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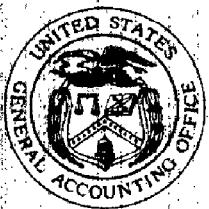
United States General Accounting Office

Report to Congressional Requesters

October 1993

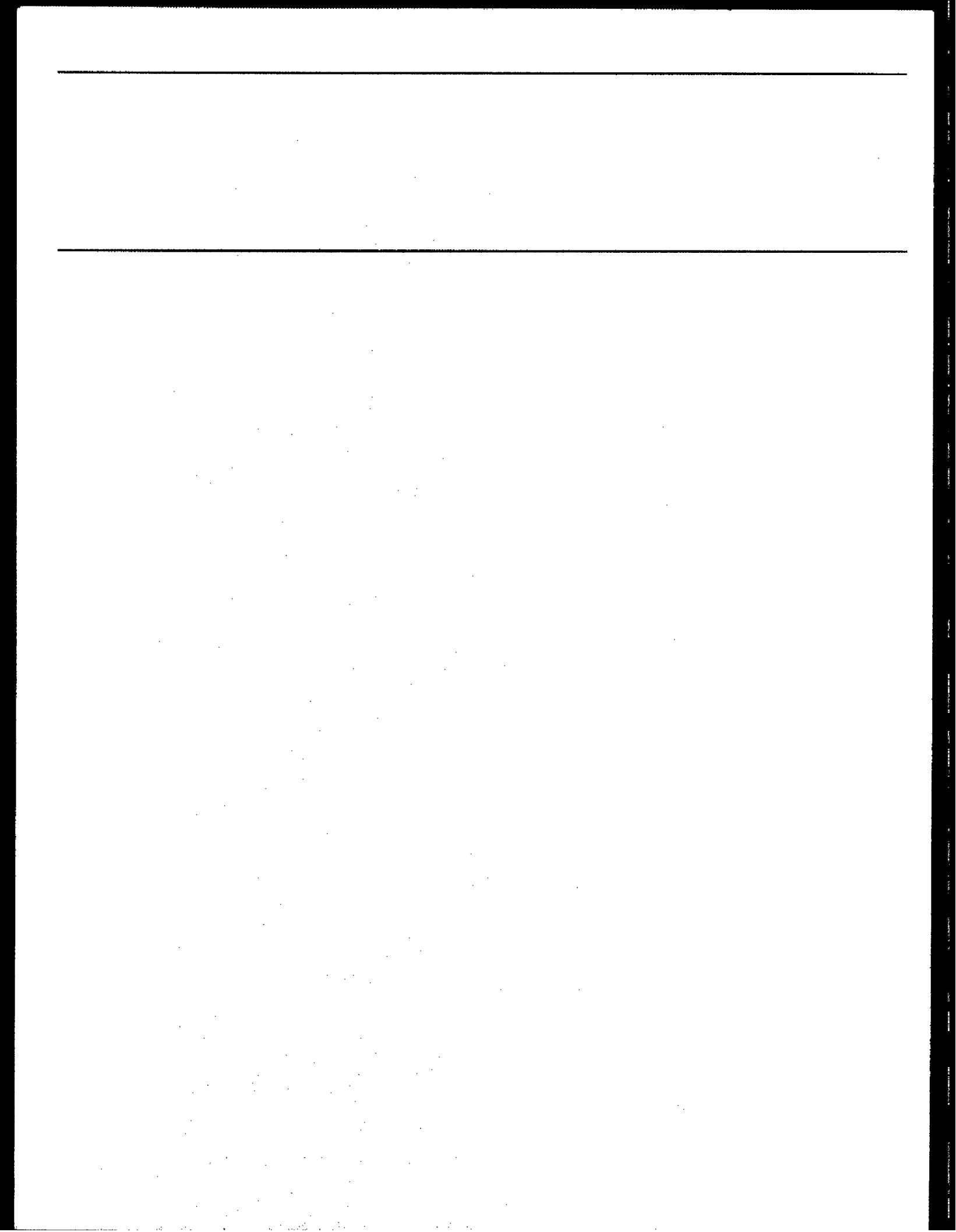
DEPARTMENT OF THE INTERIOR

Transfer of the Presidio From the Army to the National Park Service



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**Resources, Community, and
Economic Development Division**

B-255493

October 26, 1993

Congressional Requesters

Public Law 92-589, dated October 27, 1972, created the Golden Gate National Recreation Area (GGNRA) in the San Francisco Bay area in California. The Department of the Interior's National Park Service is responsible for managing the GGNRA. According to a provision of the law, once the Department of Defense determined the Department of the Army's Presidio of San Francisco (Presidio) to be excess to its needs, the Presidio's land and buildings would be transferred to Interior to become part of the GGNRA. In 1989, the Department of Defense Base Realignment and Closure (BRAC) Commission listed the Presidio as one of the military bases to be closed by September 30, 1995. Plans call for the Army mission to end at the Presidio a year earlier, on September 30, 1994.

