

# 1 Purpose and Need

In accordance with the Presidio Trust Act, as amended (16 USC §§ 460bb appendix), and the PTMP, the Trust is proposing to rehabilitate and reuse buildings within the PHSH district of the Presidio, to re-introduce residential uses to the district, and to undertake related site improvements. The project is intended to address the Trust's statutory requirements and the agency's mission, which is to preserve and enhance the cultural, natural, scenic, and recreational resources of the Presidio for public use in perpetuity while making the Presidio financially sustainable. This section describes the Trust, its statutory mandate, and the underlying purpose and need for the proposed action.

## 1.1 THE PRESIDIO OF SAN FRANCISCO

The 1,491-acre Presidio of San Francisco (Presidio) is one of the country's most beautiful places. Its distinctive resources include historic architecture and landscapes, unique ecological systems and rare plant communities, inviting parklands, an open shoreline, spectacular views, and varied recreational resources. Situated within the San Francisco Bay Area at the center of the 77,000-acre Golden Gate National Recreation Area (GGNRA), the Presidio attracts visitors from near and far.

A military garrison since 1776, the Presidio was designated a National Historic Landmark District (NHLD) in 1962. The Presidio contains one of our country's finest collections of military places, buildings, structures, and artifacts; its architecture represents every major period of U.S. military history since the 1850s. Archeological evidence of Native American inhabitants and early Spanish and Mexican encampments complements this rich architectural heritage.

The Presidio's 770 buildings total approximately 6.1 million square feet and include an array of offices, warehouses, workshops, and residences; over 450 buildings are historic and contribute to the Presidio's NHLD designation. Residential structures include large single-family homes and duplexes, as well as apartment complexes and barracks. The Presidio has facilities and amenities that serve residents, park visitors, and non-residential tenants that include a mix of non-profit and for-profit organizations. The Presidio has its own electric distribution, telecommunication, water, wastewater collection, storm drain, and refuse collection systems and services. The Trust also operates a park shuttle to supplement local and regional transit services.

Dramatic headlands, a favorable climate, rich soils, water resources, and protected open space have contributed to the Presidio's rich biological diversity. Remnant native plant communities preserve rare and endangered plant species and provide valuable wildlife habitat. In addition, the magnificent 300-acre Presidio forest defines the Presidio and sets the park apart from the adjacent city. A planned system of trails, bikeways, and overlooks will improve the visitor experience and enhance recreational opportunities while protecting the park's natural resources.

## 1.2 FROM MILITARY POST TO NATIONAL PARK

The Presidio's transition from military post to national park began in 1972 when Congress provided that the Presidio would become part of the GGNRA if the military ever declared the post superfluous to its needs. Congress designated the Presidio for closure in 1989, and in 1994 the U.S. Army transferred its jurisdiction to the National Park Service (NPS).

In 1994, during the transition from post to park, the NPS adopted a plan for the Presidio's use and management known as the General Management Plan Amendment (GMPA). As part of the GMPA, the NPS prepared the Presidio Building, Leasing and Financing Implementation Strategy, which estimated annual operating costs to be \$40 million and capital improvements to be in excess of \$500 million. According to the NPS plan, these costs would be funded by a combination of leases and operating agreements, U.S. Treasury and/or private sector resources, a continuing annual congressional appropriation of between \$16 and \$25 million, and philanthropic funds. The GMPA cost estimates indicated that the Presidio was by far the most expensive park managed by the NPS and far more expensive than Congress was willing to support over time. Congress therefore created a new agency charged with improving, protecting, and maintaining the Presidio by using the park's built resources to generate revenue to support the park.

## 1.3 THE PRESIDIO TRUST AND ITS MANDATE

In 1996, Congress passed the Presidio Trust Act (16 USC §§ 460bb appendix) and established the Presidio Trust, which assumed jurisdiction over the interior 1,100 acres of the Presidio (Area B) on July 1, 1998; the NPS retains control over the coastal areas (Area A). Congress also directed the Trust to become financially self-sufficient by 2013, at which time annual federal appropriations would end.

