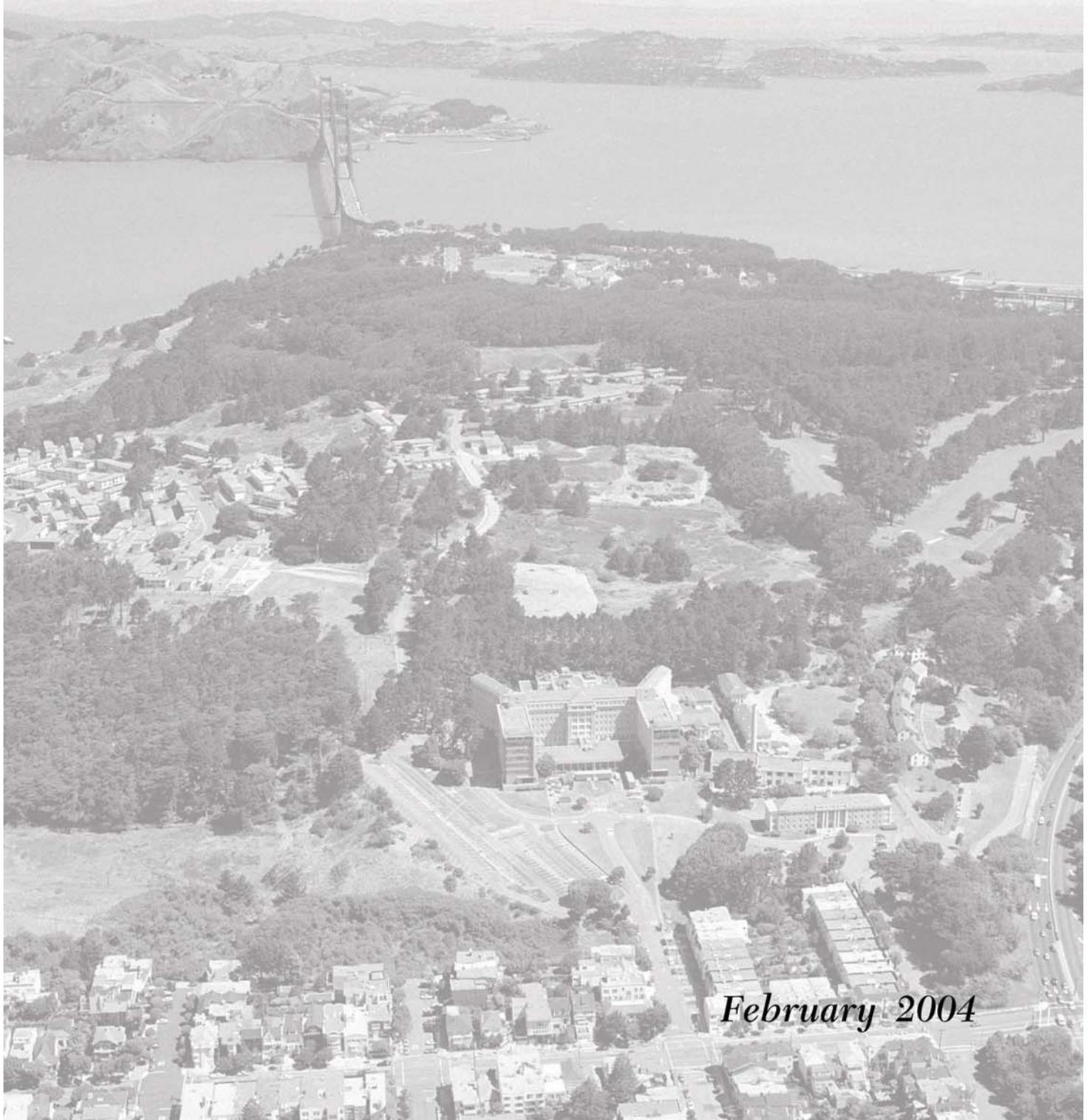


Environmental Assessment

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



February 2004

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Introduction and Background

In August 2002, the Presidio Trust (Trust) adopted the Presidio Trust Management Plan, Land Use Policies for Area B of the Presidio of San Francisco (the PTMP or the Plan), which established a policy framework for future decision-making (Trust 2002a). The accompanying program-level environmental impact statement (EIS) analyzed a range of land use alternatives for the Presidio's seven planning districts, including development of a residential and educational community in the 42-acre Public Health Service Hospital planning district (PHSH district or district) (Trust 2002b). Consistent with the PTMP, the Trust is now proposing to undertake leasing and development in the PHSH district.

