

**Preliminary Financial Summary of PTIP Conceptual Alternatives**

For Public Scoping  
The Presidio Trust, November 2000

<b>PTIP ALTERNATIVES FINANCIAL SUMMARY FY 2013 SNAPSHOT</b>						
<b>Data in Millions Constant FY 2001 dollars</b>	<b>Alternative</b>					
		<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>	
	<b>Existing Conditions</b>	<b>GMPA 2000</b>	<b>Resource Consolidation</b>	<b>Sustainable Community</b>	<b>Int'l Cultural Destination</b>	<b>Preliminary Preferred</b>
Total Square Feet (millions)	6.0	5.0	5.3	5.7	6.0	0.0
Square Feet Completed (1)	4.8	2.1	2.4	2.8	2.8	
<b><u>Cash Flow Summary</u></b>						
Revenues	\$86.8	\$45.0	\$59.3	\$64.9	\$67.5	
<u>Cash Carried Forward from Previous Year (2)</u>	<u>\$0.0</u>	<u>\$0.0</u>	<u>\$0.0</u>	<u>\$6.1</u>	<u>\$8.1</u>	
Cash Available in 2013	\$86.8	\$45.0	\$59.3	\$71.0	\$75.6	
Less: Operating Expenses	(\$44.8)	(\$44.0)	(\$44.4)	(\$44.3)	(\$44.4)	
Less: Programs	(\$8.0)	(\$8.0)	(\$8.0)	(\$8.0)	(\$8.0)	
<u>Less: Financing</u>	<u>(\$3.0)</u>	<u>(\$3.0)</u>	<u>(\$3.0)</u>	<u>(\$3.0)</u>	<u>(\$3.0)</u>	
sub-total	(\$55.8)	(\$55.0)	(\$55.4)	(\$55.3)	(\$55.4)	
Funds Available for Capital Projects	\$31.0	(\$10.0)	\$3.9	\$15.7	\$20.2	
<u>Less: Capital Costs</u>	<u>(\$31.0)</u>	<u>\$0.0</u>	<u>(\$3.9)</u>	<u>(\$15.7)</u>	<u>(\$20.2)</u>	
Net Cash Flow	\$0.0	(\$10.0)	\$0.0	\$0.0	\$0.0	
<b><u>Capital Projects</u></b>						
Total Capital Projects (3)	\$455	\$515	\$631	\$620	\$621	
Funded Capital Projects (as of 2013)	\$380	\$113	\$300	\$314	\$320	
Unfunded Projects (as of 2013)	\$75	\$402	\$331	\$306	\$301	
<b><u>Capital Replacement Funds</u></b>						
Scheduled Annual Capital Replacement Amount	(\$12.7)	(\$9.0)	(\$9.4)	(\$10.2)	(\$10.1)	
Capital Replacement Fund Deficit	(\$126)	(\$106)	(\$124)	(\$127)	(\$126)	
<b><u>Notes:</u></b>						
(1) Approximate square footage rehabilitated or built new. Excludes projects completed by third parties (Letterman Digital Arts Center, new lodging and new conference).						
(2) Excess cash flow from prior year used to prevent negative cash flow.						
(3) Full construction and rehabilitation.						
Preliminary Work as of : 11/13/2000 15:04						

# PRE-DECISIONAL DRAFT - FOR DISCUSSION PURPOSES ONLY

## REVENUES

### NON-RESIDENTIAL BUILDING REVENUES

- Non-Residential Building Rent
- Non-Residential Service District Charge Revenues

### RESIDENTIAL BUILDING REVENUES

- Net Residential Building Rent
- Residential Service District Charge Revenues
- Residential Utility Revenues

### NON-BUILDING/PARKWIDE REVENUES

- Appropriations
- Treasury Borrowing
- Utilities & Telecom
- Parking
- Permit and Salvage
- Special Events
- Other Parkwide
- Letterman Demolition
- Other Misc.

Other

**TOTAL REVENUES**

## EXPENSES

### CAPITAL COSTS

- Non-residential Building Capital Costs
- Residential Building Capital Costs
- Non-building Capital Items
- Program Capital Costs

### DEMOLITION COSTS

- Non-Residential Demolition Costs
- Baker Housing Demolition
- Residential Demo (except Baker)

### PARKWIDE EXPENSES

- Facilities
- Legal
- Planning
- Real Estate
- Operations
- Releasing Reserves
- Special Events
- Public Safety
- Finance and Insurance
- Programs
- Parking

### RESERVES/SET-ASIDES

- Scheduled Infrastructure and Building Reserves
- Funded Infrastructure and Reserve Deficit

### OTHER EXPENSES

- Financing
- Residential Affordability Subsidy

Misc.

