

STATEMENT OF CRAIG MIDDLETON
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SUBCOMMITTEE ON INTERIOR AND RELATED AGENCIES
COMMITTEE ON APPROPRIATIONS
UNITED STATES HOUSE OF REPRESENTATIVES

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Thank you, Mr. Chairman, for this opportunity to bring the Committee up to date on the accomplishments made at the Presidio since Congress voted to establish the Presidio Trust. I will also discuss some of the challenges that we currently face in seeking to protect the 228-year-old historic Army post, national landmark district and national park site for public use.

I am very pleased to report to you that the Presidio Trust is accomplishing the objectives – preservation, public use and financial self-sufficiency – that you set out for us in the 1996 act that established the Trust. We have rehabilitated many of the Presidio’s historic buildings for new uses, are improving access for the public by building trails and recreational facilities and expanding public programs, and are succeeding in establishing a revenue base that will eliminate the Presidio Trust’s reliance on federal appropriations for its operations by FY 2013.

Like its mandate, the Presidio is unique. No other national park can claim so strategic and dramatic a setting at this site at the Golden Gate, bounded by a great city and its residential neighborhoods on both sides, high bluffs overlooking the vast ocean on the west, and an open bay on the north. Nor does any other park contain such a vast collection of military buildings and landscapes, as well as important native plants, wildlife and natural systems, all amidst a thriving international urban center.

National interest in protecting the Presidio as a public resource has been reaffirmed several times by this Congress. A national historic landmark since 1962, the Presidio was designated a national park site by Congress in 1972 and its preservation was again mandated by Congress in 1996 as part of the Act that established the Presidio Trust. The Presidio Trust is a wholly-owned federal corporation. Members of the Board of Directors are appointed by the President of the United States. I have served on the Trust’s staff since its inception and as Executive Director since 2002.

The Trust was conceived as a federal entity uniquely designed to accomplish a dual mandate at the historic Presidio in San Francisco. The Trust would combine the best techniques of the public and private sectors to advance the public goals of enhancing and protecting the Presidio for public use and lifting from the federal taxpayer the burden of financing the ongoing operation of the park after a time certain – 15 years. The Presidio Trust was an effort by Congress to test the concept of public-private partnership, to

require increased accountability to the bottom line, and to do so in pursuit of a laudable public objective. Today, the Presidio Trust experiment is showing impressive results in each of these areas.

In order to understand the Trust's challenges and accomplishments, one must understand the condition of the Presidio when we took jurisdiction in July 1998. The Presidio is an historic military post – beautiful, strategically located, and significant in the history of three nations – but a military post nevertheless, with all of the issues that accompany the closure of a military base. The Trust inherited 800 structures from the Army, 474 of which are historic. Many of the buildings had not been occupied for years and were in serious need of immediate attention. Infrastructure throughout the park also needed to be modernized, and environmental cleanup addressed.

According to our estimates, the Presidio will require \$589 million to preserve historic buildings, upgrade landscapes and natural areas, provide public amenities – and generally bring the post up to a standard that ensures its future preservation. The Trust recognizes that most of this investment will come from the private sector. The Trust, armed with an appropriation in 1998 of just over ½ of that which had been provided just 3 years before, and that would decline each year in accordance with the law, began to tackle this array of issues.

We realized then as now that we were stewards of a magnificent piece of public property – rich in history dating to before the American republic was formed, spectacular in its setting and beauty, and situated adjacent to a great city. We set to work renovating housing, leasing it, and using the earned revenue to make early investments in infrastructure, historic buildings and in reversing the deterioration of the post's landscapes. We have succeeded in rehabilitating 170 historic buildings and many more are being protected. We have attracted key tenants that are bringing energy, money and visibility to the effort. Rather than waiting for the Army to complete a 30-year environmental cleanup, the Trust has taken over the clean up, and plans to complete it within 7 years.

Today, the Trust is generating over \$40 million in annual revenue and the park is once again a vibrant place. Over 2,000 people have chosen to make the park their home and another 2,000 people come here to work here each day at over 200 organizations. Businesses and other organizations seek out the Presidio, attracted by its location, natural beauty and historical significance. Filmmaker George Lucas is building a state-of-the-art digital technology campus on the site of an obsolete and seismically-unfit hospital building. Gordon Moore, founder of Intel, and the Walt Disney family both selected the Presidio as the best location for their family foundations. These organizations, among others, have shown their commitment to the Presidio through their willingness to invest private dollars in building rehabilitation.

The public has shown its appreciation for your protection of the Presidio by visiting in large numbers. Over 100,000 people from all over the country came to the Presidio last year to attend events and programs, to take part in a wide variety of recreational

activities, to enjoy the scenic and natural aspects of the Presidio, and to re-live time they spent here as army recruits. Memorial Day at the Presidio is the most heavily attended tribute to our veterans outside of Washington, D.C.

