4.7 PRESIDIO TRUST OPERATIONS

METHODOLOGY

This section discusses the potential impact on park management and operations due to federal appropriations declining to zero by fiscal year 2013. It also discusses the impact due to residential and non-residential leasing revenues; the cost of building replacement, rehabilitation and removal; annual operating costs; infrastructure improvement costs; the cost of transportation services, landscaping, and natural resources management; and other economic factors.

To analyze the impact, a planning financial model was developed to simulate the financial performance of each of the EIS land use alternatives and compare the financial results among the EIS alternatives. Consistent and conservative assumptions were applied to each alternative. The Financial Analysis Technical Memorandum in Appendix K, together with its attachments, describes the financial model and its results. The attachments to the Technical Memorandum include summary financial spreadsheets for each alternative and a summary of the land use and financial assumptions of the model. A more detailed explanation of (and documentary support for) the model assumptions are contained in the "Presidio Trust Implementation Plan Financial Model Assumptions and Documentation" binder (dated May 2002) at the Trust's business office.

The primary objectives of the planning financial analysis are 1) to confirm the short-term financial self-sufficiency of each alternative by 2013; 2) to estimate the time needed to reach long-term financial sustainability, an aspect of financial self-sufficiency; and 3) to compare the financial performance of the alternatives in terms of relative revenue generation capacity, time to completion of the park enhancements, and estimated time needed to achieve a stabilized financial state.

To simulate the financial performance of the EIS alternatives, the Trust provided land use, market, phasing, financing, and operational assumptions as inputs into the financial model. The Trust's economic consultant, Sedway Group, provided other market-based assumptions, such as rental and vacancy rates. All assumptions and backup rationale have been made available for public review and comment. The financial model uses the inputs described above and applies a series of calculations to test both short-term financial self-sufficiency and long-term financial sustainability for each alternative.

An alternative is considered to generate a significant impact if the alternative does not achieve short-term financial self-sufficiency by 2013 and/or long-term financial sustainability, as mandated by the Trust Act Public Law 104-333.

POTENTIAL IMPACTS

No Action Alternative (GMPA 2000)

The planning financial model projects that in Fiscal Year (FY) 2013, under the No Action Alternative (GMPA 2000), Trust operations would generate approximately $51 million in revenues and approximately $48 million in total annual operating expenses. Capital projects are estimated to be completed by about 2040 and the implementation phase at the Presidio is estimated to be completed between approximately 2050 and 2055. All projections are made in 2001 constant dollars. These data are shown in Tables 58 and 59.

The No Action Alternative (GMPA 2000) did not reach financial self-sufficiency when first analyzed as a scoping alternative. As a result of modifying the financial assumptions, most significantly by extending the time for demolition of Wherry housing units, the alternative now would meet financial self-sufficiency in the EIS analysis, but would be more marginal than some other alternatives, because it would not be able to bear modest downturns in market rents and remain financially viable and requires the longest period to complete the capital program and fully-fund reserves. If, rather than assuming the timing of Wherry Housing demolition called for in the 1994 GMPA, the demolition was phased over a 30-year period, the financial performance of this alternative would improve. (See Appendix K).

Since this alternative would reach financial self-sufficiency by 2013 (revenues would cover expenditures without need of further annual appropriations) and achieve long-term sustainability (generates sufficient revenues to meet

