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DEPARTMENT OF THE
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Transfer of the Presidio From
the Army to the National Park
Service

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Mr. Chairman and Members of the Subcommittee:

I am pleased to be here today to discuss our report, released today, on the transfer of the Presidio Army Post of San Francisco (Presidio) to the Department of the Interior's National Park Service.¹ This work was requested by the Ranking Minority Members of the House Committee on Natural Resources and this Subcommittee, and the Ranking Minority Members of the House Committee on Appropriations and its Subcommittee on Interior.

In summary, we reported that:

- The Park Service has developed four alternatives for managing the Presidio as part of the Golden Gate National Recreation Area (GGNRA). Under its preferred alternative, the Park Service would share the Presidio's rehabilitation and operating and maintenance (O&M) costs with public and private "park partners."
- The proposed uses of the Presidio under the Park Service's preferred alternative are, in general, consistent with the stated purposes for creating the GGNRA and the Park Service.
- The costs to repair and upgrade the infrastructure, rehabilitate the buildings,² clean up the hazardous materials, and perform other transition activities at the Presidio are uncertain at this time. However, the Park Service estimates that these costs will range from at least \$702 million to \$1.2 billion or more.
- The Army and the Park Service have estimated O&M costs for the Presidio at \$45.5 million annually through fiscal year 1995. Beyond that, the Park Service estimates, on the basis of a consultant's study, that these costs will range from \$38 million to \$40 million annually through fiscal year 2010.
- A total of \$80.5 million was appropriated in fiscal years 1991 through 1993 for the Presidio's transition to a park.

¹Department of the Interior: Transfer of the Presidio From the Army to the National Park Service (GAO/RCED-94-61, Oct. 26, 1993).

²For the purposes of this testimony, building rehabilitation includes not only bringing buildings up to local health and safety codes but also such activities such as preserving, remodeling, and removing buildings and other structures; restoring historic landscapes; improving parking areas; and developing site plans.

The Park Service has assumed that future annual appropriations will not exceed \$25 million. However, the actual level of future annual appropriations needed for the Presidio cannot be estimated with any degree of certainty at this time and is contingent on such unknowns as the management alternative selected by the Park Service and the revenues generated through rental payments from tenants and philanthropic donations.

BACKGROUND

A provision in the law that created the GGNRA (P.L. 95-589) in 1972 stated that once the Presidio was determined to be excess to the Army's needs, it would be transferred to Interior as part of the GGNRA. In 1989, the Department of Defense Base Realignment and Closure (BRAC) Commission determined that the Presidio was excess to the Department of the Army's needs. However, as a result of a June 1993 BRAC Commission recommendation to keep the Headquarters Sixth U.S. Army (Sixth Army) at the Presidio, about 1,200 military and civilian personnel will remain.

The Presidio consists of 1,480 acres--780 acres of open space and 700 acres of developed areas with about 50 miles of roads. A large portion of the open space (about 290 acres) is wooded. There are 870 structures at the Presidio, of which 510 are historic or contribute to the Presidio's National Historic Landmark status.

The Presidio contains a national cemetery run by the Department of Veterans Affairs, an 18-hole golf course that was constructed in 1895, and an inactive airfield (Crissy Field). The largest structures at the Presidio are Letterman Hospital and the Letterman Army Institute of Research. The hospital now serves only as an outpatient clinic. The research institute is still operating, but at a reduced level. There is also an inactive Public Health Service Hospital located on a 36.5-acre site adjacent to the Presidio.

ALTERNATIVES FOR MANAGING THE PRESIDIO

The Park Service's draft general management plan for the Presidio was released to the public on October 19, 1993. The plan includes four alternatives for managing the Presidio--one of which the Park Service prefers. Although one of the alternatives assumes a continued military presence, none of the alternatives was revised to reflect the June 1993 BRAC Commission recommendation that the Sixth Army remain at the Presidio.

Under the Park Service's preferred alternative, the Park Service would manage the Presidio, and public and private "park partners" would occupy the buildings. The tenants would pay a portion of the costs to rehabilitate these structures, as well as a portion of the total annual O&M costs. Under this alternative, the

Park Service would remove 301 buildings, including Letterman Hospital. Park Service officials stated, however, that if a tenant could be found that was willing to pay the costs to rehabilitate the hospital, the hospital would not be removed. The Letterman Army Institute of Research would probably remain a research facility. The Park Service would also include the Public Health Service Hospital site within the park boundary. However, only the original historic structure, constructed during the 1930s, would be rehabilitated. The two wings added during the 1950s would be removed.