Congress provided the Trust with the necessary tools to achieve its mission. The Trust is a wholly-owned federal government corporation that may generate and retain revenue, lease real property within Area B, make loans, and provide loan guarantees to encourage the use of non-federal funds by third parties to invest in the repair and rehabilitation of the Presidio's historic buildings and infrastructure.

The Trust is governed by a seven-person Board of Directors. Six members are appointed by the President of the United States, and the seventh is the Secretary of the Interior or the Secretary's delegate. The Trust is managed by an executive director and a professional staff with expertise in real estate leasing, finance, development, property management, park stewardship, and natural and cultural resource protection and management.

Since the Trust began operations in 1998, the budget needed to operate, maintain, and enhance the park has borne out the initial estimates of the high costs and complexity of managing the Presidio. In the first years of operation, the Trust focused on upgrading the Presidio's aging infrastructure and rehabilitating the Presidio's most reliable source of revenue – its housing. The Trust also recognized the need to capitalize on a strong real estate market by negotiating long-term leases for several key buildings. In 1998, the Trust began the process to lease a 23-acre site in the Presidio's Letterman district, and in 2002

signed a lease with Letterman Digital Arts Ltd. (LDA) to redevelop the obsolete Letterman Hospital and research center as a digital arts campus.

In addition to the LDA project, the Trust attempted to undertake other rehabilitation and leasing projects, including the PHS. Many members of the public criticized these early projects for departing from the NPS GMPA. The NPS plan was not constrained by the need to make the park financially self-sufficient, and it did not provide the necessary flexibility to respond to the realities of the real estate market, which are now an important factor in how the Trust must manage the park.

In August 2002, after two years of extensive planning, agency and public input, and public review, the Trust adopted a new management plan for Area B. The Presidio Trust Management Plan (PTMP) provides a general policy framework that balances the preservation of open space and other park resources with building uses that support both the financial needs of the park and the goal of serving the public. The PTMP also emphasizes that the Trust's financial challenge cannot be understood apart from the mandate to preserve and enhance the park. The financial goals and requirements are not an end in itself, but rather the means to achieve the goal of preserving historic, natural, scenic, and recreational resources.

For more than two years, while preparing the PTMP, the Trust did not undertake any long-term leases. Now that the PTMP has been adopted, the Trust must resume long-term leasing, which is critical to the Trust's ability to rehabilitate its historic structures and to meet its congressionally set financial goals. The Trust must attract tenants and investors with the capacity and expertise to assume the substantial costs of rehabilitating and reusing key Presidio buildings. To that end, the Trust must negotiate long-term leases that are beneficial both to investors and to the park.

## 1.4 PURPOSE AND NEED FOR THE PROPOSED ACTION

The purpose of the proposed PHS project is (1) to rehabilitate and reactivate the severely deteriorating historic buildings within the PHS district, particularly the hospital building; (2) to protect the NHL and other historic and cultural resources; (3) to address the health and safety risks to the Presidio and surrounding city neighborhoods from dilapidated and largely vacant buildings within the project site; (4) to improve the unsightly appearance of the existing unimproved landscapes within the project boundary; and (5) to generate revenue for the long-term enhancement of other Presidio resources, and for ongoing operation of the Presidio as a national park site. These purposes and the related need for the proposed action are discussed in more detail below.

### 1.4.1 Rehabilitate and Reactivate Deteriorated and Unoccupied Historic Buildings

The dilapidated and vacant buildings on the project site pose both a land use and an aesthetic concern. The hospital building is entirely vacant and has been little used for about 20 years. Today, the building is fenced off and its surroundings are either overgrown with weedy vegetation or lacking vegetation. The building's broken windows and dilapidated condition are obvious to the passerby. Many of the other

buildings in the PHS district are also unoccupied, some are currently boarded up, and most appear abandoned. Vacant buildings are subject to slow deterioration as well as vandalism and destruction of historic building materials. The magnitude of such destruction within the main hospital building can be seen on its interior (Figure 2) or by comparing its current condition to the conditions during a walk-through inspection by the U.S Army and the NPS in 1994 (NPS 2004a).