Table 58: Fiscal Year 2013 Financial Snapshot

Data in Millions **Constant FY 2001 dollars**	**No Action (GMPA 2000)**	**Final Plan**	**Final Plan Variant**	**Resource Consolidation**	**Sustainable Community**	**Cultural Destination**	**Minimum Management**
Total Square Feet (millions)	5.0	5.6	4.7	5.3	5.7	6.0	6.0
Cash Flow Summary							
Total Annual Revenues	$51.0	$71.9	$61.4	$62.2	$72.3	$65.0	$86.7
Less: Operating Expenses	($42.7)	($43.9)	($43.8)	($43.8)	($43.9)	($43.8)	($44.7)
Less: Programs	($2.0)	($3.5)	($2.0)	($5.0)	($5.0)	($6.0)	($2.0)
Less: Financing	($3.0)	($3.0)	($3.0)	($3.0)	($3.0)	($3.0)	($3.0)
Total Annual Operating Expenses	($47.7)	($50.4)	($48.8)	($51.8)	($51.9)	($52.8)	($49.7)
Total Annual Revenues Less Total Annual Operating Expenses (a)	$3.3	$21.5	$12.6	$10.4	$20.4	$12.2	$37.0
Financially Self-Sufficient?	YES	YES	YES	YES	YES	YES	YES
Funds Available for Capital Projects	$3.3	$21.5	$12.6	$10.4	$20.4	$12.2	$37.0
Less: Capital Costs	($3.4)	($21.5)	($12.6)	($12.7)	($22.2)	($8.2)	($37.0)
Less: Capital Replacement Set-Asides (b)	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
2013 Net Cash Flow (c)	($0.1)	$0.0	$0.0	($2.3)	($1.8)	$4.0	$0.0
Capital Projects							
Total Capital Projects	$519	$589	$614	$494	$525	$562	$479
Funded Capital Projects (as of 2013)	$255	$334	$295	$291	$330	$279	$386
Unfunded Projects (as of 2013)	$264	$255	$319	$203	$195	$283	$93
Capital Replacement Fund Deficit	($50)	($54)	($54)	($50)	($53)	($46)	($57)

Notes:

(a) Financial self-sufficiency, as required by congressional mandate, is defined for the purposes of this analysis as FY 2013 total annual revenues in excess of FY 2013 total annual operating expenses.
(b) Capital replacement set-asides begin after the implementation phase has ended.
(c) Annual negative cash flow in any given year is covered by excess cash flow available from prior years.

These models have been prepared to compare different planning alternatives. They represent an illustration of what the financial results of the planning alternatives could look like based upon specific market, timing, financing, and operational assumptions. The results should not be relied upon or interpreted as a budgetary or accounting report or as controlling future implementation plans, decisions, or actions of the Trust.

Table 59: Capital Projects, Programs, and Cash Flow Summary

Data in Years or Millions Constant FY 2001 dollars	No Action (GMPA 2000)	Final Plan	Final Plan Variant	Resource Consolidation	Sustainable Community	Cultural Destination	Minimum Management
Total Square Feet (millions)	5.0	5.6	4.7	5.3	5.7	6.0	6.0
Capital Projects							
Total Capital Costs	$519	$589	$614	$494	$525	$562	$479
Funded Projects as of 2013	$255	$334	$295	$291	$330	$279	$386
Unfunded Projects as of 2013	$264	$255	$319	$203	$195	$283	$93
Year Capital Program Completed (a)	approx. 2040	2025	approx.20 35	2030	2023	approx. 2030 to 2035	2016
Year Implementation Phase is Completed (a) (b)	approx. 2050 to 2055	2029	approx. 2045	approx.2040	2029	approx. 2040	2018
Programs							
Annual Program Expenditures (c)	($2.0)	($5.0)	($2.0)	($8.0)	($8.0)	($10.0)	($2.0)

Notes:

(a) Completion years that fall beyond the 30-year timeframe of the financial model are approximations.
(b) The implementation phase is terminated after the completion of all capital projects and the funding of all capital replacement reserves.
(c) Stabilized annual program expenses (at 2020).

These models have been prepared to compare different planning alternatives. They represent an illustration of what the financial results of the planning alternatives could look like based upon specific market, timing, financing, and operational assumptions. The results should not be relied upon or interpreted as a budgetary or accounting report or as controlling future implementation plans, decisions, or actions of the Presidio Trust.

long-term capital needs), no adverse impacts on park operations are anticipated under build-out of the No Action Alternative (GMPA 2000). A relatively low level of public programs support would be fully funded and on-going operations, capital projects and replacements would be funded over the long-term.

Building Capital Costs – The building-related capital projects (including demolition) needed to build-out the No Action Alternative (GMPA 2000) are estimated at $409 million, of which $187 million is estimated to be funded by 2013.

Infrastructure and Non-Building Capital Costs – The infrastructure and non-building capital costs under the No Action Alternative (GMPA 2000) are estimated at $110 million, of which $67 million is estimated to be completed by 2013. These include rehabilitation for utilities, telecommunications systems, roads, and grounds. Infrastructure systems are described in more detail under the Affected Environment and Environmental Consequences Utilities and Transportation and Circulation sections.

