

# Symmes Hospital



## Financial Analysis of Development Alternatives

Presentation to the Arlington Redevelopment Board/  
Symmes Hospital Advisory Committee  
January 9, 2003



# Symmes Hospital



## Presentation Outline

- Model Adjustments Since Last Meeting
- Financial Comparison of Three Core Alternatives
- Sensitivity Test Results
  - Changing % of Affordable Units
  - Timing of Land Sales
  - Annual increase of net fiscal impacts
- Summary/Implications
- Next Steps
- Q&A/Discussion



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## Financial Model Adjustments

- Converted Development Alternatives approved on 12/12 into formats that could be analyzed using the financial model
  - Some modifications were made to each Alternative
- Integrated VHB infrastructure cost estimates
  - Allocated infrastructure costs by land use
  - Allocated infrastructure costs to the developer and to the Town
  - Replaced demolition and public park line items with more detailed infrastructure cost estimates
- Allocated buildable land area to each land use to improve the fiscal impact projections



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## Financial Model Adjustments

- Estimated the average and total "retail value" of all real estate products to check the reasonableness of projected land values
- Included a spreadsheet to isolate the land value implications and public subsidy requirements for affordable housing
- Changed the spreadsheet presentation to incorporate FAWG Comments



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## Development Program Summary

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## Program Assumptions

- Alternatives presented provide a range 20% to 25% of units as affordable housing
  - Changing the percentage of affordable units is addressed as a sensitivity test
- Timing of land sales has not changed from earlier iterations
  - Adjusting the timing of sales to evaluate potential "downside" market risk is addressed as a sensitivity test
- Future net fiscal impact from new development increases at 2.5% per year in constant \$
  - Reducing real growth in fiscal impact is addressed as a sensitivity test

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## Alternative I: Residential

- Mixed Income Housing Option Program

| <b>Residential Option IA: Mixed Income Housing<br/>Conversion to Financial Model Inputs</b> |       |               |                |             |
|---|-------|---------------|----------------|-------------|
|   | Units | Avg Unit Size | Total SF       | % Dist.     |
| <b>Residential</b>  |       |               |                |             |
| Affordable  | 22    | 1,455         | 32,010         | 11%         |
| Affordable/Below Med. Inc.  | 10    | 1,200         | 12,000         | 4%          |
| Market Rate   | 84    | 2,000         | 168,000        | 56%         |
| Luxury  | 25    | 3,500         | 88,000         | 29%         |
| Assisted Living   | -     | 850           | -              | 0%          |
| Subtotal Residential  | 141   | 2,128         | 300,010        | 100%        |
| Percent Residential   |       |               |                | 77%         |
| <b>Percent Affordable Units</b>   |       | <b>23%</b>    |                |             |
| <b>Medical/Office/Public</b>  |       |               |                |             |
| Medical   |       |               | 90,000         | 23%         |
| Commercial Office   |       |               | -              | 0%          |
| Public  |       |               | -              | 0%          |
| Subtotal Med./Ofc./Public:  |       |               | 90,000         | 23%         |
| <b>TOTALS:</b>  |       |               | <b>390,010</b> | <b>100%</b> |

- Incorporates adjustments to earlier alternatives in order to cover infrastructure costs
- A separate spreadsheet (not presented tonight) models the assisted living option
  - (Elderly/Assisted living units are included later in Alternative 3)
- All alternatives propose reuse of the Nurses Building and construction of a Wellness Center



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## Alternative II: Employment Generation

