's long-term maintenance and preservation. The Historic Structures Report was scheduled to be completed by October 2006. As of March 2007, the report had not been presented to the City.

Foundation Operations

The second complaint received by the Grand Jury alleged the Foundation is not: 1) properly managing the historic properties and artifacts leased or loaned to the Foundation; 2) managing its finances appropriately; and 3) following accepted accounting practices in reporting its financial position. The complaint asked that the Foundation's bookkeeping, records, and operations be audited.

The Chapel can be rented by members of the general public for weddings, memorials, baptisms, and other events. The Foundation charges \$700 per event and could schedule up to four events per day, seven days a week. In addition, the Chapel is included as part of the tour package operated by the Foundation. The Foundation's financial statements indicate a revenue stream of anywhere from \$20,000 to \$40,000 a year for use of the Chapel. Foundation minutes indicate 41 events were scheduled in 2006, down 35 percent from 2005.

Quarters A and B are used for weddings, receptions, and other social events. The Foundation charges \$1,400 for use of Quarters A and \$1,000 for use of Quarters B. Financial statements indicate a revenue stream of anywhere from \$30,000 to \$57,000 a year for use of the Quarters. Foundation minutes indicate 29 events were scheduled for both quarters in 2006 compared to approximately 50 to 60 events in prior years.

The Foundation charges a \$4 admittance fee to the Museum. Revenues from tours of the Museum and other historic structures operated by the Foundation have declined each year from a high of approximately \$30,000 in 2003 to less than \$15,000 in 2006 (through September 2006), with approximately 30 fewer tours in 2006 than in 2005.

The Foundation receives most of its revenue from general donations of approximately \$100,000 to \$140,000 each year. However, financial statements and tax returns indicate that a majority of the revenue from general donations is a result of generous contributions made by a few of the Foundation's board members. The Foundation's operating budget has been \$200,000 to \$300,000 a year. The financial statements consistently show loans from board members to the Foundation as a means of balancing the Foundation's operating budget. The Foundation would have shown a net operating loss each year without board member contributions and loans. Foundation volunteers perform bookkeeping, recordkeeping, and accounting functions. The Grand Jury reviewed quarterly financial statements of the Foundation for the period January 2001 through December 2006. These statements are prepared by the Foundation's treasurer based on information provided by the Foundation's president. These statements are not prepared by a certified public accountant and do not appear to meet standard accounting practices. Certain asset listings are questionable and the quarterly financial statements consistently state more expenditures than revenue. Any deficit is made up by personal loans and contributions from a few Foundation board members. Under its agreements with the Foundation, the City may require an audit of the Foundation's books and records. The City has never performed an independent audit or appeared to question the financial stability of the Foundation.

The Foundation has received a few grants. The most significant grant is a State grant in the amount of \$525,000 for purposes of creating displays for the historic artifacts on exhibit in the Museum. The Foundation has spent approximately half of the funds to date and has until 2010 to apply for and use up the remaining funds.

As a result of a settlement agreement between the City and Lennar regarding dredge pond activities on the Island, the City and the Foundation, in joint trust, received a \$250,000 donation from Lennar in January 2006 to be used as start-up funds specifically aimed at the restoration of the Chapel or other historic buildings within the Historic Core. No decision has been made at this time on how to use these funds.

General Observations

Members of the Grand Jury toured the Museum, St. Peter's Chapel, Chapel Park, Alden Park, and Quarters A in February 2007.

The Grand Jury found the Chapel and Quarters A to be reasonably well-maintained. The Grand Jury did notice small cracks in some of the Tiffany windows in the Chapel.

As a result of the Grand Jury's tour of the Museum, members observed or were told the following: 1) the 50,000 square foot building is under-utilized; 2) the exhibit areas feel disconnected and do not present a cohesive storyline; 3) some of the exhibits are displayed in cases that do not meet museum standards for preservation and security; 4) there is no museum curator or any paid, professional staff; 5) there is no signage directing visitors to the Museum or on the building; and 6) parking is limited. The Museum only recently announced regular hours of operation being the first and third full weekend of each month from 10:00 a.m. to 4:00 p.m., and other days by appointment only. Phone callers, trying to schedule tours or obtain general information, must leave a voice message. Many of these observations are the same or consistent with those raised by the Naval Center in its April 2006 letter.

