

# Building *by* Building





*Historic Lombard Gate was rehabilitated in 2009*

The Presidio has served as a military reservation from its establishment in 1776 as Spain's northern-most outpost of colonial power in the New World. It was one of the longest-garrisoned posts in the country and the oldest installation in the American West. It played a key role in Spain's exploration and settlement of the borderlands, Mexico's subsequent control of the region from Texas to Alta California, and the United States' involvement not only in frontier expansion, but also in all major conflicts since the Mexican-American War of 1846-48.

– National Historic Landmark Designation, June 13, 1962

## INTRODUCTION

The Presidio Trust's 2009 Year-End Report to Congress and the community celebrates the Presidio's historic buildings and surveys the Trust's efforts to preserve and reuse them. The Presidio of San Francisco is unique among our national parks largely because of its long history as an Army post and as a military community – it is as much a man-made landscape as it is a natural one. Built over the course of two centuries, the range of building types found at the Presidio constitutes a tangible record of how the Presidio developed, and why. The 2009 report highlights recent projects in each of the Presidio's seven districts; it also gives a wide-ranging picture of the historic building rehabilitation completed by the Trust as well as its partner the National Park Service since the Presidio became a national park.

In 1962, the Presidio was designated a National Historic Landmark District under the 1935 Historic Sites Act; its period of historic significance embraces the length of the post's development, from 1776 to 1945. The Spanish recognized the potential strategic importance of the plateau above the natural harbor and established *el Presidio* in 1776; it was then Spain's northern-most colonial fort. Under Lieutenant Colonel John

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Pacific Ocean

San Francisco Bay

Marina Gate

Gorgas Gate

Lombard Gate

Presidio Gate

Arguello Gate

15th & 14th Avenue Gates

25th Avenue Gate

Fort Scott

Crissy Field

Main Post

Letterman

East Housing

South Hills

Public Health Service Hospital

Fremont, the U.S. Army captured the post at the end of 1846 as the nation pushed its frontier to the edge of the continent. Within 50 years, the Presidio was a major military installation, and after World War I it was the center of military command in the western states. By the end of World War II, the United States was a world power and the Presidio had reached the peak of its development. Each milestone in the Presidio's evolution is chronicled by building campaigns that continued to shape the post until the Army left in 1994. The Presidio's buildings tell us much about our country during times of war as well as during times of peace.

The Presidio's remarkably long period of historic significance also confirms our experience of it as an emblematic American place where we can explore broad issues of American social development. The Presidio was designated a National Historic Landmark District because it meets the nation's highest criteria for protection: It is a site where events of national historical significance occurred; it provides outstanding examples of design or construction; it characterizes a way of life; and its archaeological sites are able to yield important information about our past.

A little more than a hundred years ago, Teddy Roosevelt signed the Antiquities Act to prohibit excavation of antiquities on public lands. The Historic Sites Act was signed 75 years ago, declaring that "it is a national policy to preserve for public use historic sites, buildings, and objects of national significance for the inspiration and benefit of the people of the United States." It was not until 1966 that the National Historic Preservation Act established national preservation policies and created the National Register of Historic Places and the list of National Historic Landmarks. It could be argued that preservation is still in its early stages in America, but work at the Presidio has helped advance the importance of preserving our historic places, and has contributed to new ways of thinking about how to do it.

The Presidio of San Francisco is the largest historic preservation project underway in the nation today. Of the 750 buildings in the Presidio, 433 are on the National Register of Historic Places, in addition to numerous landscaped areas, structures, and objects. Since 1994, more than 300 historic buildings have been rehabilitated. The remaining historic buildings will be rehabilitated over the course of the next decade. Each project to rehabilitate an historic building is different, but all of the projects illustrate why the Presidio is so unique among national parks.

*The Presidio is comprised of seven districts that reflect the expansion and evolution of the post over two centuries. Since 1994, approximately 75 percent of the park's historic structures have been rehabilitated for new uses by the Presidio Trust, the National Park Service, and partners.*

The 1996 Presidio Trust Act created the Presidio Trust and required the agency to generate revenues for the preservation and sustainability of the Presidio, a national park and a National Historic Landmark District. The Act was ground-breaking and set new requirements for a national park: The Trust would oversee rehabilitation and leasing of the post's historic buildings; leasing revenues would be used to support the park. But reusing historic buildings as a way to preserve them was of course not a new idea. The Trust Act drew its inspiration from what has long been known in the world of historic preservation – buildings are best preserved through reuse.

The Trust has overseen the rehabilitation of nearly 300 of the park's 433 historic buildings, generating \$56.4 million in FY2009 to invest in the ongoing preservation of the Presidio, in restoring its landscapes, and in supporting public use of the park. Our partners have been many and include developers and historic architects who set the gold standard for historic building rehabilitation; craftsmen who painstakingly preserve as much historic fabric as possible; tenants who come to live or work in the park.

In FY2009, the Walt Disney Family Museum opened its doors in the Main Post; its three historic buildings, including one of the red-brick Montgomery Street Barracks, are a model of preservation and reuse. Rehabilitation of an historic air hangar on Crissy Field for reuse as a children's swim school, La Petite Baleen, received an award from the California Preservation Foundation (CPF).

Seven major historic building rehabilitation projects are underway in the park. These projects will be among the first historic rehabilitation projects in San Francisco to be recognized by the U.S. Green Building Council with

its Leadership in Energy and Environmental Design (LEED) certification, a benchmark for environmentally-sensitive building construction, rehabilitation, and operation.

Three of the projects are in the Public Health Service Hospital District, including rehabilitation of the Presidio's largest historic building and the last of its historic residential neighborhoods. Work will be completed by summer 2010, including new landscaping, hiking trails, and a scenic overlook.

Plans are in place to rehabilitate two of the six Montgomery Street Barracks, one for the Family Violence Prevention Fund (FVPF), a new tenant at the Presidio. FVPF will establish the International Center to End Violence, a training and education facility dedicated to peace on land once devoted to military purposes. The three remaining barracks buildings will be rehabilitated in the next five years.

Buildings adjacent to the Officers' Club are being rehabilitated to house the Presidio Archaeology Laboratory. The Officers' Club itself, San Francisco's oldest building, is also scheduled for rehabilitation.

Finally, rehabilitation of Building 682, a 1902 cavalry barracks, is nearing completion. It is one of the Presidio's most elegant buildings.

The successful transition of the Presidio from military post to national park and new community depends to a great degree on our successful reuse of its buildings. Building by building, we are protecting the Presidio's heritage and securing its future.



*Craig Middleton*

Craig Middleton  
Executive Director



*William Wilson*

William Wilson  
Interim Chair FY2009,  
Board of Directors

## PAST AND PRESENT

Every great public place has a vibrant center. At the heart of the Presidio is the historic Main Post, where Spain staked its flag in 1776 and founded the City of San Francisco.

Over decades, *commandantes* became U.S. Army officers and adobe was supplanted by brick, concrete, and stucco. Successive waves of buildings and landscapes shaped a narrative of European colonization, Mexican occupation, California statehood, military engagements from the Civil War through the Cold War, and the daily pursuits of the Army community.

At the peak of activity, more than 4,000 soldiers and civilians enlivened the Main Post. The Army was still building at the Main Post even as their departure was announced in 1989.

Today, the Main Post is the center of a national park, and is livelier with each passing year. Three-quarters of its buildings have been rehabilitated for new uses. What remains is establishing the “glue” that binds a coherent visitor experience: a welcoming place for visitors to orient to their surroundings; comfortable spots to relax or enjoy a meal; destinations that speak to both the park’s history and contemporary interests; and a lodge to enjoy the Presidio at night. Coming years will bring these amenities to the heart of the park.

### Main Post *Heart of the Presidio*



- 1 Walt Disney Family Museum
- 2 Main Parade Ground
- 3 Presidio Archaeology Lab
- 4 Funston Avenue
- 5 International Center to End Violence

# MAIN POST DISTRICT



*The Main Post's historic architecture and landscapes tell the story of the Presidio's evolution from a remote military outpost to the nation's most important command in the western states.*

# PRESERVATION SPOTLIGHT

The Walt Disney Family Museum is the first public destination to come to the Montgomery Street Barracks, six brick structures built along with the Main Parade Ground before the Spanish-American War.



BLDG  
104

## WALT DISNEY FAMILY MUSEUM

*The Montgomery Street Barracks date from the Spanish-American War.*

BUILT  
1897

The Disney family had been archiving the famed animator's sketches, photos, and artifacts in a World War I-era Presidio warehouse while the new public museum went from idea to design to reality. After getting the green light in 2006, the Disney-funded \$56 million rehabilitation began, and included the main barracks building along with the former Army post gymnasium and a machine-gun storage house, all on the National Register of Historic Places.

Because the Army had done substantial interior reconfigurations when they occupied Building 104, local architects Page & Turnbull had more design flexibility than afforded by the sibling barracks, which remain largely intact. Still, in order to accommodate the extensive exhibits and the circulation of visitors, a 16,000 square

foot glass and steel pavilion was crafted in the courtyard of the U-shaped building (see cover photo), a distinctly modern element that complements the original brick masonry. Ten galleries now showcase listening stations, video animation, memorabilia, and a model of the original plans for Disneyland.

In the 1920s gymnasium, a former basketball court provides additional exhibition space; the lower level houses Disney's personal papers and cellulose illustrations. The storage building has been adapted as the mechanical center.

Despite the new technologies and the buzz of visitors inside, the rehabilitated barracks blends seamlessly with its companions.



*A major excavation was undertaken beneath the barracks to make room for a 114-seat theatre and an education center for digital animation and traditional art techniques. Additional space for mechanical equipment also allowed more of the above-ground facility to be used for public exhibits.*

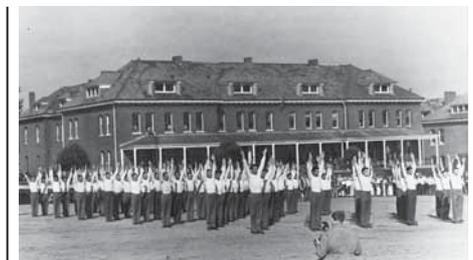
*In a "win-win" outcome, the excavated clean soil was reused by the Presidio Trust to infill sites where Army-era landfills elsewhere in the park were removed, allowing the Disney team to forego hundreds of truck trips to haul the soil off site.*

*"Given the glass and steel addition and the basement excavation, this is easily the most complex historic building rehabilitation at the Presidio to date," says Josh Bagley, development project manager with the Presidio Trust.*



*Inside the former gym, a non-historic second-floor mezzanine was removed to restore the original open plan. The building also houses administrative offices and research areas for visiting scholars. Its exterior windows, sills, stairs, and keystones were carefully restored.*

1940s



*Morning assembly on the Main Parade Ground in front of the Montgomery Street Barracks.*

## PRESERVATION THROUGHOUT THE DISTRICT

The mesa is very open, of considerable extent, and level, sloping a little toward the harbor....(it) affords a most delightful view, for from it one sees a large part of the port and its islands, as far as the other side, the mouth of the harbor, and of the sea all that the sight can take in as far as beyond the farallones. ....it has the best advantages for founding in it a most beautiful city.

– Padre Pedro Font, March 1776

**1 Changing Landscapes** Two new landscapes will enhance enjoyment of the Main Post in coming years. After six decades as a parking lot, the seven-acre Main Parade Ground (shown) will be transformed into a green open space. To the north, a large section of highway that leads to the Golden Gate Bridge will disappear beneath a green bluff, restoring the pedestrian connection from the Main Post to Crissy Field.

**2 Presidio Archaeology Lab** The Presidio Archaeology Lab is now being re-established at the head of the original *el Presidio* plaza. In the first phase, to be completed in summer 2010, a small building that once housed the administration offices for the Officers’ Club is being rehabilitated to provide work space for archaeology staff and volunteers, and space for the collection and conservation laboratories. An outdoor work and education area will also take shape. Future phases will create exhibition galleries and expanded space for public programs. The project is expected to receive LEED Gold certification.

**3 Who’s Here?** More than 50 organizations are located in the Main Post. Their missions reflect the incredible diversity of the park itself. Preschools and a high school (Bay School of San Francisco shown), restaurants, film arts organizations, non-profits, and commercial enterprises bring everyday liveliness to the Main Post.

**4 Historic Neighborhoods** Historic Main Post neighborhoods provide homes to a new generation of families and space for small organizations. The first family homes in the Presidio built in the 1860s along Funston Avenue have been rehabilitated as office space; four prominent Queen Anne Victorians (shown) added in the 1890s now welcome

new residents, as do homes along Infantry Terrace. Pershing Hall, built for bachelor officers, may one day provide visitor lodging.

**5 International Center to End Violence** The Family Violence Prevention Fund is rehabilitating Building 100, the former Sixth U.S. Army band barracks on Montgomery Street, to house a new program, The International Center to End Violence. The Center will use music, art, media, and technology to educate people in ways to resolve conflict and prevent violence at all levels in society, from a relationship between two people to the relations among nations. The facility will feature exhibit space, an international training and conference center, and programs to expand the reach and impact of the organization’s work.



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## PAST AND PRESENT

Flying demonstrations above the Presidio had been thrilling spectators since the 1915 Panama-Pacific International Exposition. So, aviation was not new to the Presidio when the U.S. Army established an air coast defense station on the north shore in 1919. In this bold era, military pilots pushed the limits of flight. Many milestones were achieved, including the first successful attempt to cross the country in a single day – a “dawn to dusk” journey that concluded at the Presidio in June 1924. Notable tragedies also occurred. Indeed, the airfield was named for Major Dana Crissy, who died during the First Transcontinental Reliability and Endurance Test.

Although construction of the Golden Gate Bridge limited its use as an airbase, the Army continued to fly in and out of Crissy Field for sixty years. The facilities also found other uses. During World War II, the landing field was used as an assembly area for troop mobilization, and Japanese-American soldiers trained as translators in a military intelligence school that secretly operated out of a former air mail hangar.

Crissy Field began its transformation into a recreational area in the 1970s as joggers joined soldiers along the path that wound between hangars and the open, rocky shoreline. Today, Crissy Field is the park’s “front door” with trails, wetlands, and picnic areas welcoming thousands each year. Rehabilitated hangars and warehouses sit alongside the open spaces as recreational destinations for the public.

## CRISSY FIELD

*First in Flight*



- 1 Doyle Drive
- 2 Building 682
- 3 La Petite Baleen
- 4 Building 640
- 5 Historic Hangar Complex

# CRISSY FIELD DISTRICT



*Crissy Field was the first air coast defense station on the west coast and was famed for innovation during "aviation's adventuring years." Today, it is a premier recreational destination, with visitors enjoying imaginative new uses inside historic buildings or exploring the wild open spaces restored by the National Park Service and Golden Gate National Parks Conservancy, with generous support from the Evelyn and Walter Haas, Jr. Fund.*

# PRESERVATION SPOTLIGHT

The only horses seen today in the Presidio are ridden by the U.S. Park Police mounted patrol. But in the early 20th century the cavalry trained here before shipping out to the Philippines. Building 682, on the wooded hillside above the stables at Crissy Field, was their barracks.



BLDG  
682

**FORMER  
CAVALRY  
BARRACKS**

*Building 682 was  
constructed for just  
\$28,720.*

BUILT  
1902

Though the cavalry has been gone since the end of World War II, much of the building's historic fabric remains intact. The interior features ornate pressed metal ceilings, an unusual system of supporting beams, detailed cast-iron columns, fireplaces with mantels, and a staircase and railings. "It's a rather old-fashioned looking building," says Dr. Randolph Delehanty, the Presidio Trust's historian. "It looks like it could have been built 60 years earlier."

In the last decade, several local schools found temporary classroom space here while their permanent facilities were under construction. In 2009, the Presidio Trust began a full rehabilitation to prepare Building 682 for a new use.

"We're modernizing it and bringing it up to current standards so it's capable of supporting contemporary uses while maintaining its historic nature," says Robert Wallace, Presidio Trust architect. "It's a wonderful, rich building with a lot of character."

"The historic rehabilitation is being done with great care for the environment, and the U.S. Green Building Council has pre-certified it with a Leadership in Energy and Environmental Design (LEED) Gold rating," says Eddie Chan, Trust construction manager. "The sustainable features make this one of the most interesting projects I have worked on here."



*When the Golden Gate Bridge was constructed in 1937, the footpath that once linked the barracks to the stables was eliminated by an expanded Lincoln Boulevard, and access to the front façade was thus limited. Architects have redesigned the rear service entrance to be an inviting main entrance, providing an accessible entry with convenient links to the parking area.*

*In the 1920s, the Army constructed a latrine inside the building's courtyard. The small structure has been re-imagined as a conference room with a "living roof" featuring four types of sedums. These low-growing succulents help insulate the building and reduce storm water runoff.*



*A 1930s-era photo of a Works Progress Administration cadet at the Cavalry Stables below Building 682.*

1930s



*Building 682 might feel familiar to those who have visited Fort Baker across the bay. Its original barracks design is identical to the restaurant and conference building at Cavallo Point, an historic preservation project led by the National Park Service and Golden Gate National Parks Conservancy that transformed that former Army post into a lodge and environmental center.*

## PRESERVATION THROUGHOUT THE DISTRICT

It may be one year, it may be more, but sooner or later the aeroplane will be the greatest factor of the century in the world's affairs.

– Major General Leonard Wood,  
Presidio Assistant Post Surgeon, 1890

- 1 Highway to Parkway** Doyle Drive, built in 1937 as the western approach to the Golden Gate Bridge, is being replaced with a safer and quieter “parkway.” The new design will allow for wetlands restoration at the eastern end of the waterfront, and will reconnect Crissy Field to the Main Post, the park’s historic core.
- 2 Award-Winning Waterfront Preservation** La Petite Baleen won a 2009 California Preservation Foundation award for the transformation of a 1921 “dope shop” and boiler house into a children’s swim school. The project was recognized for its creative adaptation of an historic building for a new use, while preserving its historical, cultural, and architectural values.
- 3 Prejudice and Patriotism** Building 640, where Japanese American soldiers underwent secret intelligence training even while their families were being confined in detention camps, will be rehabilitated by the National Japanese American Historical Society as a learning center. In 2009, a Presidio exhibition entitled *Prejudice and Patriotism* commemorated the individual stories that make up this complex history.
- 4 Remembering the Era of Flight** Crissy Field’s prominent role in the early history of aviation is recalled by the remaining hangars and warehouses that curve along the waterfront’s western edge. Large-scale images affixed to the buildings’ broad exteriors remind visitors of the men and women who created the romantic “era of flight.” Windssocks in the courtyard suggests a time when events were shaped by the direction the winds blew.

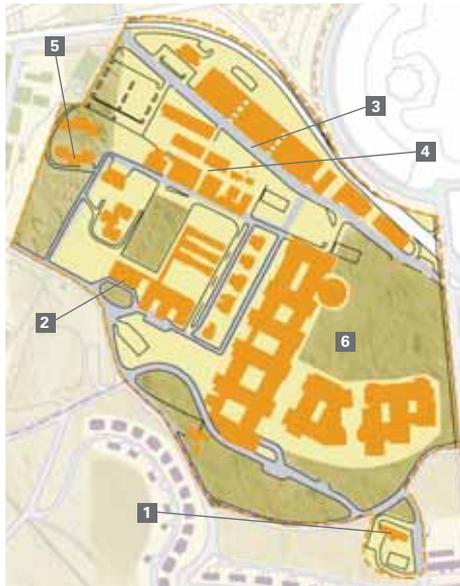


A De Havilland DH-48 in front of Building 926, a hangar at Crissy Field.

## PAST AND PRESENT

## LETTERMAN DISTRICT

*Work for the Sake  
of Mankind*



- 1 Presidio Social Club
- 2 Thoreau Center for Sustainability
- 3 Gorgas Avenue
- 4 Thornburgh Road
- 5 Swords to Plowshares Veterans Academy
- 6 Letterman Digital Arts Center

Letterman Hospital was founded with the Spanish-American War, and closed following the Cold War in 1992. In the intervening century, the original wood-frame campus expanded to meet the needs of an emerging world power and to serve its wounded with compassion and the most advanced medical care.