**TOTAL EXPENSES**

## PTIP FINANCIAL ASSUMPTIONS

November 14, 2000

The following are the major assumptions underlying the financial model being used by the Trust to “test” the financial results of each conceptual alternative. More detailed materials explaining these assumptions will be available at the Presidio Trust no later than December 15, 2000. A snapshot of the key conclusions for the year FY2013 is provided in the Conceptual Alternatives Workbook.

### GENERAL

1. **Five Planning Areas.** The model refers to five planning areas:

- Main Post/Stables/Crissy Field
- Letterman
- East Housing
- Fort Scott
- Southwest

The Southwest contains the Public Health Services Hospital, the Presidio Forest, Presidio Hill and Lobos Creek in the vicinity of Building 1750 (Trust maintenance building).

2. **Aggregate Square Feet.** The model aggregates built or proposed square footage by potentially similar building use. Aside from existing leases, the model does not assume specific rents or occupancies for specific buildings.
3. **Standards of Measurement.** The model uses gross total square feet of buildings as originally measured by the U.S. Department of the Army and as subsequently updated by the National Park Service and Presidio Trust.
4. **Principle of Conservatism.** The model employs the principle of conservatism in formulating its financial model of the alternatives– this is, the Trust makes reasonable and prudent financial assumptions that reflect its fiduciary responsibilities as set forth in the Presidio Trust Act.
5. **Principle of Consistency.** The model employs the principle of consistency by treating like revenues and expenses in the same manner across alternatives so that the financial performance of alternatives is comparable.
6. **Financial Self-sufficiency.** Financial self-sufficiency must be achieved by fiscal year 2013 when federal appropriations end pursuant to the Trust Act (Public Law 104-333). The Trust also seeks to achieve long-term financial sustainability by generating sufficient revenues not only to support Area B operations, but also to fund adequately capital needs, capital replacement, and programs without federal appropriations, beginning in fiscal year 2013.
7. **All Figures in 2001 Dollars.** The financial analysis is in 2001 dollars to facilitate evaluation and comparison.

## REVENUES

8. **Non-residential Building Revenues.** The model assumes that Presidio tenants pay market rate rents as follows:

Best Office Space titled “Class B Office”: \$30.00 per sq.ft. annual rents, plus SDC (refer to item #14 for SDC definition) and utility charges. This rent level is based upon historical Class B rental rates in San Francisco.

Other Office Space titled “Class C Office”: \$20.00 per sq. ft. annual rents, plus SDC and utility charges. The model allocates 25% of total existing office space to this lower quality Class C Office category.

Industrial/Warehouse: \$12.00 per sq. ft. annual rents, plus SDC and utilities. This rent level is based upon current and historical industrial rental rates in San Francisco.

Retail: “Retail” is defined as those services required to support residents, businesses and visitors at the Presidio. Rents for this use are estimated to be \$18.00 per sq. ft. annual rents, plus SDC and utilities. There is no percentage rent assumed. This rent level is based upon current and historical retail rental rates in San Francisco.

Cultural/Educational: \$9.00 per sq. ft. annual rents, plus SDC and utilities. This rent level is based upon current rental rates in San Francisco for similar uses.

Recreational: \$5.10 per sq. ft. annual rents, plus SDC and utilities. This rent level is based upon current rental rates in San Francisco for similar uses.

New Lodging and Conference facilities: Rent for the lodging component is assumed to consist of ground lease payments at \$3.00 per sq.ft. annually, plus SDC and utility payments. Payment for the conference facility component is assumed to be SDC charges only. These payment levels are based upon the anticipated economics of the project, when completed. In Alternative A, the \$3.00 per square foot ground rent payment is reduced to zero in recognition of the potential use restrictions implied in the GMPA.

Rehabbed Lodging and Conference facilities: Rent for the lodging component is assumed at \$26.75 per sq. ft. annually, plus SDC payments. Payment for the conference facility component is assumed to be SDC charges only. These payment levels are based upon the anticipated economics of the project, when completed.

9. **Vacancy Rates.** The model assumes a 5% vacancy rate for both non-residential and residential buildings. These vacancy rates are typically used in most rental markets, including the San Francisco market, for estimating the financial performance of office and residential properties. *Sources: Pricewaterhouse Coopers Korpacz Real Estate Investor Survey.*
10. **Existing NPS and Trust Leases and Interim Leasing Program.** Existing non-residential National Park Service (NPS) leases and existing Trust leases in place or announced as of October 1, 2000 are included with applicable terms and conditions. When leases end, space is re-leased at then applicable market rate rents or demolished, if required, under the alternative.