The Presidio is a resource for people of all ages. A child care center, children's gymnastics school and children's international dance studio are located on the Presidio, along with a senior center, venues for weddings and parties, picnic and camping facilities and trails and beaches for outside recreation. There are plans in place for 24 miles of new and improved trails for hikers and bicyclists. Five schools are already participating in the Presidio's new Kids on Trails program. Scenic overlooks will enhance the trails, with places to rest and enjoy the view. The Trust will leverage scarce federal dollars with philanthropic investment to fund the trails system.

In order to achieve these results, Mr. Chairman, the Trust has relied on two key concepts that are critical to our success – funding from Congress has allowed us to leverage resources that will help us achieve financial independence, and maintaining managerial flexibility is essential in order to respond to changes in the economy and in our organizational emphasis over time.

Let me provide some examples to illustrate these two points. In 1998, the Trust was completely reliant on federal appropriations for its operations. This Committee also authorized federal borrowing of \$50 million over a three-year period. The Trust borrowed these funds, invested them into the rehabilitation of buildings and associated infrastructure, leased the renovated buildings and is now generating over \$40 million a year in earned revenue. Without that borrowing, or the appropriations that the Trust has received over the past several years, it would have been impossible for us to have achieved this level of annual revenue.

In similar fashion, the Trust is investing capital each year into the park in an ongoing strategy aimed at generating enough cash flow to carry the Presidio forward after federal funding ends in 2013, and to ensure that the nationally-significant resources of the Presidio are protected. Early money is critical to the success of this strategy; our ability to ensure revenue in later years is highly sensitive to the levels of investment made now and in the next several years. I therefore urge your continued support – albeit for an appropriation request that declines each year – in order to keep us firmly on a trajectory that will result in financial independence.

The other key concept that I mentioned – and one that is central to the Trust Act – is flexibility. Managerial flexibility is very important in that it allows the Trust to act quickly, to change the size and composition of our workforce to meet changing needs and economic circumstances, and to take full advantage of partnerships with other organizations to do research, create public programs and preserve historic park assets. Recognizing that the economic downturn of the past two years would impact our ability to generate revenue and, therefore, sufficient capital to continue our program of restoration and financial security, Trust management moved assertively to reduce its operating expenses. Over the past two years, the Trust has cut operating budgets by a

total of 25%. We have reduced the number of Trust personnel over the same period by 33%. Without the managerial flexibility afforded us by the Trust Act, we would not have been able to make these difficult, but necessary, adjustments.

The Trust's strategy of developing partnerships with other organizations is an important aspect of our success and contracting flexibility has made this partnering feasible. Important partnerships include educational institutions such as Stanford University and the University of California, which send teams of student archaeologists to the Presidio each summer to research the historic Spanish El Presidio and interpret their findings for the public. The Trust also partners with the National Park Service and a range of non-profit educational and scientific organizations to provide expertise, volunteer help and programming. The Presidio attracts a considerable volunteer commitment of 25,000 hours a year. In FY 2003, through a partnership with the nation's foremost collector of American Flags, we offered an exhibition of the American flag, its origin and evolution and its significance as a symbol of American values and aspirations.

Mr. Chairman, the first six years of Trust stewardship over the Presidio has proven that the Presidio can be preserved for public use in a manner that minimizes cost to the American people. The Presidio Trust was a bold experiment – and it is working. At the direction of this committee, the Trust contracted this year with the National Academy of Public Administration (NAPA) to conduct an independent review of our activities, analyze our financial projections and provide recommendations. As you will hear from NAPA, the Trust can achieve financial self-sufficiency but there is little wiggle room. The Trust will complete a strategic plan this year that will provide 5-year performance targets and, as NAPA has suggested, we are developing a more robust long-term financial model that will update earlier projections and give us a useful tool with which to inform future policy decisions.

The Trust will continue to control operating costs, will invest capital in projects that preserve key historic structures and landscapes and that generate additional revenue, will persist in leveraging scarce federal dollars with ever-increasing amounts of private and philanthropic funds. We will also engage the public, work with the National Park Service to educate Americans about the roles that the Presidio has played in the history of our nation and make significant public improvements to the post.

Thank you, Mr. Chairman, and members of this committee for placing your trust in the Presidio Trust and for supporting our efforts during these critical early years. I believe we are accomplishing something unique and truly remarkable for an entity of the federal government. We are employing the combined tools of public and private sectors to accomplish a public mission in a highly visible place. Our success at the Presidio will also be your success – a wonderful legacy of American innovation in pursuit of the protection of a place that holds memories and promise for so many of our nation's citizens.