With regard to infrastructure reserves, the PTMP financial model assumes that no reserves would be funded until the entire capital program is completed, because reserve set-asides are considered less necessary on recent capital improvements.

Transportation Services – A description of the transportation services and systems under this alternative is included in the alternatives section. The PTMP financial model assumes that parking revenue will be zero, net of transit services and transportation management programs.

Operations and Staffing – Under the No Action Alternative (GMPA 2000), approximately $43 million in operating expenses and $2 million in program expenses are projected for 2013.

The PTMP financial model assumes an operating cost of $6 million annually for public safety expenses. Model assumptions regarding public safety operating expenses are based upon existing agreements with the U.S. Park Police and NPS for law enforcement, fire prevention and suppression, and emergency medical response services. Public safety staffing needs are described in more detail under the Affected Environment and Environmental Consequences Public Safety sections.

Revenues – Under the land use, market, phasing, financing, and operational assumptions of the model, revenues under the No Action Alternative (GMPA 2000) are estimated to total $51 million in 2013. The primary revenue-generating uses are office and residential space, which are estimated to generate $11 million and $17 million respectively in rental revenue in 2013.

Final Plan Alternative

The planning financial model projects that, in FY 2013 under the Final Plan Alternative, Trust operations are estimated to generate approximately $72 million in revenues and approximately $50 million in total annual operating expenditures. Capital projects are estimated to be completed by 2025, and the implementation phase at the Presidio is estimated to be completed in 2029. All projections are made in 2001 constant dollars. These data are shown in Tables 58 and 59.

With a modest decline in market rents, this alternative would be moderately negatively impacted, but less affected than the No Action Alternative (GMPA 2000). It would remain self-sufficient and sustainable, and the implementation phase would be extended by only about five years (to 2035). (See Appendix K).

Since this alternative would reach financial self-sufficiency by 2013 (revenues cover expenditures without need of further annual appropriations) and achieve long-term sustainability (generates sufficient revenue to meet long-term capital needs), no adverse impacts on park operations are anticipated under build-out of the Final Plan Alternative. A moderate level (stabilized in 2020 at $5 million annually) of public programs support would be fully funded and on-going operations, capital projects and replacements would be funded over the long-term. (See Appendix K).

Building Capital Costs – The building-related capital projects (including demolition) needed to build-out the Final Plan Alternative are estimated at $477 million, of which $265 million is estimated to be funded by 2013.

Infrastructure and Non-Building Capital Costs – The infrastructure and non-building capital costs under the Final Plan Alternative are estimated at $112 million, of which $69 million is estimated to be funded by 2013. These include rehabilitation for utilities, telecommunications systems, roads, and grounds. Infrastructure systems are described in more detail under the Affected Environment and Environmental Consequences Utilities and Transportation and Circulation sections.

Assumptions regarding infrastructure reserves are the same as under the No Action Alternative (GMPA 2000).

Transportation Services – A description of the transportation services and systems under this alternative is included in the alternatives section. The PTMP financial model assumptions regarding parking revenue, transit services, and transportation management programs are the same as under the No Action Alternative (GMPA 2000).

Operations and Staffing – Under the Final Plan Alternative, approximately $44 million in operating expenses and $3.5 million in program expenses are projected for 2013.

Model assumptions regarding operations and staffing are the same as under the No Action Alternative (GMPA 2000). Public safety staffing needs are described in more detail under the Affected Environment and Environmental Consequences Public Safety sections.

Revenues – Under the land use, market, phasing, financing, and operational assumptions of the model, revenues under the Final Plan Alternative are estimated to total $72 million in 2013. The primary revenue-generating uses are office and residential space, which are projected to generate $20 million and $24 million respectively in rental revenue in 2013.

Final Plan Variant

The planning financial model projects that in FY 2013 under the Final Plan Variant, Trust operations are estimated to generate approximately $61 million in revenues and approximately $49 million in total annual operating expenditures. Capital projects are estimated to be completed by about 2035, and the implementation phase at the Presidio is projected to be completed in approximately 2045. All projections are made in 2001 constant dollars. These data are shown in Tables 58 and 59.