11. **Letterman Digital Arts (LDA).** LDA is assumed to pay the Trust \$5 million annually in ground rent as well as SDC.
12. **Non-revenue Generating Uses.** 268,000 sq.ft. of non-residential buildings are primarily designated for Trust and NPS uses that are associated with Presidio operations, including infrastructure and utility structures.
13. **Residential Building Revenues.** Residential rents are assumed based upon current rents actually received or budgeted by the Trust for fiscal year 2001. The residential revenue figures shown are net of SDC and utility charges that are included in rent but separately indicated in the model. See attached rental rate schedule for each housing type.
14. **Service District Charge (SDC).** The model assumes the continuation of the Trust's existing SDC program. Through the SDC, tenants reimburse the Trust for the Trust's cost of providing public safety services, Presidio-wide support services, insurance, and common area maintenance. This charge most closely resembles real estate taxes and common area charges paid by tenants in San Francisco. The current applicable annual SDC rate is \$3.38 per sq.ft.
15. **Appropriations Revenue.** Federal appropriations set at \$23.4 million in fiscal year 2001, \$23.1 million in 2002, and decline every year thereafter as mandated by the Trust legislation. There are no federal appropriations assumed after fiscal year 2012.
16. **Treasury Borrowing Revenue.** The model assumes that the Trust reaches its Treasury borrowing authority limitation of \$50 million (as set in the Trust legislation) by the end of 2002.
17. **Utility and Telecommunication Revenues.** The model assumes annual net utility and telecommunication revenue factors as follows: utilities at \$0.83 per sq.ft. for non-residential buildings and \$1,260 per house or apartment for residential buildings; stabilized telecom revenues at \$1.01 per sq. ft. for non-residential buildings and \$951 per house or apartment for residential buildings.
18. **Parking Revenues.** Parking revenues are assumed to be offset by parking program expenses. The model assumes construction of one underground parking structure, funded using third-party financing.
19. **Permit and Salvage Revenue.** These revenues represent reimbursements to the Trust for plan check and permit issuance costs as well as proceeds from salvage operations.
20. **Special Events Revenues.** Special events revenues are based upon budgeted revenues for fiscal year 2001 and increase as residential and non-residential occupancies increase.
21. **Other Parkwide Revenues.** This includes one-time revenue sources budgeted for fiscal year 2001.

## EXPENSES

22. **Capital Project Funding.** All rehabilitation and new construction is completed by the Trust, except for the parking garage and new lodging and conference facilities. By undertaking funding of capital projects for non-residential and residential buildings, the Trust is able to generate more revenue and cash flow on a long-term basis, compared to entering into ground leases with third parties who secure their own financing.
23. **Non-residential Building Capital Costs.** Per sq.ft. non-residential building rehabilitation costs are based on project experience: concrete buildings at \$136 per sq. ft.; masonry buildings at \$131 per sq. ft.; wood frame (non-warehouse) at \$144 per sq. ft.; wood frame (warehouse) at \$100 per sq. ft.; and, steel at \$125 per sq. ft. An additional 10 percent was added to the resulting weighted average per sq. ft. rehabilitation cost to account for contracted engineering and architectural costs.
24. **Residential Building Capital Costs.** Capital costs associated with rehabilitation of existing residential units range from \$22.5 to \$37.7 million depending on the alternative. A rehab cost of \$50 per sq. ft. was applied to additional buildings containing dorm/SRO units in the appropriate alternatives.
25. **Non-building Capital Items.** These are Presidio parkwide improvements including utility systems, telecommunications systems, roads and sidewalks, grounds, forest and native habitat restoration. Capital costs for these items vary by PTIP alternative from \$102.9 to \$128.4 million.
26. **Program Capital Costs.** The model assumes the Trust will invest \$10 million in capital costs for program facilities.
27. **Non-residential Demolition Costs.** Costs of non-residential buildings vary by construction type: \$7.25 per sq.ft. for concrete buildings, \$5.25 per sq. ft. for wood frame buildings, and \$3.75 per sq. ft. for steel frame buildings. These costs include remediation expenses; they are based upon the Trust's actual contract bid experience and estimates from third-party sources.
28. **Demolition of Baker Beach Apartments.** Demolition costs are estimated at \$22.78 million based upon a third-party analysis and adjustment for inflation. This cost estimate includes the cost of restoring the area to a natural condition. *Source: Wherry Housing Relocation Study, Dames and Moore, 1997.*
29. **Residential Housing Demolition (except Baker Beach Apts).** Costs for residential building demolition vary by construction type: \$7.25 per sq. ft. for concrete buildings, \$5.25 per sq. ft. for wood frame buildings, and \$3.75 per sq. ft. for steel frame buildings. These costs include remediation expenses; they are based upon the Trust's actual experience and estimates from third-party sources. *Sources: Trust Facilities Department and Marshall Valuation Service Cost Manual.*
30. **Parkwide Expenses:** Certain Trust operating costs such as facilities, legal, planning, operations, and real estate peak in 2001 and later decline when the Trust's overall leasing and construction activity declines. The expenses shown in FY2013 are considered the ongoing costs of operations.
31. **Re-leasing Reserves.** Re-leasing reserves cover the costs of marketing, brokerage commissions, cleaning, and minor upgrades (e.g., paint and carpeting) that are often required when the tenancy in a space changes. Annual re-leasing reserves are estimated at approximately 1% of revenue.