- Office/Medical Space Development Program

| <b>Option 2: Prioritize Medical &amp; Employment Generating Uses<br/>Conversion to Financial Model Inputs</b> |       |                |               |             |
|---|-------|----------------|---------------|-------------|
|   | Units | SF             | Avg Unit Size | % Dist.     |
| <b>Residential</b>  |       |                |               |             |
| Affordable  | 15    | 21,825         | 1,455         | 11%         |
| Affordable/Below Med. Inc.  | 7     | 10,185         | 1,455         | 5%          |
| Market Rate   | 34    | 68,000         | 2,000         | 33%         |
| Luxury  | 30    | 105,000        | 3,500         | 51%         |
| Assisted Living   | -     | -              | -             | 0%          |
| Subtotal Residential  | 86    | 205,010        | 2,384         | 100%        |
| Percent Residential   |       |                |               | 47%         |
| <b>Percent Affordable Units</b>   |       | <b>26%</b>     |               |             |
| <b>Medical/Office/Public</b>  |       |                |               |             |
| Medical   |       | 90,000         |               | 21%         |
| Commercial/Office   |       | 140,000        |               | 32%         |
| Public  |       | -              |               | 0%          |
| Subtotal Med./Ofc./Public:  |       | 230,000        |               | 53%         |
| <b>TOTALS:</b>  |       | <b>435,010</b> |               | <b>100%</b> |

- Development economics required the addition of 24 high-end residential units to cover infrastructure costs
- Maximizes mixed use of the site within available parking and market constraints



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## Alternative III: Minimize Public Infrastructure Costs



- Development Program

| <b>Option 3: Minimize Infrastructure Costs</b> |              |                |                      |                |
|--|--------------|----------------|----------------------|----------------|
| <b>Conversion to Financial Model Inputs</b>    |              |                |                      |                |
|  | <b>Units</b> | <b>SF</b>      | <b>Avg Unit Size</b> | <b>% Dist.</b> |
| <b>Residential</b>                             |              |                |                      |                |
| Affordable                                     | 14           | 19,600         | 1,400                | 6%             |
| Affordable/Below Med. Inc.                     | 6            | 8,400          | 1,400                | 3%             |
| Market Rate                                    | 65           | 132,400        | 2,037                | 42%            |
| Luxury   | 25           | 87,500         | 3,500                | 28%            |
| Assisted Living (Market)                       | 61           | 51,850         | 850                  | 17%            |
| Assisted Living (Affordable)                   | 15           | 13,150         | 850                  | 4%             |
| Subtotal Residential:                          | 186          | 312,900        | 1,682                | 100%           |
| Percent Residential SF                         |              |                |                      | 78%            |
| <b>Percent Affordable Units 19%</b>            |              |                |                      |                |
| <b>Medical/Office/Public</b>                   |              |                |                      |                |
| Medical  |              | 90,000         |                      | 22%            |
| Commercial/Office                              |              | -              |                      | 0%             |
| Public   |              | -              |                      | 0%             |
| Subtotal Med./Ofc./Public:                     |              | 90,000         |                      | 22%            |
| <b>TOTALS:</b>                                 |              | <b>402,900</b> |                      | <b>100%</b>    |

- Includes a public park and limited residential use at the Top
- Includes assisted living units within the Overlook
  - Base scenario allocates 20% of assisted living units as affordable
- Proposes slightly fewer units on Summer Street than earlier alternatives



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## Infrastructure Cost Summary



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## Alternative I: Mixed Income Residential

- Estimated \$5.8 million in additional public investment (or discounted land cost) included in all scenarios

**Symmes Campus Redevelopment: Alternative 1  
(Residential Option 1A: Mixed Income Housing Alternative)  
Projected Infrastructure Costs**