With a modest decline in market rents, the Final Plan Variant would be significantly negatively impacted (but less affected than the No Action Alternative (GMPA 2000)), have slim operating margins after 2013, and have an extended implementation phase (to year 2060), but would remain financially sustainable. (See Appendix K).

Since this alternative would reach financial self-sufficiency by 2013 (revenues cover expenditures without need of further annual appropriations) and achieve long-term sustainability (generates sufficient revenue to meet long-term capital needs), no adverse impacts on park operations are anticipated under build-out of the Final Plan Variant. A relatively low level ($2 million annually) of public programs support would be fully funded and on-going operations, capital projects and replacements would be funded over the long-term. (See Appendix K).

Building Capital Costs – The building-related capital projects (including demolition) needed to build-out the Final Plan Variant are estimated at $502 million, of which $222 million is estimated to be funded by 2013.

Infrastructure and Non-Building Capital Costs – The infrastructure and non-building capital costs under the Final Plan Variant are estimated at $112 million, of which $73 million is projected to be funded by 2013. These include rehabilitation for utilities, telecommunications systems, roads, and grounds. Infrastructure systems are described in more detail under the Affected Environment and Environmental Consequences Utilities and Transportation and Circulation sections.

Assumptions regarding infrastructure reserves are the same as under the No Action Alternative (GMPA 2000).

Transportation Services – A description of the transportation services and systems under this alternative is included in the alternatives section. The PTMP financial model assumptions regarding parking revenue, transit services, and transportation management programs are the same as under the No Action Alternative (GMPA 2000).

Operations and Staffing – Under the Final Plan Variant, approximately $44 million in operating expenses and $2 million in program expenses are projected for 2013.

Model assumptions regarding operations and staffing are the same as under the No Action Alternative (GMPA 2000). Public safety staffing needs are described in more detail under the Affected Environment and Environmental Consequences Public Safety sections.

Revenues – Under the land use, market, phasing, financing, and operational assumptions of the model, revenues under the Final Plan Variant are estimated to total $61 million in 2013. The primary revenue-generating uses are office and residential space, which would generate $12 million and $25 million respectively in rental revenue in 2013.

Resource Consolidation Alternative

The planning financial model projects that, in FY 2013 under the Resource Consolidation Alternative, Trust operations are estimated to generate approximately $62 million in revenues and approximately $52 million in total annual operating expenditures. Capital projects are estimated to be completed by about 2030 and the implementation phase at the Presidio is projected to be completed in about 2040. These data are shown in Tables 58 and 59.

With a modest decline in market rents, this alternative would be negatively impacted, but less affected than the No Action Alternative (GMPA 2000). It would remain self-sufficient and sustainable, although rehabilitation of non-residential buildings would be delayed and the implementation phase would be extended by about 20 years (to between 2060 and 2065). (See Appendix K).

Since the alternative would reach financial self-sufficiency by 2013 (revenues cover expenditures without need of further annual appropriations) and achieve long-term sustainability (generates sufficient revenues to meet long-term capital needs), no adverse impacts to park operations are anticipated under build-out of existing conditions. A relatively moderate level (stabilized in 2020 at $8 million annually) of public programs support would be fully funded and on-going operations, capital projects and replacements would be funded over the long-term.

Building Capital Costs – The building-related capital projects (including demolition) needed to build-out the Resource Consolidation Alternative are estimated at $366 million, of which $208 million are projected to be funded by 2013.

Infrastructure and Non-Building Capital Costs – The infrastructure and non-building capital costs under the Resource Consolidation Alternative are estimated at $128 million, of which $83 million is projected to be funded by 2013. These include rehabilitation for utilities, telecommunications systems, roads, and grounds. Infrastructure systems are described in more detail under the Affected Environment and Environmental Consequences Utilities and Transportation and Circulation sections.

Assumptions regarding infrastructure reserves are the same as under the No Action Alternative (GMPA 2000).

Transportation Services – A description of the transportation services and systems under this alternative is included in the alternatives section. The PTMP financial model assumptions regarding parking revenue, transit services, and transportation management programs are the same as under the No Action Alternative (GMPA 2000).