Under a second alternative, the Park Service would manage the Presidio as a traditional national park, giving greater emphasis to open space and recreation. The Park Service would remove 356 buildings and manage the remaining ones. The Park Service would not include Letterman Hospital or the research institute in its plans for the park, and the Public Health Service Hospital site would not be included within the park boundary.

Under a third alternative, the Park Service would manage the park with the military and park partners. Under this alternative, 152 buildings would be removed, and the Public Health Service Hospital site would be included in the park boundary. The military would continue to use Letterman Hospital, the research institute, and 800 of the 1,200 housing units.

Under a fourth alternative, the Park Service would manage the park as a public sector enclave, and the General Services Administration would be responsible for leasing the buildings. No buildings would be removed under this alternative, and the Public Health Service Hospital site would not be included within the park boundary.

The Park Service's proposed uses for the Presidio under its preferred management alternative are, in general, consistent with the stated purposes for creating the GGNRA and the Park Service. The Park Service believes, however, that additional legislation may be required to implement any of the alternatives in its draft management plan. For example, the Park Service believes that it may need to obtain authority to (1) lease structures and facilities; (2) create a nonprofit corporation with park partners to manage the leases; (3) provide capital financing tools, such as federally guaranteed loans or lines of credit; and (4) retain revenues at the GGNRA to offset O&M costs.

COSTS ASSOCIATED WITH THE TRANSFER OF THE PRESIDIO

Total one-time costs for such activities as infrastructure repair and upgrade, building rehabilitation, and environmental cleanup are estimated to range from at least \$702 million to \$1.2

billion or more, depending primarily on the alternative ultimately selected by the Park Service for managing the Presidio. (See app. I.)

The Park Service used the services of a consulting firm, Keyser Marston Associates, Inc., to determine independently how best to implement the Park Service's preferred alternative.³ In its draft report, Keyser Marston estimated costs of \$590 million for infrastructure repair and building rehabilitation, asbestos abatement, and removal of lead-based paint. Keyser Marston's estimate of the costs for infrastructure repair and building rehabilitation was lower than the estimates in the Park Service's preferred alternative (\$666.1 million to \$777.1 million) because Keyser Marston assumed that (1) large tenants would be brought in first, allowing several buildings to be rehabilitated at once (rather than one building at a time), thereby saving an estimated 20 to 30 percent in estimated building rehabilitation costs; (2) other buildings would be mothballed until tenants could be found, thereby saving the costs of maintaining the unoccupied interiors; and (3) Letterman Hospital would not be removed and would generate more revenue than it would cost to operate and maintain.

Estimated Infrastructure Repair and Upgrade and Building Rehabilitation Costs

Much of the Presidio's infrastructure--including water systems, storm and sanitary sewers, electrical systems, roads, and fire protection systems--has been in place beyond its normal life span. For example, the Presidio's 50 miles of storm sewers, which were constructed before 1920, are in need of repair and upgrade. Because some sewers have become clogged with sediment, frequent flooding occurs. The Army has estimated that \$69 million is needed for infrastructure repair and upgrade.

In addition, many buildings are in need of immediate short-term rehabilitation, such as repairs to foundation cracks and roof leaks. Army and Park Service officials have agreed that \$25 million is needed for immediate short-term rehabilitation. The Park Service has identified another \$515 million to \$1 billion in long-term rehabilitation costs under its four management alternatives.

Environmental Clean up Costs

The Army estimates that about \$78 million will be needed to clean up hazardous materials at the Presidio that present an imminent or substantial threat to health or the environment. For

³The Presidio Council, a private citizens' group, provided the funding for the Keyser Marston study.

example, friable asbestos,⁴ flaking lead-based paint, and unneeded underground storage tanks must be removed and any contamination cleaned up. The final costs to the federal government for environmental cleanup at the Presidio cannot be determined, however, until the Park Service decides how the land and facilities will be used.

Other Transition Costs

Other costs associated with the transfer of the Presidio to the Park Service include \$9.6 million for activities such as preparing the general management plan, providing visitor services, assessing building conditions, preparing guidelines for tenant use, and relocating Park Service staff. An additional \$5.7 million has been identified for capital purchases, such as fire-fighting and communications equipment.