| Description                                   | Public Sector      | Private Sector Cost |                     |                     | Infrastructure Total |
|---|--------------------|---------------------|---------------------|---------------------|----------------------|
|   |                    | (Top)               | (Overlook)          | (Total)             |                      |
| SITE PREPARATION                              | \$608,000          | \$ 8,000            | \$ 620,000          | \$ 628,000          | \$1,236,000          |
| EARTHWORK (TO SUBGRADE)                       | \$104,425          |                     | \$ 1,368,520        | \$ 1,368,520        | \$1,472,945          |
| EARTHWORK (TO FINISH)                         | \$27,178           |                     | \$ 518,520          | \$ 518,520          | \$545,698            |
| EROSION CONTROL                               | \$52,800           |                     | \$ 117,700          | \$ 117,700          | \$170,500            |
| STORM DRAINAGE                                | \$259,600          |                     | \$ 617,500          | \$ 617,500          | \$877,100            |
| SANITARY SEWER                                | \$72,860           |                     | \$ 141,270          | \$ 141,270          | \$214,130            |
| WATER DISTRIBUTION                            | \$100,150          |                     | \$ 158,150          | \$ 158,150          | \$258,300            |
| GAS   | \$18,000           |                     | \$ 38,000           | \$ 38,000           | \$56,000             |
| TELEPHONE/ELECTRIC/CABLE                      | \$328,000          |                     | \$ 331,500          | \$ 331,500          | \$659,500            |
| PAVING / TRAFFIC CONTROL                      | \$195,000          |                     | \$ 211,000          | \$ 211,000          | \$406,000            |
| SITE STRUCTURES                               | \$0                |                     |                     | \$ -                | \$0                  |
| SITE LIGHTING                                 | \$170,000          |                     | \$ 255,000          | \$ 255,000          | \$425,000            |
| LANDSCAPING                                   | \$0                |                     | \$ 750,000          | \$ 750,000          | \$750,000            |
| DEMOLITION                                    | \$2,881,180        |                     |                     | \$ -                | \$2,881,180          |
| <b>SUBTOTAL: SITE WORK COST</b>               | <b>\$4,817,193</b> | <b>\$ 8,000</b>     | <b>\$ 5,127,160</b> | <b>\$ 5,135,160</b> | <b>\$9,952,353</b>   |
| CONTINGENCIES @ 20 %                          | \$963,439          | \$ 1,600            | \$ 1,025,432        | \$ 1,027,032        | \$1,990,471          |
| <b>TOTAL COST OF SITE WORK and STRUCTURES</b> | <b>\$5,780,631</b> | <b>\$ 9,600</b>     | <b>\$ 6,152,592</b> | <b>\$ 6,162,192</b> | <b>\$11,942,823</b>  |

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## Alternative II: Employment Generation

- Higher private sector costs (\$8.0 million) due to additional parking requirements

**Symmes Campus Redevelopment: Alternative 2  
Prioritize Medical & Employment Generating Uses  
Projected Infrastructure Costs**

| Description                                   | Public Sector      | Private Sector Cost |                     |                     | Infrastructure Total |
|---|--------------------|---------------------|---------------------|---------------------|----------------------|
|   |                    | (Top)               | (Overlook)          | (Total)             |                      |
| SITE PREPARATION                              | \$608,000          | \$ 8,000            | \$ 620,000          | \$ 628,000          | \$1,236,000          |
| EARTHWORK (TO SUBGRADE)                       | \$104,425          |                     | \$ 1,368,520        | \$ 1,368,520        | \$1,472,945          |
| EARTHWORK (TO FINISH)                         | \$27,178           |                     | \$ 518,520          | \$ 518,520          | \$545,698            |
| EROSION CONTROL                               | \$52,800           |                     | \$ 117,700          | \$ 117,700          | \$170,500            |
| STORM DRAINAGE                                | \$259,600          |                     | \$ 617,500          | \$ 617,500          | \$877,100            |
| SANITARY SEWER                                | \$72,860           |                     | \$ 141,270          | \$ 141,270          | \$214,130            |
| WATER DISTRIBUTION                            | \$100,150          |                     | \$ 158,150          | \$ 158,150          | \$258,300            |
| GAS   | \$18,000           |                     | \$ 38,000           | \$ 38,000           | \$56,000             |
| TELEPHONE/ELECTRIC/CABLE                      | \$328,000          |                     | \$ 331,500          | \$ 331,500          | \$659,500            |
| PAVING / TRAFFIC CONTROL                      | \$395,000          |                     | \$ 211,000          | \$ 211,000          | \$606,000            |
| SITE STRUCTURES                               | \$0                |                     | \$ 1,500,000        | \$ 1,500,000        | \$1,500,000          |
| SITE LIGHTING                                 | \$170,000          |                     | \$ 255,000          | \$ 255,000          | \$425,000            |
| LANDSCAPING                                   | \$0                |                     | \$ 750,000          | \$ 750,000          | \$750,000            |
| DEMOLITION                                    | \$2,881,180        |                     |                     | \$ -                | \$2,881,180          |
| <b>SUBTOTAL: SITE WORK COST</b>               | <b>\$5,017,193</b> | <b>\$ 8,000</b>     | <b>\$ 6,627,160</b> | <b>\$ 6,635,160</b> | <b>\$11,652,353</b>  |
| CONTINGENCIES @ 20 %                          | \$1,003,439        | \$ 1,600            | \$ 1,325,432        | \$ 1,327,032        | \$2,330,471          |
| <b>TOTAL COST OF SITE WORK and STRUCTURES</b> | <b>\$5,780,631</b> | <b>\$ 9,600</b>     | <b>\$ 7,952,592</b> | <b>\$ 7,962,192</b> | <b>\$13,982,823</b>  |