This environmental assessment (EA) identifies the environmental effects of the Trust's proposed project within the PHSH district. The Council on Environmental Quality's (CEQ) regulations implementing the National Environmental Policy Act (NEPA) allow federal agencies such as the Trust to prepare an EA to assist agency planning and decision-making (40 CFR 1501.3). An EA provides evidence and analysis to determine whether an EIS is required, aids a federal agency's compliance with the NEPA when an EIS is not necessary, and facilitates preparing an EIS if one is necessary (40 CFR 1508.9(a)).

This EA tiers from the PTMP EIS and analyzes specific project alternatives for implementing the planned goals for the PHSH district.¹ In tiering from the PTMP EIS, the EA incorporates by reference the information and analysis presented in the PTMP EIS and concentrates on site-specific issues related to the current project. The relevance of PTMP EIS mitigation measures to the current project is also discussed. The EA is divided into four sections:

1. Purpose and need for the proposed action;
2. Description of the proposed action and alternatives considered, including a no action alternative;
3. Affected environment and environmental consequences of the proposed action and alternatives, including mitigation measures; and
4. A summary of the consultation and public scoping process and a list of agencies, organizations, and persons consulted.

The draft Planning and Design Guidelines proposed for adoption as part of the project, as well as other background information, are included in the appendices.

¹ The CEQ NEPA Regulations encourage the use of tiered documents to "eliminate repetitive discussions of the same issues" (40 CFR 1502.20) and to "focus on the issues which are ripe for decision and exclude from consideration issues already decided or not yet ripe" (40 CFR 1508.28). The PTMP EIS can be viewed at the Presidio Trust Library, 34 Graham Street, San Francisco, California or on the Trust's website (www.presidio.gov).

THE PRESIDIO OF SAN FRANCISCO

The 1,491-acre Presidio of San Francisco (Presidio) is one of the country's most beautiful places. Its distinctive resources include historic architecture and landscapes, unique ecological systems and rare plant communities, inviting parklands, an open shoreline, spectacular views, and varied recreational resources. Situated within the San Francisco Bay Area at the center of the 77,000-acre Golden Gate National Recreation Area (GGNRA), the Presidio attracts visitors from near and far.

A military garrison since 1776, the Presidio was designated a National Historic Landmark District (NHL) in 1962. The Presidio contains one of our country's finest collections of military places, buildings, structures, and artifacts; its architecture represents every major period of U.S. military history since the 1850s. Archeological evidence of Native American inhabitants and early Spanish and Mexican encampments complements this rich architectural heritage.

The Presidio's 770 buildings total approximately 6.1 million square feet and include an array of offices, warehouses, workshops, and residences; over 450 buildings are historic and contribute to the Presidio's NHL designation. Residential structures include large single-family homes and duplexes, as well as apartment complexes and barracks. The Presidio has facilities and amenities that serve residents, park visitors, and non-residential tenants that include a mix of non-profit and for-profit organizations. The Presidio has its own electric distribution, telecommunication, water, wastewater collection, storm drain, and refuse collection systems and services. The Trust also operates a park shuttle to supplement local and regional transit services.

Dramatic headlands, a favorable climate, rich soils, water resources, and protected open space have contributed to the Presidio's rich biological diversity. Remnant native plant communities preserve rare and endangered plant species and provide valuable wildlife habitat. In addition, the magnificent 300-acre Presidio forest defines the Presidio and sets the park apart from the adjacent city. A planned system of trails, bikeways, and overlooks will improve the visitor experience and enhance recreational opportunities while protecting the park's natural resources.

FROM MILITARY POST TO NATIONAL PARK

The Presidio's transition from military post to national park began in 1972 when Congress provided that the Presidio would become part of the GGNRA if the military ever declared the post superfluous to its needs. Congress designated the Presidio for closure in 1989, and in 1994 the U.S. Army transferred its jurisdiction to the National Park Service (NPS).

