

Appendices
Final Supplemental
Environmental Impact Statement



*The Public Health Service Hospital
at the Presidio of San Francisco*

May 2006

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**APPENDIX A
FINANCIAL ANALYSIS OF PHSH EIS ALTERNATIVES
PHSH DEVELOPMENT PROGRAMS
MAY 2006**

	Requested No Action		Alternative 1		Alternative 2		Alternative 3		Alternative 4	
Project Description										
Gross Building Area										
Residential	0	0%	209,200	52%	337,100	84%	233,000	85%	332,000	92%
Non-Residential	68,000	100%	190,800	48%	62,900	16%	42,000	15%	30,000	8%
Total	<u>68,000</u>	<u>100%</u>	<u>400,000</u>	<u>100%</u>	<u>400,000</u>	<u>100%</u>	<u>275,000</u>	<u>100%</u>	<u>362,000</u>	<u>100%</u>
Unit Count										
Market Rate	0		210		230		230		114	
Senior Housing	0		0		0		0		155	
Total Units	<u>0</u>		<u>210</u>		<u>230</u>		<u>230</u>		<u>269</u>	
Unit Mixed										
Studio	N.A.		52		6		88		21	
1 Bedroom	N.A.		146		103		130		146	
2 Bedrooms	N.A.		1		105		1		88	
3 Bedrooms/ Wyman	N.A.		11		16		11		14	
Unit Size										
Studio	N.A.		380		460		517		500	
1 Bedroom	N.A.		700		747		700		700	
2 Bedrooms	N.A.		1,100		1,241		1,100		1,100	
3 Bedrooms/ Wyman	N.A.		2,100		1,609		2,100		1,650	
Weighted Average	<u>N.A.</u>		<u>696</u>		<u>1,025</u>		<u>699</u>		<u>865</u>	
Parking Spaces										
Underground Parking	0		0		120		0		0	
Surface Parking	267		542		332		330		267	
Total Parking	<u>267</u>		<u>542</u>		<u>452</u>		<u>330</u>		<u>267</u>	
Project Financing - Developer Partner										
Total Permanent Debt	\$0	N.A.	\$42,130,910	59%	\$61,987,611	61%	\$35,183,342	59%	\$52,034,002	61%
Total Equity	0	N.A.	18,056,104	25%	26,566,119	26%	15,078,575	25%	22,300,287	26%
Historic Tax Credits	0	N.A.	11,635,198	16%	13,781,065	13%	9,716,504	16%	11,256,846	13%
Total	<u>\$0</u>	<u>N.A.</u>	<u>\$71,822,213</u>	<u>100%</u>	<u>\$102,334,795</u>	<u>100%</u>	<u>\$59,978,422</u>	<u>100%</u>	<u>\$85,591,135</u>	<u>100%</u>
Project Financing - The Trust										
Total Permanent Debt	\$0	0%	\$0	0%	\$0	0%	\$0	0%	\$0	0%
Total Equity	8,200,000	100%	21,386,129	100%	19,458,345	100%	20,117,850	100%	14,600,837	100%
Historic Tax Credits	0	0%	0	0%	0	0%	0	0%	0	0%
Total	<u>\$8,200,000</u>	<u>100%</u>	<u>\$21,386,129</u>	<u>100%</u>	<u>\$19,458,345</u>	<u>100%</u>	<u>\$20,117,850</u>	<u>100%</u>	<u>\$14,600,837</u>	<u>100%</u>
Total Development Cost	\$8,200,000		\$93,208,341		\$121,793,140		\$80,096,272		\$100,191,972	

Sources: CBRE Consulting 2004 and Presidio Trust 2006.

5-May-06

**APPENDIX A
FINANCIAL ANALYSIS OF PHSH EIS ALTERNATIVES
OPERATING ASSUMPTIONS
MAY 2006**

	Requested No Action	Alternative 1		Alternative 2		Alternative 3		Alternative 4	
Monthly Revenue Assumptions									
Average Market Rent Unit									
Studio	N.A.	\$1,100	\$2.89	\$1,800	\$3.91	\$1,530	\$2.96	\$1,500	\$3.00
1 Bedroom	N.A.	2,100	\$3.00	2,600	\$3.48	2,100	\$3.00	2,100	\$3.00
2 Bedrooms	N.A.	2,700	\$2.45	3,500	\$2.82	2,700	\$2.45	2,700	\$2.45
3 Bedrooms/ Wyman ⁽¹⁾	N.A.	4,800	\$2.29	3,300	\$2.05	4,800	\$2.29	3,500	\$2.12
Weighted Average	N.A.	\$2,000		\$3,040 ⁽²⁾		\$2,010		\$2,500	
Average Independent Living Unit									
Studio	N.A.	N.A.		N.A.		N.A.		\$3,600	
1 Bedroom	N.A.	N.A.		N.A.		N.A.		4,400	
2 Bedrooms	N.A.	N.A.		N.A.		N.A.		5,200	
Average Assited Living Unit									
Studio	N.A.	N.A.		N.A.		N.A.		\$4,200	
1 Bedroom	N.A.	N.A.		N.A.		N.A.		5,000	
Annual Operating Expense Assumptions (per Unit)									
Market Rate Units	N.A.	\$5,000		\$5,000 - \$5,700		\$5,000		\$5,000	
Senior Units	N.A.	N.A.		N.A.		N.A.		\$25,000	
Capital Reserves	N.A.	\$200		\$200		\$200		\$200	
Non-Residential Revenue Assumptions (per Sq. Ft.)									
Arion Press	\$4.29	\$4.29		\$4.29		\$4.29		\$4.29	
Lone Mountain	\$18.00	N.A.		\$18.00		\$18.00		\$18.00	
Other Cultural/ Educational	\$12.00	\$20.00		\$12.00		N.A.		\$12.00	
Office	\$20.00	N.A.		\$18.00 ⁽³⁾		\$0.00		N.A.	
Conference	N.A.	\$20.00		N.A.		N.A.		N.A.	
Recreation Center	N.A.	N.A.		N.A.		N.A.		\$15.00	
Day Care	N.A.	\$18.00		N.A.		N.A.		N.A.	
Light Industrial/ Warehouse ⁽⁴⁾	N.A.	\$4.28		\$4.28		\$12.00		\$4.28	