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## Alternative III: Minimize Infrastructure Cost

- May present an opportunity to shift some public sector costs (or further increase land price) to the developer

**Symmes Campus Redevelopment: Alternative 3  
Minimize Infrastructure Cost Scenario  
Projected Infrastructure Costs**

| Description                                   | Public Sector      | Private Sector Cost |                     | Infrastructure Total |
|---|--------------------|---------------------|---------------------|----------------------|
|   |                    | (Top)               | (Overlook)          |                      |
| SITE PREPARATION                              | \$608,000          |                     | \$ 612,000          | \$ 612,000           |
| EARTHWORK (TO SUBGRADE)                       | \$104,425          |                     | \$ 461,020          | \$565,445            |
| EARTHWORK (TO FINISH)                         | \$27,178           |                     | \$ 438,720          | \$465,898            |
| EROSION CONTROL                               | \$52,800           |                     | \$ 64,900           | \$117,700            |
| STORM DRAINAGE                                | \$259,600          |                     | \$ 236,500          | \$496,100            |
| SANITARY SEWER                                | \$72,860           |                     | \$ 140,910          | \$213,770            |
| WATER DISTRIBUTION                            | \$100,150          |                     | \$ 158,150          | \$258,300            |
| GAS   | \$18,000           |                     | \$ 38,000           | \$56,000             |
| TELEPHONE/ELECTRIC/CABLE                      | \$328,000          |                     | \$ 331,500          | \$659,500            |
| PAVING / TRAFFIC CONTROL                      | \$395,000          |                     | \$ 211,000          | \$606,000            |
| SITE STRUCTURES                               | \$0                |                     | \$ -                | \$0                  |
| SITE LIGHTING                                 | \$170,000          |                     | \$ 255,000          | \$425,000            |
| LANDSCAPING                                   | \$0                |                     | \$ 750,000          | \$750,000            |
| DEMOLITION                                    | \$2,881,180        |                     | \$ -                | \$2,881,180          |
| <b>SUBTOTAL: SITE WORK COST</b>               | <b>\$5,017,193</b> |                     | <b>\$ 3,697,700</b> | <b>\$8,714,893</b>   |
| <b>CONTINGENCIES @ 20 %</b>                   | <b>\$1,003,439</b> |                     | <b>\$ 739,540</b>   | <b>\$1,742,979</b>   |
| <b>TOTAL COST OF SITE WORK and STRUCTURES</b> | <b>\$5,780,631</b> |                     | <b>\$ 4,437,240</b> | <b>\$10,457,871</b>  |

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## Infrastructure Cost Assumptions

- Assumes public investments can be phased in over first 3 years
- Assumes public investments are completed/financed by the Town rather than accommodated through discounting land costs
  - Additional borrowing will probably be required
- Totals do not include an additional \$1.4 to \$3.0 million for the proposed park/open space improvements
- Public/private sector cost allocations are considered reasonable but could change