Letterman Hospital was always defined in superlatives. By 1901 it was the Army's largest medical facility, and in World War II it was the main stateside hospital serving the Pacific Theater. The facility earned a reputation for innovation, including advances in orthopedics, tropical medicine, and pathology. Its motto, *Labor Gratia Humanitatis* (work for the sake of mankind), was a point of pride for hospital staff.

With the construction of a new 10-story tower and adjoining research center in 1973, the campus was re-christened Letterman Army Medical Center, "in recognition of the missions it had acquired in its 75-year history and of its importance as a regional medical center."

The Letterman District is continuing the sense of evolution that has long-defined this corner of the Presidio. Historic buildings as well as a handsome new campus on the district's eastern edge house nearly 70 organizations, including a digital arts center that carries the Letterman spirit of innovation into the present day.

# LETTERMAN DISTRICT



*Letterman was the Army's first permanent general hospital, serving military personnel during a century that included five wars. The district was named in 1911 for Major Jonathan Letterman, who created the first effective ambulance service for the evacuation of casualties during the Civil War. Like most Presidio districts, Letterman underwent constant change, and continues to evolve.*

# PRESERVATION SPOTLIGHT

The Ruger Street Barracks were constructed for soldiers returning from the Spanish-American War. Located inside the Lombard Gate, they formed a bridge between Letterman Hospital and the residential district taking shape along the hillside.



BLDG  
563

## PRESIDIO SOCIAL CLUB

*Building 563 was part of the "Depot of Recruit Instruction," later renamed the "Infantry Cantonment."*

BUILT  
1903

Over time, Building 563 was administrative office space, a post thrift store, and finally an Army day-care center.

In 2006, the rectangular wood-frame building took on a role fitting its prominent location at the park's main entrance. Presidio Social Club, a contemporary restaurant with a distinctly retro flair, opened its doors following a thoughtful historic rehabilitation.

"The team that created the Presidio Social Club really embraced the historic character of the building, and incorporated that feeling into the concept for their restaurant," says Josh Bagley, the Presidio Trust development project manager who worked closely with the group.

The structure remains true to its turn-of-the-century construction, but now evokes a Swing-era Presidio, when Americans were feeling hopeful about the future following a long depression and victory in World War II. While not attempting to recreate a mid-century military club, the place evokes what it might have felt like at the post in this quintessentially American time. The structure easily accommodated necessary additions, including a rear expansion that houses the kitchen, and an outdoor dining deck where brunch can be enjoyed on sunny weekends.

Presidio Social Club is one of ten park eateries.



*In the years since the Army's departure, the Presidio Trust's Salvage Department has combed through hundreds of park buildings to rescue objects left behind by generations of military personnel, from claw-foot bathtubs to a grand piano.*

*When the Presidio Social Club team was designing the restaurant's interior, they made a visit to the Salvage Warehouse in search of eclectic items to establish an authentic decor. They found a bank of stainless steel cabinets that once stored medical supplies in the maternity ward of the former Letterman Hospital. These gems now form the centerpiece of the "bar back" where the colorful makings for vintage cocktails are on display.*



*U.S. troops from the 51st Iowa Volunteer Infantry departed through the Lombard Gate for a ship to the Philippines in 1898.*

# 1898



## PRESERVATION THROUGHOUT THE DISTRICT

It was truly an honor for those of us who served here. I learned a great deal from my experiences at Letterman. I learned of the incredible resilience of the Army Medical Department and its people.

I reaffirmed that we are an organization of people who care deeply about what we do, who accomplish things far beyond one's expectations. For those of us who had the privilege of serving at the Presidio, we were truly blessed.

– Major General Leslie Burger,  
last commander of Letterman Army  
Medical Center



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**1 History and Environment** In 1995, the Thoreau Center became an early tenant in the new national park, and worked with the National Park Service to rehabilitate a dozen historic buildings that were part of the core Letterman Hospital campus. The Center was the first Presidio project to bring together the goals of historic preservation with resource conservation, using sustainably harvested wood, recycled building materials, non-toxic paints, and energy-efficient designs that maximize sunlight and natural ventilation. The Thoreau Center's buildings house 60 organizations, including the Tides Foundation, which works for social justice, community development, public health, and environmental stewardship.

**2 Historic Streetscapes** World War I-era utilitarian facilities that once supported Letterman Hospital are taking on innovative new uses. The historic structures along Gorgas Avenue (shown) now house Presidio Sport and Medicine, SenSpa, and the YMCA gym and pool. A dozen small-scale historic buildings line Thornburgh Road framing breathtaking views of the Golden Gate Bridge and the city. The Trust is considering ways to reuse the Thornburgh area, including as a village of small organizations dedicated to sustainability and the "green" economy.

**3 Swords to Plowshares** Former nurses' quarters are now operated by the non-profit Swords to Plowshares, offering support services and housing for one hundred veterans.

**4 Letterman Digital Arts Center** On the eastern edge of the Letterman district, four contemporary buildings have replaced the Vietnam-era hospital tower and research center. The new structures are compatible with the park's historic architectural palette. The campus, which houses Lucasfilm and related companies, was completed in 2005.



A Letterman Hospital ward at Christmas in 1901.

## PAST AND PRESENT

## FORT WINFIELD SCOTT

### *Defending the Coast*



- 1 Log Cabin
- 2 Pilots' Row
- 3 North Fort Scott
- 4 Storey Avenue
- 5 Ruckman Avenue
- 6 Presidio Nursery
- 7 Murals
- 8 Kobbe Avenue
- 9 Community Garden

In the late 1800s, the Army undertook a new approach to defending the nation's coast. Concrete gun batteries – known as Endicott batteries – began to appear along the Presidio's shoreline in 1891, succeeding the cannons at Fort Point that had protected San Francisco's harbor during the Civil War.

Fort Winfield Scott was established on the western shore in 1912 as a coast artillery post, and by 1925 it commanded most other Army posts in the Bay Area. Its soldiers lived in eleven Mission Revival barracks situated around a horseshoe-shaped parade ground. Over time, warehouses, recreational facilities, officer housing, and support buildings were added. In 1937, the Golden Gate Bridge created a new backdrop for the district.

After World War II, traditional seacoast fortifications became obsolete, and the focus shifted to defense against air attack. The Army's Coast Artillery School was transferred to Fort Scott, which was redesignated a sub-post of the Presidio of San Francisco. During the Cold War and beyond, Fort Scott remained in active use until the Army's departure.

A great opportunity exists to re-imagine the Fort Scott campus as a place for new pursuits of national significance. This contemplative setting at the very heart of the Bay Area is envisioned as a destination where contemporary problems are addressed and where the Presidio's tradition of service can be redefined for a new era.

# FORT WINFIELD SCOTT DISTRICT



*Fort Winfield Scott was built on the Presidio's western shore as a coast artillery post protecting San Francisco Bay. It is named for Lieutenant General Winfield Scott, General-in-Chief of the U.S. Army from 1841 to 1861. Fort Scott's history and prominent location call for a new purpose of national significance.*

# PRESERVATION SPOTLIGHT

When was the last time you saw a log cabin with a Spanish-style terra cotta roof? The Log Cabin at Fort Scott reflects the far side of the Presidio's architectural richness – its occasional eccentricity.



BLDG  
1299

## LOG CABIN

*The Log Cabin is the only "rustic" building in the Presidio.*

BUILT  
1937

Built in 1937 with logs harvested from Presidio Monterey cypress groves, the Log Cabin was originally a non-commissioned officers' club. Damaged by fire in 1942, it was repaired and expanded. Later the Log Cabin was an enlisted men's club; in the 1970s it was an officers' open mess with a bar and lounge; and in the 1980s it was a youth center.

Decades of fog eventually took a toll, and the building exterior began to deteriorate. In 2007 the Trust began planning for the cabin's repair by training carpenters in the rare specialty of log restoration. Keeping with the spirit of the original home-grown construction, 50 logs were salvaged from a reforestation site near Julius Kahn Playground. The wood was "cured" for three years until it was ready for use.

In June 2009, Trust carpenters began "refacing" heavily damaged areas on the western facade, first removing layers of harmful acrylic compounds. Then they shaved off the log face or arc, and replaced it with similarly cut sections of new wood. Next, fresh daubing was laid between each log to keep out moisture. Finally, the logs will be freshly stained, recreating the cabin's original façade and protecting the surface from sun and water.

Today's Log Cabin is a popular spot for weddings and celebrations, and remains a "head turner" for visitors startled by the sudden appearance of a pastoral retreat just a stone's throw from the Golden Gate Bridge.



"Repairs on the Log Cabin have respected the 1937 construction, right down to the details," says Kevin Lorne, project superintendent (shown left). "New cabins in Tahoe or Colorado are built with uniformly-shaped logs from trees planted just for construction. Here we're using Monterey cypress selected by the Presidio forester, and are carefully milling each piece of wood to match the original. Even the formula for the 'chinking' – sand, lime, and cement – is very close to what the Army used. These repairs have probably added another 50-100 years to the life of the building."



"This building is one of the jewels of the Presidio, and we respect its history," says Tim Boatright, a carpenter who has been working on Log Cabin preservation, inside and out, for five years. "When we repaired the roof a few years ago, each of the original terra cotta tiles was ultimately put right back in its place."



A photo of the Log Cabin seen in 1938, just after the construction of the Golden Gate Bridge.

1938

## PRESERVATION THROUGHOUT THE DISTRICT

The new quarters (at Fort Scott) are among the most elaborate and modern in the United States, and when the landscape features are completed, Fort Winfield Scott will be the finest, as it is already the most beautifully located, army post in the country.

– From the *San Francisco Call*, 1912



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- 1 Preserve and Protect** A three-year maintenance program to protect two-dozen vacant historic buildings in the heart of the campus until they can be reused is nearly complete. Work includes roof replacement, window repair, and repainting – all intended to halt deterioration.
- 2 Residential Neighborhoods** The Fort Scott District features five fully-rehabilitated residential neighborhoods, including Kobbe, Storey, Pilots’ Row (shown), Ruckman, and North Fort Scott –138 households in all.
- 3 Hidden Landscapes** Some of the Presidio’s most beautiful landscapes can be found at Fort Scott, including Dragonfly Creek, the gardens around the former officers’ homes on Kobbe Avenue, and a World War II “victory garden” now tended by park residents as a community garden (shown). These sites are gradually being restored and expanded as natural habitat and places for visitors to enjoy and explore.
- 4 Art of Its Time** Brilliantly colored murals depicting Army life cover the walls of the former training barracks of the 30th Engineer Group at Fort Scott. The murals were painted in 1956 by young Specialist Perren Gerber, who trained as an illustrator at the School of Visual Arts in New York City. Today, Gerber lives in Grayson, Georgia, and occasionally exhibits at Winters Gallery in Carmel.
- 5 Presidio Nursery** With extensive volunteer support, about 65,000 native plants are grown at the nursery each year for use in park restoration projects. The nursery, a partnership of the Presidio Trust, the Golden Gate National Parks Conservancy, and the National Park Service, is being gradually upgraded with environmentally-friendly “green” structures, including a pre-fabricated seed house installed in 2009.

## PAST AND PRESENT

**PUBLIC HEALTH  
SERVICE HOSPITAL**  
*Compassionate Care  
for Mariners  
and the Community*



- 1 Building 1801
- 2 Lobos Valley Overlook
- 3 Wyman Neighborhood
- 4 Arion Press
- 5 Building 1808

In 1798, the U.S. Treasury Department began building Marine Hospitals in U.S. port cities to provide free care to merchant seaman from around the world. A hospital was built just west of Mountain Lake in 1875.

In 1912, the Marine Hospitals were reorganized under the Surgeon General as the U.S. Public Health Service with an expanded mission: Improving the health of entire communities. The renamed Public Health Service Hospital (PHSH) evolved to serve immigrants, the U.S. Coast Guard, Native Americans, and those suffering from contagious diseases.

The original wood-frame building was replaced in 1932 by a 36-acre campus designed by Treasury Department architect James Wetmore. A 480-bed main hospital building was accompanied by surgeons' homes, laboratories, a power plant, and nurses' quarters. The facilities operated for nearly sixty years, closing in 1981. After being briefly used by the Army's Defense Language Institute as a training facility, the hospital was vacant for two decades.

The Public Health District is more active than any other corner of the park as historic buildings are rehabilitated; trees are planted and landscapes are renewed; and a network of trails is constructed to link to the beautiful open spaces of the southern Presidio. A mix of activities will animate the district which will offer residences from small apartments to historic homes; small office space; and the vitality of cultural and educational organizations.

# PUBLIC HEALTH SERVICE HOSPITAL DISTRICT



*For just over a century a hospital campus serving merchant seaman operated on a plateau west of Mountain Lake. Today, the area is being transformed into a vibrant community, with the Presidio's largest historic building as the centerpiece.*

# PRESERVATION SPOTLIGHT

The Presidio Trust is pursuing a Leadership in Energy and Environmental Design (LEED) certification for rehabilitation of the Georgian Revival-style Nurses' Quarters, Building 1808.



BLDG  
1808

## NURSES' QUARTERS

*This charming three-story building features Tuscan columns.*

BUILT  
1932

LEED is a U.S. Green Building Council benchmark that rates environmentally-sensitive building construction, rehabilitation, and operation. Building 1808 and Building 682 (see page 12) above Crissy Field are expected to be among the first San Francisco buildings on the National Register of Historic Places to achieve a Gold LEED rating.

In addition to adhering to the Secretary of the Interior's Standards for Rehabilitation, only environmentally responsible paints, flooring, and furnishings were used; efficient mechanical, electrical, and plumbing systems were installed; and the building's natural ventilation was emphasized. About 80 percent of the historic

building fabric was reused – walls, windows, doors, bathroom fixtures, and even the hardware inside the door handles. The building will be used for office space. The window-lined solariums at the ends of each floor, where nurses once relaxed and socialized, now make choice offices or conference rooms.

"The most 'green' building you can have is one that's already there and has been given another 50 years of life," says Trust historic architect Robert Wallace. "We're demonstrating that there is no fundamental contradiction between applying a standard like LEED, which was originally intended for new construction, to rehabilitation of historic buildings."



U.S. Public Health Service nurses in the 1940s.



*The historic lantern that adorns the entrance portico was disassembled and cleaned, and missing parts were replaced, with the addition of a whimsical flame-shaped globe, which replaced the bare light bulb. Once the historic 14th Avenue Gate is reestablished as the district's entrance, the former nurses' quarters will be the first structure visitors see. The modest building which has been somewhat hidden for more than two decades will assume a fitting prominence for such an architectural treasure.*

# 1940

*Reuse of an historic building requires numerous upgrades. The improvements to the nurses' quarters included a seismic retrofit, new utility and building systems, landscaping, and window and door repairs. A new entrance was added to the building's rear, to provide access to the recently-added elevator.*



## PRESERVATION THROUGHOUT THE DISTRICT

The garniture of the wilderness is in perfect harmony with this desert spot, for the place is very wild indeed, secluded from worldly sight by kindly hills and groves, and unknown only to an occasional pedestrian who leaves the beaten path for the Presidio hills...

– *San Francisco Call* in 1896

**1 Preservation on a Large Scale** The largest historic structure in the park, the former main hospital, Building 1801, is being rehabilitated by Forest City Enterprises for housing. Forest City is a national real estate company specializing in historic preservation. The building will be ready for occupancy in summer 2010, and is also expected to achieve a LEED Gold certification.

**2 Wyman Terrace Homes** To the east of the main hospital, overlooking Mountain Lake, the homes along Wyman Terrace were built to provide housing for surgeons and their families. The long-unoccupied duplexes and single-family homes are now being fully rehabilitated by the Presidio Trust. This is the last historic neighborhood in the park to be brought back to life. Rehabilitation of the homes and their surrounding landscapes is being informed by a new LEED Neighborhood Development program to create “green” buildings and landscapes, and to make better connections between public transit and residential areas.

**3 Life in the Campus** Though the hospital closed in 1981, the Public Health District has been home to various organizations in recent years. Building 1802, built to provide support services from laundry to heat generation, was rehabilitated by the Trust in 2001 as home for Arion Press, the Grabhorn Institute, and M&H Type, the oldest type foundry in the United States. A nearby building houses Lone Mountain Children’s Center.

**4 Gateway to the Outdoors** Several trails link the Public Health District to the rest of the park, including the Juan Bautista de Anza National Historic Trail, Mountain Lake Trail, Park Boulevard Trail, and Lobos Creek Valley Trail.

Following environmental remediation of Army-era landfills, a new scenic overlook will offer views toward the Pacific Ocean and Lobos Creek Valley, where a natural creek and dune habitat support rare native plants and wildlife.



1



3



2



4



Surgeons and nurses in the operating room in 1924.



## PAST AND PRESENT

People have long been drawn to the eastern Presidio because of the fresh waters flowing from ridgeline springs. Late in the 18th century, Spanish-colonial settlers lived in the valley southeast of the fledgling fort. Among the ethnically diverse population that supported the garrison was Juana Briones, a pioneer settler and farm owner who established a reputation as an astute businesswoman.

In the Army-era, the watershed valley was named Tennessee Hollow after the 1st Tennessee Regiment, volunteer soldiers who camped there before shipping out to fight in the Spanish-American War. The watershed sheltered many tent encampments, or cantonments, during that period, and also served as temporary housing for San Franciscans displaced by the 1906 Earthquake.

In the 20th century, the Army established distinctive clusters of duplexes along the ridgelines, joined later by military family housing built on filled-in streams on the valley floor. Over the decades, athletic fields and playgrounds were built for the military community.

The East Housing District provides nearly 350 residences. Nearby, wildlife habitat is being restored and new trails offer visitors access to a once-hidden corner of the former military post. Visitors will soon enjoy a window into the past as educational programs are established El Polín Springs, the heart of Tennessee Hollow.

## EAST HOUSING

### *A Sense of Home*



1 Presidio Boulevard

2 El Polín Springs

3 Portola and Liggett Neighborhoods

# PRESERVATION SPOTLIGHT

In the years before World War I, the Army constructed three Presidio neighborhoods to provide housing for officers and their families. Kobbe Avenue served the command at Fort Winfield Scott; Infantry Terrace supported the Main Post; and East Terrace, which followed the contour of Presidio Boulevard, supported Letterman Hospital.



BLDCS  
540-551

## PRESIDIO BOULEVARD

*Presidio Boulevard homes have two stories, stuccoed concrete walls, and hip-and-gable tiled roofs.*

BUILT  
1917

The twelve officers' quarters along Presidio Boulevard greet visitors as they enter the park from the south and the eastern gates. The large family homes were constructed in 1917 for costs ranging from \$6,800 to \$10,500. Though the floor plans were based on Army designs being built across the country, the exterior reflected architectural influences from the Spanish Colonial period, rather than styles borrowed from the east coast. This Mission Revival style is manifested in the red clay tile roofs and the "Presidio white" stucco over concrete.

Over the last decade, improvements have been gradually made to restore this gracious neighborhood to its original prominence. Interior upgrades have included new kitchens and baths, and refurbished floors. On the exterior, new roofs, fresh paint, and fully restored landscapes are enjoyed by the neighborhood's residents.

# EAST HOUSING DISTRICT

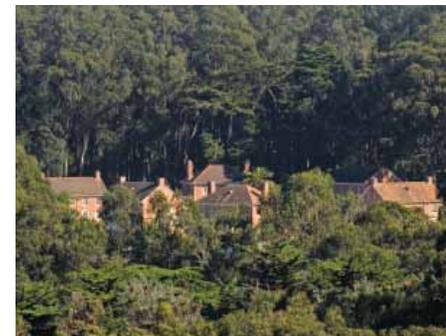
## PRESERVATION THROUGHOUT THE DISTRICT



**Heart of the Watershed**  
The important human history at El Polín Springs will be interpreted for school groups and other visitors as historic 1930s-era stone channels are repaired, and interpretive gardens and archaeology exhibits showcase Spanish Colonial-era Presidio life.



**Walking Lovers' Lane**  
The Presidio's oldest footpath has been upgraded with an improved trail surface and a new section of boardwalk. The historic brick footbridge was recently cleaned and repaired, and lighting improvements are in the works.



**Historic Neighborhoods**  
Built in the 1930s as enlisted family housing, the 19 historic red brick duplexes in the Portola and Liggett neighborhoods were among the first historic homes rehabilitated by the Trust.

