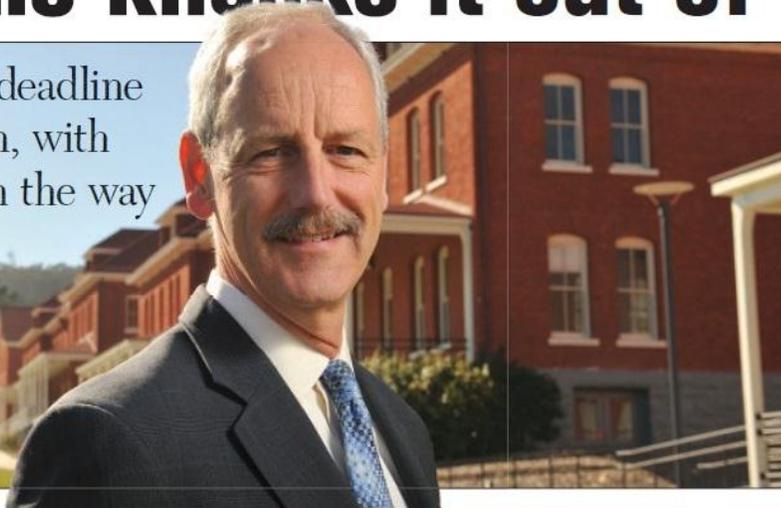


Presidio knocks it out of the park

Trust meets deadline to break even, with more cash on the way

SPENCER BROWN



BY RENÉE FROJO
San Francisco Business Times

The Presidio Trust is finally fending for itself financially, bringing in nearly \$90 million per year in revenue.

Nearly two decades ago, Congress agreed to turn the Presidio — a former army base — into a national park, under the condition that it become self-sufficient by fiscal 2013. If it didn't, it would be put up for sale, "which would have been a huge loss for American citizens and residents of San Francisco," said Mike Rothman, the trust's chief financial officer.

The trust's revenue now exceeds

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"We have demonstrated to Washington that their trust was well placed," says Craig Middleton of the Presidio Trust.

PRESIDIO: Trust meets deadline to break even as projects start to pay off

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expenditures, and several future projects promise to bring a continued stream of new income.

"This year is a huge and important milestone" for the Presidio, said Executive Director Craig Middleton. "I think we have demonstrated to Washington that their trust was well placed."

Indeed, revamping the formerly rundown army base with nearly 6 million square feet of buildings and 433 historic structures has been extensive and expensive, with 80 percent of the historic buildings rehabilitated so far. But the trust has actually been covering its operating costs since 2004 and making a slight profit for the past three years.

Still, through last September — which marked the end of the Presidio's previous fiscal year — the trust was relying on federal appropriations to supplement its net operating income. Last fiscal year alone, it received \$12 million from the government to help with numerous costly capital projects.

However, government funds have been a fraction of what the trust has brought in from rents and other funding sources, such as philanthropy. Over the past decade, revenue from rents and tenant investments in the Presidio, such as Lucasfilm's redevelopment of the old

Letterman Hospital into the Letterman Digital Arts Center, have totaled \$1.2 billion — more than four times the federal investment made during the same period.

Those funds have been funneled into various projects — rehabilitated historic buildings turned into offices, housing, an inn and restaurants — that have successfully led the trust to develop a steady stream of dependable revenue from the rents that companies and residents pay.

"This is an incredible accomplishment that many people thought would be hard to achieve," said Greg Moore, executive director of Golden Gate National Parks Conservancy, one of the park's major private donors that has contributed more than \$100 million over the past decade to the Presidio to help with restoration and conservation efforts. "Yet here we are, having accomplished a very unique mandate for a park site."

But such development efforts didn't come without challenges. For example, the trust and Gap founder Donald Fisher struggled for years to build a contemporary art museum in the Presidio's Main Post and failed. It also received significant pushback when it sought to turn the old public health hospital into luxury apartments.

Despite the challenges, the Presidio

Trust has managed to grow its operating income by more than \$10 million since 2009 to \$89.5 million last year.

According to Middleton, the trust has prioritized projects that would generate the most income, including renovating the park's 1,200 residential housing units and securing several businesses such as the San Francisco Film Centre and the Disney Family Museum.

Generating roughly \$43 million last year, housing has proved to be the greatest revenue driver for the park. Units are at 97 percent occupancy and rents are at market rates, ranging anywhere from \$1,700 per month for a studio to more than \$15,000 per month for former colonels' houses. Rent and fees collected from non-residential units, such as Lucasfilm and the park's several schools, brought in an additional \$20 million.

The trust's hospitality department, which includes the golf course, its numerous event venues and the recently built Inn at the Presidio, brought in about \$11.5 million last year — also contributing modestly to the organization's budget. However, Middleton noted the primary goal of the organization's hospitality division is to attract people to the park, not create revenue.

The trust has also secured \$8.4 million in grants and gifts.

While its operating expenses have steadily increased over the past few years, the trust has managed to cut capital expenses by nearly \$20 million — although it has had to slash staff to make that happen.

The Presidio now employs approximately 300 full-time and part-time employees, slightly down from 2011 staff numbers.

The biggest expense has been maintenance and other expenses, such as police, fire and emergency services. The trust also pays a modest amount for programming, such as for education and leadership programs, which are mostly free to the community.

Meanwhile, the park still has roughly \$300 million worth of projects and preservation work to complete within the next several years. It already has \$25.3 million budgeted for capital improvements this year. Major projects include the rehabilitation of the historic Officer's Club, which will be transformed into a restaurant and event space, as well as a community hub housing the Presidio Heritage Center.

"Attaining self-sufficiency is indeed a milestone, but it's just one on a journey and we still have a long way to go," said Middleton. "The best is yet to come."

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Crissy Field stretches along the northern edge of the Presidio.
The Presidio Trust hit the deadline to become self-sustaining.



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