Operations and Staffing – Under the Resource Consolidation Alternative, approximately $44 million in operating expenses and $5 million in program expenses are projected for 2013.

Model assumptions regarding operations and staffing are the same as under the No Action Alternative (GMPA 2000). Public safety staffing needs are described in more detail under the Affected Environment and Environmental Consequences Public Safety sections.

Revenues – Under the land use, market, phasing, financing, and operational assumptions of the model, revenues under the Resource Consolidation

Alternative are projected to total about $62 million in 2013. The primary revenue-generating uses are office and residential space, which are estimated to generate $23 and $17 million in rental revenue in 2013 respectively.

Sustainable Community Alternative

The planning financial model projects that in FY 2013 under the Sustainable Community Alternative, Trust operations would generate about $72 million in revenues and about $52 million in total annual operating expenditures. Capital projects are projected to be completed by 2023 and the implementation phase at the Presidio is estimated to be completed by 2029. These data are shown in Tables 58 and 59.

With a modest decline in market rents, this alternative would be moderately negatively impacted, but less affected than the No Action Alternative (GMPA 2000). It would remain self-sufficient and sustainable, and the implementation phase would be extended by only about five years (to year 2035). (See Appendix K).

Since this alternative would reach financial self-sufficiency by 2013 (revenues cover expenditures without need of further annual appropriations) and achieve long-term sustainability (generates sufficient revenue to meet long-term capital needs), no adverse impacts to park operations are anticipated under build-out of the Sustainable Community Alternative. A relatively moderate level (stabilized in 2020 at $8 million annually) of public programs support would be fully funded and on-going operations, capital projects and replacements will be funded over the long-term.

Building Capital Costs – The cost of the building-related capital projects (including demolition) needed to build-out the Sustainable Community Alternative is estimated at about $417 million, of which $259 million are projected to be funded by 2013.

Infrastructure and Non-Building Capital Costs – The infrastructure and non-building capital costs under the Sustainable Community Alternative are estimated at $108 million, of which $71 million are projected to be funded by 2013. These include rehabilitation for utilities, telecommunications systems, roads, and grounds. Infrastructure systems are described in more detail under the Affected Environment and Environmental Consequences Utilities and Transportation and Circulation sections.

Assumptions regarding infrastructure reserves are the same as under the No Action Alternative (GMPA 2000).

Transportation Services – A description of the transportation services and systems under this alternative is included in the alternatives section. The PTMP financial model assumptions regarding parking revenue, transit services, and transportation management programs are the same as under the No Action Alternative (GMPA 2000).

Operations and Staffing – Under the Sustainable Community Alternative, approximately $44 million in operating expenses and $5 million in program expenses are projected for 2013.

Model assumptions regarding operations and staffing are the same as under the No Action Alternative (GMPA 2000). Public safety staffing needs are described in more detail under the Affected Environment and Environmental Consequences Public Safety sections.

Revenues – Under the land use, market, phasing, financing, and operational assumptions of the model, revenues under the Sustainable Community Alternative are estimated to total $72 million in 2013. The primary revenue-generating uses are office and residential space, which are each projected to generate $22 million in rental revenue in 2013.

Cultural Destination Alternative

The planning financial model projects that in FY 2013 under the Cultural Destination Alternative, Trust operations would generate about $65 million in revenues and about $53 million in total annual operating expenditures. Capital projects are projected to be completed between about 2030 and 2035, and the implementation phase at the Presidio is estimated to be completed in about 2040. These data are shown in Tables 58 and 59.

With a modest decline in market rents, this alternative would be negatively impacted, but less affected than the No Action Alternative (GMPA 2000). It would remain self-sufficient and sustainable, although rehabilitation of non-residential buildings would be delayed, and the implementation phase would be extended by about 20 years (to year 2060). (See Appendix K).

Since this alternative would reach financial self-sufficiency by 2013 (revenues cover expenditures without need of further annual appropriations) and achieve long-term sustainability (generates sufficient revenue to meet long-term capital needs), no adverse impacts to park operations are anticipated under build-out of existing conditions. A relatively high level (stabilized in 2020 at $10 million annually) of public programs support would be fully funded and on-going operations, capital projects and replacements will be funded over the long-term.