## PAST AND PRESENT

While the entire Presidio is an open-space haven, the South Hills District offers a complete cross-section of landscapes, including grasslands, forest groves, a spring-fed lake, a campground, and a military cemetery. Many of these beautiful features have been shaped by nature, and others were made by people and contribute to the Presidio's designation as a National Historic Landmark District.

The park's largest historic feature is the Army's 300-acre forest, planted beginning in the 1880s as a bulwark against the wind. The 160-acre golf course, founded in 1895, was visited by President Theodore Roosevelt in 1903 and was a refugee camp following the 1906 Earthquake. The Juan Bautista de Anza National Historic Trail traces the steps of the garrison's Spanish founders as they camped on the shores of what would become Mountain Lake.

The Presidio's past is being preserved "building by building," but it is also cared for tree by tree, trail by trail, and with every native seedling that recalls the region's early setting. Outdoor explorers are presented with a unique lens to consider how people shaped this place over two centuries. As the southern landscapes are woven more intricately into the whole through an expanding trail and overlook network, the Presidio's preserved structures and open spaces will tell a complete story of this complex place.

## SOUTH HILLS

*Open Space and Recreational Haven*

- 1 East Washington Neighborhood
- 2 West Washington Neighborhood
- 3 Presidio Wine Bunker
- 4 National Cemetery Overlook

# PRESERVATION SPOTLIGHT

Following World War II, the Army retained a sizable force in response to the impending Cold War. Almost 75 percent of personnel were married with growing families. Consequently, the military faced housing shortages across the nation.



BLDGS  
401-424

## EAST WASHINGTON NEIGHBORHOOD

*East Washington homes about the Presidio Golf Course, open only to officers and members of a private club when the Presidio was an Army post.*

BUILT  
1948

In 1948, the Army established a new neighborhood at the Presidio along the ridgeline of eastern Washington Boulevard. Twenty-three duplexes served as officer family housing, with many units having views southward toward Presidio Golf Course.

In recent years, the East Washington neighborhood has been the subject of efforts to upgrade the buildings and improve the recreational opportunities for hikers and bicyclists who enjoy this popular route. In 2006, utilities were placed below ground, bicycle lanes were added, and the landscapes around the homes were replanted.

In 2009, aging roofs were replaced and the drab off-white exteriors were traded for a stone grey with striking red doors.

“Regular upgrades and ongoing maintenance extend the life of buildings and create a better experience for the park’s new generation of residents,” says John Sweeney, building projects manager with the Presidio Trust. “It’s not about a ‘one time’ rehab; caring for the Presidio’s buildings is a commitment we must make forever.”

The East Washington neighborhood, now more than 60 years old, is being considered for addition to the National Register of Historic Places.

# SOUTH HILLS DISTRICT

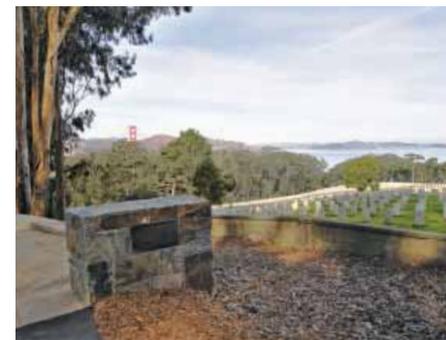
## PRESERVATION THROUGHOUT THE DISTRICT



**Reforestation on West Pacific Grove**  
Over the next several decades, the Presidio’s historic pine and cypress groves, now in decline due to age, will be gradually replanted. The largest reforestation site is along the park’s southern border near Presidio Gate.



**Presidio Wine Bunker**  
One of the most innovative uses of an historic structure can be found at Battery McKinnon-Stotsenberg. This former gun battery, closed by the Army in 1943, is now a wine storage facility, providing ideal temperatures and humidity.



**National Cemetery Overlook**  
In 2009, the Presidio’s latest overlook was completed above San Francisco National Cemetery, the first military resting place established on the west coast. Dedicated to veterans, it offers a contemplative setting to remember and honor their service.



*In 2009, the California Preservation Foundation honored the Presidio Trust with a Preservation Design Award in the Craftsmanship Category for restoration of the historic Arguello Gate. The sandstone capstone, kept in storage since 1990 when the wall was damaged, was repaired and returned to its prominent place at the gateway.*

# ORGANIZATIONS

AT THE PRESIDIO

3 Degrees Group	Crissy Field Center	Interfaith Center	Omnia Foundation	San Francisco
4Delite, Inc.	Crissy Field Media	International Forum on	One World Children's	Gymnastics
Acre Café	Cultural Conservancy	Globalization	Fund	San Francisco Medical
Aldridge Management	DADA	Internet Archive	Orphanage	Science
Company	David Martinez Studio,	InterScholastic Company,	Outward Bound	San Francisco Medical
African American	Inc.	LLC	Pachamama Alliance	Society
Association	Deborah Bellingham,	Interview Clips	Pacific Forest Trust	San Francisco National
Alexa Internet	L.M.F.T.	Interwoven	Pacific Union Co.	Cemetery
Alliance for California	Dish Café	It's Yoga Kids	Pacific Union Real Estate	San Francisco Ocean
Traditional Arts	Door Dog Music	Jenifer Altman	Brokerage Company	Film Festival, Inc.
Althea Foundation	Productions	Foundation	Penobscot	San Francisco
America Invents, LLC	Douglas Wright	Jeppesen VisionQuest,	Planet Granite	Psychotherapy
Ann Getty and	Consulting	Inc.	Plant Construction	Research Group
Associates	Duler & Company	Joe Goode Performance	Company	San Francisco University
Anthony Meier Fine Arts	ECB Management	Group	pMDsoft, Inc.	High School
ARCS Foundation	Services, Inc.	John Stewart Company/	Pohaku Fund	Sarah Singleton
Arion Press	ECOR-SF Holdings, Inc.	Presidio Residences	Positive Coaching	Sean Carroll
Arnold Palmer Golf	EcoTalk	Just Answer!	Alliance	SenSpa
Management	Emily Stegner-Schwartz	Just Think Foundation	Pottruck Family	Serra Preschool
ArtSeed	Environmental History	JVO California	Foundation	SF Green Clean
ArtsFest	Project	KACO Solar	Presidio Bowling Center	Social Venture Network
Aviation Personnel	Equal Access	Kao & Company	Presidio Café	Solutions
International	Equity Community	Kieve Law Offices	Presidio Child	Solutions Alert
Babcock & Brown	Builders, LLC	King Oscar, Inc.	Development Center	Soma Development
Bauman Landscape Inc.	e-Ride	Kitchell Films	Presidio Community	Sports Basement
Bay Area Ridge Trail	Eucalyptus Associates,	La Petite Baleen	YMCA	State Farm
Council	Inc.	La Terrasse	Presidio Dance Theatre	Strategyn Ventures
Bay Kids	Eureka House, Inc.	Lawyers for Clean Water	Academy	Swords to Plowshares
Bay School of San	Exploratorium	Lens Ventures	Presidio Fitness, LLC	Veterans Academy
Francisco	Family Violence	Letterman Digital Arts	Presidio Golf Course	Thomas Beischer
Bellingham Investment	Prevention Fund	Ltd./Lucasfilm	Presidio Graduate School	Thomas Bell
Management	First Graduate	Living Goods	Presidio Historical	Thoreau Center for
Benningfield Financial	First Republic Bank	LoBue & Majdalany	Association	Sustainability
Advisors	Fleishhacker Foundation	Management Group	Presidio IT	Threshold Foundation
BLUM, Inc.	Foghorn Creative	London Bay Capital, LLC	Presidio Performing Arts	Tides, Inc.
Body of Work	Forest City	Lone Mountain	Foundation	Tides Center
BoxIT	Foundation for	Children's Center	Presidio Point Insurance	Tides Foundation
Buffalo Soldiers Museum	Environmental	L.S.B. Leakey Foundation	Services, Inc.	Town School for Boys
and Library	Education	M&HType	Presidio Social Club	United Religions
Building 38	Francisco Partners	MakingOf, Inc.	Presidio Sport and	Initiative
Management, LLC	Management	March Foundation	Medicine	United States Postal
California Clean Money	Friends of the Urban	Marie Crouch	Presidio Wine Bunker	Service
Campaign	Forest	Medicine Restaurant	PresPoint Capital, LLC	Van Acker Construction
California Environmental	FW-JP Management, LLC	Group	Projects!	Assoc.
Associates	Gay-Lynn Blanding	Miller Video and Film,	Product Madness, Inc.	Veracity, Inc.
Campbell Grading, Inc.	Geographic Expeditions,	Inc.	Public Storage	Veriditas, Inc.
CB Richard Ellis	Inc.	Mobility Plus	R & A Investment	Vintrust, LLC
CDA Services LLC	GMAC Mortgage	Transportation, LLC	Forestry	W&JP Fund
Center for Citizen	Goldman Environmental	Monte Vista	Raven Group	W. Clement and Jessie V.
Initiatives	Prize	Management	Regeneration Project	Stone Foundation
Center for Policy	Grabhorn Institute	Company	Renee Stephens	Walt Disney Family
Analysis on Trade and	Grantmakers Without	Nature Nurture	Rex Foundation	Museum
Health	Borders	Adventure!	Richard & Rhoda	Watermen Ventures
Children's Channel	Greywolf Capital	New Field Foundation	Goldman Fund	Westbase Productions
Clarium Capital	Management LP	New Ways to Work, Inc.	Richard Beggs	WestEnd Capital
Management	Groundspring.org	Next Advisor, Inc.	Rick Murray	Management
Columbia Foundation	Grove Consultants	Nora Eccles Treadwell	Rights Workshop	Winton duPont Films
Community Clinics	International	Foundation	RockRose Institute	World Business Academy
Initiative	Haight Ashbury Free	Northern California	Rough House Editorial	World Wildlife Fund
Constellation Fund	Clinics, Inc.	Independent	Rubin Glickman	WorldLink Foundation
Consultative Group on	Hamilton Zanze &	Booksellers	Rudolf Steiner Foundation	WorldLink Media
Biological Diversity	Company	Association	San Francisco	Yellow Brick Road
Consumer Advocacy	Hub Strategy and	Object Health	Conservation Corps	Financial Advisors
Core Studio	Communications, Inc.	O'Brien Capital	San Francisco Film	Your Health
Cow Hollow Preschool	Institute for the Study	Management	Centre	
Coyote Films	and Development of	Offices of Susie	San Francisco Film	
	Legal Systems	Tompkins Buell	Society	

# BOARD OF DIRECTORS



**William Wilson**, FY2009 interim chairman of the Presidio Trust board of directors, has founded and led Bay Area-based real estate investment firms for over 40 years, including William Wilson and Associates, Wilson/Cornerstone Properties, and Wilson/Equity Office. He currently serves as managing partner of Wilson Meany Sullivan, Inc. Previously, he founded the Borel Companies (1963), Webcor Builders Inc. (1971), and Rusty Scupper Restaurants (1980). Mr. Wilson serves on several boards, including the California Academy of Sciences, the Multiple Myeloma Research Foundation and Consortium, Douglas Emmett, Inc., the Lawrenceville School in New Jersey (Emeritus), and the Stanford University Department of Athletics' Investment Trust (Emeritus). Mr. Wilson earned a bachelor of sciences in engineering from Stanford University in 1958. He was appointed to the Trust board by President George W. Bush in 2003.



**Nancy Hellman Bechtle** serves on the board of directors for the Charles Schwab Corporation and is the chairman of the board for the Sugar Bowl Corporation. Previously, she was chief financial officer and director for J.R. Bechtle & Company from 1979 to 1998. From 1987 to 2001, she was president and chief executive officer of the San Francisco Symphony and has served as a member of the San Francisco Symphony board of governors since 1984. She also served on the boards of the San Francisco Opera Association and the Charles and Helen Schwab Foundation, among others. She has received several honors, including the Lifetime Achievement in the Arts from the California Arts Council and the Investment in Leadership award from the Coro Foundation. She holds a bachelor of arts from Stanford University. Ms. Bechtle was appointed to the Presidio Trust board of directors by President George W. Bush in 2008. In December 2009, she was elected chair of the Trust board.



**T. Robert Burke** is the managing director of Metropolitan Real Estate Equity Management, and is the chairman and co-founder of Institutional Housing Partners. He is the former chairman and co-founder of AMB Property Corporation and was a partner with Morrison and Foerster from 1975 to 1984. Previously, he was a staff attorney with the National Housing Law Project of the O.E.O. Legal Services Program. He formerly served as a trustee with Stanford University, and served on the boards of the Stanford Management Company, Catholic Social Services of San Francisco, and the Fine Arts Museums of San Francisco. He is a member of the investment committee of the Hewlett Foundation and serves on the board of the UCSF Foundation. He holds a law degree (1967) and a bachelor of arts from Stanford University. Mr. Burke was appointed to the Trust board by President George W. Bush in 2005.



**Nancy Conner** has served the Bay Area's parks and cultural institutions for more than 25 years. Since 1980, Ms. Conner has been a board member of the San Francisco Parks Trust (aka the Friends of Recreation and Parks), serving currently as past board chair. She also serves on the boards of the Golden Gate Park Concourse Authority and the San Francisco Symphony. Previously, Ms. Conner was a board member of the Bothin Foundation, the San Francisco Boys' Chorus, and the U.C. Berkeley Environmental Design Archives Advisory Board, among others. She co-founded the San Francisco Landscape Garden Show as a benefit event for city parks and recreation programs. Ms. Conner received a master's degree from Stanford University in 1967 and a bachelor of arts from Wellesley College in 1964. Ms. Conner was appointed to the Trust board by President George W. Bush in 2005.



**Curtis F. Feeny** testified before the U.S. Senate and House of Representatives when the Presidio Trust was first being formed by Congress. He brings twenty-five years of experience in real estate development and capital investment to the Trust board. Mr. Feeny is the managing director for Voyager Capital, a Venture Capital firm. He worked from 1992 to 2000 as executive vice president with Stanford Management Company at Stanford University. Previously, Mr. Feeny worked for twelve years with Trammell Crow Company and served on its board; he currently serves on the board of CBRE, the world's largest real estate services firm, and the Stanford Federal Credit Union. He graduated from the Harvard School of Business in 1981, and holds a bachelor of sciences magna cum laude from Texas A&M University. Mr. Feeny was appointed to the Trust board by President George W. Bush in 2005.



**John Reynolds** served for 39 years in the National Park Service including as deputy director, regional director, director of the Denver Service Center, superintendent of North Cascades National Park, and assistant superintendent of Santa Monica Mountains National Recreation Area. He currently serves as a board member of Association of Partners for Public Lands, Friends of the John Smith Chesapeake Trail, and Shenandoah National Park Trust; as a member of North Cascades Institute Advisory Council; as chair of the Flight 93 National Memorial Federal Advisory Commission and the Captain John Smith National Historic Trail Advisory Council; and as senior government relations advisor to the Student Conservation Association. Mr. Reynolds served in the New Jersey National Guard and U.S. Army Reserve from 1966-1972. He holds a bachelor of sciences from Iowa State University and a master of landscape architecture from the University of New York at Syracuse. He was appointed as the Secretary of the Interior's designee to the Trust board in July 2009.



**J. Michael Shepherd** is president and chief executive officer of Bank of the West. Previously, he served as general counsel of The Bank of New York Company, Inc. and of Shawmut National Corporation. He was a partner in the San Francisco law firm of Brobeck, Phleger & Harrison LLP and special counsel to Sullivan & Cromwell. Mr. Shepherd also served as senior deputy Comptroller of the Currency, associate counsel to the President of the United States, and deputy assistant Attorney General. In addition to serving as a director of Bank of the West and BancWest Corporation, Mr. Shepherd is a director of Pacific Mutual Holding Company, Pacific Life, and Promontory Interfinancial Network. He also serves as a director of Episcopal Charities of California. He is a member of the Council on Foreign Relations and the Financial Services Roundtable. Mr. Shepherd is a graduate of Stanford University and the University of Michigan Law School. He was appointed to the Presidio Trust board of directors by President George W. Bush in 2008.

**Executive Director: Craig Middleton** leads the effort to preserve the Presidio as an enduring resource for the American people. Middleton oversees the Presidio's transformation into a great national park by creating a new community in the former military post's buildings, restoring the forest and natural areas, establishing partnerships to financially support the park, and creating new recreational pursuits for visitors. The Trust was awarded the Urban Land Institute's Global Award for Excellence in 2006. Middleton has served as executive director since 2002. Previously, he worked closely with the Presidio Council, a blue-ribbon panel established by the Parks Conservancy to plan for the Presidio's transition, and was a senior aide to Congresswoman Nancy Pelosi (D-San Francisco). Middleton holds a master's degree in public administration from the Monterey Institute of International Studies and a bachelor's degree in social science from the University of California at Santa Barbara.



*Inspiration Point overlooking the Tennessee Hollow Watershed.*



# Performance and Accountability Report

Years Ended September 30, 2009 and 2008,  
with Report of Independent Certified Public Accountants



# Performance and Accountability Report

*Years ended September 30, 2009 and 2008*

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

### MESSAGE FROM THE EXECUTIVE DIRECTOR

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The Presidio Trust's (the "Trust") mission is to preserve the Presidio of San Francisco as an enduring resource for the American people. The Fiscal Year 2009 Annual Report illustrates our progress and demonstrates our commitment to transforming the Presidio into a great national park.

The Trust's financial systems conform to government-wide standards, and the financial and performance data provided in this report are reliable and complete. No material internal control weaknesses have been identified.



Craig Middleton  
November 13, 2009

### OVERVIEW

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The Presidio Trust is the federal corporation created by Congress to preserve, protect, and enhance the Presidio of San Francisco, a National Historic Landmark District and a unique national park in an urban area.<sup>1</sup>

The Trust Act<sup>2</sup> mandates that the Trust become independent of annual federal appropriations by the end of FY 2012. The Trust finances its operations through a direct appropriation, leasing revenue from both

residential and commercial property, reimbursable agreements with other governmental agencies, and fees for services provided by the Trust. Federal appropriations are invested in projects that generate revenue which will, over time, replace federal appropriations.

The Trust assumed management of the Presidio in July 1998, and has made significant progress towards rehabilitating its historic landscapes and buildings, preserving and enhancing the Presidio's natural beauty and native habitats, making the former military post inviting to the public, and finally towards establishing a strong economic foundation for the park's future. In 2006, the Presidio Trust won the Urban Land Institute's prestigious "Global Award for Excellence" for progress in implementing the *Presidio Trust Management Plan*.

The Trust's operating costs have been fully covered by earned revenue since 2004. The Trust has invested federal dollars effectively and has established strong recurring sources of revenue to support and maintain the park in perpetuity.

The Presidio Trust Act directs the Trust to adhere to the general objectives of the 1994 *General Management Plan Amendment for the Presidio* (GMPA) developed by the National Park Service (NPS), and to abide by the Government Corporation Control Act. As an independent executive-branch agency, the Trust is also accountable to the Office of Management and Budget (OMB) and the Government Accountability Office (GAO). The Trust is required to submit annual reports to Congress, as well as quarterly and annual financial reports to OMB and the Department of the Treasury.

<sup>1</sup> *The Presidio Trust oversees the interior 1,100 acres of the Presidio, and the National Park Service manages the 300 coastal acres.*

<sup>2</sup> *P.L. 104-333, November 12, 1996, 16 U.S.C. 460bb appendix.*

## MISSION, GOALS, AND ORGANIZATIONAL STRUCTURE

### Mission and Goals

The Presidio Trust's mission is to preserve the Presidio as an enduring resource for the American people. To achieve this mission the Trust is transforming the Presidio into a national park that welcomes the public; is building a community to support the park; is enhancing the Presidio's scenic, natural, and cultural resources; and is forging public-private partnerships to sustain the park. The Trust integrates financial and preservation goals to manage the Presidio in a way that meets its specific challenges.

In 2002 the Trust adopted *The Presidio Trust Management Plan: Land Use Policies for Area B of the Presidio of San Francisco* (PTMP), which sets the framework for how the Trust will balance resource preservation, public use, and revenue generation. The PTMP presents a vision of the Presidio as a unique park, one that is animated by people whose everyday activity – living in the post's homes and working in its historic buildings – is not only critical for its economic feasibility, but is also essential for preserving its historic character.

