

# FORA Phase II Capital Improvement Program Review

*The Economics of Land Use*



*presented to*

Fort Ord Reuse Authority

*presented by*

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May 10, 2013

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# Presentation Overview

- Phase II Rationale
- Phase II CIP Review Process
- Formulaic Approach – Key Elements/Summary of Results
- Issues & Areas of Analysis
- Next Steps & Ongoing Work
- Conclusion – Questions and Input



# Phase II CIP Study Rationale

- Evaluate variables impacting CFD funding
- Maintain infrastructure financing stability
- Reduce project financing uncertainty from several variables
  - FORA Sunset
  - Development Forecast/Schedule
  - Habitat Endowment Cost
  - Property Tax Share Post 2020
  - TAMC Transportation Reallocation
- Implementation Agreement Amendment
  - Consistent/predictable approach for FORA, member jurisdictions, development community, and citizens
  - Share of property tax to land use jurisdictions

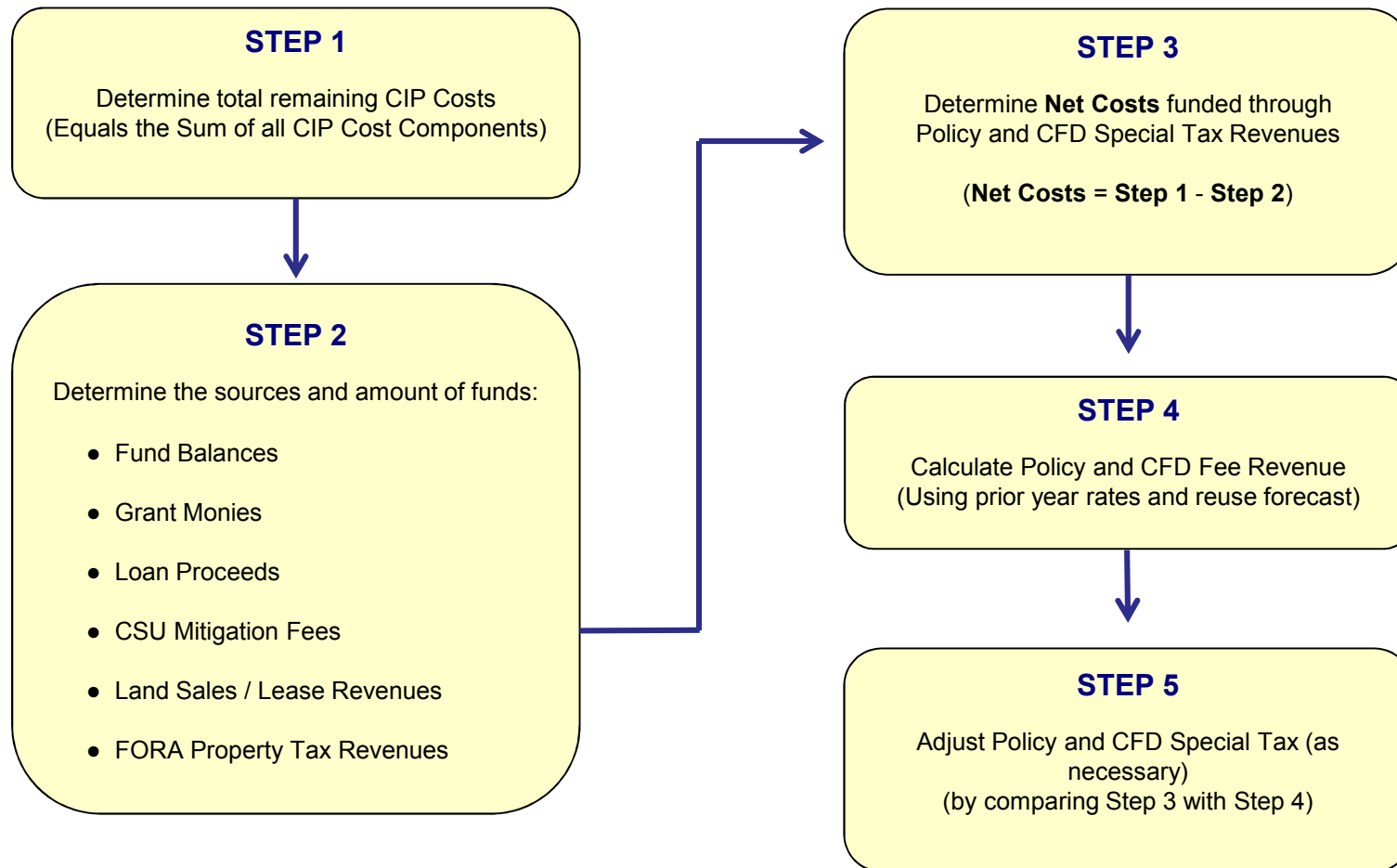


# Formulaic Approach – Key Elements

- Purpose = a more predictable methodology for adjusting the Policy & CFD Special Tax
- Integral Features:
  - Calibrates existing financing tools
  - Defined, transparent and predictable process
  - Fair, equitable, and proportional application of facts
  - Fiscally prudent adjustments limiting FORA/member jurisdictions' risk