In response to a March 9, 1993, letter and subsequent discussions with your offices, we agreed to identify (1) the alternatives that the Park Service is considering for managing the Presidio and the consistency of the uses that the Park Service has proposed with the stated purposes for creating the GGNRA and the Park Service; (2) the estimated transition costs for infrastructure (roads, sewer systems, etc.) repair and upgrade, building rehabilitation,¹ environmental cleanup, and other activities associated with the transfer; (3) the estimated annual operating and maintenance (O&M) costs; and (4) the appropriations to date, estimated future appropriations, and other potential sources of funding.

In addition, you asked us to identify the estimated value of the Presidio's land and buildings. Neither the Park Service nor the Army has formally appraised the Presidio's land and buildings. However, in 1989, the BRAC Commission listed the value of the Presidio's land at \$555 million (in 1989 dollars).

Results in Brief

The Park Service has developed a draft general management plan for the Presidio, which was released on October 19, 1993. This plan includes four alternatives for managing the Presidio, one of which the Park Service prefers. Under the preferred alternative, the Park Service would share the rehabilitation and O&M costs of the Presidio with public and private "park partners." Under this alternative, the Park Service's proposed uses for the

¹For the purposes of this report, building rehabilitation includes not only bringing buildings up to local health and safety codes but also such activities as preserving, remodeling, and removing buildings and other structures; restoring historic landscapes; improving parking areas; and developing site plans.

Presidio are, in general, consistent with the stated purposes for creating the GGNRA and the Park Service.

Infrastructure repair and upgrade, building rehabilitation, environmental cleanup, and other transition costs 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, depending primarily on the alternative that the Park Service ultimately selects for managing the Presidio.²

On the basis of the Army's historical post support level, the Army and the Park Service estimate O&M costs for the Presidio at \$45.5 million annually through fiscal year 1995. Beyond fiscal year 1995, the Park Service estimates, on the basis of a consultant's study, that O&M costs will range from \$38 million to \$40 million annually through fiscal year 2010.