The Trust maintains a rolling five-year planning process, updated annually, which sets out the budgetary goals and timing of investments in:

- rehabilitation of historic and non historic buildings intended for leasing,
- other preservation and improvement projects such as building stabilization, streetscapes, parking and other site improvements,
- projects which preserve and protect the natural and cultural resources of the park; improve landscaping or provide visitor amenities,

- long term maintenance of infrastructure, including, streets, outdoor lighting, electrical, water, waste water, phone and data services, and
- remediation of environmental hazards which date back to the era of the U.S. Army's use of the Presidio.

The planning process achieves a balance of current operations and investments in the Presidio which will result in the long term viability of the Presidio as a self supporting national park.

### Organizational Structure

The Presidio Trust was established by Congress as a wholly-owned corporation of the Federal Government. Congress requires the Trust to be accountable for multiple mandates – cultural and natural resource preservation, park enhancement, and public use – while also ensuring that it develops the financial capacity to sustain the Park in perpetuity. The Trust Act (Public Law 104-333) gives the Trust the flexibility to operate in the marketplace, make real-time decisions, and retain revenues to reinvest in the Park.

Authority is vested in a seven-member board of directors, six of whom are appointed by the President of the United States, and the seventh is the Secretary of the Interior or the Secretary's designee. An executive director oversees an organization that includes a chief operating officer, chief of park projects and programs, chief financial officer, general counsel, director of public affairs, director of human resources, and other positions essential to operating this unique Park. The current management team has been in place for more than four years, with three members having served the Trust more than ten years.

## FISCAL YEAR 2009 PERFORMANCE

The attached *Fiscal Year 2009 Performance Report* presents a discussion of the goals identified in the FY 2009 Trust's Budget Justification. In the section that follows, management discusses the most significant results of the year and provides information about key performance and financial challenges facing the Trust.

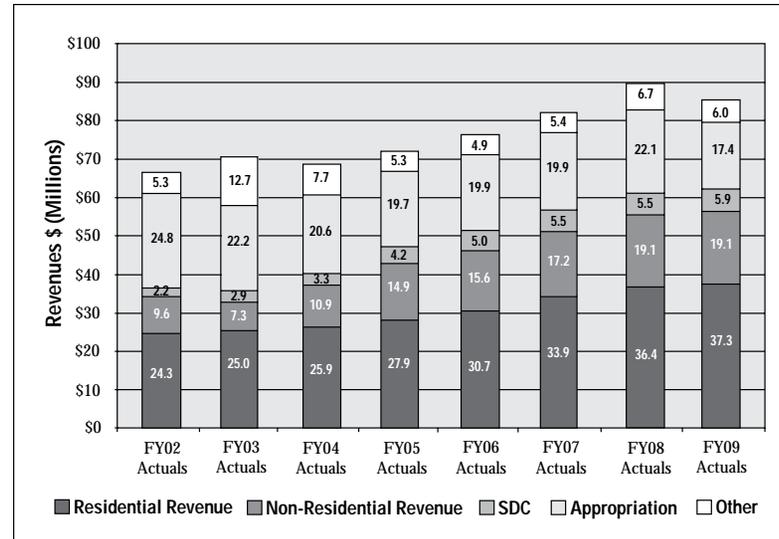
### Five-Year Capital Plan

During FY 2009 the Trust updated and extended its Five-Year Capital Plan to cover the period FY 2010 – FY 2014. This plan essentially completes the rehabilitation of four principle districts of the Presidio: Main Post, Public Health Service Hospital, Crissy Field, and Letterman, leaving only Fort Scott for future redevelopment.

Demand for both residential and commercial leased property declined in the San Francisco Bay Area during FY 2009 as a result of a broad and deep recession in the general economy. Late in FY 2008, the slowdown in the regional and national economies and stress in the national financial sector began to have an impact on local real estate markets.

As the chart above demonstrates, the impacts on the Trust's finances have been minimal thus far. Even under these circumstances, total revenue to the Trust, excluding the appropriation, continued to grow in 2009, although at a slower rate than in recent years. Trust management is following regional and local trends closely and will continue to make adjustments to spending and to capital planning as needed.

The recession has most directly affected the Trust's leasing of newly available commercial space. Fewer investors are currently interested in investing in the rehabilitation of Presidio buildings, particularly with vacancy increasing and rents declining regionally. During the year, the



Trust also found that newly available renovated commercial space has remained on the market longer before a new lease is signed.

The recession has also brought increased availability of well qualified contractors and subcontractors expressing interest in Trust projects. The increase in construction costs, which has been so dramatic in recent years, has reversed, and the competitive bidding of Trust projects in recent months has resulted in generally lower-than-anticipated pricing.

### Philanthropic Gifts

Fundraising is essential to the Trust's ability to create improvements and programs that directly serve the public. During FY 2009, the Trust and its philanthropic partner, the Golden Gate National Parks Conservancy, continued to raise funds toward a goal of \$7 million to trigger a \$10 million matching grant from the Evelyn and Walter Haas, Jr. Fund. These funds are being used to create a 24-mile

system of trails and bikeways. An additional gift of \$4 million from the Haas, Jr. Fund is being used to improve and expand the Rob Hill Campground, which will be completed in early spring 2010. The Trust and Conservancy partnership is also raising funds for other important projects and programs in the park including renovations at El Polín and replacement of the Presidio Nursery's Seed and Plant Lab.

#### The Main Post

Redeveloping the Main Post as the "Heart of the Presidio" is a long-standing goal of the Trust; however, extensions to consultation with the public and the unfavorable economy tended to slow progress during FY 2009. In FY 2008, the Trust issued a draft "Main Post Update" to the *Presidio Trust Management Plan* and an associated draft environmental impact statement under the provisions of the National Environmental Policy Act (NEPA). The "Main Post Update" provides a comprehensive vision for the Main Post as a vibrant center for history and culture, and a central focus of visitor activity. A 7-acre parking lot that now occupies the site of a former open parade ground will be transformed into a major open space at the center of the Main Post. The Trust is undertaking both environmental and historic compliance activities relative to the Main Post, which include a number of opportunities for public involvement in the conversation about the future of the district. The Trust expects to complete compliance in 2010.

Concurrently, the Trust has continued discussions with organizations that have proposed uses in the Main Post.

- In September 2006, the Trust began negotiations with Larkspur Hotels and Restaurants to create lodging at the Main Post. Hotel vacancies have grown significantly and hotel rates have declined during the year, making this project less viable for the developer, at least in the current environment.

- The Trust also held discussions with Doris and Don Fisher to create the "Contemporary Art Museum at the Presidio". In mid-2009, the Fishers withdrew their proposal for a Main Post museum, and later announced an agreement to display their collection with the San Francisco Museum of Modern Art.
- In October 2009 the Trust signed a lease with the Family Violence Prevention Fund to create the "International Center to End Violence" in one of the stately historic buildings that face the Main Parade.
- The San Francisco Film Society has proposed a rehabilitation of the Presidio's historic movie theater, which, along with an addition to the building, would become home to the San Francisco Film Festival and other events and programs related to film arts. This negotiation would conclude only after the current environmental and historic compliance is completed.

As reported earlier, the Trust has leased three buildings, including another of the Montgomery Street Barracks, to the Walt Disney Family Foundation. In late FY 2009 the Foundation opened its museum dedicated to telling the story of the life and times of Walt Disney. The museum has achieved broad critical praise and is a welcome tenant in the Main Post.

The Trust is currently seeking worthy tenants for the Montgomery Street Barracks (buildings 101, 103, and 105). One of the barracks (building 102) remains under the jurisdiction of the National Park Service; the Trust is working with the NPS to determine the future of this building and a location and funding strategy for the development of a jointly-supported visitor center.

The Trust is also planning a Heritage and Archaeology Center that will celebrate the Presidio's unique history as a colonial outpost and military post serving under three flags over 232 years. Design for the Center was completed in FY 2009 and at year end portions of the Center are beginning construction.

The Trust and National Park Service have long envisioned a rehabilitation of the post's Main Parade ground. Plans allow for the historic parade to re-emerge as a civic open space ringed by new and historic buildings that will offer programs and amenities for the public. During FY 2009 the Trust continued design of the project with the construction of a first phase intended to begin in late FY 2010.

#### The Public Health Service Hospital District

In FY 2008, the Trust signed a lease with Forest City Enterprises to redevelop the Public Health Service Hospital, converting this historic building into residential units and adding a modicum of new construction for seven townhouses. Early in FY 2009, the non-historic wings of the 332,000 square foot hospital building were demolished and construction has begun on the rehabilitation of the historic core of the building. Both buildings are expected to be open for occupancy in the fall of 2010.

During the year, the Trust completed the full historic rehabilitation of a former Nurses' Quarters in the district (building 1808) into small office units. The building will be available for occupancy in spring 2010. Additionally, work has begun on the full rehabilitation of the historic housing on Wyman Terrace in the district. The Trust is also upgrading the district's infrastructure and undertaking site improvements.

There is growing excitement about the rebirth of this historic district. By the end of FY 2010 the rehabilitation and reuse of this district will be substantially complete, and it promises to be a beautiful, historic and functional part of the park for generations to come.

#### Crissy Field and the Cavalry Stables

Work continued during the year on the revitalization of the remaining buildings along Crissy Field. The rehabilitation of building 924 was completed, rehabilitation of building 920 is scheduled for FY 2010. New tenants welcomed to Crissy Field in 2009 include La Petite Baleen (swimming instruction for children) and Planet Granite (rock climbing). The renovation of Buildings 926, 933, and 934 are planned for future years due to the impact of Doyle Drive.

Nearby in the Cavalry Stables area, the rehabilitation began of former barracks 682 and the related buildings 681 and 683; completion of this project is expected in FY 2010.

#### Other Historic Preservation, Restoration and Stabilization Projects in FY 2009

Seven of the main Fort Scott buildings underwent exterior preservation, including roofs and exterior paint. Preservation of the major buildings at Fort Scott will be completed in 2010. Building stabilization work was performed in the Main Post in buildings 42 (Pershing Hall), and 45.

The beautiful and ornate Arguello and Lombard Gates were restored and preservation of historic Presidio walls continued. Over 36 acres of native habitats have been restored since program establishment. In 2009, 1,055 volunteers worked 13,869 hours on restoration projects.

#### Enhanced Public Access and Use of the Park

The Trust undertook a number of initiatives during the year to enhance public access and enjoyment of the Park. The Trust began construction on the newest scenic overlook above the National Cemetery with sweeping views of San Francisco and the Bay. Design is underway for an additional four overlooks. Lover's Lane trail and bridge, Inspiration Point connector and Cemetery Overlook trails were completed in 2009; Presidio Promenade was completed at the close of FY 2009.

The Trust continues a number of public programs that give children a rich experience in the park. The Trust-funded the Camping at the Presidio program which brought more than 1,264 youth from underserved Bay Area communities into the Presidio for a unique urban national park camping experience.

The monumental and stirring “Spire” installation, by famed artist Andy Goldsworthy, used trees from a reforestation project for recyclable art in the Presidio forested area.

The Trust’s free transportation program, PresidiGo, saw ridership increase 13% to 331,983 in FY 2009.

#### Environmental Remediation

The Trust’s environmental remediation program made great progress in FY 2009, including documentation of remediation remedies prepared and submitted to the regulatory agency for 13 sites; remedial construction work on landfills 8 and 10; and grading of the area 9 site. The master schedule for completing the environmental remediation program was also updated, showing completion of the program in 2014.

The accompanying Performance Report provides additional detail on the Trust’s activities during the year and plans for the coming year. The Trust remains on a solid trajectory to meet and exceed the expectations established by Congress in the Trust Act.

## ANALYSIS OF FINANCIAL STATEMENTS

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As in previous years, the Trust received a qualified opinion on the fiscal year 2009 financial statements. This opinion derives from the fact that after the Trust assumed jurisdiction over 1,100 acres of federal land and approximately 800 buildings, the costs of the property, plant and equipment transferred to the Trust for improvements to buildings over forty years old could not be determined. In accordance with

Statement of Federal Financial Accounting Standards (SFFAS) No. 6, if costs cannot be ascertained, then the assets should be recorded at fair value; however the Trust recorded these particular improvements with a zero book value. The Trust believes the process to rectify this issue and receive an unqualified opinion to be cost prohibitive for an agency striving to meet financial self sufficiency. Further, the information does not add value for readers of the current financial statements.

The financial statements were audited by the independent accounting firm KPMG, LLP. One of the Trust’s goals is to continuously improve financial management and to provide accurate and reliable information. Trust Management is responsible for the integrity and objectivity of the financial information presented in the financial statements.

The accompanying financial statements summarize the Trust’s financial position, show the net cost of operations and changes in net position, provide information on budgetary resources and financing, and present the sources of revenues and expenditures during Fiscal Years 2009 and 2008. Highlights of the financial information presented in the financial statements are shown below.

#### Balance Sheet

This statement is designed to show the Trust’s position as of September 30, 2009 and in comparison to its position a year earlier.

#### Assets

The Trust’s total assets were \$331.4 million at the end of FY 2009, and \$310.8 million at the end of FY 2008. This growth of \$20.6 million in assets is primarily the result of the Trust’s investment in property, plant and equipment, which grew by \$27.1 million, net of depreciation, during the year. During the fiscal year the Trust invested an additional \$38.8 million in land improvements, plant and equipment, and retired plant and equipment and land improvements with a value of \$2.4 million. The Trust also recorded depreciation in the amount of \$9.3 million.

### Liabilities

There were \$141.1 million in liabilities at the end of FY 2009, and \$139.4 million at the end of FY 2008, an increase of \$1.7 million. Several “other” liability categories increased with the largest being a \$3.2 million dollar increase in the rent credit liability account, which is due to the issuance of rent credits to various tenants with long term leases.

Trust liabilities include \$50.0 million in debt to the U.S. Treasury. Payments on this debt are for interest only until 2015, and the debt is to be repaid in full by 2029. FY 2009 liabilities also include an environmental remediation cleanup cost of \$46.8 million, of which \$36.2 million is unfunded, with the balance funded by an advance from the Army. The unfunded liability decreased by \$3.8 million in FY 2009. The Trust holds insurance policies against excess costs and unknown contaminants which are expected to provide support for these unfunded liabilities.

### Net Position

The Trust’s net position was \$190.3 million at the end of FY 2009, and \$171.4 million at the end of FY 2008, an increase in net position during the year of \$18.9 million. This growing “equity” position of the Trust provides further evidence of the transformation of the Presidio into a self sustaining national park.

### Net Cost of Operations

This statement is intended to report net costs of the Trust as a component unit of the federal government and the net cost to the public. Costs reported on this statement are stated on a proprietary basis, including depreciation and all remediation activities.

The statement demonstrates that the Trust had a net cost of operations of \$1.0 million during FY 2009 and FY 2008 respectively. As the Trust

moves closer to financial self sufficiency, net cost should decrease, but may not be fully reflective of amounts earned to operate the park as some entries are made for financial reporting purposes under GAAP while budgetary resources are available in a subsequent period. The net cost statement reflects all of the expenses incurred from activities of the Trust during FY 2009, including the remediation program and the depreciation of fixed assets.

### Budgetary Resources

As an entity of the federal government, the Trust reports on the status of its budgetary resources, the extent to which obligations exist as claims on those resources, and the relationship of those obligations to outlays. The Trust receives most of its funding from revenues earned from residential and non-residential leasing, as well as other revenue-generating activities. In addition, the Trust receives general government funding in the form of an appropriation as authorized by the Congress. Resources consist of the balance at the beginning of the year, appropriations received during the year, and spending authority from offsetting collections.

Budgetary resources amounted to \$160.1 million for FY 2009, compared to \$169.7 million in FY 2008. Of this amount, the Trust obligated \$110.4 million in FY 2009 and \$108.2 million in FY 2008. Unobligated balances at the end of FY 2009 and FY 2008 were \$49.7 million and \$61.5 million. This unobligated balance is due primarily to the advance of funds from the Army for environmental remediation and funds held for purposes other than operations, such as tenant security deposits and philanthropic donations.

### Risks and Uncertainties

The Trust is responsible for environmental cleanup on the Presidio. Management monitors the progress of environmental cleanup and estimates the cost of the cleanup using standard industry practices.

Estimates are based in internal analysis as well as studies performed by consultants. Management updates estimates from prior environmental studies as additional information becomes available. External risk factors such as regulatory requirements and increases in construction costs will have an effect on the final costs. See Note 10 to the accompanying financial statements for an in-depth discussion of the risks and uncertainties related to the environmental cleanup as of September 30, 2009. The Trust will periodically re-evaluate its estimates; however, actual costs will likely vary from these estimates.

The Trust is also responsible for rehabilitation and maintenance of the Presidio's fixed assets, including infrastructure. Many of the assets have actual lives that are longer than their depreciable lives. There is uncertainty as to the life spans of the assets and the future costs of replacement of the assets. Budgetary constraints are considered in evaluating the replacement of assets on an annual basis.

Regular and on-going maintenance of assets is important to prolong the useful life and reduce the likelihood of unexpected failures. Maintenance of one hundred percent of the assets is unfeasible, so the Trust evaluates deferred maintenance on an annual cycle and prioritizes the most important preventative maintenance for completion. Deferred Maintenance data can be found in the required supplementary information accompanying the financial statements.

#### Stewardship Investments

Stewardship assets are detailed in a Note to the financial statements as required by SFFAS 29, Heritage Assets and Stewardship Land. The Trust's reported values for Property Plant and Equipment exclude stewardship assets because they are considered priceless and do not have an identifiable value. Therefore monetary amounts cannot be assigned. For an in depth discussion regarding these assets please refer to Note 7.

#### LIMITATIONS OF THE FINANCIAL STATEMENTS

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Management has prepared the accompanying Financial Statements to report its financial position and results of operations for the Trust pursuant to the requirements of Title 31 of the U.S. Code and the Trust Act.

These Financial Statements have been prepared from the Trust's general ledger and subsidiary reports in accordance with GAAP for Federal entities and the formats prescribed by the Office of Management and Budget in Circular A-136, "Financial Reporting Requirements". These statements are in addition to the financial reports used to monitor and control budgetary resources, which are prepared from the same books and records. These statements should be read with the realization that the Trust is a federal corporation, a component of the U.S. and therefore, liabilities cannot be liquidated without authorizing legislation.

The Financial Statements and footnotes have been prepared by Trust management. The accuracy of the information contained in the principal Financial Statements and the quality of internal controls rests with management.

## MANAGEMENT ASSURANCES

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The Federal Managers' Financial Integrity Act (FMFIA) requires agencies to conduct an annual evaluation of their management controls and financial systems and report the results to the President and Congress. The Presidio Trust prepares an annual Statement of Assurance based on these internal evaluations.

### Statement of Assurance on Internal Controls over Financial Reporting

The Presidio Trust management is responsible for establishing and maintaining effective internal controls to support programmatic operations, financial reporting, and compliance with applicable laws and regulations. The Presidio Trust conducted its assessment of the effectiveness of the Presidio Trust internal controls over financial reporting in accordance with OMB Circular A-123, *Management's Responsibility for Internal Control*.

Based on the results of this evaluation, the Presidio Trust can provide reasonable assurance that the internal controls were operating effectively and no other material weaknesses were found in the design or operation of the internal control over financial reporting.

### Statement of Assurance on Financial Systems

The financial management systems of the Trust conform to federal financial system requirements, FASAB standards, and the U.S. Standard General Ledger at the transaction level.

### Statement of Assurance on Internal Controls over Operations

The Presidio Trust management is responsible for establishing and maintaining effective internal controls to support programmatic operations and compliance with applicable laws and regulations. Management certifies that these controls are in place and effective.



Craig Middleton  
November 13, 2009

## FISCAL YEAR 2009 PERFORMANCE REPORT

The Budget Justification for FY 2009 was submitted to OMB in September, 2007 based on the Five Year Construction Plan for FY 2009 – 2013 as approved at that time. The actual capital projects executed in FY 2009 differed in numerous respects as plans and circumstances changed during the year.

Three events worth noting resulted in changes in construction project plans subsequent to the presentation of the FY 2009 Budget Justification. The first event was a proposal from the family of Don and Doris Fisher, announced in August 2007, for the construction of a contemporary art museum in the Main Post, and the extended Main Post planning process that resulted from the Fisher's proposal.

The second significant event was the severe recession in the national economy which had such a profound effect on so many in FY 2009.

