

FORA Phase III Capital Improvement Program Review

The Economics of Land Use



presented to

Fort Ord Reuse Authority

presented by

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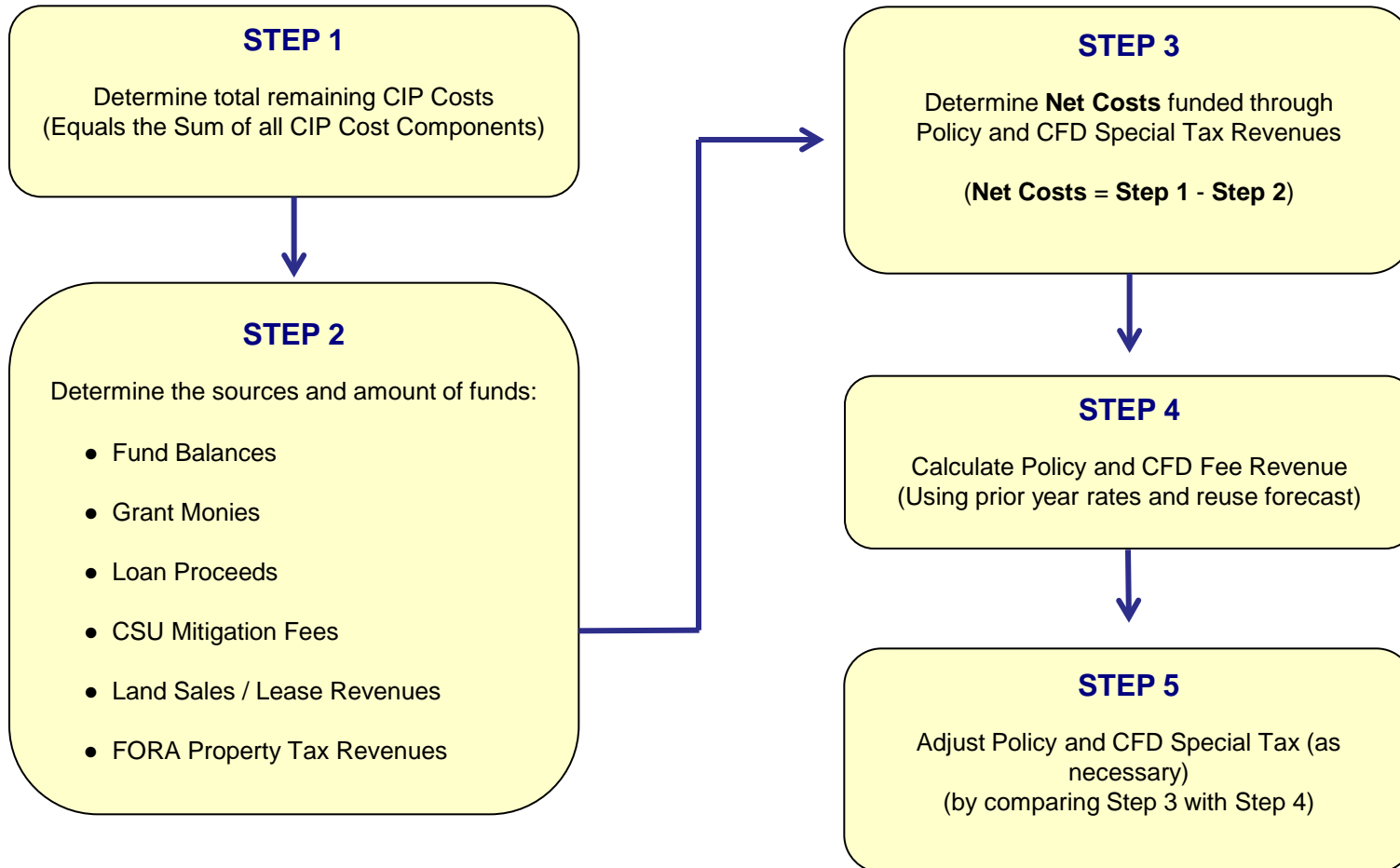
Presentation Overview

- Formulaic Approach—Key Elements
- CIP Review Process
- 2014 Update and Board Feedback Received
- Summary of Results
- Detailed Results
- Conclusion—Questions and Input

Formulaic Approach—Key Elements

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

CIP Review Process



2014 Formulaic Approach Update

- **Current Update Reflects the Following Inputs and Variables:**
 - Updated development forecasts provided by jurisdictions
 - Fiscal Year 2014-15 Capital Improvement Program (CIP)
 - Included a review of key costs and contingencies
 - Resulted in recommended Developer Fee and CFD Special Tax reduction of 17.0%
- **Key Issues and Areas of Analysis:**
 - MCWD voluntary water contribution
 - HCP Endowment payout rate and contingency
 - Transportation costs and contingencies
 - Other minor cost changes