ESTIMATED ANNUAL O&M COSTS

The Army and the Park Service have estimated O&M costs for the Presidio at \$45.5 million annually for the transition period--fiscal years 1993 through 1995. This estimate is based on the Army's historical post support level for the 5-year period ending in fiscal year 1991 and includes costs for such activities as the maintenance of facilities, fire prevention, communications, the preservation of cultural resources, property management, and administrative support.

The Park Service hired a consulting firm, Bay Area Economics, to estimate future annual O&M costs for the Presidio. In its draft report, Bay Area Economics estimated that O&M costs would range from \$38 million to \$40 million annually through fiscal year 2010.

APPROPRIATIONS AND OTHER POTENTIAL FUNDING SOURCES

For fiscal years 1991 through 1993, a total of \$80.5 million in federal funds was appropriated for the Presidio's transition to a park--\$73.5 million to Defense and \$7 million to Interior. Of Defense's \$73.5 million, \$59.5 million was allocated to repair and upgrade the Presidio's infrastructure. Of the remaining \$14 million, (1) about \$11.4 million was allocated to cover the Park Service's share of the Presidio's \$45.5 million in common O&M costs for fiscal year 1993 and (2) \$2.6 million, along with the \$7 million appropriated to Interior, was allocated to the Park Service for general management planning and transition activities.

⁴Friable asbestos is asbestos that has deteriorated to the point that it may release fibers into the air when disturbed.

In its draft general management plan, the Park Service estimated that tenants would pay for 62 to 90 percent of the building rehabilitation costs. Keyser Marston's draft report assumed, on the basis of market conditions in the San Francisco Bay area, that tenants would pay 58 percent of these costs. Both the Park Service's draft general management plan and Keyser Marston's draft report estimated that the tenants would pay a portion of the annual O&M costs. Keyser Marston also assumed that any shortfalls in appropriations or tenant payments would be made up primarily by philanthropic donations.

While the Park Service has assumed for planning purposes that annual appropriations will not exceed \$25 million, it cannot say with any degree of certainty at this time that other funding sources will meet either a substantial portion of the yearly costs to rehabilitate the Presidio's buildings or the estimated \$13 million to \$15 million shortfall in annual O&M costs. For example, both the Park Service and Keyser Marston had to make assumptions about what portion of the building rehabilitation and annual O&M costs tenants would pay, without knowing who the tenants would be or how able or willing they would be to pay. Moreover, while Park Service officials told us that they had successfully used tenant payments and philanthropic donations at other sites, such as Fort Mason in the GGNRA and Ellis Island in New York, they had not, to date, attempted anything on the scale of the Presidio.

To the extent that costs to rehabilitate the Presidio's buildings and to operate and maintain the Presidio are not met by tenant payments and philanthropic donations, they must be met by federal appropriations, or the unmet needs will be added to the Park Service's \$2.1 billion deferred maintenance and reconstruction backlog.⁵

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In summary Mr. Chairman, the proposed uses of the Presidio under the Park Service's preferred alternative are, in general, consistent with the stated purposes for creating the GGNRA and the Park Service. However, the extent to which the costs to rehabilitate the Presidio's buildings and to operate and maintain the Presidio as a part of the GGNRA will be offset by tenant payments and philanthropic donations is not known. Thus, the level of future annual appropriations needed to manage the Presidio cannot be estimated with any degree of certainty at this time. Given the costs and the potential impact of the Presidio's rehabilitation needs on the Park Service's deferred maintenance and reconstruction backlog, we believe that close oversight by the Department of the Interior and the Congress is warranted. Our

⁵See Natural Resources Management Issues (GAO/OGC-93-17TR, Dec. 1992).

report recommends that once an alternative for managing the Presidio is selected, the Park Service should establish a specific plan of action to achieve the objectives of the selected alternative. At a minimum, the plan should (1) prioritize the objectives, (2) identify their associated costs and funding sources, and (3) estimate the dates for their completion. Our report also recommends that the Secretary of the Interior periodically report the progress in achieving the plan's objectives to the appropriate congressional oversight and appropriations committees.

Mr. Chairman, this concludes my statement. I will be happy to answer any questions that you or other Members of the Subcommittee may have.

Total One-Time Costs for the Presidio

Dollars in millions

Category	Cost
Infrastructure repair and upgrade	\$69.0
Immediate short-term building rehabilitation	25.0
Long-term building rehabilitation	514.8 - 1,022.0
Environmental cleanup	77.7
Other transition costs	15.3
Total	\$701.8 - \$1,209.0

Source: National Park Service.

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