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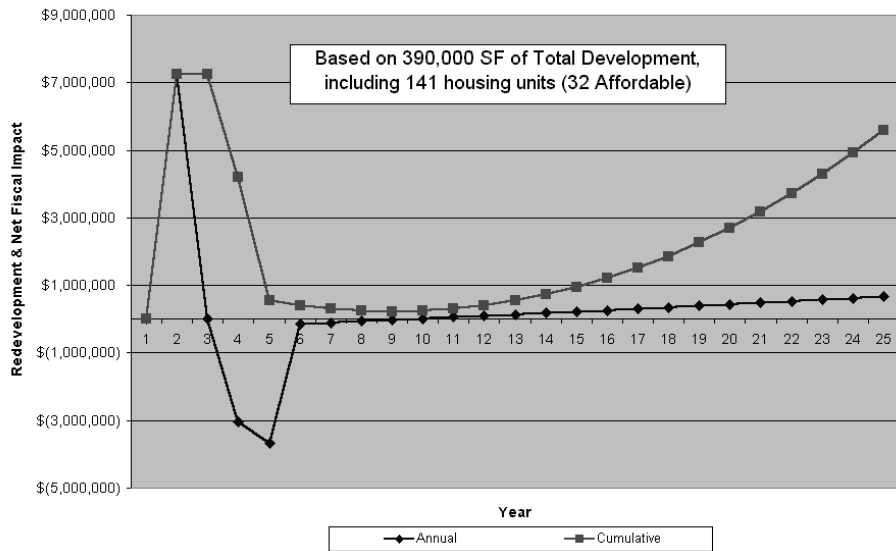


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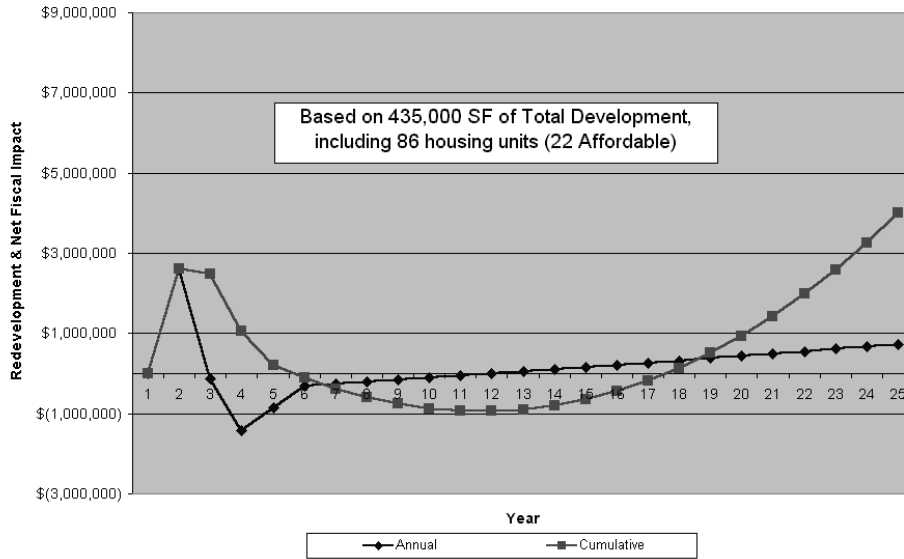


## Comparative Financial Performance

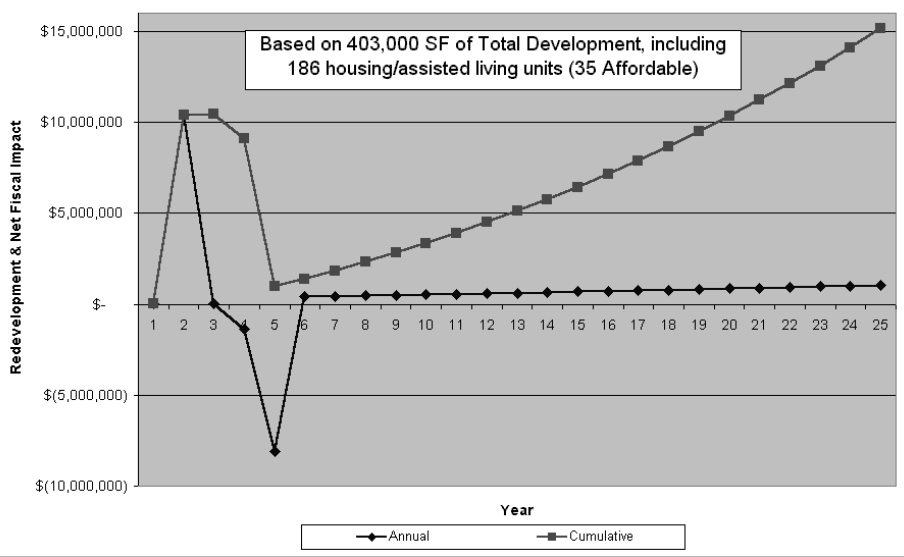
### Annual and Cumulative Long-Profitability to the Town of Arlington Alternative I: Mixed Income Housing