The Grand Jury's review of the Foundation's minutes, financial statements, the complaints, interviews with individuals, and its own observations indicate that the Chapel and Quarters are being under-utilized. Usage of these facilities continues to drop each year. The Foundation does not: 1) have regular hours of operation for drop-in tours of the Chapel and the Quarters; 2) adequately promote and advertise the Chapel and the Quarters for weddings, receptions, and other events; nor 3) have a paid staff person answering the phone or staff dedicated to managing the scheduling of events.

By contrast to the Foundation's Museum, there is a second museum in the City with a complementary mission. It is the Vallejo Naval and Historic Museum (the "Vallejo Museum"), established in 1979 and located in the Old City Hall in downtown Vallejo. The Vallejo Museum's primary mission is to educate and promote the history of the entire City of Vallejo, including as part of that the general history of the Navy in Vallejo. This Museum also has an agreement with the Navy for the loan of naval artifacts. However, the City has not been required to be party to this agreement. The Vallejo Museum attracts approximately 10,000 visitors a year, with 70 percent of the visitors coming from the Bay Area and the remainder coming from over 30 states and foreign countries.

The Vallejo Museum is governed by a board of directors and managed by three full-time staff, including a full-time curator. The Museum has an annual budget of approximately \$150,000, of which 15 percent is provided by an annual grant from the City; 20 percent from membership dues and donations; 30 percent from fundraising activities; and the remainder from

investments and sales of items through its bookstore and gift shop. The City rents this 25,000 square foot building to the Museum for \$1 per year and is responsible for the maintenance of the exterior of the building, while the Museum is responsible for maintenance of the interior of the building.

The Vallejo Museum is an example of a successful museum operation. This can be contributed in part to: 1) the operational and board structure of the Museum; 2) paid professional staff; 3) a manageable scope of operations; 4) its length of operation; and 5) financial assistance from the City of Vallejo.

The Grand Jury also reviewed programs offered by the American Association of Museums, including the Museum Assessment Program (MAP). This Program helps museums maintain and improve their operations through a confidential, consultative process that provides guidance to help museums meet priorities and goals and helps museums understand how they compare to standards and best practices in the field.

Findings and Recommendations

Finding 1 - Portions of Mare Island have been designated as national, state, and city landmarks, including St. Peter's Chapel, Quarters A and B, and Building 46 – the Smithery.

Recommendation 1 - Every effort should be made to maintain and support these most significant historic properties on Mare Island.

Finding 2 - The extent and nature of any underlying structural issues which may threaten the preservation of St. Peter's Chapel is beyond the expertise of the Grand Jury. Experts presently disagree as to whether these windows are in imminent danger or whether it is sufficient to develop a long-term plan for their permanent preservation.

Recommendation 2 - The City of Vallejo should make public the Historic Structure Report when completed. The City of Vallejo, as the ultimate owner of St. Peter's Chapel, is responsible for its preservation and should consider all options, be they public, private, local, state or federal, to ensure that the Chapel is properly cared for and made accessible to future generations.

Finding 3 - Under existing agreements, Lennar is in the process of transferring title of St. Peter's Chapel, Quarters A and B, and Building 46, to the City of Vallejo.

Recommendation 3 - The City of Vallejo should ensure that these properties are conveyed to the City as soon as is feasible.

Finding 4 - The City of Vallejo has entered into long-term lease agreements with the Mare Island Historic Park Foundation to manage St Peter's Chapel, Quarters A and B, and Building 46, and as part of these leases, has placed the burden of responsibility for capital improvements, repairs, maintenance, and Mare Island common area project expenses and operating costs, including Community Facilities District 2002-1 assessments on the Foundation.

Recommendation 4a - The City of Vallejo should perform a financial and performance audit of the Mare Island Historic Park Foundation to determine whether the Foundation has sufficient financial resources, expertise, and staffing to continue operating and managing these historic buildings.