Finally, the third event was the decision of the Doyle Drive Replacement Project Team to accelerate the start of construction on the new roadway which will replace the existing Doyle Drive within the Presidio.

These events and the results on the Trust's performance during FY 2009 are discussed in greater detail in the narrative and tables below.

- Demand Driven Projects (Line 22) was established as a contingency for opportunity projects that arose during the year. The funds were used for Building 682 (Line 4), which is an office building that will be completed late in the calendar year and is being marketed for lease to tenants.
- The budget justification anticipated that the Montgomery Street Barrack Building 101 (Line 11) would be rehabilitated by the Trust. Subsequently, a proposal to build a contemporary art museum was received that included reuse of Building 101, and as a result, the Trust reallocated the funds for Building 101 to the rehabilitation of Building 103.
- The proposal for a contemporary art museum made necessary a Supplemental Environmental Impact Study (SEIS - Line 59), and the study changed the timing of many of the Main Post Projects, and delayed progress on the Heritage Center (Line 7). The Trust incurred \$1.6 million (Lines 56-61) in costs related to the Main Post SEIS.
- The severe downturn in the national economy which occurred during the year resulted in delays in the Lodge (Line 14), rehabilitation of the Thornburgh District (Line 21) and rehabilitation of Public Health Service Hospital (PHSH) District Building 1805 (Line 20).
- Forest City began rehabilitation on the PHS Hospital, Building 1801, into residential units; this led to a decision to accelerate work on PHS Building 1808 (Line 17). Site work at PHS (Line 32) proceeded on schedule. The Trust also accelerated its own residential project for PHS, the Wyman Housing (Line 19) and \$1.3 million more was obligated than was originally projected.

- Building 42 needed stabilization work to prevent additional damage so \$329 thousand was spent repairing and painting its exterior shell.
- The Trust acquired the remaining interest in a lease on Building 385 held by the Fort Mason Foundation for \$464 thousand (Line 42).
- During the year, the Trust was able to allocate \$1.3 million for Park Projects (Lines 45 to 54). These projects included \$407 thousand on trails and \$205 thousand on Presidio Wall preservation.
- The reconstruction of Doyle Drive is a partnership of the State, City & County and Federal Governments. The project has been in the planning stage for many years. The receipt of funds from the American Recovery and Reinvestment Act during the fiscal year accelerated the project and it is now scheduled to begin construction in November 2009, with a construction period lasting three to four years. The project will result in the demolition of a number of buildings on the Presidio; the Trust will be compensated for lost revenue and other costs related to the project. The Doyle Drive Requirements projects (Lines 62 to 67) are the FY 2009 Presidio Trust costs associated with the project.
- The infrastructure pool (Line 69) at \$3.1 million supports utility and infrastructure work. A new utility backbone (Line 70) was constructed during the year to support increased utility requirements of the Public Health Service Hospital District.
- Capital Programs Ongoing (Line 78) is a pool of funds that are available for ongoing improvements done annually, including construction improvements to many of the residential units such as new kitchens, flooring, windows, painting, etc. In addition, reforestation, trails, landscape upgrades and tree establishment are funded from this pool. In FY 2009, an extra \$2 million was spent on cyclic maintenance including roofs and painting of entire buildings.

It is the Trust's goal to complete the priority building rehabilitations, park projects and infrastructure improvements as rapidly as possible. Overall, the Trust had a very successful year, spending \$44 million on capital programs.

<i>Capital Projects (\$ in thousands)</i>	<i>Budget per Budget Justification</i>	<i>Actuals as of September 30, 2009</i>	<i>Actual Variance FY 2009 Budget Justification</i>	
			<i>\$</i>	<i>%</i>
1 Buildings To Rehabilitate				
2 Building 11 - 16 Funston		133	(133)	
3 Building 1330		36	(36)	
4 Building 682		7,252	(7,252)	
5 Building 45		14	(14)	
6 Building 50 (O Club)		2	(2)	
7 Heritage Center	2,060		2,060	100.0%
8 Building 640-641 (Japanese Heritage Center)	103	61	42	40.8%
9 Building 99 – Theater – MD	52		52	100.0%
10 Montgomery Street Barracks (Building 100)	103	140	(37)	-35.5%
11 Montgomery Street Barracks (Building 101)	12,360	59	12,301	99.5%
12 Montgomery Street Barracks (Building 103)		880	(880)	
13 Montgomery Street Barracks (Building 105)				
14 Lodge	412	14	398	96.6%
15 Disney (Buildings 104, 108, 122)	155	99	56	36.4%
16 CAMP & Building 101 M Post Museum	309	23	286	92.4%
17 PHSB 1808 (Nurse's Quarters)	309	829	(520)	-168.1%
18 PHSB 1801	412	328	84	20.4%
19 PHSB Wyman Housing 1809-1815	7,649	8,895	(1,246)	-16.3%
20 PHSB 1805	1,648	2	1,646	99.9%
21 Thornburgh	3,502	43	3,459	98.8%
22 Demand Driven Projects	6,930		6,930	100.0%
23 West Crissy 926		20	(20)	
24 West Crissy 933A, 924		30	(30)	
25 West Crissy 920		33	(33)	
26 West Crissy 934		23	(23)	
27 West Crissy 933B, 935, 937		6	(6)	
28 Building 951		1	(1)	
29 Reclaimed Water Plant		61	(61)	
<b>30 Subtotal – Buildings to rehabilitate</b>	<b>36,004</b>	<b>18,984</b>	<b>17,020</b>	<b>47.3%</b>

<i>Capital Projects (\$ in thousands)</i>	<i>Budget per Budget Justification</i>	<i>Actuals as of September 30, 2009</i>	<i>Actual Variance FY 2009 Budget Justification</i>	
			<i>\$</i>	<i>%</i>
31 Other Projects				
32 PHSH District Site Improvements	1,648	1,880	(232)	-14.1%
33 West Crissy Streetscape/Parking		5	(5)	
34 Montgomery Street Landscape		178	(178)	
35 Non-Res Parking Program	464	458	6	1.2%
36 Mason Street Warehouses Stabilization		122	(122)	
37 Stilwell Hall Paint Stabilization (Building 650)	515	338	177	34.4%
38 Building 42 Stabilization		329	(329)	
39 Fort Scott Building Preservation	1,030	1,026	4	0.4%
40 Fort Scott Planning	155	190	(35)	-22.5%
41 Doyle Drive Project Management	412	214	198	48.1%
42 Building 385 – Closed		464	(464)	
<b>43 Subtotal – Other Projects</b>	<b>4,224</b>	<b>5,203</b>	<b>(979)</b>	<b>-23.2%</b>
44 Park Projects (Excludes Gift Funded Share)				
45 Trails/Overlooks/Crissy Overlook		407	(407)	83.3%
46 Dragonfly Creek Restoration	103	17	(17)	
47 Tennessee Hollow		219	(219)	
48 Nike Magazine Decommission		1	(1)	
49 Playground Upgrades (safety)		244	(244)	
50 Landscape Restoration of Remediation Sites		53	(53)	
51 Staff Management of Sponsored Projects		75	(75)	
52 Presidio Wall Preservation		205	(205)	
53 El Presidio Landscape Improvements		2	(2)	
54 Rob Hill Campground		182	(182)	
<b>55 Subtotal – Park Projects</b>	<b>103</b>	<b>1,404</b>	<b>(1,301)</b>	<b>-1,263.4%</b>

<i>Capital Projects (\$ in thousands)</i>	<i>Budget per Budget Justification</i>	<i>Actuals as of September 30, 2009</i>	<i>Actual Variance FY 2009 Budget Justification</i>	
			<i>\$</i>	<i>%</i>
56 Main Post Parking and Improvements				
57 Taylor Street Reconstruction/Repair		468	(468)	
58 Main Post Coordination		198	(198)	
59 Main Post SEIS		721	(721)	
60 Parking – Taylor Street 141 Spaces		254	(254)	
61 <b>Subtotal – Main Post Parking and Improvements</b>		<b>1,641</b>	<b>(1,641)</b>	
62 Doyle Drive Requirements				
63 Main Bluff Parking – 228 Spaces		57	(57)	
64 Arch/Ed Center (Building 44, 47, 48, 49)		735	(735)	
65 Tenant Relocation		128	(128)	
66 CNG Station/Bus Yard		10	(10)	
67 <b>Subtotal – Doyle Drive Requirements</b>		<b>929</b>	<b>(929)</b>	
68 <b>Infrastructure</b>				
69 Infrastructure Pool (general)	3,090	2,210	880	28.5%
70 PHSB Utility Backbone		1,241	(1,241)	
71 Thornburgh Util Backbone		19	(19)	
72 Building 211 Solar Panels – Closed		10	(10)	
73 Data Center Virtualization		118	(118)	
74 Systems Integration	361	431	(70)	-19.3%
75 Relocate Server Room from 34 to 67		17	(17)	
76 Technology Equipment Lifecycle Repl		130	(130)	
77 <b>Subtotal – Infrastructure</b>	<b>3,451</b>	<b>4,176</b>	<b>(725)</b>	<b>-21.0%</b>
78 Capital Programs – Ongoing	8,420	11,564	(3,144)	37.3%
79 Financing Transaction		48	(48)	
80 Carryforward and Other Less than \$70K	72	28	44	60.9%
81 <b>TOTAL*</b>	<b>52,274</b>	<b>43,977</b>	<b>8,297</b>	<b>15.9%</b>

\*NOTE: The total budget for capital projects that was approved by the board for FY 2009 at \$68,676 was \$16,402 higher than the \$52,274 submitted for the budget justification primarily due to timing. The budget justification is prepared in September, 2007 and the Board approves the Budget about a year later.

CHIEF FINANCIAL OFFICER LETTER

In July, 1998, the Trust assumed jurisdiction over approximately 1,100 acres of federal land and over 800 buildings from the National Park Service. The United States Army previously administered the property. Many of the structures were greater than 40 years old and pursuant to Trust depreciation policies were fully depreciated at the date of transfer. Statement of Federal Financial Accounting Standards (SFFAS) No. 6 – *Accounting for Property, Plant and Equipment (PP&E)* – requires PP&E to be recognized when title passes to the entity. Additionally, SFFAS No. 6 requires that the cost of general PP&E transferred from other federal entities be at the cost recorded by the transferring entity, net of accumulated depreciation; if such amounts cannot be reasonably ascertained, the cost of the PP&E is to be its fair value at the time transferred.

As discussed in Note 7 to the Financial Statements, because of the lack of available information from the National Park Service and the United States Army, the Trust valued buildings less than 40 years old by using appropriate construction industry indices, less an accumulated depreciation adjustment to ascertain net asset value at the date of the Trust's formation. However, improvements made to buildings over 40 years old and land improvements have been valued at zero net book value but may still have a net value. Under SFFAS No. 6, the Trust should have recorded these improvements at fair value. Estimating the fair market values of these improvements would be a lengthy process, cost prohibitive, and would result in information that is not meaningful to the users of the Trust's financial statements.

The Trust periodically reevaluates the costs and benefits of removing this qualifying statement from the otherwise clean opinion received from the independent auditors.

A handwritten signature in cursive script that reads "Michael Rothman".

Michael Rothman  
November 13, 2009

INDEPENDENT AUDITOR'S REPORT



**Independent Auditors' Report**

The Board of Directors of  
The Presidio Trust:

We have audited the accompanying balance sheets of the Presidio Trust (the Trust) as of September 30, 2009 and 2008, and the related statements of net cost, changes in net position, and budgetary resources (hereinafter referred to as "financial statements") for the years then ended. These financial statements are the responsibility of the Trust's management. Our responsibility is to express an opinion on these financial statements based on our audits.

Except as discussed in the following paragraphs, we conducted our audits in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements*, as amended. Those standards and OMB Bulletin No. 07-04 require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

The Trust assumed jurisdiction over approximately 1,100 acres of federal land and over 800 buildings on July 1, 1998 from the National Park Service (NPS). Statement of Federal Financial Accounting Standards (SFFAS) No. 6, *Accounting for Property, Plant and Equipment (PP&E)*, requires the Trust to recognize transferred PP&E at the cost previously recorded by the transferring entity, net of accumulated depreciation. If such amounts cannot be reasonably determined, the Trust should record the PP&E at its fair market value at the time of transfer. Many of the structures, which were administered by the United States Army before NPA, were over 40 years old and considered fully depreciated at the

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date of transfer. However, as discussed in Note 1.H. to the financial statements, because of the lack of available information from NPS and the United States Army, the Trust valued improvements made to buildings over 40 years old and land improvements at zero net book value. Under SFFAS No. 6, the Trust should have recorded these improvements at fair value. Estimating the values of these improvements would have been a process that the Trust considers to be lengthy, cost prohibitive, and which would have resulted in information that is meaningless to the users of the Trust's financial statements. We were unable to satisfy ourselves as to the estimate of the carrying amount for these assets.

In our opinion, except for the effects of adjustments to the financial statements, if any, that might have been necessary had we been able to examine evidence supporting the recorded balances of improvements within the property, plant and equipment accounts, the financial statements referred to above present fairly, in all material respects, the financial position of the Trust as of September 30, 2009 and 2008, and its net costs, changes in net position, and budgetary resources, for the years then ended in conformity with U.S. generally accepted accounting principles.

The information in the Management's Discussion and Analysis, and the Required Supplementary Information is not a required part of the financial statements, but is supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of this information. However, we did not audit this information and, accordingly, we express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our reports dated November 13, 2009, on our consideration of the Trust's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of those reports is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in assessing the results of our audits.

KPMG LLP

November 13, 2009

# FINANCIAL STATEMENTS

## Balance Sheets

	AS OF SEPTEMBER 30,	
	2009	2008
<b>ASSETS</b>		
Intragovernmental		
Fund Balance with Treasury [NOTE 2]	\$ 5,025,031	\$ 5,003,201
Investments [NOTE 4]	86,377,103	96,675,581
Accounts Receivable, Net [NOTE 5]	2,863,350	69,277
<b>Total Intragovernmental</b>	<b>94,265,484</b>	<b>101,748,059</b>
Cash and Other Monetary Assets [NOTE 3]	802,230	38,864
Accounts Receivable, Net [NOTE 5]	1,751,729	2,409,227
General Property, Plant, and Equipment (PP&E), Net [NOTE 6]	217,595,860	190,496,587
Stewardship PP&E [NOTE 7]		
Other Assets		
Government Improvement Accounts	55,145	35,069
Prepayments	681,792	721,716
Deferred Rent Receivable	16,276,211	15,340,291
	237,162,967	209,041,754
<b>TOTAL ASSETS</b>	<b>331,428,451</b>	<b>310,789,813</b>
<b>LIABILITIES</b>		
Intragovernmental		
Accounts Payable	\$2,812,422	\$2,192,633
Debt [NOTE 9]	49,978,000	49,978,000
Other Liabilities		
Employer Contributions Payable [NOTE 11]	194,072	178,105
Other Post Employment Benefits Payable [NOTE 11]	1,078,614	1,118,186
Unearned Revenue [NOTE 11]	8,152,303	5,468,596
FECA Actuarial Liability [NOTES 8, 11]	25,039	31,113
<b>Total Intragovernmental</b>	<b>62,240,450</b>	<b>58,966,633</b>
Accounts Payable	13,204,064	9,483,410
Other Liabilities		
Environmental Remediation Liability [NOTE 10]	46,753,956	56,879,549
Contingent Liabilities [NOTE 13]	73,108	301,065
Security Deposits [NOTE 11]	4,115,063	3,999,635
Unearned Revenue [NOTE 11]	4,596,745	5,172,154
Payroll Payable [NOTE 11]	1,536,514	1,302,448
Annual Leave Liability [NOTE 8]	2,189,607	1,985,786
Rent Credit Liability [NOTE 8]	3,650,812	438,663
Prepaid Rents & Services [NOTE 11]	1,634,381	788,489
Accrued Interest Payable [NOTES 8, 11]	290,297	0
Other Liabilities [NOTE 11]	815,480	71,350
	78,860,027	80,422,549
<b>TOTAL LIABILITIES</b>	<b>141,100,477</b>	<b>139,389,182</b>
<b>NET POSITION</b>		
Unexpended Appropriation – Other Funds	0	0
Cumulative Results of Operations – Other Funds	190,327,974	171,400,631
<b>TOTAL NET POSITION</b>	<b>190,327,974</b>	<b>171,400,631</b>
<b>TOTAL LIABILITIES &amp; NET POSITION</b>	<b>\$ 331,428,451</b>	<b>\$ 310,789,813</b>

The accompanying notes are an integral part of these statements.

Statements of net cost

	FOR THE YEARS ENDED SEPTEMBER 30,	
	2009	2008
<b>PROGRAM COSTS</b>		
Intragovernmental Gross Costs [NOTE 14]	\$ 19,073,587	\$ 18,080,618
Less: Intragovernmental Earned Revenues [NOTE 14]	10,917,562	20,928,782
Intragovernmental Net Costs	8,156,025	(2,848,164)
Gross Cost with the Public	71,644,063	76,400,316
Less: Earned Revenues	78,811,011	72,559,329
Net Costs with the Public	(7,166,948)	3,840,987
<b>Total Net Cost</b>	<b>989,077</b>	<b>992,823</b>
<b>NET COST OF OPERATIONS</b>	<b>\$ 989,077</b>	<b>\$ 992,823</b>

*The accompanying notes are an integral part of these statements.*

Statements of changes  
in net position

	FOR THE YEARS ENDED SEPTEMBER 30,			
	2009		2008	
	<i>Cumulative Results of Operations</i>	<i>Unexpended Appropriations</i>	<i>Cumulative Results of Operations</i>	<i>Unexpended Appropriations</i>
<b>Beginning Balances</b>	\$ 171,400,631	\$ 0	\$ 149,274,821	\$ 0
<b>Budgetary Financing Sources</b>				
Appropriations Received	0	17,450,000	0	22,400,000
Other Adjustments (rescissions, etc.)	0	0	0	(349,440)
Appropriations Used	17,450,000	(17,450,000)	22,050,560	(22,050,560)
<b>Other Financing Sources</b>				
Donations and Forfeitures of Property	1,344,460		0	
Imputed Financing from Costs Absorbed by Others	1,121,960		1,068,073	
<b>Total Financing Sources</b>	<b>19,916,420</b>	<b>0</b>	<b>23,118,633</b>	<b>0</b>
<b>Net Cost of Operations</b>	<b>989,077</b>		<b>992,823</b>	
<b>ENDING BALANCES</b>	<b>\$ 190,327,974</b>	<b>\$ 0</b>	<b>\$ 171,400,631</b>	<b>\$ 0</b>

*The accompanying notes are an integral part of these statements.*

Statements of  
budgetary resources

	FOR THE YEARS ENDED SEPTEMBER 30,	
	2009	2008
<b>BUDGETARY RESOURCES</b>		
Unobligated Balance – Brought Forward, October 1	\$ 61,467,458	\$ 67,294,201
Budget Authority		
Appropriation	17,450,000	22,400,000
Spending Authority from Offsetting Collections		
Collected	84,701,227	91,315,068
Change in Receivables from Federal Sources	2,731,676	(3,868,690)
Change in Unfilled Customer Orders:		
Advance Received	(6,238,287)	(7,098,117)
<b>Total Spending Authority from Offsetting Collections</b>	<b>81,194,616</b>	<b>80,348,261</b>
Permanently Not Available	0	349,440
<b>TOTAL BUDGETARY RESOURCES</b>	<b>\$ 160,112,074</b>	<b>\$ 169,693,022</b>
<b>STATUS OF BUDGETARY RESOURCES</b>		
Obligations Incurred [NOTE 15]		
Reimbursable	\$ 110,374,321	\$ 108,225,564
<b>Subtotal</b>	<b>110,374,321</b>	<b>108,225,564</b>
Unobligated Balances – Available:		
Apportioned	49,737,753	61,415,944
Unobligated Balances – Unavailable:	0	51,514
<b>Subtotal</b>	<b>49,737,753</b>	<b>61,467,458</b>
<b>Total Status of Budgetary Resources</b>	<b>\$ 160,112,074</b>	<b>\$ 169,693,022</b>
<b>CHANGE IN OBLIGATED BALANCE</b>		
Obligated Balance, Net		
Unpaid Obligations, Brought Forward, October 1	\$ 43,325,711	\$ 41,625,118
Less: Uncollected Customer Payments from Federal Sources, Brought Forward, October 1	(3,114,968)	(6,983,657)
<b>Total Unpaid Obligated Balance, Brought Forward, October 1</b>	<b>40,210,743</b>	<b>34,641,461</b>
Obligations Incurred Net [NOTE 15]	110,374,321	108,225,564
Less: Gross Outlays	(106,189,109)	(106,524,971)
Change in Uncollected Customer Payments from Federal Sources	(2,731,676)	3,868,690
Obligated Balance, Net, End of Period		
Unpaid Obligations [NOTE 18]	47,510,922	43,325,711
Less: Uncollected Customer Payments from Federal Sources	(5,846,645)	(3,114,968)
<b>TOTAL UNPAID OBLIGATED BALANCE, END OF PERIOD</b>	<b>\$ 43,117,813</b>	<b>\$ 45,780,027</b>
<b>NET OUTLAYS</b>		
Gross Outlays	106,189,109	106,524,971
Less: Offsetting Collections	(78,462,939)	(84,216,951)
<b>NET OUTLAYS</b>	<b>\$ 27,726,170</b>	<b>\$ 22,308,020</b>

The accompanying notes are an integral part of these statements.