In 1994, during the transition from post to park, the NPS adopted a plan for the Presidio's use and management, the General Management Plan Amendment (GMPA). As part of the GMPA, the NPS prepared the Presidio Building, Leasing and Financing Implementation Strategy, which estimated annual operating costs to be \$40 million, and capital improvements to be in excess of \$500 million. According to the NPS plan, these costs would be funded by a combination of leases and operating agreements, U.S. Treasury and/or private sector resources, a continuing annual congressional appropriation of between \$16

and \$25 million, and philanthropic funds. The GMPA cost estimates indicated that the Presidio was by far the most expensive park managed by the NPS and far more expensive than the U.S. Congress was willing to support over time. Congress therefore created a new agency charged with improving, protecting, and maintaining the Presidio by using the park's built resources to generate revenue to support the park.

THE PRESIDIO TRUST AND ITS MANDATE

In 1996, Congress passed the Presidio Trust Act (16 USC §§ 460bb appendix) and established the Presidio Trust, which assumed jurisdiction over the interior 1,100 acres of the Presidio (Area B) on July 1, 1998; NPS retains control over the coastal areas (Area A). Congress also directed the Trust to become financially self-sufficient by 2013, at which time annual federal appropriations would end.

Congress provided the Trust with the necessary tools to achieve its mission. The Trust is a wholly-owned federal government corporation that may generate and retain revenue, lease real property within Area B, make loans, and provide loan guarantees to encourage the use of non-federal funds by third parties to invest in the repair and rehabilitation of the Presidio's historic buildings and infrastructure.

The Trust is governed by a seven-person Board of Directors. Six members are appointed by the President of the United States, and the seventh is the Secretary of the Interior or the Secretary's delegate. The Trust is managed by an executive director and a professional staff with expertise in real estate leasing, finance, development, property management, park stewardship, and natural and cultural resource protection and management.

Since the Trust began operations in 1998, the budget needed to operate, maintain, and enhance the park has borne out the initial estimates of the high costs and complexity of managing the Presidio. In the first years of operation, the Trust focused on upgrading the Presidio's aging infrastructure, and on rehabilitating the Presidio's most reliable source of revenue – its housing. The Trust also recognized the need to capitalize on a strong real estate market by negotiating long-term leases for several key buildings. In 1998, the Trust began the process to lease a 23-acre site in the Presidio's Letterman district, and in 2002 signed a lease with Letterman Digital Arts Ltd. (LDA) to redevelop the obsolete Letterman Hospital and research center as a digital arts campus.

In addition to the LDA project, the Trust attempted to undertake other rehabilitation and leasing projects, including the PHS. Many members of the public criticized these early projects for departing from the NPS GMPA. The NPS plan was not constrained by the need to make the park financially self-sufficient, and it did not provide the necessary flexibility to respond to the realities of the real estate market – now an important factor in how the Trust must manage the park.

In August 2002, after two years of extensive planning, agency and public input, and public review, the Trust adopted a new management plan for Area B. The PTMP sets out a general policy framework that balances preservation of open space and other park resources with building uses that support both the financial needs of the park and the goal of serving the public. The Plan also emphasizes that the Trust's financial challenge cannot be understood apart from the mandate to preserve and protect the park. The

park need not make money as an end in itself, but rather as the means to save its beloved resources – historic, natural, scenic, and recreational.

For more than two years, while preparing the PTMP, the Trust did not undertake any long-term leases. Now that the PTMP has been adopted, the Trust must resume long-term leasing, which is critical to the Trust’s ability to rehabilitate its historic structures and to meet its congressionally set financial goals. The Trust must attract tenants and investors with the capacity and expertise to assume the substantial costs of rehabilitating and reusing the Presidio’s buildings. To that end, the Trust must be able to negotiate long-term leases that are beneficial both to investors and to the park.

PLANNING CONTEXT AND TERMINOLOGY

The PTMP identified the PHSB district for reuse as a Residential and Educational Community, but stated a preference for residential use in the main hospital building (PHSB or Building 1801). The PHSB district is about 42 acres, of which about 15 acres have been previously developed or disturbed. For ease of discussion and understanding, the district can be considered as two geographic areas. The southern portion of the district is a 12-acre developed area with a collection of 15 buildings, including the historic PHSB and its nearby complex of dormitories, offices, residences, and recreational buildings. The southern portion of the district is sometimes referred to as the “lower plateau” and its collection of buildings as the “PHSB complex.”

