

STATEMENT OF CRAIG MIDDLETON

EXECUTIVE DIRECTOR

PRESIDIO TRUST

LITTLE HOOVER COMMISSION

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Thank you, Mr. Chairman, for inviting me to testify today about the Presidio Trust in connection with the challenges facing the California state park system. I commend you and the Commission for exploring innovative ways to sustain our important parklands in a world of fiscal constraint.

My name is Craig Middleton and I have served as Executive Director of the Presidio Trust in San Francisco since 2001. Prior to that, I worked on the legislation that established the Trust, and served as its first employee.

The Trust was developed during a time of financial restraint at the federal level. When the Base Realignment and Closure Commission announced in 1989 that the historic Presidio would be closed, a 1972 statutory provision was triggered. This provision mandated the transfer of the Presidio to the national park system. Essentially a small city, the base contained over 400 historic buildings among its 800+ structures. At the time of transfer to the National Park Service, it was projected that the Presidio would require \$1 billion in capital to rehabilitate its buildings and infrastructure. The best accounts available at the time pegged the Presidio's pre-closure operating budget at about \$70M, which, in the context of the national park system budget, was significantly higher than the operating budgets of most parks.

Established in 1776 by the government of Spain, the Presidio's history parallels that of the United States, and the Presidio was instrumental in the development of the West. The post was designated as a National Historic Landmark District in 1962 and slated for inclusion in the

national park system in 1972. Its importance as a national icon had been well established by the time the Army departed in 1994.

Responding to a clear need to preserve the Presidio and ensure its continued operation as a national site open to the American people, Congress created the Presidio Trust with a preservation goal and financial mandate, along with the managerial and financial flexibility that would be required to save and sustain the Presidio for public use.

The Presidio Trust was established as an independent federal agency in 1996 and was provided jurisdiction over most of the Presidio. In order to ensure its ability to innovate, the Trust was awarded a significant level of independence, personnel and procurement flexibility, and leasing and financial authority intended to enable and encourage the leveraging of significant amounts of private capital to accomplish the public goals of preservation and sustainability.

#### Agency Independence

Congress specified that the Presidio Trust would be structured as a wholly-owned corporation of the federal government; its board of directors would be appointed by the President of the United States, and would operate as an independent agency outside of the Department of the Interior. In order to ensure effective collaboration with the National Park Service, the law provided that the Secretary of the Interior would be a member of the board of directors. Trust budgets are submitted directly to the Office of Management and Budget (OMB), and Congress provides funding to the Trust through a specific line item independent of the budget for the National Park Service. The Trust is responsible to OMB and to four congressional committees.

#### Managerial Agility

The Presidio Trust was conceived to combine the best of all sectors – public, private and non-profit – to advance a public goal. In an effort to increase the chances of reaching financial self-sufficiency, the Trust was granted certain authorities unusual for federal agencies. The intention

was to increase the capacity to respond quickly, to compete with the private sector, to draw private investment, and to attract and retain talent.

- Trust employees are federal employees; however, the Trust is authorized to hire, promote, terminate and compensate employees with significantly more flexibility than is available to more traditional agencies.
- While the Trust is required to establish protocols for ensuring competition, the agency is not required to adhere to most federal procurement laws and regulations.
- The Trust has authority to retain revenue that is earned at the Presidio, and to reinvest it into the park. The agency is also able to retain funds across fiscal years, which has facilitated multi-year investments and financial planning.
- While the Trust cannot borrow privately, it is authorized to borrow limited sums from the federal Treasury.
- The Trust may lease Presidio facilities in a fairly flexible manner, which has aided historic preservation, brought in capital to the park, and enabled us to build a steady and sustained stream of rental revenue.
- The Trust is authorized to enter into myriad relationships and partnerships with other federal agencies and organizations in furtherance of its mission to preserve and protect the Presidio.

These authorities have allowed the Trust to be nimble and responsive. We pride ourselves on seizing opportunities as they arise, and acknowledge that our ability to do so is significantly aided by the flexibility embedded in our structure and authorizing statute.

### Seed Funding

The Trust has benefitted from commitments made and sustained by far-sighted congressional leaders who appreciated that dependable funding in early years would be essential to achieving

the Trust's ultimate independence from federal funding. Successive congresses and administrations have largely adhered to a schedule of appropriations that was established by the Trust in an early financial planning document (Financial Management Program). This has enabled the Trust to make wise investments and plan for its financial independence. This year, the Trust will achieve that independence milestone; federal appropriations for the Trust will end on September 30, 2012. Over the course of these fifteen years, the Trust has leveraged four dollars for every federal dollar appropriated, multiplying the federal investment into the Presidio.

### Partnerships

The success of the Presidio is the result of many people coming together to promote a shared objective. Conceived of as an organization that would be unique in its ability to leverage outside funding and talent, and to build partnerships for the public good, the Trust has developed relationships with tenant organizations, residents, key park support organizations, and other agencies.