## 1. THE PRESIDIO TRUST AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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### A. Reporting Entity

The Presidio Trust (the "Trust"), an executive agency, is a wholly-owned government corporation established by Congress in 1996 through enactment of the Presidio Trust Act (P.L. 104-333). The Trust's mission is to preserve and enhance the Presidio as an enduring resource for the American public. In this context the Trust is required to achieve financial self-sufficiency by Fiscal Year 2013.

From 1846 to 1994, the Presidio was used as a U.S. military installation. In 1994, the National Park Service (NPS) assumed full control of the Presidio until 1998 when the Trust assumed responsibility for approximately 1,100 acres of non-coastal areas.

The Trust is guided by the Presidio Trust Act to operate in accordance with general objectives of the 1994 General Management Plan Amendment for the Presidio and the Government Corporation Control Act. The Trust currently finances operations through appropriations, which will decrease over the next three years, reimbursable agreements with other government agencies, and rental leases for both residential and non-residential property. If the Trust fails to achieve self-sufficiency by fiscal year 2013, the net assets will be transferred to the General Services Administration for disposition.

### B. Organization and Structure

The Trust is governed by a seven-member board of directors. Six members are appointed by the President of the United States. The seventh is the U.S. Secretary of the Interior or his designee. An executive director reports to the board and oversees a staff with expertise including environmental science, historic preservation,

operations and maintenance, landscape design, planning, resource management, real estate development, public affairs and programs, law, and finance. An overview of the Trust's operating performance may be found in the Management Discussion & Analysis (MD&A) section of this report.

### C. Basis of Accounting and Presentation

These financial statements have been prepared to report the financial position, net cost, changes in net position, and budgetary resources of the Trust as required by the Trust Act. These financial statements were prepared from the Trust's accounting records in accordance with accounting principles generally accepted in the United States of America (GAAP), and the Office of Management and Budget (OMB) Circular No. A-136, "Financial Reporting Requirements" revised June 10, 2009. GAAP for Federal entities are the standards designated by the Federal Accounting Advisory Standards Board (FASAB) the official standards setting body for the Federal Government.

These financial statements present budgetary and proprietary information. The Trust presents comparative FY 2009 statements for the Balance Sheet, Statement of Net Cost, Statement of Changes in Net Position, and the Statement of Budgetary Resources.

The Trust accounts for its assets, liabilities, net position, revenues, expenses, and other financing sources in accordance with the requirements of the U.S. Government Standard General Ledger (USSGL). Use of sub-accounts allows transactions to be recorded at a more detailed level and provide relevant management information.

Although, the Balance Sheet, Statement of Net Cost, and Statement of Changes in Net Position are on an accrual basis, underlying transactions

are recorded using both the accrual basis of accounting and a budgetary basis of accounting. The Statement of Budgetary Resources is on a budgetary basis. Under the accrual method, expenses are recognized when resources are consumed and revenues are recognized when earned without regard to the payment or receipt of cash. Budgetary accounting is designed to recognize the obligation of funds according to legal requirements, which in many cases is prior to the occurrence of an accrual based transaction. The recognition of budgetary accounting transactions is essential for compliance with legal constraints and controls over the use of Federal funds.

#### D. Fund Balance with Treasury and Cash

The Trust maintains all cash accounts with the US Treasury except for petty cash accounts, maintained at the Trust and by the Trust's Residential Property Manager, and one security deposit refund account maintained by the Trust's residential Property Manager. All banking activities are conducted in accordance with the directives issued by the Department of the Treasury – Financial Management Service (FMS). Treasury processes cash disbursements and receipts on behalf of the Trust and the Trust's accounting records are reconciled with those of Treasury on a monthly basis. The Trust currently only has funds designated as revolving funds with the Treasury. Revolving funds are funds that conduct continuing cycles of business-like activity in which the fund charges for the sale of a service and uses the proceeds to finance its spending. The Trust's accounting records are such that internal segmentation occurs to ensure that funds are tracked to appropriate activities or requirements.

#### E. Investment, Net

Trust investments in non-marketable, market based U.S. Treasury securities are traded through and held in book entry form at the Department of the Treasury – Bureau of the Public Debt (BPD). The Trust is required by Public Law 104-333 to invest excess cash only in non-marketable, market based Treasury securities issued by the BPD.

Non-marketable, market based securities are Treasury securities that are not traded on any securities exchange but mirror the prices of marketable securities with similar terms.

#### F. Accounts Receivable, Net

Accounts Receivables consist of amounts owed to the Trust by other federal agencies and the public. Receivables generally arise from rental properties, service district charges, utilities, reimbursable contracts, and other miscellaneous services.

An allowance for doubtful accounts is established based upon a review process, the Trust reviews accounts over 90 days past due and identifies collectable accounts. If an account is identified as collectable the Trust does not record any bad debt expense for that account; conversely if an account is deemed to be uncollectible prior to 90 days of age a bad debt expense is recorded. For the remaining receivables over 90 days old, the Trust reserves 75% of the balance as an allowance for uncollectible accounts.

As a federal agency, the Trust has the full force of the United States government to facilitate collecting past due amounts. The Trust has an interagency agreement with the US Treasury, Debt Management Services (DMS) for debt collection, and once a debt is deemed uncollectible, and the Trust has taken necessary collection action, the debtor information is sent to DMS for collection. Debts that are given to DMS for collection are not written off until DMS deems the debt as uncollectible.

#### G. Direct Loans and Loan Guarantees

The Trust is empowered to provide direct loans to non-Federal borrowers and to guarantee loans to non-Federal borrowers for construction and renovation. The Trust has not exercised this authority.

## H. General Property, Plant, and Equipment, Net

### General Property, Plant, & Equipment

General Property, Plant and Equipment (PP&E) includes fixed assets owned by the Trust as the result of purchases by the Trust and/or transfers from other governmental entities, primarily the National Park Service (NPS). General PP&E consists of buildings, improvements to buildings, structures and facilities, land improvements, equipment, vehicles, capital leases, and construction in progress.

In general, the Trust capitalizes fixed assets valued in excess of \$25,000 with a useful life of two or more years and depreciates assets using the straight-line amortization method over the assigned useful lives of the property. All assets are assigned a useful life between ten to forty years dependent upon the asset category. For financial statement purposes, a pro-rated share of depreciation expense for the asset is recorded in the year of acquisition or project completion depending on the month the asset is placed into service.

Additionally, the Trust capitalizes expenditures for improvements to infrastructure and buildings based upon the following criteria:

- costs exceed \$25,000
- are not considered to be repairs and maintenance
- have a useful life of two or more years

Furnishings and equipment in excess of \$25,000 in aggregate are also capitalized. Assets may include, in addition to direct costs, an assigned indirect cost component. Indirect costs are determined in accordance with the guidelines set forth in OMB Circular A-11 and the Statement of Federal Financial Accounting Standards (SFFAS) No. 6, and are comprised of those indirect costs incurred to bring the PP&E to a form and location suitable for its intended use. The Trust identified these costs based upon a review of its operating activities. Indirect costs are allocated to capital assets using systematic methods approved by management.

Land is considered to be general PP&E and, in accordance with SFFAS No. 6, is to be recorded at cost. The Trust has no land recorded as part of General PP&E.

At September 30, 1999, most of the Trust's PP&E was transferred from the NPS. SFFAS No. 6 requires that the cost of general PP&E transferred from other federal entities be the cost recorded by the transferring entity, net of accumulated depreciation; if such amounts cannot be reasonably ascertained, the cost of the PP&E is to be its fair value at the time transferred. After extensive investigation, the Trust determined that historical cost information for buildings, building improvements and land, and infrastructure improvements was not available from the NPS and/or the Army. Therefore:

- any transferred building over 40 years old, including the cost of related renovations or rehabilitations prior to the Trust's formation, was considered fully depreciated and was recorded at a book value of \$0
- any transferred structure less than 40 years old (built in 1959 or later) was recorded at estimated replacement cost reduced for the effects of inflation by using appropriate construction industry indices, less an accumulated depreciation adjustment, to ascertain net asset value at the date of the Trust's formation
- other PP&E transferred to the Trust from the NPS was capitalized at historical cost less depreciation that would have been recorded over its useful life, based on the Trust's depreciation guidelines
- transferred land and infrastructure improvements are reflected at a net book value of \$0. Under SFFAS No. 6, the Trust should have recorded these improvements at fair value. Estimating the values of these improvements would have been a process that the Trust considers to be cost prohibitive

### Stewardship Assets

Stewardship Assets consist of the public domain land of the Presidio. Heritage assets exist throughout the Presidio and consist of such items as historic buildings, monuments, and historic sites. Both stewardship assets and heritage assets have been entrusted to the Trust to maintain in perpetuity for the benefit of current and future generations. The land comprising the Presidio was acquired as an outcome of the resolution of hostilities between the United States and the government of Mexico in the mid-19th century.

The stewardship land and heritage assets are considered priceless and irreplaceable. As such the Trust assigns no value to them and the PP&E on the balance sheet excludes these assets.

#### I. Advances and Prepayments

Payments in advance of the receipt of goods and services are recorded as prepaid charges at the time of prepayment and recognized as expenses when the related goods and services are received

#### J. Deferred Rent Receivable

Rental revenue is recognized using the straight-line method over the term of the lease. Any amounts deferred that are not payable by the lessee until future years are included in deferred rent receivable.

#### K. Liabilities

Liabilities represent the amount of monies or other resources that are likely to be paid by the Trust as the result of a transaction or an event that has already occurred. No liability can be paid by the Trust absent an appropriation or spending authority (authority to spend revenues as granted by the Trust Act) granted by the Congress and OMB.

Future liabilities for which an appropriation has not been enacted or current year spending authority will not be used are disclosed as liabilities not covered by budgetary resources or unfunded liabilities. In addition, if other resources or advances that would allow for future

spending authority to be designated for the particular liability are not available the liability will be disclosed as a liability not covered by budgetary resources or an unfunded liability. The liquidation of liabilities not covered by budgetary or other resources is dependent on future congressional appropriations or other funding.

The Trust estimates accounts payable on a current assessment of services and goods received but not paid.

### Environmental Disposal Liabilities

The Army closed its base at the Presidio in September 1994 and transferred administrative jurisdiction of the Presidio to the NPS through the DOI for incorporation into the Golden Gate National Recreation Area.

Executive Order 12580 delegated the responsibility to conduct the environmental cleanup of the Presidio to the Army. Under an interagency agreement with the DOI, the Army retained this responsibility as one of the terms of the jurisdictional transfer and initiated certain actions to address environmental conditions at the Presidio.

When Congress created the Trust in 1996, it separated the administrative jurisdiction of the Presidio into two areas: Area A, over which DOI retained authority, and Area B, which was transferred to the Trust in July 1998.

Under a Memorandum of Agreement (the Presidio MOA) among the Trust, DOI, and the Army, the Trust assumed the Army's responsibilities as lead agent for the environmental cleanup in both Area A and Area B. The Army provided \$99 million to the Trust in exchange for the Trust's assumption of such responsibilities. The funds that have not been spent to-date are included in the Environmental Remediation Liability on the Trust's financial statements.

In 2006, the Trust worked with a third party consultant to update the estimated cost to complete the environmental remediation. This estimate led to an unfunded component of the Environmental Remediation Liability. Changes in cleanup cost estimates are developed in accordance with agency procedure which addresses a systematic process for cost estimating and places emphasis on development and retention of supporting documentation. Changes in cleanup cost estimates are based upon progress made in and revision to cleanup plans, assuming current technology, laws, and regulations. Changes result in an increase or decrease to the Environmental remediation liability and are calculated in current year dollars as prescribed by accounting standards.

#### Contingent Liabilities

Contingent Liabilities are liabilities where the existence or amount of the liability cannot be determined with certainty pending the outcome of future events. The Trust recognizes contingent liabilities when the liability is probable and reasonably estimable. The Trust discloses contingent liabilities in the notes to the financial statements when the conditions for liability recognition are not met and when the outcome of the future events is more than remote.

#### Other Liabilities

Other liabilities on the Trust's balance sheet arise largely from Trust payroll, normal leasing transactions, and monies received for projects throughout the park. Liabilities such as security deposits and rent credits are directly related to leasing activity with both commercial tenants and residential tenants. Such monies would generally be refundable to the tenants and are therefore shown as a liability. The rent credit liability represents rent payments made in advance. The accrued interest payable is related specifically to agreements with tenants that have rent credits that will not be given or used for several years. The accrued interest is unfunded as it will not be paid but will be depleted by applying it as a rent credit against future earnings of the Trust. Unearned revenues are those monies advanced to the Trust for

venue rentals and special events as well as monies received for projects which are at various stages but not yet complete. The Trust recognizes revenue related to these liabilities as the revenue is earned.

#### L. Revenues and Financing Sources

The United States Constitution prescribes that no money may be expended by a federal agency unless and until funds have been appropriated by Congress. Appropriations are considered to be a financing source. The Trust is receiving a declining appropriation and will no longer receive an appropriation in Fiscal Year 2013.

The Trust Act allows the Trust to retain funds earned for its own use and those funds are considered spending authority. Spending authority is subject to apportionment by the Office of Management and Budget. The Trust provides services to the public and other government entities which are priced at market value.

#### Appropriations

Congress provides the Trust's appropriation from the general receipts of the Treasury. The Trust's appropriation is in a revolving fund and is available until expended. Appropriations are reflected as a financing source entitled "Appropriation Used" on the Statement of Changes in Net position. The Statement of Budgetary Resources presents information about the resources appropriated to the Trust as well as spending authority from offsetting collections that the Trust has earned.

#### Exchange and Non-Exchange Revenue

All receipts and revenues of the Trust are classified as either exchange or non-exchange. Exchange revenues are those that are derived from transactions in which the Trust and the other party receive value, including, rent, service district charges, utilities, permits, venue rentals, and reimbursement for services performed for other federal agencies and the public, etc. These revenues are presented on the Trust's Statement of Net Cost and serve to offset the costs of the goods and services received by the Trust.

Non-exchange revenues result from donations to the government. These revenues are those that are considered not to reduce the cost of the operations of the Trust and are reported on the Statement of Changes in Net Position.

With a few minor exceptions, all receipts or revenues by the Trust are retained by the Trust to fund Trust operations. The Trust deposits all funds received in the Treasury General Account, and these funds are designated for Trust use through Treasury's accounting process.

Reporting entities that provide goods and services to the public or another government entity should disclose specific information related to their pricing policies. Prices set for the various revenue activities are designed to recover full costs of those activities and maintain operations of the park as a self sufficient entity to include insuring funds are available for capital asset replacement and capital renovations.

#### Imputed Financing Sources

In certain instances operating costs of the Trust are paid out of funds appropriated to other federal agencies. For example, the Office of Personnel Management, by law pays certain costs of retirement programs. The Trust recognizes these costs as an operating expense and also recognizes an imputed financing source on the Statement of Changes in Net Position.

#### M. Personnel Compensation and Benefits

##### Annual and Sick Leave Program

Annual leave is accrued as it is earned by employees and is included in personnel compensation and benefits cost. An unfunded liability is recognized for earned but unused annual leave since from a budgetary standpoint this annual leave will be paid from future funding sources when the leave is used by employees. The amount accrued is based upon current pay rates of the employees. Sick leave is expensed when

used and no liability is recognized as employees do not vest in that benefit.

##### Federal Employees Workers' Compensation Program (FECA).

FECA provides income and medical cost protection to covered Federal civilian employees injured on the job, to employees who have incurred work-related occupational diseases, and beneficiaries of employees whose deaths are attributable to job related injuries or occupational diseases. The FECA program is administered by the Department of Labor (DOL) which pays valid claims and subsequently seeks reimbursement from the Trust for these claims.

The FECA liability consists of two components. The first component is based on actual claims paid by DOL but not yet reimbursed by the Trust. There is generally a two to three year lag between payment by DOL and reimbursement by the Trust. The Trust recognizes a liability for the actual claims paid by DOL that are to be reimbursed by the Trust. The second component is the estimated liability for future benefit payments as a result of past events.

This liability includes death, disability, medical, and miscellaneous costs. The Trust determines this component annually, as of September 30, using a method that considers historical benefit patterns and other variables. The DOL provides non-CFO Act agencies a model to use to calculate this liability. The Trust recognizes an unfunded liability to DOL for these estimated future payments.

##### Federal Employees Group Life Insurance Program (FEGLI)

Most Trust employees are entitled to participate in the FEGLI program. Participating employees can obtain "basic life" term insurance, with the Trust reimbursing the employees the cost of the basic life insurance biannually. Additional coverage is optional and is to be paid fully by the employee. The basic life coverage may be continued into retirement if certain requirements are met. OPM

administers this program and is responsible for the reporting of liabilities. For each fiscal year, OPM calculates the U.S. Government's service costs for the post retirement portion of the basic life coverage. The Trust's contributions are fully allocated by OPM to the preretirement portion of coverage, so the Trust has recognized the entire service cost of the post retirement portion of basic life coverage as an imputed cost and an imputed financing source.

#### Retirement Plans

There are two primary retirement systems for Federal employees. Employees hired prior to January 1, 1984, may participate in the Civil Service Retirement System (CSRS), and employees hired after that date are eligible to participate in the Federal Employee Retirement System (FERS). The Trust Act affords the Trust the ability to manage the payroll process outside of the laws governing civil service retirement; however, the Trust has elected to use the retirement systems in place for federal employees. Most employees hired after December 31, 1983, are automatically covered by FERS and Social Security. Employees hired prior to January 1, 1984, elected to either join FERS and Social Security or remain in CSRS. Although the Trust hired its first employees in 1999, the Trust does have some employees in CSRS as these employees have transferred to the Trust from other federal agencies and have prior federal service. The majority of employees participate in FERS.

A primary feature of FERS is that it offers a savings plan to which the Trust contributes one percent of pay and matches any employee contribution up to four percent of pay. For FERS employees the Trust also contributes the employer's matching share of Social Security. The Trust does not report CSRS or FERS assets, accumulated plan benefits, or unfunded liabilities, if any, applicable to its employees. Reporting such amounts is the responsibility of the Office of Personnel

Management and the Federal Employees Retirement System. The Trust does report as an imputed financing source and a program expense, the difference between its contributions to Federal employee pension and other retirement benefits and the estimated actuarial costs as computed by the Office of Personnel Management. The amounts reported as of September 30, 2009 and September 30, 2008 are \$1,121,960 and \$1,068,073 respectively.

#### N. Federal Government Transactions

The Trust's financial activities interact with the financial activities of the centralized management functions of the Federal Government. These activities include public debt and cash management activities and employee retirement, life insurance, and health benefits. The financial statements of the Trust do not include the costs of centralized activities performed for the benefit of the entire government.

#### O. Income Taxes

As an agency of the federal government, the Trust is generally exempt from all income taxes imposed by any governing body, whether it is a Federal, State, commonwealth, local, or foreign government.

#### P. Estimates

Preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates in the financial statements include environmental liabilities, allowance for doubtful accounts, and useful lives of general property plant and equipment. Actual results may differ from those estimates.