# Phase II CIP Review Process



# Summary of Results

Land Use	Basis	Development Fee Policy/CFD Special Tax			
		Existing Rate	Preliminary Adjusted Rate	Difference	Percentage Change
		<i>July 1, 2012</i>	<i>April 30, 2013</i>		
			<i>ROUNDED</i>		
New Residential	per du	<b>\$34,610</b>	<b>\$26,440</b>	(\$8,170)	-23.6%
Existing Residential	per du	<b>\$10,406</b>	<b>\$7,950</b>	(\$2,456)	-23.6%
Office & Industrial	per acre	<b>\$4,536</b>	<b>\$3,470</b>	(\$1,066)	-23.6%
Retail	per acre	<b>\$93,545</b>	<b>\$71,470</b>	(\$22,075)	-23.6%
Hotel	per room	<b>\$7,718</b>	<b>\$5,900</b>	(\$1,818)	-23.6%

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Sources: FORA and EPS.



# Issues and Areas of Analysis

- Development Forecasts
  - Formula applies currently adopted CIP FY 2012/13 buildout schedule
  - Effect of 2012 Reassessment Study
- Property Tax Revenues
  - Real estate values predicated on historical development sales and are occurring after July 1, 2012
  - Coordinated with County staff to determine estimated FORA property tax revenues



# Issues and Areas of Analysis

- Land Sale Revenues
  - Evaluated land eligible for private ownership and in current CIP buildout schedule.
  - Estimated transaction values based upon Fort Ord land transactions to date.
  - Future revenues offset by obligations (caretaker costs, FORA costs, petitions, etc).
- Habitat Conservation Plan
  - Evaluated CFD funds available for endowment requirements.
  - Assumes 4.5% payout rate.
  - Payout rate sensitivity analysis:
    - 2% Payout Rate
    - 3% Payout rate





# Detailed Results – CIP and Other Costs

Item	Calculation	Amount
<b>Remaining Capital Improvement Program and Other Costs</b>		
Transportation/Transit	a	\$112,699,000
Water Augmentation - CEQA mitigation	b	\$23,526,000
Water Augmentation - voluntary contribution	c	\$21,655,000
HCP Endowment	d	\$36,340,000
HCP Endowment Contingency	e	\$18,800,000
Fire Fighting Equipment	f	\$232,000
Contingency (MEC, Soil mgt. plans, insurance retention, etc.)	g	\$16,905,000
Additional Utility and Storm Drainage Costs	h	\$3,500,000
Other Costs (PLL Insurance)	i	\$3,000,000
Other Costs (CFD Administration)	j	\$2,240,000
<b>Subtotal CIP Expenditures</b>	<b>k = sum (a to j)</b>	<b>\$238,897,000</b>
Preston Park Loan Repayment	l	\$18,200,000
Developer Fee Repayment to Land Sale Revenue Account	m	\$7,627,000
<b>Total Expenditures</b>	<b>n = k + l + m</b>	<b>\$264,724,000</b>



# Detailed Results – Estimated Sources of Funds

Item	Calculation	Amount
<b>Estimated Sources of Funds</b>		
Existing Fund Balances	o	\$1,345,000
Existing Fund Balance for HCP Endowment	p	\$4,596,000
Grants	q	\$1,000,000
CSU Mitigation Fees	r	\$327,000
Loan Proceeds	s	\$0
Land Sale Revenues	t	\$55,782,000
FORA Property Tax Revenues	u	\$15,760,000
Other Revenues	v	<u>\$0</u>
<b>Total Sources of Funds</b>	w = sum (o to v)	<b>\$78,810,000</b>



# Detailed Results – CFD Special Tax Rate Adjustment

Item	Calculation	Amount
Total Expenditures	$n = k + l + m$	\$264,724,000
Total Sources of Funds	$w = \text{sum (o to v)}$	\$78,810,000
<b>CFD Special Tax Revenue Required</b>	$x = n - w$	<b>\$185,914,000</b>
<b>FORA CFD Special Tax Revenue Summary</b>		
Estimated Maximum Policy & CFD Special Tax Revenue	$y$	\$243,200,000
Net Cost Funded by Policy and CFD Special Tax Revenue	$z = x$	\$185,914,000
<b>CFD Special Tax Required as a % of Maximum</b>	$aa = z / y$	<b>76.4%</b>
<b>Adjustment Factor Applied to Prior Year CFD Special Tax Rate</b>	(Rounded)	<b>76.4%</b>



# Next Steps and Ongoing Analysis

- FY 2013/14 CIP Update
  - Updated development forecast.
  - Updated capital improvement program assumptions.
  - Determine treatment of development and improvements beyond FORA's legislated sunset.
- Habitat Conservation Plan
  - Approval expected in 2014
- Update Schedule
  - **FY 12/13:** Phase II Study and Recommend New FORA Development Fee and CFD Special Tax.
  - **FY 13/14:** Update Development Forecast and CIP. 2<sup>nd</sup> Fee Formula Calculation.
  - **FY 15/16:** 3<sup>rd</sup> Comprehensive Fee Formula Calculation.
  - **Annually:** Index Development Fee and CFD based on ENR CCI.
  - **Ongoing:** Special Cases or Circumstances



# Conclusion

- Questions and Input