Recommendation 4b - The City of Vallejo should consider one or more of the following options: 1) limiting the Foundation's operation to a portion of its current activities; 2) issuing a request for proposals to locate another operator for all or a portion of the historic resources now being managed by the Foundation; 3) studying the feasibility of having certain portions of the historic properties transferred to a federal or state entity, such as the Golden Gate National Recreation Area, which may be better able to preserve, maintain, and operate these landmark properties.

Finding 5 - In many communities, including the City of Vallejo, museums and similar non-profit activities are often supported wholly or in part with public funding. Although the Mare Island Historic Park Foundation pays no rent for St. Peter's Chapel, and \$1 per year in rent for Quarters A, Quarters B, and Building 46, the Foundation must nevertheless pay Mare Island common area project expenses, operating costs, and assessments to the City, amounting to over \$150,000 per year.

Recommendation 5 - Whether the City of Vallejo decides to continue its current arrangement with the Mare Island Historic Park Foundation or to seek another or an additional operator to maintain and operate these historical sites, the City of Vallejo should eliminate or substantially mitigate the Island operating expenses and assessments presently paid by the Foundation or by any future non-profit operator.

Finding 6 - The U.S. Navy has loaned the Mare Island Historic Park Foundation naval artifacts for display in Building 46 and other buildings on Mare Island, with the condition that the City of Vallejo be a co-borrower. The U.S. Navy has expressed concern that the Foundation is not meeting its obligations under this agreement.

Recommendation 6a - The Mare Island Historic Park Foundation should comply with the requirements of the Navy for loan of naval artifacts, including proper and prompt reporting, hiring of a full-time curator, better care and display of artifacts, and sufficient insurance.

Recommendation 6b - Should the Navy determine the Foundation is in default and require the City of Vallejo to manage the artifacts or return them to the Navy, the City should consider issuing a request for proposals for a caretaker that has the financial stability and professional experience to oversee the Museum and to care for the artifacts.

Finding 7 - The Mare Island Historic Park Foundation is dependent on volunteers and does not have adequate financial resources or professional staff to sustain its long-term objectives. Financial shortfalls are subsidized by personal loans and generous donations from a few Foundation board members. The promotion and marketing of St. Peter's Chapel and Quarters A and B as sites for weddings, receptions, social events, or sightseeing are inadequate. The general public is mostly unaware of and can not easily tour these historic sites. Once on the Island, signage to the historic properties is either non-existent or minimal. The Navy artifacts at the Museum in Building 46 are not maintained and displayed at modern museum standards.

Recommendation 7a - If the Mare Island Historic Park Foundation is to continue as caretaker and manager over these public trusts, it should develop realistic business and operational plans that provide for the long-term financial support necessary to maintain, preserve, and promote the historic sites. To assist the Foundation in developing these plans, it should seek assistance from other museum experts, such as the American Museum Association and its Museum Assessment Program (MAP).

Recommendation 7b - The Mare Island Historic Park Foundation should hire one or more persons, including a museum curator and staff experienced in accounting, administration, fundraising, and promotion.

Recommendation 7c - St. Peter's Chapel, Quarters A and B, and the Museum should be accessible to the public. The Mare Island Historic Park Foundation should adopt and publicize when these historic sites are open to the public.

Recommendation 7d - The Mare Island Historic Park Foundation should improve the marketing of St. Peter's Chapel, Quarters A and B, and the Museum.

Recommendation 7e - The City of Vallejo should work with Lennar and the Mare Island Historic Park Foundation to ensure that there is better signage directing visitors on the Island to St. Peter's Chapel, Quarters A and B, and the Museum.

Recommendation 7f - The Mare Island Historic Park Foundation website should be expanded to include specific information on St. Peter's Chapel, the Quarters, and the Museum, including reservation information for the Chapel and the Quarters, and hours of operation for the Museum.

Finding 8 - The City of Vallejo and the Mare Island Historic Park Foundation are required to carry specific insurance coverage for the historic properties on Mare Island and for the naval artifacts on loan from the Naval Historic Center.