**2. FUND BALANCE WITH TREASURY**

Fund Balance with Treasury by fund type as of September 30, 2009 and September 30, 2008 are as follows:

	<b>2009</b>	<b>2008</b>
Revolving Funds	\$ 5,025,031	\$ 5,003,201

Status of Fund Balance with Treasury on September 30, 2009 and September 30, 2008 are as follows:

	<b>2009</b>	<b>2008</b>
Available Fund Balance with Treasury and Overnight Investments	\$ 58,158,031	\$ 68,434,201
Less Invested Unpaid Obligated Balance	(47,510,922)	(45,780,027)
Less Invested - Unobligated - Available	(5,622,078)	17,650,973
<b>Fund Balance - Unobligated - Available</b>	<b>\$ 5,025,031</b>	<b>\$ 5,003, 201</b>

**3. CASH AND OTHER MONETARY ASSETS**

	<b>2009</b>	<b>2008</b>
Trust Petty Cash	\$ 1,000	\$ 0
Residential Property Management Petty Cash	600	600
Residential Property Management Security Deposits	24,500	6,264
Escrow Accounts	0	32,000
Deposits in Transit	776,130	0
<b>Total Cash</b>	<b>\$ 802,230</b>	<b>\$ 38,864</b>

#### 4. INVESTMENTS

##### INVESTMENTS AS OF SEPTEMBER 30, 2009 INTRAGOVERNMENTAL SECURITIES

	<i><b>Maturity Date</b></i>	<i><b>Interest Rate</b></i>	<i><b>Cost/ Par Value</b></i>	<i><b>Unamortized Discount</b></i>	<i><b>Net Value</b></i>
Non-marketable/Market Based	10/01/09	0.70%	\$ 53,133,000	\$ 0	\$ 53,133,000
Non-marketable/Market Based	9/30/29	5.52%	2,978,000	0	2,978,000
Non-marketable/Market Based	9/30/29	6.12%	30,266,000	0	30,266,000
			86,377,000	0	86,377,000
Interest Receivable			103	0	103
<b>TOTAL INVESTMENTS</b>			<b>\$ 86,377,103</b>	<b>\$ 0</b>	<b>\$ 86,377,103</b>

For all investments fair market value approximates the net value at both September 30, 2009 and 2008. Both of the investments with a September 30, 2029 maturity date are investments of the proceeds from Trust borrowings from the Treasury (see Note 9). The BPD invests these proceeds with the agreement that the borrowing and investment net to zero unless the Trust needs access to the cash. As of September 30, 2009, the Trust was owed \$103 of interest on the investments with a maturity date of October 1, 2009. The amount of \$103 was paid in full to the Trust by the BPD on October 1, 2009.

##### INVESTMENTS AS OF SEPTEMBER 30, 2008 INTRAGOVERNMENTAL SECURITIES

	<i><b>Maturity Date</b></i>	<i><b>Interest Rate</b></i>	<i><b>Cost/ Par Value</b></i>	<i><b>Unamortized Discount</b></i>	<i><b>Net Value</b></i>
Non-marketable/Market Based	10/01/08	0.33%	\$ 63,431,000	\$ 0	\$ 63,431,000
Non-marketable/Market Based	9/30/29	5.52%	2,978,000	0	2,978,000
Non-marketable/Market Based	9/30/29	6.12%	30,266,000	0	30,266,000
			96,675,000	0	96,675,000
Interest Receivable			581	0	581
<b>TOTAL INVESTMENTS</b>			<b>\$ 96,675,581</b>	<b>\$ 0</b>	<b>\$ 96,675,581</b>

As of September 30, 2008, the Trust was owed \$581 of interest on the investments with a maturity date of October 1, 2008. The amount of \$581 was paid in full to the Trust by the BPD on October 1, 2008.

## 5. ACCOUNTS RECEIVABLE, NET

Accounts receivable as of September 30, 2009, is comprised of the following:

	<i>Intra-Government</i>	<i>Non-Government</i>	<i>Total</i>
Gross Accounts Receivable	\$ 2,863,350	\$ 2,983,191	\$ 5,846,541
Less Allowance for Uncollectible Accounts	0	(1,231,462)	(1,231,462)
<b>NET ACCOUNTS RECEIVABLE AT SEPTEMBER 30, 2009</b>	<b>\$ 2,863,350</b>	<b>\$ 1,751,729</b>	<b>\$ 4,615,079</b>

Accounts receivable as of September 30, 2008, is comprised of the following:

	<i>Intra-Government</i>	<i>Non-Government</i>	<i>Total</i>
Gross Accounts Receivable	\$ 69,277	\$ 3,068,228	\$ 3,137,505
Less Allowance for Uncollectible Accounts	0	(659,001)	(659,001)
<b>NET ACCOUNTS RECEIVABLE AT SEPTEMBER 30, 2008</b>	<b>\$ 69,277</b>	<b>\$ 2,409,227</b>	<b>\$ 2,478,504</b>

## 6. GENERAL PROPERTY, PLANT AND EQUIPMENT

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Property Plant and Equipment (PP&E) consists of property used in operations:

<i>Classification</i>	<i>Estimated Useful Life</i>	<i>Cost</i>	<i>Accumulated Depreciation</i>	<i>Net Balance at 9/30/09</i>	<i>Net Balance at 9/30/08</i>
Land and Land Rights	N/A	\$ 0	\$ 0	\$ 0	\$ 0
Improvements to Land	10 years	15,982,655	5,466,128	10,516,527	11,037,623
Construction-in-Progress	N/A	30,092,139	N/A	30,092,139	31,616,606
Buildings, Improvements, Renovations & Rehabilitations	40 years <sup>1</sup>	192,777,949	39,937,922	152,840,027	130,555,326
Other Property, Plant and Equipment (including furnishings, equipment, and software)	<sup>2</sup>	36,107,121	11,959,954	24,147,167	17,287,032
		<b>\$ 274,959,864</b>	<b>\$ 57,364,004</b>	<b>\$ 217,595,860</b>	<b>\$ 190,496,587</b>

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<sup>1</sup> Buildings, Improvements and Related Renovations and Rehabilitations have useful lives of 40 years or less for improvements and renovations depending on remaining building life. Tenant Improvements are amortized over the life of the tenant's lease.

<sup>2</sup> Other Property, Plant and Equipment are depreciated using a straight line method over their estimated useful lives ranging from three to twenty years.

## 7. STEWARDSHIP PROPERTY PLANT & EQUIPMENT

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The mission of the Trust is to preserve and enhance the Presidio as an enduring resource for the American public. The Trust will achieve its mission by transforming the Presidio into a park of lasting distinction by: 1) building a community to support the park and to preserve its character as a place where people have lived and worked for more than two centuries, 2) enhancing the Presidio's scenic, natural, cultural, and recreational resources for public enjoyment and edification, 3) forging public/private partnerships to finance the park and provide public programs and 4) becoming a model

of sustainable park management. The heritage and stewardship assets are natural resources and historic buildings that are directly related to preserving the historical integrity of the Presidio and meeting the Trust's mission.

The Trust's stewardship policies are outlined in several key documents such as: The Presidio Trust Management Plan (PTMP), the Strategic Plan, and the Vegetation Management Plan (VMP). The PTMP proposes a focused and realistic vision which ensures that the Presidio's cultural, natural, scenic, and recreational resources are preserved while at the same time ensuring that the Presidio's historic buildings are rehabilitated. This vision provides that preservation of the Presidio's assets be a goal that is integrated with financial self sufficiency. The stewardship and heritage assets are an integral part of the park and the PTMP commits the Trust to preserving open space within the park. The Vegetation Management Plan (VMP) describes how the historic forest will be rehabilitated, how wetlands will be enhanced, and how native plant and wildlife species will be protected. Further, the PTMP outlines how the Trust will preserve its National Historic Landmark Status.

Heritage and Multi-Use Heritage assets are the historic buildings. Heritage assets are the buildings that will never be occupied by a tenant but will be preserved to ensure that historic integrity remains intact. Multi-use heritage assets, while historical in nature, are buildings that are leased out to tenants.

A building can only be added to the heritage category if it is deemed that the building will not ever be occupied.

Stewardship assets consist primarily of historic forest and restoration of lands within the boundaries of the park. There has been no acquisition of new land. Land stewardship consists of forestry acreage added and withdrawn; this represents reforestation activities which results in a turnover of approximately two acres of forest each year.

The following table depicts the number of physical units at the end of Fiscal Year 2008, additions and withdrawals during Fiscal Year 2009 and the ending number of units at the end of Fiscal Year 2009.

<i>Classification</i>	<i>Beginning Balance</i>	<i>Additions</i>	<i>Withdrawals</i>	<i>Ending Balance</i>
	<i># Buildings</i>			<i># Buildings</i>
Heritage	16	0	4	12
Multi-Use Heritage	412	4	1	415
	<i># Acres</i>	<i>Acres Added</i>	<i>Acres Withdrawn</i>	<i># Acres</i>
Land Stewardship (1 park)	863	2.5	2.5	863

As part of ongoing improvements, the Trust continues to acquire and preserve heritage assets. In Fiscal Year 2009 the Trust acquired artwork, through a donation, known as "the Spire" which is valued at \$1 million.

The following table depicts the number of physical units at the end of Fiscal Year 2007, additions and withdrawals during Fiscal Year 2008 and the ending number of units at the end of Fiscal Year 2008

<i>Classification</i>	<i>Beginning Balance</i>	<i>Additions</i>	<i>Withdrawals</i>	<i>Ending Balance</i>
	<i># Buildings</i>			<i># Buildings</i>
Heritage	16	0	0	16
Multi-Use Heritage	412	0	0	412
	<i># Acres</i>	<i>Acres Added</i>	<i>Acres Withdrawn</i>	<i># Acres</i>
Land Stewardship (1 park)	862	2.1	2.1	862

## 8. LIABILITIES NOT COVERED BY BUDGETARY RESOURCES

Liabilities not covered by budgetary resources are those liabilities that may be funded from future resources:

	<i>2009</i>	<i>2008</i>
<b>INTRAGOVERNMENTAL</b>		
FECA Actuarial	\$ 25,039	\$ 31,113
<b>OTHER</b>		
Contingent Liabilities [NOTE 13]	73,108	301,065
Environmental Remediation Liability [NOTE 10]	35,980,214	39,820,260
Annual Leave Liability	2,189,607	1,985,786
Rent Credit Liability	3,650,812	438,663
Accrued Interest Payable	290,297	0
<b>TOTAL LIABILITIES NOT COVERED BY BUDGETARY RESOURCES</b>	<b>42,209,077</b>	<b>42,576,887</b>
Liabilities Covered by Budgetary Resources	98,891,400	96,812,295
<b>TOTAL LIABILITIES</b>	<b>\$ 141,100,477</b>	<b>\$ 139,389,182</b>

## 9. DEBT

	<i>Maturity Date</i>	<i>2009</i>	<i>2008</i>
<b>DEBT TO THE TREASURY</b>			
Note C (dated 9/29/00)	9/30/2029	\$ 20,000,000	\$ 20,000,000
Note C (dated 9/28/00)	9/30/2029	20,000,000	20,000,000
Note C (dated 9/29/01)	9/30/2029	9,978,000	9,978,000
<b>TOTAL PRINCIPAL</b>		<b>\$ 49,978,000</b>	<b>\$ 49,978,000</b>

The Presidio Trust Act granted the Trust the authority to borrow from the U.S. Treasury. The aggregate amount of outstanding obligations at any one time is limited to \$150 million. These borrowings financed building and infrastructure rehabilitation by the Trust. Borrowing was contingent on the Secretary of the Treasury determining that the projects to be funded from the proceeds were creditworthy. In 1999, the Trust and the Secretary of the Treasury established a written borrowing agreement to advance funds for capital improvement projects. The Trust executed a promissory note for the requested amount to evidence the obligation of the Trust to repay the Treasury the sum borrowed, together with any late charges that might be incurred.

In Fiscal Year 2009, no additional debt obligations were issued and there was no borrowing authority available at September 30, 2009 or September 30, 2008.

The Trust was granted \$49,978,000 in borrowing authority. The terms surrounding the Trust's borrowing authority have been described below. The debt the Trust has incurred is all related to the borrowing authority granted to the Trust.

The Trust has issued the following promissory notes to the BPD:

1) **Note C** (dated 9/29/00)

Principal amount is \$20 million. The amount was used for the capital improvement projects activities in, on, or in support of particular Trust assets, specifically the Baker Beach Apartments, Building 220 and Building 36. The note includes a pledge by the Trust to the Treasury of all rents, revenues, income, and proceeds arising out of the Trust's administration, operation, and leasing of the Baker Beach Apartments, Building 220, and Building 36 that have been improved. The note carries an interest rate of 6.122% and matures on September 30, 2029.

2) **Note C** (dated 9/28/00)

Principal amount is \$20 million. The amount of the request was used for the capital improvement projects activities in, on, or in support of any Trust assets. The note includes a pledge by the Trust to the Treasury of all rents, revenues, income, and proceeds arising out of the Trust's administration, operation, and leasing of the Baker Beach Apartments, Building 220 and Building 36. The note carries an interest rate of 6.122% and matures on September 30, 2029.

3) **Note C** (dated 9/29/01)

Principal amount is \$9,978,000. The amount of the request was used for the capital improvement projects activities in, on, or in support of any Trust assets. The note includes a pledge by the Trust to the Treasury of all rents, revenues, income, and proceeds arising out of the Trust's administration, operation, and leasing of the Baker Beach Apartments, Building 220 and Building 36. The note carries an interest rate of 5.515% and matures on September 30, 2029.

The Trust incurred \$2,999,087 and \$2,999,087 in interest cost in 2009 and 2008, respectively, all of which was included in program costs.

## 10. OTHER LIABILITIES – ENVIRONMENTAL REMEDIATION

### Agent Responsibilities for Environmental Cleanup

Under a Memorandum of Agreement (the Presidio MOA) among the Trust, DOI, and the Army, the Trust assumed the Army's responsibilities as lead agent for the environmental cleanup in both Area A and Area B. The Army provided \$99 million to the Trust in exchange for the Trust's assumption of such responsibilities. The funds that have not been spent to-date are included in the Environmental Remediation Liability on the Trust's financial statements.

Under a separate memorandum of agreement between the Trust and DOI (the Area A MOA), the Trust confirmed its agreement to take over lead agent responsibility for the cleanup of Area A of the Presidio. The Area A MOA also set out specific time periods, priorities and processes for remedy selection for environmental cleanup of Area A. In particular, the Trust agreed to set aside a total of \$25 million for the environmental remediation of Area A.

Cleanup includes enumerated sites where a potential environmental threat (Substance and Condition) is presently known or may exist based on past Army studies or records. Cleanup also includes unknown contamination which is any environmental threat at or from the Presidio other than an enumerated site that existed at the Presidio before October 1, 1994 (Presidio base closure) or was the result of an Army act or omission on or after October 1, 1994.

The Trust performs all cleanup work at enumerated sites using the funds advanced from the Army and is the point of contact for all regulatory agencies and the public. The Army retained responsibility to fund and/or to perform all environmental cleanup work of unknown

contamination as well as sole responsibility for the clean up of radioactive materials, chemical and biological warfare agents, and unexploded ordnance if discovered at the Presidio.

If cleanup costs for the enumerated sites exceed \$100 million plus insurance proceeds (see discussion of the Trust's environmental insurance policies below) by \$10 million, the Army must seek additional appropriated funds for the enumerated sites. The Army is released from this requirement if the Trust's mismanagement or inefficient use of funds causes the cost overrun.

The Trust obtained two environmental insurance policies: a Remediation Stop Loss (RSL) policy and a Real Estate Environmental Liability (REEL) policy:

The RSL policy provides the Trust with insurance against cost overruns in implementing environmental remedies that have been approved by the appropriate regulatory agencies for known contamination at enumerated sites. The RSL policy pays for remediation costs in excess of \$100 million (self-insured retention) spent by the Trust for "necessary and reasonable" costs. The RSL

policy has a liability limit of \$100 million. The RSL policy is set up so that the Trust pays the first \$100 million of remediation costs and the RSL policy would pay for the second \$100 million. The Army and DOI are each named as an additional insured on the RSL policy.

The REEL policy provides coverage for unknown contamination. The REEL policy has a limit of \$10 million (with a \$25,000 deductible per claim) and a \$50 million total for all claims. DOI is a named insured under the REEL policy. At present, the Trust has claims pending against the REEL coverage but the amount of recovery cannot be determined at this time.

#### Liability for Environmental Cleanup Costs

In 2006 the Trust, in conjunction with third party consultants, updated the total estimated cost at completion of all work related to the environmental cleanup of the Presidio. The independent third party also provided management with an analysis of the progress made related to the environmental remediation of the Presidio. This total estimated cost to complete has been updated to reflect the estimates as of September 30, 2009.

The table below identifies the Trust's costs from inception of the environmental cleanup program to date and sets forth the current total estimated cost at completion. The table separately identifies the costs related to the cleanup of contaminants known and inventoried at the time the Army turned the cleanup over to the Trust and contaminants identified by the Trust subsequent to the Army's turnover.

	<i><b>Known Contaminants As of 9/30/2009</b></i>		<i><b>Unknown Contaminants As of 9/30/2009</b></i>		<i><b>Total Spent As of 9/30/2009</b></i>	<i><b>Total Estimated Cost At Completion</b></i>
	<i><b>Spent</b></i>	<i><b>At Completion</b></i>	<i><b>Spent</b></i>	<i><b>At Completion</b></i>		
Allowable Costs*	\$ 70.2	\$ 115.3	\$ 6.9	\$ 20.5	\$ 77.1	\$ 135.8
Other Costs*	18.0	21.4	0.0	0.0	18.0	21.4
<b>TOTAL COSTS*</b>	<b>\$ 88.2</b>	<b>136.7</b>	<b>\$ 6.9</b>	<b>20.5</b>	<b>95.1</b>	<b>157.2</b>
Add						
Environmental Remediation Liability per Balance Sheet*					46.8	
Less Resources						
Army/Other (Reimbursement)*		100.5		5.3	(5.3)	105.8
Insurance or Army (Estimate)*		0.0		15.2		15.2
<b>TOTAL AFTER RESOURCES*</b>		<b>\$ 36.2</b>		<b>\$ 0.0</b>		<b>\$ 36.2</b>
<b>TOTAL OF KNOWN CONTAMINANTS AT COMPLETION*</b>					<b>\$136.6</b>	
Anticipated Interest Income*		<b>\$ 19.3</b>		<b>\$ 0.0</b>		<b>\$ 19.3</b>

*\*Dollars Noted in Millions*

The Trust's financial statements reflect a liability for environmental remediation clean up costs of \$46.8 million, of which \$36.2 million is unfunded as of September 30, 2009. This represents the total estimated cost at completion less the expected Army and filed insurance reimbursements. The actual cost at completion may vary from the current estimated cost at completion. The Trust has earned \$19.2 million of interest income and anticipates earning an additional \$0.1 million which is recognized as revenue by the Trust in the year in which it is earned. The change in liability from Fiscal Year 2009 to 2008 is reflected in the chart below:

<i><b>Liability per Balance Sheet</b></i>	<i><b>2009</b></i>	<i><b>2008</b></i>
Beginning Balance	\$ 56.9	\$ 67.3
Expenses Incurred	(7.2)	(15.9)
Change in Estimated Cost to Complete	(3.8)	3.9
Reimbursements	.9	1.6
<b>TOTAL LIABILITY</b>	<b>\$ 46.8</b>	<b>\$ 56.9</b>

The total estimated cost at completion could increase further in the future due to inflation and the timing of implementing the various remedies. Annually, management will update the total estimated cost at completion and will periodically enlist third party expertise to assist management in formulating detailed projections based on a thorough review of the remediation program.