### Annual and Cumulative Profitability to the Town of Arlington Alternative II: Employment Generation



### Annual and Cumulative Profitability to the Town of Arlington Alternative 3: Minimize Infrastructure Costs



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## Summary Comparison of Project Impacts on the Town of Arlington

| ALTERNATIVE  | I: Mixed Income Residential | II: Commercial/ Medical Employment | III: Minimize Infrastructure Costs | Range: Low to High |
|--|-----------------------------|------------------------------------|------------------------------------|--------------------|
| <b>Millions of 2002 Constant Dollars</b>                               |                             |                                    |                                    |                    |
| Total Building Area at Build Out (SF)                                  | 390,000                     | 435,000                            | 402,900                            | 45,000             |
| Estimated Total Taxable Assessed Value                                 | \$ 81.0                     | \$ 89.7                            | \$ 84.7                            | \$ 8.7             |
| Total Town Site Acquisition & Revelopment Cost [1]                     | \$ 22.5                     | \$ 22.6                            | \$ 20.8                            | \$ 1.8             |
| Estimated Real Estate Sales Proceeds                                   | \$ 13.8                     | \$ 10.7                            | \$ 16.9                            | \$ 6.2             |
| Net 25-Year Redevelopment Costs to Town (Including Debt Service) [2]   | \$ (12.5)                   | \$ (17.3)                          | \$ (5.2)                           | \$ 12.1            |
| 25-Year Net Fiscal Impacts from New Development                        | \$ 18.05                    | \$ 21.30                           | \$ 20.32                           | \$ 3.25            |
| Cumulative Project "Benefit" to Arlington Taxpayers over 25 Years: [3] | \$ 5.6                      | \$ 4.0                             | \$ 15.1                            | \$ 11.14           |

[1] Includes site acquisition, infrastructure, temporary financing & construction/operation of park & open space.

[2] Assumes land sale revenues are used to reduce long-term debt.

[3] Positive Numbers indicate a net savings to taxpayers.

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## Sensitivity Testing

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## Test #1: Change Affordable Housing Mix

- Reran the Mixed Income Residential Alternative at 15% affordable, keeping total residential SF fixed

- Affordable housing is replaced by market rate
- Each affordable unit added/removed from the unit mix changes:

| ALTERNATIVE  | 23% Affordable (32 Units) | 15% Affordable (21 Units) | Change     |
|--|---------------------------|---------------------------|------------|
| Total Building Area at Build Out (SF)                                  | 390,000                   | 390,280                   | 280        |
| Total Residential Units  | 141                       | 137                       | (4)        |
| Affordable Units   | 32                        | 21                        | (11)       |
| <b>(Millions 2000\$)</b>   |                           |                           |            |
| Estimated Total Taxable Assessed Value                                 | \$ 81.0                   | \$ 82.1                   | \$ 1.1     |
| Total Town Site Acquisition & Revelopment Cost [1]                     | \$ 22.5                   | \$ 22.5                   | \$ -       |
| Estimated Real Estate Sales Proceeds                                   | \$ 13.8                   | \$ 14.0                   | \$ 203,059 |
| Net 25-Year Redevelopment Costs to Town (Including Debt Service) [2]   | \$ (12.5)                 | \$ (12.3)                 | \$ 203,059 |
| 25-Year Net Fiscal Impacts from New Development                        | \$ 18.05                  | \$ 18.47                  | \$ 422,248 |
| Cumulative Project "Benefit" to Arlington Taxpayers over 25 Years: [3] | \$ 5.6                    | \$ 6.2                    | \$ 625,307 |

[1] Includes site acquisition, infrastructure, temporary financing & construction/operation of park & open space.  
 [2] Assumes land sale revenues are used to reduce long-term debt.  
 [3] Positive Numbers indicate a net savings to taxpayers.