The project site's abandoned appearance is incompatible with its park setting. Trust staff members are often asked by members of the public to explain the visibly poor condition of the buildings such as the boarded-up houses on Wyman Avenue, which can be seen from Park Presidio Boulevard and to a lesser extent from nearby Mountain Lake Park. The appearance of the entire south end of the PHS district strikes most visitors as jarring. The overwhelming sense of decay and deterioration contrasts dramatically with scenic views to the west, natural areas to the west and north, and well-kept residential neighborhoods to the south.

#### **1.4.2 Protect the NHL and Other Historic and Cultural Resources**

The Presidio was designated a NHL in 1962, and the designation was updated in 1993. According to the 1993 update, the Presidio's "period of significance" dates from 1776 to 1945. Buildings and features within the NHL are considered "contributing" (to the NHL) if they were constructed during this period of significance and if they retain sufficient integrity. The 20 historic buildings within the PHS district total approximately 280,000 square feet, and most were built around 1932, when an earlier hospital complex on the site was replaced.<sup>1</sup> The project is needed to protect the integrity of the NHL and to preserve and rehabilitate the contributing historic buildings.

In addition to contributing buildings, the PHS district includes other character-defining structures, objects, and landscape features that need to be protected as part of the project. These resources are varied and include some open spaces, road alignments, and building orientations. There are also known archeological resources and possible undiscovered archeological resources that may lie buried in previously undisturbed areas of the PHS district.

Section 110 of the National Historic Preservation Act (NHPA) describes the broad historic preservation responsibilities of federal agencies. Under Section 110(f), special provision is to be afforded to National Historic Landmarks like the Presidio, and agencies must "to the maximum extent possible, undertake such planning and actions as may be necessary to minimize harm" to a National Historic Landmark. Both the proposed rehabilitation of historic buildings and the proposed cultural landscape improvements are needed to meet the Trust's NHPA obligations, including Section 110(f).

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<sup>1</sup> Of these 20 buildings, 18 are being considered for reuse as part of the current project. Buildings 1451 and 1449 are not.



Windows are boarded up after excessive glass-breaking.



Surrounded by a security fence, the building and landscape grow increasingly derelict.



Graffiti mars building interiors.



Vandals regularly break in and cause considerable damage.

### **1.4.3 Address Health and Safety Risks**

Vacant and dilapidated buildings on the project site pose a health and safety risk and can be most effectively secured through rehabilitation and reuse. Vacant buildings at the site are spread out and difficult for the U.S. Park Police (USPP) – which provides the Trust’s law enforcement services – to monitor effectively. As a result, vandalism is common and unauthorized individuals regularly enter the buildings, severely vandalizing the interiors. The vandalized buildings also show evidence of illicit drug use and unauthorized occupancy by the homeless, raising health and safety concerns due to the absence of power, water, or sanitation systems. During colder weather, there is always a possibility that unauthorized occupants will set fires for warmth, increasing the risk of building damage through uncontrolled fire.

Building vandalism and other property damage can spread from vacant buildings to the areas around them. Graffiti has become more of a problem in the section of the Presidio adjacent to Mountain Lake Park and the PSHH district than in other areas of the park. Vandalism threatens the success of planned trails, trailheads, and scenic overlooks. Substantial investments in these improvements and in interpretive signs, natural areas, and landscape improvements would be unwise until nearby buildings are better secured.

The Trust and the USPP have taken and continue to take steps to reduce the incidence of break-ins and unauthorized use of vacant buildings within the PSHH district. The effectiveness of increased measures appears to have reached a plateau. Common sense suggests that activating vacant buildings or abandoned sites with residents and/or employees can improve site security and reduce vandalism, unauthorized entry, and related crime risks. Rehabilitating and activating buildings with occupants also slows or stops building deterioration.

### **1.4.4 Improve the Appearance of Existing Landscapes**

Developed areas of the PSHH district are characterized by expansive asphalt parking areas and other hardscape, limited landscape buffers, and poorly maintained vegetation that is overgrown in some areas and sparse in others. The unkempt appearance of these areas is incompatible with an actively managed urban and national park setting, and contributes to the district’s vacant and neglected aesthetic. The PSHH project is needed to improve the appearance of parking and landscape areas and make them more compatible with adjacent buildings and the NHL, and to complement planned remediation of old U.S. Army landfills, planned enhancement of natural areas, and planned construction of trails, bikeways, a trailhead, and a scenic overlook. The project is also needed to facilitate implementation of local circulation improvements, including changes to the configuration of Battery Caulfield Road intended to discourage traffic that cuts through the park, and re-creation of the tree-lined entry drive that once extended from 14th Avenue to Building 1801.