Today, the Presidio hosts a community of tenant organizations and residents that sustain the park financially, have preserved key historic buildings, and offer a nucleus of daily activity. More than 3,000 people live in the park's former military housing, and more than 200 organizations have located in Presidio buildings, attracted by the Presidio's beauty and historic significance. New and refurbished recreational amenities – 14 neighborhood playgrounds, 6 ball fields, hiking and biking trails, upgraded landscapes – have brought benefits to the surrounding community of San Francisco and have helped to make the Presidio one of the area's most sought after places to live.

Our principle non-profit partner, the Golden Gate National Parks Conservancy, works to build community, raise philanthropic funds and support and deliver public programs. Our sister federal agency, the National Park Service, joins with us in an array of activities – from natural resources protection and enhancement to visitor services and interpretation. Additional key programmatic tenants include the YMCA, Bay School, Futures without Violence, San Francisco Film Society, Walt Disney Family Museum and Lucasfilm. Other tenants – restaurants, an

indoor rock climbing gym, a childrens' swim school, a spa – provide visitor amenities. The Trust has recently opened the Inn at the Presidio, and is now able to offer overnight accommodations at the Presidio. We are proud to work with these and other partners to welcome millions of people to the Presidio each year.

While building a financial foundation that would ultimately fund park operations in their entirety, the Trust and its partners have been accomplishing the most dynamic historic preservation project in the United States. Nearly three million square feet of historic buildings – equivalent to approximately five times the square footage of the California State Capitol building – have been rehabilitated and occupied. Over two-thirds of the Presidio's historic buildings have been repurposed for uses that range from film production to housing to office to wine storage. The State of California, through its State Historic Preservation Office, has been a critical partner in the preservation successes in the Presidio. The National Park Service has also played an important supporting role. Historic Preservation Tax Credits have encouraged private sector involvement in Presidio preservation, aided by the Trust's ability to offer long-term leases. Hundreds of millions of dollars in private capital has been brought to the Presidio through the leasing and preservation program.

In preserving the Presidio, an amazing diversity of landscapes was also preserved – made more remarkable by their location adjacent to a thriving urban area. These include a 300-acre historic forest first planted by the U.S. Army; natural areas hosting 13 different native plant communities, more than 330 native plant species, and over 300 bird species; and a rich collection of historic gardens. When the Presidio became a national park site, many of these landscapes and resources were highly degraded. More than half of the historic forest was in an advanced state of decline. Relic natural areas were highly impacted by adjacent development. The park's 16 special status plant species were threatened by invasive weeds and escaped horticultural species. Historic landscapes were overgrown and historic garden species were disappearing.

In 2001, the Presidio Trust and National Park Service adopted the Presidio Vegetation Management Plan, a joint effort to create a comprehensive, Presidio-wide strategy for managing

natural areas, historic forest and designed landscapes. The VMP envisioned the incremental transformation of the Presidio's landscape over several decades into one that is healthier, easier to maintain, and more beautiful. Today, nearly 30 percent of the natural area under Trust jurisdiction has been upgraded with the considerable support of our partners and volunteers.

At the Presidio, partnerships are leveraged by a dedicated cadre of volunteers who give of their time to enhance the Presidio. In 2011, 7,500 volunteers contributed 90,000 hours stewarding the Presidio's natural areas, historic forest, designed landscapes, and trails. This is the equivalent of 47 FTE of labor, with an approximate value of \$2.1 million. Volunteering in the park connects members of the public in a very direct and meaningful way with a sense of ownership and pride. Importantly, it also perpetuates a powerful theme of service that has defined the Presidio for over 200 years and will certainly play an important role going forward.

At the fifteen year juncture, I can claim with confidence that the future of the Presidio as a preserved public asset is secure. And the innovation that is the Presidio Trust is now being viewed in many quarters as offering potential lessons for cash-strapped park districts and base realignments or other redevelopments that seek to keep assets in the public domain, preserve them and sustain them financially. Organizations such as the Sydney Harbour Federal Trust in Australia, the Fort Monroe redevelopment effort in Virginia, and others have adopted or are looking closely at aspects of the Presidio Trust model.

The Trust's financial self-sufficiency requirement was a calculated gamble, but I believe that it contributed to an entrepreneurial culture that has been essential to our organizational successes.

I would suggest that some of the lessons learned at the Presidio – particularly the importance of revenue generation and retention, an entrepreneurial culture guided by a strong public mission, managerial flexibility and the benefits of partnership in leveraging funds and talent – may have applicability to challenges facing today's state park system in California.

I would be happy to engage with the Commission as to parallels between the challenges we faced at the Presidio and those you are facing now, as well as how Presidio innovations might offer some value at individual state parks or the system as a whole.

Thank you for inviting me to testify today. It is an honor to be able to share some of what we have learned at the Presidio in service to your efforts to sustain the state park system. I hope that some of what we have experienced can prove helpful to you. Like the Presidio, our state parks are public treasures that are in need of our best and most creative thinking.