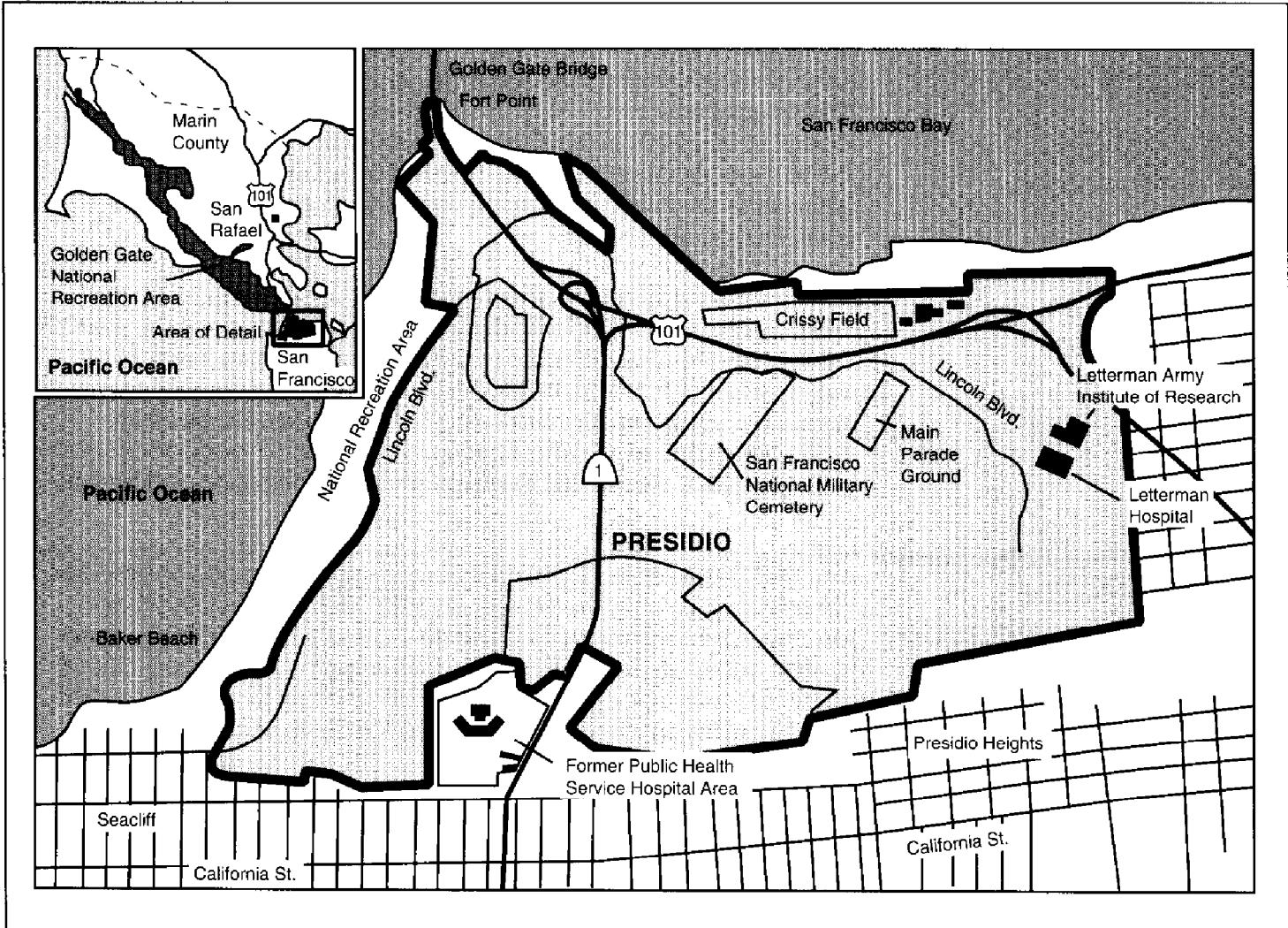
A total of \$80.5 million was appropriated in fiscal years 1991 through 1993 for the Presidio's transition to a park. The Park Service has assumed that future annual appropriations will not exceed \$25 million. However, the actual level of future annual appropriations needed for the Presidio cannot be 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

The GGNRA was created to preserve areas possessing outstanding natural, historic, scenic, and recreational value and to provide for recreational open space. The act creating the GGNRA stated that park resources should be used to provide recreational and educational opportunities and that the recreation area should be protected and preserved in its natural setting. Today, the GGNRA, which encompasses about 73,000 acres, is one of the largest urban parks in the world. It is also one of the most frequently visited national parks; in 1992, it attracted 15.3 million visitors.

The Presidio began as a Spanish military post in 1776. It was occupied by Mexican forces in 1822 and was transferred to the U.S. Army in 1850. Since 1850, it has remained an active Army post. As figure 1 shows, it is bordered by the Pacific Ocean on the west, the city of San Francisco on the south and east, and San Francisco Bay and the Golden Gate Bridge on the north.

²Unless otherwise stated, all figures identified in this report are in 1993 dollars.

Figure 1: Location of the Presidio

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.

Of the 870 structures at the Presidio, 510 are listed as historic or as contributing to the Presidio's National Historic Landmark status. The remaining 360 structures are not historic and do not contribute to the park's landmark status.

The Presidio also 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 in the Presidio are Letterman Hospital and the Letterman Army Institute of Research (LAIR). The hospital now serves only as an outpatient clinic. Inpatient services ceased in May 1993. LAIR, which was constructed in 1974, is still operating, but at a reduced level. A Public Health Service Hospital on a 36.5-acre site adjacent to the Presidio is not currently included in the land to be transferred to the GGNRA.

Following the decision to close the Presidio, in September 1990 the Departments of the Army and the Interior signed an agreement providing for the transfer of the Presidio to the Park Service. A number of subagreements followed, listing the various responsibilities of each party during the transition. 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.

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. This 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. LAIR would probably remain a research facility, and the Public Health Service Hospital site would be included 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 LAIR 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, LAIR, 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.