Recommendation 8 - The City of Vallejo should evaluate the insurance coverage currently maintained by the Mare Island Historic Park Foundation and by the City to ensure that there is sufficient coverage for the historic buildings and the naval artifacts.

Finding 9 - Under the agreement between the City of Vallejo and the Mare Island Historic Park Foundation relating to the loan of naval artifacts, the City must appoint one or more representatives to serve as ex-officio members on the Foundation's board of directors. The representatives appointed by the City, have seldom, if ever, attended the Foundation meetings.

Recommendation 9 - The ex-officio member or members appointed by the City of Vallejo should attend meetings of the Mare Island Historic Park Foundation on a regular basis.

Comments

Volunteers have worked diligently to establish the Museum and to tell the story of the Shipyard. However, without a full-time curator to direct Museum operations, the Museum's potential and the Foundation's goals can not be met. Unless the Foundation is willing and able to meet the Navy's requirements, the Foundation is at risk of having the Navy remove the naval artifacts from the Foundation and the City of Vallejo. Since the Foundation's main focus and the

majority of its financial resources have gone into establishing a museum on the Island, the future of the Foundation and the other historic buildings under its care are also at risk.

The Navy transferred St. Peter's Chapel and Quarters A and B in "as is" condition. The Grand Jury believes the Foundation volunteers have done a good job in their attempts to keep these buildings clean and in performing basic maintenance. However, it is clear from various reports and expressions of citizen concern that these buildings, in particular the Chapel, need a comprehensive plan for both use and preservation. Special care must be taken to ensure that the Tiffany stained glass windows suffer no further damage due to either demolition work or neglect. The Grand Jury can only hope that the Historic Structure Report, commissioned by the City and the Vallejo Architectural Heritage and Landmarks Commission, when completed, will provide the City with valuable information as to the present condition and future needs of the Chapel. The City's Preservation Ordinance requires the owner of any landmark within the Historic District to keep in good repair all exterior portions and all interior portions whose maintenance is necessary to prevent deterioration and decay of any exterior architectural feature. The City, as intended and as ultimate owner of the Chapel, must take full responsibility for capital improvements and major repairs for this city, state, and national landmark and Mare Island treasure.

The Foundation's operational plan states one of the Foundation's missions is to obtain one or more ships to be used as ship museums as a means of adding to the history of the Island, increasing tourism and as a result increasing revenue to make the Foundation financially stable. The Foundation continues to expend time and money on its efforts to acquire a ship or ships, in the hopes that a ship will bring in substantial dollars as a tourist draw. While a ship would most likely increase tourist activity on the Island, the Grand Jury is concerned that the Foundation first be fiscally and administratively capable of managing the historic sites and artifacts under its present agreements prior to assuming such a huge undertaking. The Grand Jury is aware of several groups that desire to have a naval ship or ships docked at Mare Island. The Grand Jury would hope all of these groups find common ground to pool their resources to accomplish their objective.

During the final stages of its investigation, the Grand Jury noted with interest a newspaper report indicating that the responsibility for five historic lighthouses in the Bay Area, which had outlived their functional usefulness, was being transferred from the U.S. Coast Guard to the National Park Service, to be included within the Golden Gate National Recreation Area. A similar arrangement might be an appropriate means for ensuring the long term preservation of St. Peter's Chapel and Quarters A and B.

Affected Agencies

- City of Vallejo – City Council
- City of Vallejo – City Manager
- Vallejo Architectural Heritage and Landmarks Commission
- Mare Island Historic Park Foundation

Courtesy Copy

Lennar Mare Island LLC
Vallejo Naval and Historic Museum

Board of Supervisors, Silva and Kondylis
U.S. Department of Navy, Naval Historical Center,
Curator Branch

APPENDIX 1

HISTORY AND CHRONOLOGY OF EVENTS

Mare Island is located on the western edge of the City of Vallejo and within the incorporated boundaries of the City. The Island is approximately three-and-a-half miles long by one mile wide. It comprises approximately 5,250 acres of which 1,448 acres are identified for development and recreational uses, including conservation easements, with the remaining acreage being dredge disposal ponds, wetlands and submerged lands. The City has entered into agreements with Lennar to develop and acquire approximately 650 acres of the Island, much of which contains the most historically significant properties on the Island.