Notes:

(1) Average rents differ primarily because the number of units differ in Wyman neighborhood. Alternatives 1 and 3 assume 11 units; Alternative 2 assumes 15 units; Alternative 4 assumes 14 units.

(2) Generally higher rents reflect a higher level of finish, larger units, better views, and a higher level of services than do the other Alternatives.

If Alternative 3 were built with a similar level of finish as Alternative 2, the performance of Alternative 3 would worsen because the revenue increase from higher rent per unit would be more then offset by the fewer number of units and higher per-unit construction cost.

(3) Average office rent from building 1808 includes one floor of basement and three floors of office.

(4) Alternatives 1, 2 and 4 assume Building 1802 is light industrial. Alternative 3 assumes Building 1450, 1802, 1818, and 1819 are light industrial.

**APPENDIX A
FINANCIAL ANALYSIS OF PHSH EIS ALTERNATIVES
SUMMARY OF RESULTS
MAY 2006**

	Requested No Action	Alternative 1	Alternative 2	Alternative 3	Alternative 4
First Stabilized Year Revenue to Trust					
Ground Rent ⁽¹⁾	\$0	\$570,000	\$680,000	\$601,000	\$670,700
Direct Rent ⁽²⁾	784,459	1,853,764	1,899,221	1,808,618	1,356,036
Service District Charge ⁽³⁾	242,393	1,304,077	1,142,459	775,850	1,016,518
Total	<u>\$1,026,852</u>	<u>\$3,727,841</u>	<u>\$3,721,681</u>	<u>\$3,185,468</u>	<u>\$3,043,254</u>
First Stabilized Year Revenue to Developer					
NOI after Ground Rent ⁽⁴⁾	\$0	\$6,384,406	\$6,549,383	\$2,777,738	\$6,104,174
First Stabilized Year Project Revenue	<u>\$1,026,852</u>	<u>\$10,112,247</u>	<u>\$10,271,064</u>	<u>\$5,963,206</u>	<u>\$9,147,428</u>
Measure of Returns					
Developer Partner IRR	N.A.	11.7%	9.9%	6.3%	10.2%
Trust IRR	12.5%	12.0%	13.9%	12.6%	13.0%
Weighted Average IRR	12.5%	11.8%	10.7%	8.3%	10.8%
Sensitivity Weighted Average IRR ⁽⁵⁾					
With Additional \$1.6M Offramp	N.A.	11.5%	10.5%	8.0%	10.5%
With Additional \$5.0M Offramp	N.A.	11.0%	10.1%	7.4%	10.0%
With Additional \$10.0M Offramp	N.A.	10.2%	9.5%	6.7%	9.3%
Income to Trust over 70 -year Term					
Total Income	\$334,986,109	\$680,301,953	\$678,170,563	\$595,604,669	\$528,940,563
Trust Investment	<u>(8,200,000)</u>	<u>(21,386,129)</u>	<u>(19,458,345)</u>	<u>(20,117,850)</u>	<u>(14,600,837)</u>
Total Net Income	\$326,786,109	\$658,915,825	\$658,712,218	\$575,486,819	\$514,339,726
Net Present Value ⁽⁶⁾	\$6,322,251	\$28,267,103	\$38,009,142	\$27,966,301	\$25,212,327

Notes:

- (1) The ground rent is derived from a \$1.0 million ground rent for the PHSH complex less rents in place. It is then prorated based on the ratio of master developer units to the total units in the PHSH complex.
- (2) Revenue to Trust after vacancy allowance, operating expenses, insurance, and capital reserves.
- (3) Calculated based on \$3.61 per square foot times applicable area, increased by 3% CPI annually. (See glossary for definition of SDC).
- (4) Represents revenues to developer partner after vacancy allowance, operating expenses, insurance, capital reserves, SDC, and ground rent.
- (5) Since the cost of the offramp is not known for certain, we have shown a range from the best case (which assumes all design exceptions are granted by Caltrans) to the worst case (which assumes no design exception are granted by Caltrans) and a midpoint case.
- (6) A discount rate of 8% was used for ground rent and SDC received in Alternatives 1 and 4 while a discount rate of 6% was used in ground rent and SDC received in Alternatives 2 and 3. A discount rate of 10% was used for net cash flow of Trust's funded project in all Alternatives.
If a discount rate of 6% were used for ground rent and SDC in Alternatives 1 and 4, the NPV to the Trust would be \$37.4 M and \$33.4 M, respectively.