- Land sale proceeds by \$18,500
- 25-year fiscal impact by \$38,400
- Cumulative taxpayer benefit by \$56,800
- Total unit count is reduced because affordables are replaced by larger units

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## Test #2: Discount/Delay Office Component

- Reran the Employment Generation Alternative test potential financial risk of softening office market conditions

- Sensitivity test delayed office sale by 1 year & reduce land value by roughly 15%

| ALTERNATIVE  | Office/ Medical Sale in Year 5 | Discounted Sale in Year 6 [1] | Change         |
|--|--------------------------------|-------------------------------|----------------|
| <b>(Millions 2000\$)</b>   |                                |                               |                |
| Total Building Area at Build Out (SF)                                  | 435,000                        | 435,000                       | -              |
| Estimated Total Taxable Assessed Value                                 | \$ 89.7                        | \$ 89.5                       | \$ (259,425)   |
| Total Town Site Acquisition & Revelopment Cost [2]                     | \$ 22.6                        | \$ 22.6                       | \$ 36,000      |
| Estimated Real Estate Sales Proceeds                                   | \$ 10.7                        | \$ 10.4                       | \$ (252,939)   |
| Net 25-Year Redevelopment Costs to Town (Including Debt Service) [3]   | \$ (17.3)                      | \$ (17.8)                     | \$ 536,939     |
| 25-Year Net Fiscal Impacts from New Development                        | \$ 21.30                       | \$ 20.75                      | \$ (549,155)   |
| Cumulative Project "Benefit" to Arlington Taxpayers over 25 Years: [4] | \$ 4.0                         | \$ 2.9                        | \$ (1,086,095) |

[1] Land price also discounted by 15% if market conditions remain soft  
 [2] Includes site acquisition, infrastructure, temporary financing & construction/operation of park & open space.  
 [3] Assumes land sale revenues are used to reduce long-term debt.  
 [4] Positive Numbers indicate a net savings to taxpayers.

- Results:
  - Break even on a cumulative basis is delayed two years
  - Cumulative taxpayer benefits reduced by nearly \$1.1 million
- Delays/discounts may be longer based on current office market conditions

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## Test #3: Reduce Assumed Annual Real Growth in Net Fiscal Impact

- Reran the Minimize Infrastructure Cost Alternative test potential risk of slower growth in the project's net fiscal impact
- Sensitivity test reduced annual fiscal impact growth rate from 2.5% to 1.5% per year

| ALTERNATIVE  | III: Minimize Infrastructure Costs | III: Reduce Net Fiscal Impact | Change         |
|--|------------------------------------|-------------------------------|----------------|
|  | (Millions 2000\$)                  |                               |                |
| Total Building Area at Build Out (SF)                                  | 402,900                            | 402,900                       | -              |
| Estimated Total Taxable Assessed Value                                 | \$ 84.7                            | \$ 84.7                       | \$ -           |
| Total Town Site Acquisition & Revelopment Cost [1]                     | \$ 20.8                            | \$ 20.8                       | \$ -           |
| Estimated Real Estate Sales Proceeds                                   | \$ 16.9                            | \$ 16.9                       | \$ -           |
| Net 25-Year Redevelopment Costs to Town (Including Debt Service) [2]   | \$ (5.2)                           | \$ (5.2)                      | \$ -           |
| 25-Year Net Fiscal Impacts from New Development [3]                    | \$ 20.32                           | \$ 17.96                      | \$ (2,358,336) |
| Cumulative Project "Benefit" to Arlington Taxpayers over 25 Years: [4] | \$ 15.1                            | \$ 12.8                       | \$ (2,358,336) |

[1] Includes site acquisition, infrastructure, temporary financing & construction/operation of park & open space.  
 [2] Assumes land sale revenues are used to reduce long-term debt.  
 [3] Assumes 1.5% annual growth in the project's net fiscal impact over the forecast  
 [4] Positive Numbers indicate a net savings to taxpayers.

- Results:
  - Break even on a cumulative basis is delayed two years
  - Cumulative taxpayer benefits reduced by nearly \$1.1 million
- Delays/discounts may be longer based on current office market conditions