1854 - Establishment of Mare Island Naval Shipyard, the oldest shipyard on the West Coast

1856 - Building 46, the Smithery, the oldest building on the Island is built

1891 - Dry Dock 1, the oldest dry dock on the West Coast, is built

1900 - Officers' Quarters A and B are built

1901 - Dedication of St. Peter's Chapel, the oldest naval chapel in the United States

1906 - Island serves as evacuation center following San Francisco earthquake

1911 - Shipyard builds Navy's first aircraft landing platform on the deck of the Pennsylvania

1918 - Shipyard sets WWI record for shipbuilding speed

1930 - First submarine cruiser built on the Shipyard

1939-1944 - Shipyard reaches peak production becoming one of the busiest shipyards in the world.

1975 - Portions of the Shipyard were designated a national historic landmark and 45 buildings were marked as national landmarks.

1979 - The entire Shipyard was listed as a California state historical landmark.

1988 - Shipyard becomes second largest Navy yard in the United States.

1993 - President Clinton places the Shipyard on Base Realignment and Closure Commission list.

1994 - City adopts Mare Island Final Reuse Plan.

1995 - City adopts Mare Island Specific Plans.

1995 - Mare Island Historic Park Foundation is formed.

1996 - Shipyard closes.

1996 - Vallejo City Council names the Foundation operator of the Island's Historic District.

1997 - City selects Lennar to develop about 650 acres on the Island.

1997 - City approves an agreement with Legacy Partners to develop 120 acres. Legacy eventually backs out of the agreement.

1997 - City, Navy, Advisory Council on Historic Preservation, and California State Historic Preservation Office enter into an agreement regarding care of historic properties on the Island.

1997 - Mare Island Historic District is listed on the National Register of Historic Places.

1998 - City and Lennar sign agreement giving Lennar responsibility of leasing, property management, and marketing.

1998 - Touro University leases 200,000 square feet and holds first classes.

1998 - City and Foundation enter into an agreement for care of naval artifacts contingent on the Navy loaning the artifacts to the Foundation.

1999 - Navy entered into a loan agreement with the Foundation and the City for care and display of naval artifacts.

1999 - City entered into agreements with federal government giving the City the right to acquire title to certain real and personal property on the Island. City entered into short and long term leases for the property until such time as title is transferred to the City.

1999 - City enters into agreement with Lennar giving Lennar rights to acquire approximately 650 acres on the Island.

1999 - City of Vallejo designates Historic District as a City Historic District and 50 national historic landmark structures, buildings and landscapes as city landmarks.

1999 - City enters into a new sublease with Mare Island Golf Course and Resort to extend sublease for ten years for a total of 15 years.

2001 - City entered into agreements and subleases with Mare Island Park Foundation for use and care of St. Peter's Chapel, Chapel Park, Alden Park, Quarters A and B, Building 46, and other facilities on the Island.

2001 - City enters into an agreement with Lennar to develop acquisition property.

2001 - City approves three-way environmental services agreement that will bring \$81.6 million to the City from the Navy. This agreement put cleanup of the biggest commercial portion of the Island in private hands instead of waiting for Navy scheduling and congressional funding. Lennar became responsible for cleanup of its 680 acre portion.

2002 - Federal government conveyed approximately 650 acres, known as the Eastern Early Transfer Parcels, to the City. The City in turn conveyed these parcels to Lennar to develop for housing and office uses.

2002 - City and Lennar entered into an agreement for City to occupy and sublease specific properties acquired by Lennar including St. Peter's Chapel, Chapel Park, and Alden Park.

2002 - City formed Community Facilities District 2002-1 requiring landowners to pay for infrastructure on the Island.

2002 - Weston Solutions takes ownership of approximately 3,000 acres on the Island's west end to reopen dredge ponds.

2003 - Three of nine investigation areas, representing 225 acres, have received environmental clearance.

2003 - City approves first 466 of 1,400 homes to be built on the Island.