### **1.4.5 Generate Revenue for Presidio Improvements and Operations**

The proposed action is needed to generate revenue to support the long-term financial sustainability of the Presidio. Trust Act Section 104(o) requires the Trust to manage the Presidio to become permanently independent of annual federal appropriations by 2013. As federal appropriations decline annually, the Presidio becomes more dependent on other sources of funds to provide for its operating and capital needs. Lease revenues, derived primarily from the Presidio's residential and non-residential rents, are affected by economic swings. In the recent economic downturn, for example, the Trust has seen substantial declines in both non-residential and residential rents. The consensus among real estate industry analysts is that there will continue to be uncertainty in the real estate market, particularly in the non-residential area.

The buildings of the PHSH complex are one of only a few remaining opportunities to generate a significant revenue stream sufficient to support operation and enhancement of the Presidio over the long term. The proposed action is also one of only a few significant opportunities to convert non-residential to residential use, as is called for by the PTMP. Because of the inherent uncertainty about future markets and the yield from future leasing opportunities, the Trust must obtain a substantial and ongoing financial return from the buildings in the PHSH district in order to generate a stable base of residential income for the park.

Generating revenue from projects like the PHSH is also vitally important because annual appropriations to the Trust are uncertain and have been declining more rapidly than originally anticipated. The Trust's 1998 Financial Management Program (FMP) set appropriation levels considered necessary at that time. These levels have not been met, as illustrated in Table 3 below, and there is no guarantee that appropriations will continue to decline at a gradual rate given increasing demands on the federal budget.

The Presidio is a costly place to operate and maintain on a daily basis, and it has extraordinary needs for capital-intensive improvements. Despite a 25-percent reduction in Trust operating costs over the past two years, these costs are budgeted at \$38.4 million in Fiscal Year 2004 and are expected to grow steadily due to projected increased costs of security and maintenance over the next decade. In addition, necessary capital improvements to the military-post-turned-national-park were estimated at \$589 million in the PTMP. Some of these capital improvements, such as rehabilitation of a subset of the Presidio's historic buildings, will result in increased revenue. Many of the improvements, however, will not generate revenue, but are nonetheless critical to the preservation and enhancement of the Presidio as a national park. These include rehabilitating many of the Presidio's historic buildings, rehabilitating the historic forest, enhancing the Tennessee Hollow watershed, recovering the San Francisco lessingia (a federally listed endangered plant), creating or improving 49 miles of bikeways and trails throughout the Presidio, building a series of scenic overlooks such as Inspiration Point, improving Rob Hill campground, and enhancing the park's historic entries and landscapes. All of these are projects to which the Trust is committed, and all require substantial capital investments not presently available and not projected to be available in the near term unless the Trust can successfully implement some projects that do not simply pay for themselves, but also provide ongoing revenue.

Table 3. Presidio Trust Federal Appropriations, Fiscal Years 1999 to 2005 (in Millions of Dollars)

	FY1999	FY2000	FY2001	FY2002	FY2003	FY2004	FY2005
Presidio Trust Financial Management Program (FMP) Assumption	14.91	24.38	23.75	23.13	22.50	21.88	21.25
Presidio Trust Budget Request	14.91	24.40	23.75	23.13	22.50	21.88	21.25
President's Budget	14.91	24.40	23.40	22.40	21.33	20.70	20.00
Appropriation	14.91	24.40	23.40	23.13	21.33	20.70	
Less Rescission	-0.11	-0.17	-0.05		-0.14	-0.26	
Special Transportation & Defense <sup>1</sup>				1.00	1.00	0.41	1.88
Total	14.80	24.23	23.35	23.13	21.19	20.44	
Difference Between Appropriations and Presidio Trust FMP Assumption	-0.11	-0.14	-0.40	0.00	-1.31	-1.18	-1.25

Source: Presidio Trust 2004.