The northern portion of the PHSB district includes previously disturbed areas mixed with remnant natural habitats. This second area, sometimes referred to as the “upper plateau,” has five small historic buildings, three of which are included in the current project (Buildings 1449 and 1451 are excluded.) The upper plateau also contains a Trust/NPS maintenance and corporation yard and three underground former missile silos. The three-acre site of the corporation yard and missile silos is referred to as “Battery Caulfield” or sometimes the “Nike Missile Site.” Together, the PHSB complex and Battery Caulfield are referred to as the “project site” or the “site” (see Figure 1).

The area between Battery Caulfield and the PHSB complex (sometimes referred to as the “Nike Swale area”) supports ecologically significant native plant communities that include coast live oak woodland, central dune scrub, and riparian and dune slack wetland vegetation, as well as the San Francisco lessingia (*Lessingia germanorum*), a federally listed endangered plant. Vegetation in the Nike Swale area and north of Battery Caulfield provides habitat for the largest known quail population in San Francisco, as well as other bird species. The PTMP calls for the rare plant and wildlife species habitat and remnant natural systems to be protected and revitalized, and none of the project alternatives would include development in this area.

Building space within the PHSB district today totals approximately 400,000 square feet. The PTMP’s centerpiece for the district was the rehabilitation and reuse of the historic PHSB for residential use if feasible, and rehabilitation and reuse of the other historic structures within the district. Building 1801 is