Building Capital Costs – The cost of building-related capital projects (including demolition) needed to build-out the Cultural Destination Alternative is estimated at $443 million, of which $200 million is projected to be funded by 2013.

Infrastructure and Non-Building Capital Costs – The infrastructure and non-building capital costs under the Cultural Destination Alternative are estimated at $121 million, of which $78 million is projected to be funded by 2013. These include rehabilitation for utilities, telecommunications systems, roads, and grounds. Infrastructure systems are described in more detail under the Affected Environment and Environmental Consequences Utilities and Transportation and Circulation sections.

Assumptions regarding infrastructure reserves are the same as under the No Action Alternative (GMPA 2000).

Transportation Services – A description of the transportation services and systems under this alternative is included in the alternatives section. The PTMP financial model assumptions regarding parking revenue, transit services, and transportation management programs are the same as under the No Action Alternative (GMPA 2000).

Operations and Staffing – Under the Cultural Destination Alternative, approximately $44 million in operating expenses and $6 million in program expenses are projected for 2013.

Model assumptions regarding operations and staffing are the same as under the No Action Alternative (GMPA 2000). Public safety staffing needs are described in more detail under the Affected Environment and Environmental Consequences Public Safety sections.

Revenues – Under the land use, market, phasing, financing, and operational assumptions of the model, revenues under the Cultural Destination Alternative are projected to total $65 million in 2013. The primary revenue-generating uses are office and residential space, which are estimated to generate $21 and $18 million respectively in rental revenue in 2013.

Minimum Management Alternative

The planning financial model projects that in FY 2013 under the Minimum Management Alternative, Trust operations would generate about $87 million in revenues and about $50 million in total annual operating expenditures. Capital projects are projected to be completed in 2016 and the implementation phase at the Presidio is estimated to be completed in 2018. All projections are made in 2001 constant dollars. These data are shown in Tables 58 and 59.

This alternative has the strongest financial result and could bear modest to significant declines in market rents and still be viable. It would remain self-sufficient and sustainable, and the implementation phase, extended by only two years, would be complete by 2020. (See Appendix K).

Since this alternative would reach financial self-sufficiency by 2013 (revenues cover expenditures without need of further annual appropriations) and achieve long-term sustainability (generates sufficient revenue to meet long-term capital needs), no adverse impacts on park operations are anticipated under build-out of the Minimum Management Alternative. A relatively low level ($2 million annually) of public programs support would be fully funded and on-going operations, capital projects and replacements would be funded over the long-term.

Building Capital Costs – The building-related capital projects (including demolition) needed to build-out the Minimum Management Alternative are estimated at $376 million, of which $318 million is estimated to be funded by 2013.

Presidio Trust Operations

Infrastructure and Non-Building Capital Costs – The infrastructure and non-building capital costs under the Minimum Management Alternative are estimated at $103 million, of which $67 is projected to be funded by 2013. These include rehabilitation for utilities, telecommunications systems, roads, grounds, and special planning district projects. Infrastructure systems are described in more detail under the Affected Environment and Environmental Consequences Utilities and Transportation and Circulation sections.

Assumptions regarding infrastructure reserves are the same as under the No Action Alternative (GMPA 2000).

Transportation Services – With the exception of Doyle Drive reconstruction and improvements associated with the 23-acre Letterman project, no other major road improvements are planned. Parking would continue to be provided in currently designated areas. Existing public transit would continue with no additional transit services. The PTMP financial model assumptions regarding parking revenue, transit services, and transportation management programs are the same as under the No Action Alternative (GMPA 2000).

Operations and Staffing – Under the Minimum Management Alternative, approximately $45 million in operating expenses and $2 million in program expenses are projected for 2013.

Model assumptions regarding operations and staffing are the same as under the No Action Alternative (GMPA 2000). Public safety staffing needs are described in more detail under the Affected Environment and Environmental Consequences Public Safety sections.

Revenues – Under the land use, market, phasing, financing, and operational assumptions of the model, revenues under the Minimum Management Alternative are projected to total $87 million in 2013. The primary revenue-generating uses are office space and residential space, which are estimated to generate $32 million and $31 million respectively in rental revenue in 2013.

MITIGATION MEASURES

No mitigation required.