<sup>1</sup>Special appropriations such as "Special Transportation & Defense" are restricted in their use, and thus are not shown in the total available for park operations.

FY = Fiscal Year

The Trust has begun to address its capital investment needs in a variety of ways. For example, the Trust has implemented cost-cutting measures over the last two years, and has started a philanthropy program. These efforts alone will not nearly meet the park's financial needs, which require that the Trust look to achieving full and fair financial returns on its leasing projects. The Presidio's long-term financial future depends on generating sufficient funds for both capital expenditures and ongoing operating costs. The Presidio's necessary capital expenditures and operating costs, as well as the relationship between them, are discussed in Chapter 4 of the PTMP.

In 2003, the National Academy of Public Administration (NAPA), charged by Congress to provide an independent review of the Trust's accomplishments and challenges, identified a need to bolster the Trust's financial position in order to accommodate the funding needs of the park in the context of faster-than-anticipated declines in federal funding, likely economic down cycles, and potential increases in capital costs (NAPA 2004). NAPA suggested that the Trust capital projections, particularly those related to forest restoration and the protection and enhancement of other non-revenue generating park resources, may be understated. Therefore the need for funds may be greater than anticipated. NAPA also

underscored the importance of residential reuse as an important source of stable revenue that is less prone to fluctuations in the real estate market than commercial uses, and encouraged the Trust to take full advantage of opportunities to generate additional residential revenue.

The Trust believes that the PSHH proposed action is a proposal with revenue-generating potential, and that by generating rent by leasing buildings within the district, the Trust can make progress toward its statutory mandate and the PTMP's stated goals. Given this mandate and the PTMP's goals, the amount of revenue needed from the proposal cannot be overestimated.

## 1.5 PROJECT OBJECTIVES

The Trust has set the following specific leasing objectives for the PSHH project and has expressed the desire that these objectives be met in balance with one another. Some of these objectives are drawn from Trust Act requirements and others reflect the land use plan and policies set forth in the PTMP. The Trust identified similar objectives in the Request for Qualifications (RFQ) and Request for Proposals (RFP) issued to initiate the effort to select a private development partner for the project.

### 1.5.1 Historic Resources

The Trust seeks to preserve the historic resources in the PSHH district that contribute to the Presidio's designation as a NHLD. Preservation and rehabilitation of historic buildings within the district is an essential goal of the proposed action, as is ensuring that physical changes are compatible with the NHLD.

### 1.5.2 Revitalization and Reuse

The Trust seeks to reactivate the project site, to provide land uses that are consistent with the PTMP, and to improve the overall appearance of the area. Under the PTMP, residential use is the preferred use for Building 1801, with residential, educational, and other supporting uses elsewhere in the district. Public access to open spaces is to be preserved.

### 1.5.3 Traffic and Parking

The Trust seeks to limit traffic and parking demand related to reuse of the project site, and will require prospective tenants to participate in the Trust's transportation demand management program, which encourages alternatives to single-occupant automobile use. The proposed action must include uses or programs that limit traffic and parking demand. Program elements may include use of paratransit, public transportation support, and other incentives and disincentives.

#### **1.5.4 Financial Contribution**

The Trust must become financially sustainable over the long term, and seeks a proposal that enhances the financial viability of the Presidio. Revenues support the Trust's congressional mandate to preserve and protect the Presidio for public use in perpetuity. The Trust therefore seeks to realize substantial economic gain from the few remaining opportunities available to generate a significant revenue stream to support the operation and enhancement of the Presidio.

#### **1.5.5 Design Quality and Environmental Sustainability**

The Trust seeks high quality site planning and design, compatible with the NHLD and surrounding neighborhoods, and seeks environmentally sustainable building design, materials, techniques, and construction practices. The Trust also seeks to further a jobs-housing balance at the Presidio and to provide housing for Presidio-based employees as a way to limit energy consumption and auto trips into and out of the park.

#### **1.5.6 Natural Resources**

The Trust seeks to protect the undeveloped areas within and adjacent to the PHSB district. These areas shelter many important plant and wildlife habitats, including that of the San Francisco lessingia, a federally listed endangered plant.