32. **Special Events Expenses.** Based upon estimates provided by the Trust Operations Department.
33. **Public Safety Expenses.** Cost indicated is based upon existing agreement with the U.S. Park Police and NPS for law enforcement, fire prevention and suppression, and emergency medical response services. No long-term change in the level of service provided is assumed. *Source: Interagency Agreements with the National Park Service.*
34. **Finance and Insurance Expenses.** Includes Trust actual and estimated costs of obtaining federal loan guarantees as well as property and general commercial liability insurance.
35. **Programs Expense.** This item includes the Trust's costs of providing public programming at the Presidio, including visitor experience and education programs. Program expenses begin with \$2 million budgeted for current fiscal year 2001 and are assumed to increase to \$8 million in 2006.
36. **Parking Expense.** Parking revenues are assumed to offset parking expenses (see Parking Revenues above).
37. **Reserves.** Based upon an update of estimates contained in the July, 1998 Presidio Trust Financial Management Program.
38. **Funded Infrastructure and Reserves Deficit.** The model assumes that no reserves are funded until the entire Trust capital program is completed.
39. **Financing Expenses.** Financing expenses related to U.S. Department of Treasury loans to the Trust for capital projects. Treasury loans are calculated at interest-only for the first 15 years of each loan and then convert to a full repayment schedule over the next 15 years. The Trust's current interest rate of 6.12% is applied to all borrowings assumed in the model. *Source: U.S. Department of the Treasury.*
40. **Residential Affordability Subsidy.** The residential affordability subsidy represents costs associated with the On-Call Duty Officer's Program and Preferred Rental Program. The cost of this item varies by alternative in accordance with the number of apartments and homes available for these programs.

## TIMING OF ACTIVITIES

41. **Occupancy of Non-residential Buildings.** The priority order for non-residential building occupancy (also referred to as "absorption") assumed only for purposes of the financial model is:
  - Main Post/Letterman
  - Crissy Field
  - Fort Scott
  - East Housing
  - Southwest (PHSH)
42. **Priority of Capital Program Funding.** Capital costs prioritized to give highest funding priority to residential rehabilitation programs and then to split available capital funds between non-building capital and non-residential building rehabilitation.

43. **Demolition of Non-historic Housing.** Except for GMPA 2000 and Existing Conditions, the demolition of Baker Beach and Tennessee Hollow units is currently assumed to occur between 2011 and 2013 depending upon alternative and scenario. Baker Beach housing is not demolished in the Existing Conditions alternative. Baker Beach housing is demolished in 2003 through 2005 in the “GMPA 2000 Alternative.”

## LIMITING CONDITIONS

44. **Preliminary Nature of Financial Estimates.** The financial model results presented for the November 15, 2000 Public Scoping Workshop are preliminary and should be considered working numbers to inform participants in the scoping process. Financial models are inherently illustrative and no models, including these, should be taken as precise predictions of what will happen in the future or as a firm plan for how projects or plans would be implemented in the future. The Trust will revise these assumptions as needed based upon updated information and public feedback obtained during the scoping process.
45. **Environmental Remediation.** PTIP financial analysis excludes revenue and expenses related to environmental remediation, as a result of the separate \$100 million agreement between the U.S. Department of the Army and the Trust. Due to the technical nature of the program and its large absolute budgeted amount, it has been excluded from the PTIP financial model to facilitate comparisons among alternatives.
46. **Area A of the Presidio.** The financial analysis does not include costs or revenues associated with buildings and lands in Area A of the Presidio managed directly by the NPS.
47. **2013 Snapshot Year.** The model provides results for fiscal year 2013 in order to facilitate comparisons of each alternative’s consistency with the Trust legislation requirement for financial self-sufficiency.

## PRESIDIO RESIDENTIAL RENT SCHEDULE

For PTIP Financial Model Presidio Trust 11/00

<i>Neighborhood Name</i>	<i>Average Monthly Rent</i>
Baker Beach Apartments	\$ 2,215
Funston Queen Anne	\$ 2,900
Riley Row	\$ 2,800
Simonds Loop	\$ 4,950
Presidio Terrace	\$ 5,100
Liggett/Portola	\$ 3,800
Infantry Terrace	\$ 5,500
Wyman Terrace	\$ 4,700
Upper Portola	\$ 2,900
Sanches	\$ 2,789
Quarry	\$ 2,560
MacArthur	\$ 2,950
East Washington	\$ 3,706
West Washington	\$ 2,775
Kobbe Terrace	\$ 5,250
Ruckman	\$ 2,600
North Fort Scott	\$ 2,900
Storey Terrace	\$ 3,500