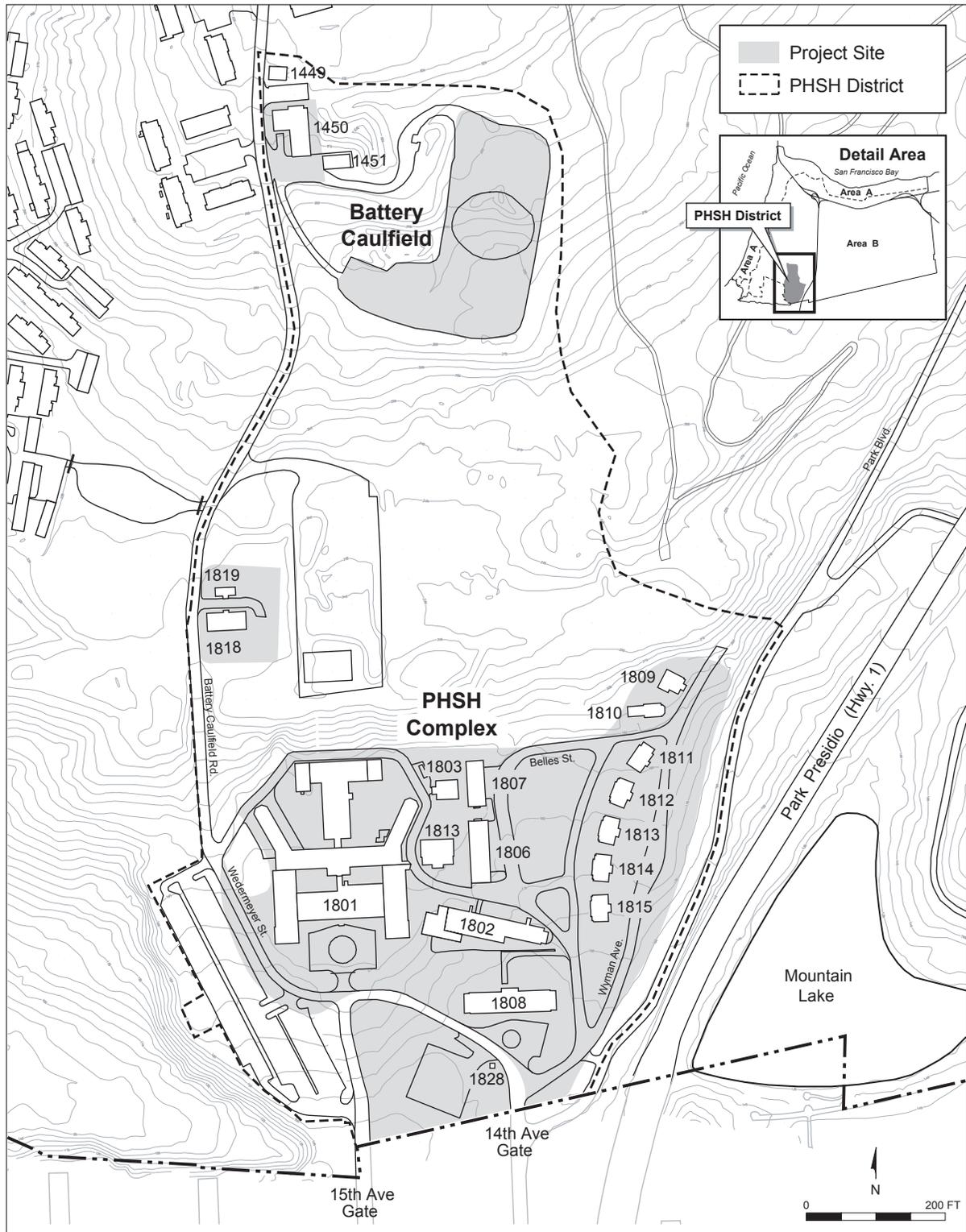


FIGURE 1. PSH DISTRICT AND PROJECT SITE BOUNDARIES

Source: Presidio Trust, 2003

an historic structure of about 173,000 square feet and non-historic additions or “wings” that flank the historic structure and total about 125,000 square feet. Under the PTMP, future planning could consider removal of the PHSB if it was found to be infeasible to retain. Also, possible development in the district was “capped” at 400,000 square feet, meaning that there could be no increase in square footage over existing conditions. Up to a maximum of 130,000 square feet of demolition and replacement construction was permitted within the district.

CONCURRENT LEASING AND ENVIRONMENTAL REVIEW PROCESS FOR THE PHSB

The Trust is now engaged in a process to rehabilitate and lease buildings within the PHSB district consistent with the reuse goals presented in the PTMP. When the Trust issued a Request for Qualifications (RFQ) for the PHSB in 1999 (Trust 1999), it received 14 proposals. The Trust elected not to proceed with the project at that time, however, due to the wide variety of proposals and a host of unresolved issues. In the course of developing the PTMP, the Trust set clearer parameters and reuse options for the PHSB district that were also consistent with the comments received from the adjoining neighborhoods. The PTMP identified leasing of the PHSB buildings as an important “next step” given the serious physical deterioration of the historic buildings and the Trust’s commitment to pursue conversion of non-residential buildings to residential use.

Start of Leasing Process / 2003 PHSB RFQ

In April 2003, the Trust again issued a solicitation seeking development teams qualified to undertake the rehabilitation and reuse of the buildings within the PHSB district. The Trust distributed the RFQ and accompanying draft Planning and Design Guidelines (included in this EA as Appendix A) to more than 5,000 individuals and/or organizations (Trust 2003a and 2003b). Approximately 100 people attended the Trust’s public pre-submittal meeting on May 6, 2003 for a project briefing and tour of the site. The Trust has also engaged in more than 30 public meetings and briefings with neighborhood groups and other interested parties, as described in Section 4 of this EA.

On June 23, 2003, the Trust received nine responses to the PHSB RFQ. Evaluation of these submittals focused on team qualifications and on narrowing the field from which to request detailed proposals. In evaluating qualifications, the Trust considered broad criteria, including experience with similar projects and historic building rehabilitation, as well as the use of historic tax credits, financial capability, proposed public outreach efforts, compatibility of the project concepts with the Presidio’s NHLD status, and responsiveness of the initial project concept to the Trust’s goals and objectives for the project.

Following an evaluation of the responses by Trust staff, the Trust Board of Directors invited Forest City Development, the John Stewart Company and the Related Companies of California, and Avalon Bay Communities, Inc. to submit detailed proposals by October 27, 2003. Avalon Bay subsequently chose to withdraw from the process.