Under the preferred management alternative, the Park Service's proposed uses for the Presidio are, in general, consistent with the stated purposes for creating the GGNRA and the Park Service. The Park Service's mission is to preserve and protect natural and historic resources for the enjoyment of future generations. The GGNRA was created for the preservation, promotion for public use, and enjoyment of the area's natural, historical, scenic, recreational, and educational value and opportunities.

The Park Service believes, however, that additional legislation may be required to implement any of the alternatives in its draft general 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 table 1.)

Table 1: 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.

Estimated Infrastructure Repair and Upgrade and Building Rehabilitation Costs

Much of the Presidio's infrastructure—including the 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. Moreover, many of the Army's electrical power distribution facilities are in need of modernization, according to the utility company that owns 20 percent of the Presidio's electrical system. The Army has estimated that \$69 million is needed for infrastructure repair and upgrade.

In addition, many buildings need to be rehabilitated. Army and Park Service officials have agreed that \$25 million is needed to address immediate short-term building rehabilitation needs, such as foundation cracks and roof leaks. The Park Service has identified another \$514.8 million to \$1.02 billion in long-term building rehabilitation costs under the four alternatives in its draft general management plan. These costs depend primarily upon how the buildings are used in the future, how many structures remain, and whether the buildings occupied by the Sixth Army are rehabilitated.

The Park Service did not revise the four alternatives in its draft general management plan after the BRAC Commission recommended in June 1993 that the Sixth Army remain at the Presidio. It did, however, revise the estimated building rehabilitation costs under each alternative by deducting the costs associated with rehabilitating the buildings that the Sixth Army

has requested to occupy (four administrative buildings, two barracks, and 150 housing units).³ (See table 2.)

Table 2: Building Rehabilitation Costs Under the Park Service's Four Management Alternatives

Alternative	Dollars in millions	
	Estimate without Sixth Army	Estimate with Sixth Army remaining
Preferred	\$777.1	\$666.1
As a traditional park	627.9	514.8
With military and park partners	1,022.0	567.1
As a public sector enclave	897.5	817.5

Source: National Park Service.

The Park Service's rationale for deducting the costs of rehabilitating the buildings that the Sixth Army has requested to occupy is that the Army is not required to rehabilitate them. While these costs may not be incurred during the transition of the Presidio to a park, they will remain and will be incurred either if the Army decides to rehabilitate the buildings or if the buildings are put to a different use.

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.⁴ 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 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.

³While the Park Service assumed in revising its estimates that the Army would occupy 150 housing units, Army officials told us that the Army might occupy up to 325 housing units.

⁴The Presidio Council, a private citizens' group, provided the funding for the Keyser Marston study.

Environmental Cleanup Costs

The Army estimates that about \$78 million will be needed to clean up all hazardous materials at the Presidio that present an imminent or substantial threat to health or the environment. This cleanup will include (1) removing or encapsulating friable asbestos;⁴ (2) removing or encapsulating flaking lead-based paint in housing units; (3) removing all unneeded underground storage tanks and cleaning up any soil or groundwater contaminated by leaking tanks; (4) cleaning up areas contaminated by petroleum, oil, or lubricant spills and removing any contaminants that could leach into groundwater; (5) cleaning up problem landfills; and (6) properly disposing of other hazardous materials, such as polychlorinated biphenyls (PCB). 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.

The Army has designated 11 landfills on the Presidio for eventual cleanup. One of the landfills is located at the west end of Crissy Field and is one of the most contaminated areas on the Presidio. According to the Park Service, contamination from petroleum products has resulted from spills on and near the airfield hangars and from a spill at a pumping station following a 1989 earthquake that ruptured some fuel lines. In addition, emissions from traffic on an elevated highway over the airfield and sandblasting of lead-based paint on the Golden Gate Bridge have caused lead contamination.

The Army plans to remove about 209 of the Presidio's 231 underground storage tanks, most of which were used for storing diesel fuel or fuel oil for boilers. The remaining 22 tanks will be available for use by the Park Service. Underground storage tanks are a concern at the Presidio because of their age and the possibility that contaminants may leak out of them into the soil or groundwater. The Army plans to remove 92 of the 209 underground tanks by November 1993 and the remaining 117 tanks over the next several years.

Other Transition Costs

Other costs associated with the transfer of the Presidio to the Park Service include \$9.6 million for such activities as preparing the general management plan, assessing building conditions, preparing guidelines for tenant use, gathering historical information, providing visitor services, and relocating Park Service staff. Additional costs of \$5.7 million have been

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

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. The 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.