2004 - Navy loan to Foundation and City for use of naval artifacts expires. Navy performs a site tour of the artifacts and informs Foundation that the Foundation is not in compliance with federal guidelines for care of artifacts.

2005 - Reports commissioned by Lennar and the Foundation regarding the condition of St. Peter's Chapel and the stained glass windows are issued.

2006 - City, Lennar, and Weston Solutions enter into a settlement agreement for dredge pond activities, including Lennar agreeing to donate \$250,000 to the Foundation for preservation of St. Peter's Chapel or other historic properties.

2006 - City, in coordination with the Vallejo Architectural Heritage and Landmarks Commission, orders a Historical Structures Report on St. Peter's Chapel. Report has not yet been received.

2006 - Lennar completes environmental cleanup of more than half of its portion of the Island.

2006 - Vallejo City Unified School District relocates its administrative offices to the Island.

2006 - Touro University seeks to establish a university village for the north end of the Island.

2006 - Navy sends letter to Foundation that the Foundation must perform corrective actions regarding loan of naval artifacts if the Navy is to enter into a new loan agreement.

2007 - Lennar notified the City that the California Department of Toxics Substance Control issued environmental clearance for acreage containing St. Peter's Chapel, Chapel Park, Alden Park, Quarters A and B, and that Lennar is ready to reconvey these properties to the City.

2007 - Navy re-inspects artifacts.

APPENDIX 2

During its investigation the Grand Jury reviewed the following documents:

- Mare Island Final Reuse Plan dated July 26, 1994
- Mare Island Specific Plans dated March 30, 1999 and December 9, 2005
- Memorandum of Agreement between the City, the U.S. Navy, the Advisory Council on Historic Preservation, and the California State Historic Preservation Officer dated April 1, 1997 and amendments
- Memorandum of Understanding for Artifacts between the City of Vallejo and the Mare Island Historic Park Foundation dated February 25, 1998
- Memorandum of Agreement for Economic Development Conveyance of Property between City of Vallejo and U.S. Government dated September 30, 1999 and amendments
- Lease in Furtherance of Conveyance between City of Vallejo and U. S. Government dated September 30, 1999 and amendments
- Loan Agreement for Historical Property between the U.S. Navy, the City of Vallejo, and the Mare Island Historic Park Foundation dated October 1, 1999
- Acquisition Agreement between City of Vallejo and Lennar Mare Island LLC dated December 21, 1999 and amendments
- Memorandum of Agreement and Lease Agreements for use of Historic Buildings and Property between the City of Vallejo and the Mare Island Historic Park Foundation dated April 11, 2001 and amendments
- Development Agreement between City of Vallejo and Lennar dated September 12, 2001 and amendments
- Quitclaim Deeds for Eastern Early Transfer Parcels dated March 26, 2002
- Facility Agreement for lease of City Occupied Facilities between the City of Vallejo and Lennar dated March 26, 2002
- Dredge Pond Three Party Settlement Agreement between City of Vallejo, Weston Solutions and Lennar dated January 26, 2006
- Vallejo Municipal Code Chapter 16.38 – Architectural Heritage and Historic Preservation
- Minutes of the Architectural Heritage and Historic Preservation Commission
- Insurance Certificates of the Mare Island Historic Park Foundation and the City of Vallejo
- Correspondence between the U.S. Navy, the City of Vallejo, and the Mare Island Historic Park Foundation related to care and inspection of historic artifacts
- Numerous reports and communications prepared by and submitted to the City of Vallejo regarding studies, recommendations, and complaints regarding the condition of St. Peter’s Chapel, in particular the Tiffany stained glass windows
- By-Laws of the Mare Island Historic Park Foundation
- Mare Island Historic Park Foundation’s Business Plan and Strategic Plan for Operation
- Minutes and financial statements of the Mare Island Historic Park Foundation for the period 2001 through 2006
- Mare Island Historic Park Foundation’s 2005 income tax return
- San Francisco Chronicle, February 22, 2003, p.1 (see website)
- Websites – City of Vallejo; Mare Island Historic Park Foundation; Vallejo Naval and Historic Museum; American Association of Museums
- Times-Herald Solano/Napa Almanac 2007

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