

Building Removal Program

*Jonathan Brinkmann, Principal Planner
Peter Said, Project Manager
July 11, 2018*

Overview – Building Removal Program

- Remaining Buildings
- Financing Plan
- Cost/Benefit Analysis
- Policy/Decision Makers Recommendation



Remove all of the remaining buildings (approx. 300)

1. What is the cost?
2. How do we fund it?

Remaining Buildings

Seaside Surplus II (Remaining 10 buildings)		(\$10 M)
Marina Cypress Knolls	+	(\$14 M)
TAMC, MST	+	(\$6 M)
Marina City Park in Dunes Specific Plan	+	(\$10 M)
County Ammo Supply Point (bunkers remain)	+	(\$2 M)
Overhead (Operations, oversight) (5 years)	+	<u>(\$4.8M)</u>
Building Removal Cost Estimate		(\$46.8 M)

- **Property Taxes**

- FORA received **\$2.3 M in FY 17-18**
- \$3 M projected in FY 18-19, \$3.7 M in FY 19-20
- Health and Safety Code Section 33492.71(c)(1)(D) provides for FORA's property taxes to continue to pay FORA-incurred debt after FORA dissolution

- **Land Sales**

- **\$21.2 M projected in FY 19-20**
- Difficult to predict timing

- **Grants**

- Requires partial de-listing as a Superfund site from EPA

Rough estimate – FORA could bond its property taxes for \$31 million

Assumptions:

1. 30-year General Obligation Bond annual yields are at 3.65%
2. A conservative 5% interest rate with issuance fees
3. Annual payments of \$2 M on \$31 M debt
4. 30-year payoff results in \$29 M in interest and \$31 M in principal

Financing Plan

Building Removal Cost Estimate	(\$46.8 M)
FORA Property Tax Bond FY 18/19	<u>+ \$31 M</u>
Remaining Building Cost	(\$15.8 M)
FORA Land Sales Proceeds in FY 19/20	<u>+\$21.2 M</u>
Land Sales remaining to fund CIP	\$5.4M

- **Cost**

- It is estimated that the County would collect 85-97% of FORA's property taxes post 2020
- If FORA encumbers \$2 million of its property taxes for 30 years, the County would forego **\$51 to \$58.2 M**
- Liabilities/costs if buildings remain
 - Public safety (arson, student safety, emergency response)
 - Idle buildings may attract homeless encampments
 - Property and infrastructure maintenance costs
 - Public health (hazardous lead paint, asbestos, etc.)

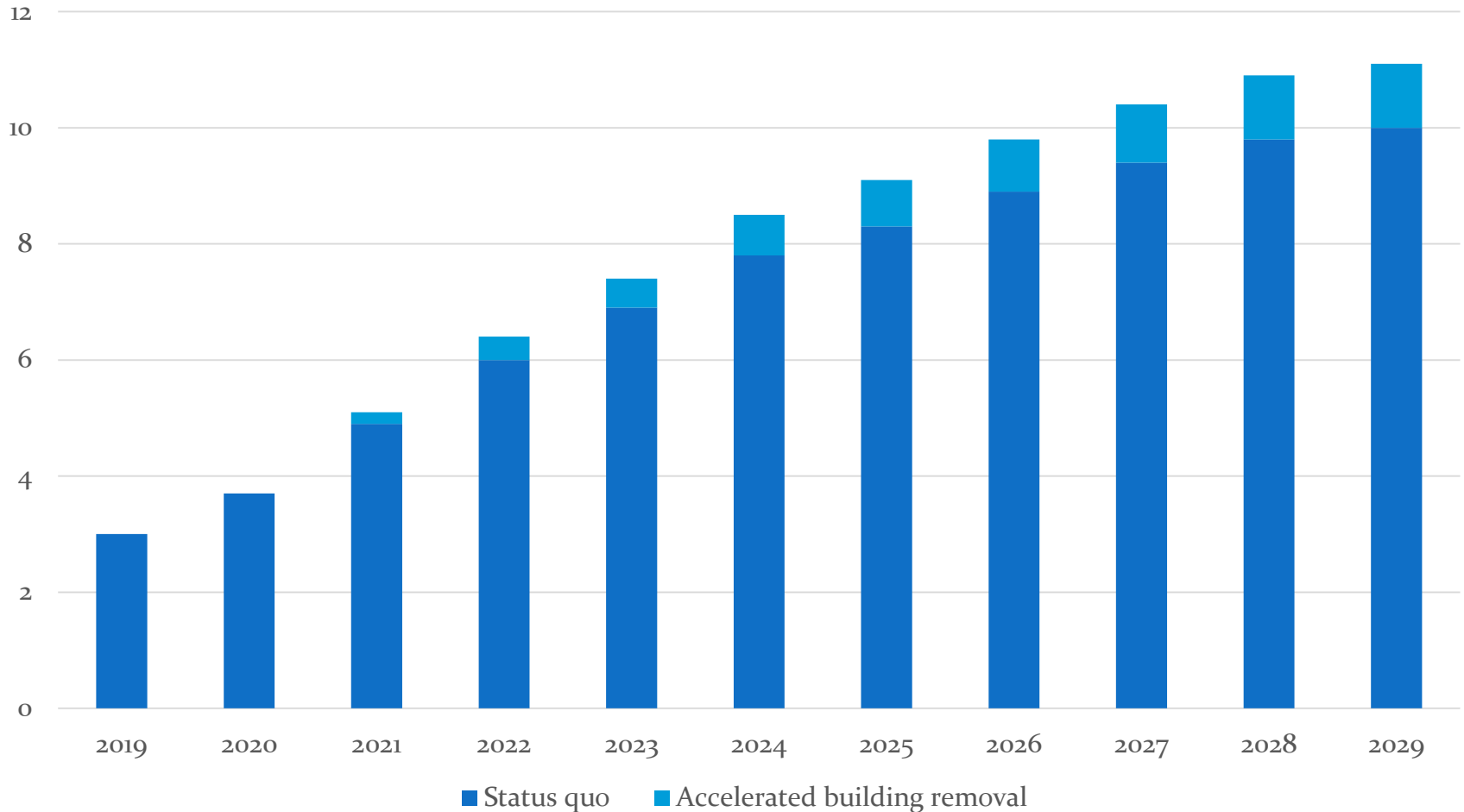
Opportunity Costs

- CFD special tax collection - Cypress Knolls (**\$17.5 M**)
- CFD special tax collection – Surplus II (**\$5.8 M**)
- Land Sales proceeds – Cypress Knolls (**\$28.3 M**)
- Land Sales proceeds – Surplus II (**\$8 M**)
- Lost property tax collection over next ten years from Cypress Knolls and Surplus II (**\$6.6 M**)

- **Benefits**

- Removes Ammo Supply Point buildings (**\$2M**)
- Accelerates property taxes by an average of **\$660K** per year over next 10 years
- Increases land sale prices and pace of development
- Facilitates infill in already developed areas (Cities)
- Decreases demand to develop open space
- Risk adverse investors reconsider investing
- Case Studies
 - CSUMB removed its buildings and more students came
 - Community investment precedes private investment

Property Tax Projections



- Land sales revenue timing is difficult to predict
 - What if FORA's \$21.2 M in land sales revenue comes in post 2020?
- Real estate development is market driven
 - Development fees and property taxes won't be collected until a developer invests

- County Fort Ord Committee
- County Board of Supervisors
- Seaside City Council
- Marina City Council
- FORA Board
- Local Agency Formation Commission

Questions?