Start of NEPA Process / Scoping

On August 27, 2003, the Trust issued a Request for Proposals (RFP) to the three qualifying teams and also began its environmental review process pursuant to NEPA (Trust 2003c). Using the PHSB district planning framework developed in the PTMP, the Trust defined a range of possible alternatives for the project. The range of alternatives was informed by early public input during the RFQ process and by the conceptual proposals offered by RFQ respondents.

Project scoping was announced in the Trust's bi-monthly newsletter mailed to about 17,000 persons and organizations, and in the Federal Register (68 Fed. Reg. 53205 September 9, 2003). The materials that were distributed are included in this EA as Appendix B and consisted of a project summary, a brief statement of the purpose and need for the project, a statement of the project objectives to be balanced, and a description of four conceptual alternatives proposed for study in the EA. The materials indicated that the EA would tier from the PTMP EIS.

Continuation of Leasing Process / Receipt of Proposals

Two teams elected to present proposals. The Forest City and John Stewart/Related Companies teams submitted their proposals on October 27, 2003, and presented them at a public Board of Directors meeting on October 29. The teams were directed to submit proposals consistent with the range of alternatives described in the scoping materials, and each did so.

The Forest City team submitted two proposals. The first would remove the non-historic wings of the PHSB, rehabilitate the historic portion of the building and other historic buildings for residential use, and construct new residential units in the northern portion of the PHSB district at Battery Caulfield. The second proposal would rehabilitate the PHSB, including its non-historic wings, for residential use without any new construction at Battery Caulfield. Forest City has identified the second proposal as its preference. The John Stewart/Related Companies proposal is similar to Forest City's preferred option, and would rehabilitate the PHSB while retaining the non-historic wings. The John Stewart/Related Companies proposal states that the team considered a project that removed the non-historic wings without replacing the lost square footage, and determined that it would not be financially feasible for them nor would it generate rent for the Presidio.²

Revision of EA Planning Alternatives Based on Leasing Proposals and Scoping Comments

The public scoping period, which was extended once and ended on December 10, 2003, lasted more than three months. The Trust held two public Board of Directors hearings for the public to offer its comments on the project and the scope of environmental review. The first hearing was on October 29, 2003 and the second was on December 10, 2003.

² In a later communication dated January 9, 2004, the John Stewart/Related Companies team revised this statement to indicate their belief that the smaller alternative would be financially feasible if Building 1801 were reused as leasehold condominiums.

By the close of scoping, the Trust had received about 250 written and oral comments. After carefully considering the public's comments and the proposals submitted, the Trust has revised the alternatives included in the August 27, 2003 scoping materials to those that are now being studied in this EA. Most notably, in response to public scoping comments and the developer proposals, the Trust has reduced the proposed unit count – or size – of Alternatives 2 and 4 by 10 to 20 percent.

The four EA alternatives are described fully in Section 2 of this EA. All alternatives would rehabilitate the PHSB and the adjacent historic buildings. Where they differ is in the amount and location of demolition and new construction, and in the total number and mix of residential units. The EA alternatives have been developed to encompass the range of proposals submitted by the two development teams as well as to reflect comments from the public. Alternative 2 would accommodate Forest City's preferred proposal or the John Stewart/Related Companies proposal; Alternative 3 reflects the smaller development alternative proposed by many who offered comments; and Alternative 4 would accommodate Forest City's non-preferred proposal, which would include new development at Battery Caulfield.

Identification of Preferred Alternative and Developer Selection

At their meeting of January 29, 2004, based upon the information and analysis in the EA and on all of the information in the record, the Trust Board of Directors identified Alternative 2 as the Trust's Preferred Alternative. At a subsequent meeting, the Trust Board of Directors will select the developer team with whom to enter exclusive negotiations for the project. The Board's selection of a developer does not indicate a commitment to approve or execute a project identical to the developer's physical proposal. Negotiations are expected to result in a project that falls within the range represented by the alternatives in Section 2 of this EA.

The Environmental Assessment Process

Following release of this EA, the Trust will solicit public input for 10 weeks and will hold one or more public meetings to receive oral comments on the EA and the PHSB project. The Trust will also begin negotiations with the selected developer and will use both the EA and the comments it generates to inform the specifics of the project and the development agreement and lease. No approvals will be granted and no lease or development agreement will be signed until the public comment period is over and the environmental review process is complete.