## 11. OTHER LIABILITIES

	<b>2009</b>		<b>2008</b>	
	<i>Non-Current</i>	<i>Current</i>	<i>Non-Current</i>	<i>Current</i>
<b>INTRAGOVERNMENTAL</b>				
Employer Contributions Payable	\$ 0	\$ 194,072	\$ 0	\$ 178,105
Other Post Employment Benefits	534,031	544,583	580,610	537,576
Unearned Revenue	0	8,152,303	0	5,468,596
FECA Actuarial	25,039	0	31,113	0
<b>TOTAL INTRAGOVERNMENTAL</b>	<b>559,070</b>	<b>8,890,958</b>	<b>611,723</b>	<b>6,184,277</b>
Environmental Remediation Cleanup Cost Liability [NOTE 10]	31,902,664	14,851,292	42,325,050	14,554,499
Contingent Liabilities [NOTE 13]	0	73,108	0	301,065
Security Deposits	4,115,063	0	3,999,635	0
Unearned Revenue	0	4,596,745	0	5,172,154
Payroll Payable	0	1,536,514	0	1,302,448
Annual Leave Liability [NOTE 8]	0	2,189,607	0	1,985,786
Rent Credit Liability [NOTE 8]	3,559,860	90,952	68,861	369,802
Prepaid Rents & Services	0	1,634,381	0	788,489
Accrued Interest Payable	290,297	0	0	0
Other Liabilities	0	815,480	0	71,350
<b>TOTAL OTHER LIABILITIES</b>	<b>\$ 40,426,954</b>	<b>\$ 34,679,037</b>	<b>\$ 47,005,269</b>	<b>\$ 30,729,870</b>

## 12. LEASES

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Trust as Lessee

### *Capital Leases*

The Trust currently does not maintain any capital leases.

### *Operating Leases*

The operating leases are for equipment. The Trust currently leases multiple copiers which are under agreements that do not have a definitive lease period that exceed one year. The Trust also leases government vehicles from General Services Administration (GSA), but such leases do not have a definitive lease period that exceed one year.

Trust as Lessor

### *Operating Leases*

Description of Lease Arrangements:

The Trust's properties are leased under terms from one month up to 70 years. The Trust expects that these leases will be renewed or replaced by other leases in the normal course of business. In addition, eight leases are operated under contingent rental agreements wherein the monthly rental revenue is either a percent of the lessees' monthly revenue or base rent plus additional rent based upon a percent of the lessees' monthly revenue.

The Trust also provides free rent or reduced rental rates to certain employees of the Trust, other Presidio based employees, and other governmental agencies.

Minimum future lease payments to be received under non-cancelable operating leases are as follows:

<i><b>Fiscal Year</b></i>	<i><b>Total</b></i>
2010	\$ 15,307,986
2011	13,405,791
2012	11,518,795
2013	10,091,772
2014	9,040,374
Thereafter	\$ 384,217,858
<b>TOTAL</b>	<b>\$ 443,582,576</b>

## 13. COMMITMENTS AND CONTINGENCIES

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From time to time, the Trust is involved in legal matters, including tort and employment-related claims. Currently the Trust has pending three tort claims and three claims of workplace discrimination.

The Trust is actively processing each of these claims and has assigned a contingent liability of \$73,018 to all of the claims, in the aggregate.

Trust management does not expect other pending legal matters to have a material impact on its financial condition or net costs.

**14. INTRAGOVERNMENTAL COSTS & EXCHANGE REVENUES**

Exchange Revenue

The Trust provides services to the public and other government entities. Revenue earned from the US Treasury is from earnings on investments. Revenue earned from the Department of the Army is largely related to the environmental remediation liability. Revenue is recognized when expenditures are made (see **Note 10**). Revenue earned from the Department of Defense is primarily related to a grant for work on the Main Post.

<i>Agency</i>	<i>Amount of Revenue Earned</i>	
	<i>2009</i>	<i>2008</i>
U.S. Treasury	\$ 2,104,577	\$ 4,111,485
Department of the Army	7,386,700	15,781,165
Department of the Interior	462,570	350,929
Department of Defense	824,713	561,073
Other	139,002	124,130
<b>TOTAL</b>	<b>\$ 10,917,562</b>	<b>\$ 20,928,782</b>

The Trust also incurs costs for services provided by other government agencies or for programs run by other government agencies. Costs incurred with the Office of Personnel Management (OPM) are for employee benefits. The Department of Interior provides public safety, payroll, and other miscellaneous services to the Trust. Costs incurred with the US Treasury are for interest on loans.

*Amount of Cost Incurred*

<i>Agency</i>	<i>2009</i>	<i>2008</i>
Office of Personnel Management	\$ 6,075,658	\$ 5,784,532
Department of the Interior	8,686,575	8,100,334
U.S. Treasury	3,023,168	3,002,058
Department of Labor	583,422	479,148
General Services Administration	629,342	616,505
Other	75,422	98,041
<b>TOTAL</b>	<b>\$ 19,073,587</b>	<b>\$ 18,080,618</b>

**15. APPORTIONMENT CATEGORIES OF OBLIGATIONS INCURRED: DIRECT VS. REIMBURSABLE OBLIGATIONS**

The Trust has no direct obligation authority. All obligations are under reimbursable authority and are exempt from apportionment. The amount of obligations incurred as of September 30, 2009 and September 30, 2008 was \$110,374,321 and \$108,225,564 respectively.

**16. PERMANENT INDEFINITE APPROPRIATIONS**

The Trust has a permanent indefinite appropriation which is used to finance operations, maintenance, and capital improvements in Area B of the Presidio.

## 17. CONTRIBUTED CAPITAL

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The Trust is granted the ability to accept donations through the Trust Act. The Trust also receives grants for various projects within the park. In Fiscal Year 2009 the Trust received \$2,400 in miscellaneous donations as well as \$3.7 million in funds for various projects related primarily to Trail and Overlook projects.

## 18. UNDELIVERED ORDERS AT END OF PERIOD

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Undelivered orders represent amounts for which funds were obligated but the goods and/or services related to those specific orders have not been received. The balance of undelivered orders at September 30, 2009 and 2008 were \$28,689,285 and \$29,056,241, respectively.

## 19. RECONCILIATION OF NET COST OF OPERATIONS (PROPRIETARY) TO BUDGET (FORMERLY THE STATEMENT OF FINANCING)

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The following schedule has been prepared in accordance with Statement of Federal Financial Accounting Standards (SFFAS) No. 7, and represents a reconciliation between the proprietary accounts and the budgetary accounts, and is a reconciliation of the proprietary statements to the Statement of Budgetary Resources. This schedule was formerly known as the Statement of Financing. Accrual basis accounting standards used in the Statements of Net Cost, Statements of Changes in Net Position, and Balance Sheets differ from the budgetary basis used in the Statement of Budgetary Resources, especially in the treatment of liabilities. A liability not covered by budgetary resources may not be recorded as a funded liability in the budgetary accounts of the Trust's general ledger, which supports the Statement of Budgetary Resources. Liabilities are considered "funded" for purposes of the Balance Sheets, Statements of Net Cost and Statements of Changes in Net Position.

The reconciliation between budgetary and proprietary includes a section depicting the change in certain unfunded liabilities. The amounts in this section may not correlate exactly with the amounts shown in **Note 8** – Liabilities not covered by Budgetary Resources. Differences primarily result from Treasury requirements related to where the changes in these liabilities are reported in the Reconciliation of Net Costs of Operations. These requirements are dependent upon whether the change resulted in an increase or a decrease to the liability account.

RECONCILIATION OF NET COST OF OPERATIONS TO BUDGET

	FOR THE YEARS ENDED SEPTEMBER 30,	
	2009	2008
<b>RESOURCES USED TO FINANCE ACTIVITIES</b>		
<b>Budgetary Resources Obligated</b>		
Obligations Incurred	\$ 110,374,321	\$ 108,225,565
Less: Spending Authority from Offsetting Collections and Recoveries	81,194,616	80,348,261
Net Obligations	29,179,705	27,877,304
<b>Other Resources</b>		
Donations Non-Financial Resources	1,344,461	0
Imputed Financing from Costs Absorbed by Others	1,121,960	1,068,073
Net Other Resources Used to Finance Activities	2,466,421	1,068,073
<b>TOTAL RESOURCES USED TO FINANCE ACTIVITIES</b>	<b>31,646,126</b>	<b>28,945,377</b>
<b>RESOURCES USED TO FINANCE ITEMS NOT PART OF THE NET COST OF OPERATIONS</b>		
Change in Budgetary Resources Obligated for Goods, Services, and Benefits Not Yet Provided	(5,871,331)	(9,181,058)
Other	1,575,000	(4,245,534)
Resources that Finance the Acquisition of Assets	(28,048,957)	(24,797,172)
Other Resources or Adjustments to Net Obligated Resources that Do Not Affect the Net Cost of Operations	(3,982,096)	(2,883,103)
<b>TOTAL RESOURCES USED TO FUND ITEMS NOT PART OF THE NET COST OF OPERATIONS</b>	<b>(36,327,384)</b>	<b>(41,106,866)</b>
<b>TOTAL RESOURCES USED TO FINANCE THE NET COST OF OPERATIONS</b>	<b>(4,681,258)</b>	<b>(12,161,490)</b>
<b>COMPONENTS OF THE NET COST OF OPERATIONS THAT WILL NOT REQUIRE OR GENERATE RESOURCES IN THE CURRENT PERIOD</b>		
<b>Components Requiring or Generating Resources in Future Periods</b>		
Increase in Annual Leave Liability	203,821	155,302
Increase in Environmental Remediation Cleanup Cost Liability	(3,840,046)	3,520,260
Increase in Exchange Revenue Receivable from the Public	219,125	187,373
Other	852,291	725,053
<b>Total Components of Net Cost of Operations that will Require or Generate Resources in Future Periods</b>	<b>(2,564,809)</b>	<b>4,587,988</b>
<b>Components Not Requiring or Generating Resources</b>		
Loss on Disposition of Assets	(2,457,443)	0
Depreciation and Amortization	9,324,965	9,433,332
Other	1,367,622	(867,007)
<b>TOTAL COMPONENTS NOT REQUIRING OR GENERATING RESOURCES</b>	<b>8,235,144</b>	<b>8,566,325</b>
<b>NET COST OF OPERATIONS</b>	<b>\$ 989,077</b>	<b>\$ 992,823</b>

## 20. SUBSEQUENT EVENT

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In October 2009, the Trust, the State of California (State) represented by its Transportation Department (CALTRANS), and the San Francisco County Transportation Authority (SFCTA) finalized a Right of Entry Agreement related to the construction to replace the south access road to the Golden Gate Bridge known as Doyle Drive (Route 101).

Doyle Drive is located within the Presidio of San Francisco and provides access to historic and cultural landmarks including the Golden Gate National Recreation Area, the Presidio, the Golden Gate Bridge and the Palace of Fine Arts. The Presidio Parkway was identified as the Preferred Alternative for the Doyle Drive replacement and it will replace the existing roadway that, when constructed, will improve the seismic, structural and traffic safety of Doyle Drive.

As a major highway construction project within the boundaries of a National Park significant consideration has been given to the historical and environmental fabric of the Presidio. The Right of Entry specifically allows ingress and egress by the State for the duration of the project. It also recognizes the impact to the historic assets of the Presidio and allows for mitigation and compensation for impacts of the project.

**1. DEFERRED MAINTENANCE**

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Deferred maintenance is maintenance not performed when it should have been or was scheduled to be, essentially maintenance put off or delayed until a future time. Maintenance is described as the act of keeping fixed assets in an acceptable condition. It includes preventive maintenance, normal repairs, replacement of parts and structural components, and other activities needed to preserve the Trust's assets so that the asset continues to provide acceptable service and achieve its expected life.

Trust deferred maintenance is determined using a total life-cycle cost method for all deferred maintenance categories of major assets. In past fiscal years, the deferred maintenance estimate had been based upon a condition assessment study performed by the NPS and the Army. That estimate was updated by internal Trust managers in subsequent fiscal years. In Fiscal Year 2009, the Trust determined, through use of staff expertise, the amount of deferred maintenance by using a lifecycle cost method. This effort was worked on throughout the year and completed in September 2009.

Heritage assets and multi-use heritage assets that have deferred maintenance are a subset of the building category. The Trust is currently in the process of renovating buildings throughout the Presidio. Buildings that are renovated are maintained to ensure that the renovated condition is maintained. Buildings that have not been renovated are maintained to a level to ensure that they are preserved until such time as they can be rehabilitated.

Stewardship assets are a subset of the grounds category. Stewardship Lands consist primarily of forested lands. The Trust is currently rehabilitating the forest through several reforestation projects, and reforests approximately two acres per year.

The Trust has determined that there is deferred maintenance in the following categories of assets (shown in millions):

CATEGORY	<i>2008 Ending Balance</i>	<i>2009 Scheduled Maintenance</i>	<i>2009 Performed Maintenance</i>	<i>2009 Ending Balance</i>
<b>Utilities</b>				
Infrastructure	\$ 1.910	\$ 1.164	\$ 0.351	\$ 0.677
Golf Course	0	0.154	0.146	0.008
<b>Grounds</b>				
Stewardship	0.008	0.062	0.062	0
Land Improvements	0.577	0.206	0.206	0
Grounds (Paved)	0.246	0.247	0.086	0.161
<b>Total Grounds</b>	<b>0.831</b>	<b>0.515</b>	<b>0.354</b>	<b>0.161</b>
<b>Buildings</b>				
Heritage	0.149	0.134	0	0.134
Multi-Use Heritage	5.507	5.326	0.486	4.951
Non-Historic	7.141	6.520	2.269	4.931
<b>Total Buildings</b>	<b>12.797</b>	<b>11.980</b>	<b>2.755</b>	<b>10.016</b>
<b>GRAND TOTAL</b>	<b>\$ 15.538</b>	<b>\$ 13.813</b>	<b>\$ 3.606</b>	<b>\$ 10.862</b>

OTHER ACCOMPANYING INFORMATION

SUMMARY OF FINANCIAL STATEMENT AUDIT

<b>Audit Opinion</b>	Qualified				
<b>Restatement</b>	No				
<b>Material Weakness</b>	<b>Beginning Balance</b>	<b>New</b>	<b>Resolved</b>	<b>Consolidated</b>	<b>Ending Balance</b>
None	NA	NA	NA	NA	NA

SUMMARY OF MANAGEMENT ASSURANCES

<b>EFFECTIVENESS OF INTERNAL CONTROL OVER FINANCIAL REPORTING</b>						
<b>Statement of Assurance</b>		Unqualified				
<b>Material Weakness</b>	<b>Beginning Balance</b>	<b>New</b>	<b>Resolved</b>	<b>Consolidated</b>	<b>Reassessed</b>	<b>Ending Balance</b>
None	NA	NA	NA	NA	NA	NA
<b>EFFECTIVENESS OF INTERNAL CONTROL OVER OPERATIONS</b>						
<b>Statement of Assurance</b>		See Below*				
<b>Material Weakness</b>	<b>Beginning Balance</b>	<b>New</b>	<b>Resolved</b>	<b>Consolidated</b>	<b>Reassessed</b>	<b>Ending Balance</b>
None	NA	NA	NA	NA	NA	NA
<b>CONFORMANCE WITH FINANCIAL MANAGEMENT SYSTEM REQUIREMENTS</b>						
<b>Statement of Assurance</b>		See Below*				
<b>Material Weakness</b>	<b>Beginning Balance</b>	<b>New</b>	<b>Resolved</b>	<b>Consolidated</b>	<b>Reassessed</b>	<b>Ending Balance</b>
None	NA	NA	NA	NA	NA	NA
<b>CONFORMANCE WITH FEDERAL FINANCIAL MANAGEMENT IMPROVEMENT ACT</b>						
Statement of Assurance		Agency	Auditor			
Overall Substantial Compliance		Yes or No	N/A			
System Requirements		Yes	NA			
Accounting Standards		Yes	NA			
USSGL at Transaction Level		Yes	NA			

\*Management certifies to the effectiveness of internal control over operations and conformance with management system requirements.

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### **Independent Auditor's Report on Internal Control Over Financial Reporting**

The Board of Directors of  
The Presidio Trust

We have audited the balance sheets of the Presidio Trust as of September 30, 2009 and 2008 and the related statements of net cost, changes in net position, and budgetary resources (hereinafter referred to as "financial statements") for the years then ended, and have issued our report thereon dated November 13, 2009, which was qualified due to the Trust's valuation methodology for certain property, plant and equipment transferred to the Trust at its inception.

Except for the matter discussed in the third and fourth paragraphs of our report on the financial statements, we conducted our audits in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements*, as amended. Those standards and OMB Bulletin No. 07-04 require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

The management of the Trust is responsible for establishing and maintaining effective internal control. In planning and performing our fiscal year 2009 audit, we considered the Trust's internal control over financial reporting by obtaining an understanding of the Trust's internal control, determining whether internal controls had been placed in operation, assessing control risk, and performing tests of controls as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements. To achieve this purpose, we did not test all internal controls relevant to operating objectives as broadly defined by the *Federal Managers' Financial Integrity Act of 1982*. The objective of our audit was not to express an opinion on the effectiveness of the Trust's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Trust's internal control over financial reporting.

KPMG LLP  
2001 M Street, NW  
Washington, DC 20036

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in the internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

In our fiscal year 2009 audit, we did not identify any deficiencies in internal control over financial reporting that we consider to be significant deficiency or material weaknesses, as defined above. In fiscal year 2008, we identified a significant deficiency in the Trust's internal controls over offsetting receipts. This deficiency has been remediated by management in fiscal year 2009.

We noted certain additional matters that we have reported to management of the Trust in a separate letter.

This report is intended solely for the information and use of the Trust's management, OMB, the U.S. Government Accountability Office, and the U.S. Congress and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

November 13, 2009

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND OTHER MATTERS



**Independent Auditors' Report on Compliance and Other Matters**

The Board of Directors of  
The Presidio Trust:

We have audited the balance sheets of the Presidio Trust (the Trust) as of September 30, 2009 and 2008, and the related statements of net cost, changes in net position, and budgetary resources (hereinafter referred to as "financial statements") for the years then ended, and have issued our report thereon dated November 13, 2009, which was qualified due to the Trust's valuation methodology for certain property, plant and equipment transferred to the Trust at its inception.

Except for the matter discussed in the third and fourth paragraphs of our report on the financial statements, we conducted our audits in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements*, as amended. Those standards and OMB Bulletin No. 07-04 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

The management of the Trust is responsible for complying with laws, regulations, contracts, and grant agreements applicable to the Trust. As part of obtaining reasonable assurance about whether the Trust's financial statements are free of material misstatement, we performed tests of the Trust's compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of the financial statement amounts, and certain provisions of other laws and regulations specified in OMB Bulletin No. 07-04. We limited our tests of compliance to the provisions described in the preceding sentence, and we did not test compliance with all laws, regulations, contracts, and grant agreements applicable to the Trust. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

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The results of our other tests of compliance discussed in the third paragraph of this report disclosed no instances of noncompliance or other matters that are required to be reported herein under *Government Auditing Standards* or OMB Bulletin No. 07-04.

This report is intended solely for the information and use of the Trust's management, OMB, the U.S. Government Accountability Office, and the U.S. Congress and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

November 13, 2009



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## ABOUT THE PRESIDIO AND PRESIDIO TRUST

Founded by Spain in 1776, the Presidio is the birthplace of San Francisco. The U.S. Army assumed control of the post in 1846, and the Presidio remained the seat of military power for the western states through World War II. The Presidio was named a National Historic Landmark District in 1962 with the discovery of *el presidio*, the archaeological remains of the original Spanish fort. In 1994 the U.S. Army left the Presidio and it became a national park site.

Sitting at the southern anchor of the Golden Gate Bridge, with views of San Francisco Bay, the Pacific Ocean, the Marin Headlands, and the skyline of San Francisco, the Presidio enjoys one of the most dramatic settings in the world. Unlike the wilderness parks that were set aside in the early 20th century, the Presidio is a man-made environment that evolved in response to the needs of the military. It continues to evolve as an urban national park, responding to the needs of the local community, the nation, and visitors from around the world. The Presidio provides opportunities for learning and for recreation, for service and for solitude, in settings of exceptional beauty. It also offers all Americans time to reflect upon how our nation developed, from east to west.

Congress created the Presidio Trust in 1996 to preserve and enhance the Presidio as an enduring resource for the American people. It is governed by six presidential appointees and the Secretary of the Interior, or his designee. The Trust is required to fund the Presidio's operations, maintenance, and ongoing upgrades with income earned from rehabilitating and reusing the park's buildings. The Presidio is the only national park that is managed in this way. With 750 structures, 1,200 residences, and the infrastructure of a small town, the Presidio has unique assets and challenges. The Trust has won numerous awards for planning and historic preservation.



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