Appropriations to Date

For fiscal years 1991 through 1993, \$73.5 million in federal funds was appropriated to Defense for the Presidio's transition to a park, and another \$7 million was appropriated 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 appropriated to Defense, (1) about \$11.4 million was allocated to the Park Service 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.

Other Potential Funding Sources

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 current market conditions in the San Francisco Bay area, that tenants would pay 58 percent of these costs. Both the draft general management plan and the draft Keyser Marston report estimated that the tenants would pay a portion of the annual O&M costs.

In its draft report, Keyser Marston estimated significantly lower building rehabilitation costs than the Park Service because it assumed that (1) large tenants would be brought in quickly and (2) Letterman Hospital would not be removed and would generate more revenue than it would cost to operate and maintain. This net revenue would then be used to rehabilitate other buildings. In addition, Keyser Marston assumed that any shortfalls in appropriations or tenant payments would be made up primarily by philanthropic donations.

Future Appropriations

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 the 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

Conclusions

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 Park Service proposes to rehabilitate the Presidio's buildings and to operate and maintain them

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

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.

Recommendations to the Secretary of the Interior

Once an alternative for managing the Presidio has been selected, we recommend that the Secretary of the Interior direct the Director of the National Park Service to establish a plan of action to achieve the objectives of the selected alternative. At a minimum, this plan should (1) prioritize the objectives, (2) identify their associated costs and funding sources, and (3) estimate the dates for their completion. We also recommend that the Secretary periodically report the progress in achieving the plan's objectives to the appropriate congressional oversight and appropriations committees.

Agency Comments

We discussed the contents of this report with officials from the Department of the Army and the Department of the Interior, including the Project Manager of the Army's BRAC Commission Office and the Assistant to the Assistant Secretary for Fish, Wildlife, and Parks. These officials agreed with the factual information concerning the various cost estimates and alternatives for managing the Presidio. However, as agreed, we did not obtain written agency comments on a draft of this report.

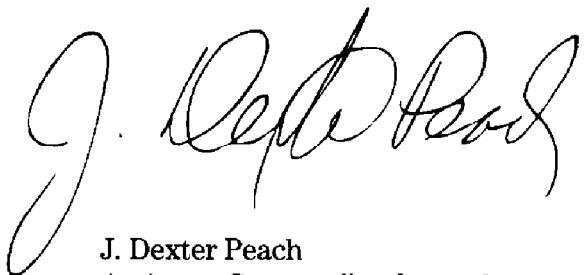
Scope and Methodology

We conducted our review from May to October 1993 in accordance with generally accepted government auditing standards. In conducting our review, we met with officials from the Department of the Army; the Department of the Interior's National Park Service and Solicitor's Office; and California's Environmental Protection Agency. We also met with officials from the Park Service's Presidio Planning and Transition teams and with representatives from Keyser Marston Associates, Inc. We reviewed numerous Army and GGNRA studies, plans, and other documents, including several earlier versions of the draft general management plan. Because the final draft of this plan was released on October 19, 1993, we did not have time to review it in detail. However, a cursory review did not reveal any significant differences between the final draft version and the previous draft. We also reviewed various public laws and toured the

Presidio. Although we did not independently verify the data we obtained from the agencies, we worked closely with responsible agency officials to ensure the accuracy of the cost figures.

As agreed with your offices, unless you publicly announce its contents earlier, we plan no further distribution of this report until 15 days from the date of this letter. At that time, we will send copies to the Secretaries of Defense, of the Army, and of the Interior, and to the Director, National Park Service. We will make copies available to others upon request.

This report was prepared under the direction of James Duffus III, Director, Natural Resources Management Issues, who may be reached at (202) 512-7756 if you or your staff have any questions. Other major contributors to this report are listed in appendix I.

A handwritten signature in black ink, appearing to read "J. Dexter Peach".

J. Dexter Peach
Assistant Comptroller General

List of Requesters

The Honorable Joseph M. McDade
Ranking Minority Member
Committee on Appropriations
House of Representatives

The Honorable Don Young
Ranking Minority Member
Committee on Natural Resources
House of Representatives

The Honorable Ralph Regula
Ranking Minority Member
Subcommittee on Interior
Committee on Appropriations
House of Representatives

The Honorable James V. Hansen
Ranking Minority Member
Subcommittee on National Parks,
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