FORA Board Feedback and Recommendations *(May 16, 2014)*

- MCWD Voluntary Water Contribution:
 - Any reduction in FORA Developer Fee should be contingent on MCWD adoption of updated MCWD Capacity Charge
 - ***Recommendations:***
 - *Eliminate Voluntary Water Contribution from FORA CIP*
 - *Associated Developer Fee reduction should be contingent on and coordinated with implementation of updated MCWD Capacity Charges*

FORA Board Feedback and Recommendations *(May 16, 2014)*

- HCP Endowment Payout Rate and Contingency:
 - Concern expressed regarding the capitalization of the HCP endowment relative to timing of development absorption
 - Ongoing uncertainty related to adoption of HCP, endowment holder, payout rate, and other variables
 - **Recommendations:**
 - *Maintain existing \$20.3 million contingency*
 - *Maintain current 4.5% payout-rate assumption*
 - *Review HCP endowment costs and contingencies on approval of HCP (anticipated in 2015) and selection of endowment holder*
 - *Maintain contingency provisions to accommodate slower than currently projected development absorption*



FORA Board Feedback and Recommendations *(May 16, 2014)*

- Transportation Costs and Contingencies:
 - Transportation costs should be updated to reflect more current cost estimates
 - 2005 FORA Fee Reallocation Study subject to a review and refresh
 - Concern expressed that transportation contingencies should be maintained to ensure full funding of transportation project costs
 - **Recommendations:**
 - *Maintain 15% contingency on all transportation costs (\$17.7 million)*
 - *Refine transportation cost estimates, coordinated with update of 2005 FORA Fee Reallocation Study*

Summary of Results—Recommended Fee Adjustment

Land Use	Basis	Development Fee Policy/CFD Special Tax			
		Existing Rate	Preliminary Adjusted Rate	Difference	Percentage Change
		<i>July 1, 2013</i>	<i>June 5, 2014</i>		
			<i>ROUNDED</i>		
New Residential	per du	\$27,180	\$22,560	(\$4,620)	-17.0%
Existing Residential	per du	\$8,173	\$6,780	(\$1,393)	-17.0%
Office & Industrial	per acre	\$3,567	\$2,960	(\$607)	-17.0%
Retail	per acre	\$73,471	\$60,980	(\$12,491)	-17.0%
Hotel	per room	\$6,065	\$5,030	(\$1,035)	-17.0%

Summary of Results—Recommended Fee Adjustment

- Recommended Adjustment Reflects:
 - Updated development forecasts and associated revenue projections
 - Fiscal Year 2014-15 CIP:
 - Removal of \$21.7 million MCWD voluntary water contribution
 - Removal of \$3.5 million of additional utility and storm drainage costs
 - Removal of \$3.0 million PLL insurance cost (shifted to land sales revenues)
 - Fire fighting equipment cost retired
 - HCP Endowment requirements calibrated
 - Other CIP cost items indexed

Detailed Results—CIP and Other Costs

Item	Calculation	Amount
Remaining Capital Improvement Program and Other Costs		
Transportation/Transit	a	\$118,180,000
Water Augmentation - CEQA mitigation	b	\$24,016,000
Water Augmentation - voluntary contribution	c	\$0
HCP Endowment	d	\$40,110,000
HCP Endowment Contingency	e	\$20,283,000
Fire Fighting Equipment	f	\$0
Contingency (MEC, Soil mgt. plans, insurance retention, etc.)	g	\$17,727,000
Additional Utility and Storm Drainage Costs	h	\$0
Other Costs (PLL Insurance)	i	\$0
Other Costs (CFD Administration)	j	\$2,400,000
Subtotal CIP Costs	k = sum (a to j)	\$222,716,000
Preston Park Land Sale Loan Repayment	l	\$18,000,000
Developer Fee Repayment to Land Sale Revenue Account	m	\$6,793,000
Total Costs	n = k + l + m	\$247,509,000

Detailed Results—Estimated Sources of Funds

Item	Calculation	Amount
Estimated Sources of Funds		
Existing Fund Balances	o	\$0
Existing Fund Balance for HCP Endowment	p	\$6,043,000
Grants	q	\$0
CSU Mitigation Fees	r	\$0
Loan Proceeds	s	\$0
FORA Property Tax Revenues	u	\$11,221,000
Land Sale Revenues	t	\$67,612,000
Other Revenues	v	<u>\$0</u>
Total Sources of Funds	w = sum (o to v)	\$84,876,000

Detailed Results—CFD Special Tax Rate Adjustment

Item	Calculation	Amount
Total Costs	$n = k + l + m$	\$247,509,000
Total Sources of Funds	$w = \text{sum (o to v)}$	\$84,864,000
CFD Special Tax Revenue Required	$x = n - w$	\$162,645,000
FORA CFD Special Tax Revenue Summary		
Estimated Policy & CFD Special Tax Revenue - Current Estimates	y	\$195,943,000
Net Cost Funded by Policy and CFD Special Tax Revenue	$z = x$	\$162,645,000
CFD Special Tax Required as a % of Maximum	$aa = z / y$	83.0%
Adjustment Factor Applied to Prior Year CFD Special Tax Rate	(Rounded)	83.0%

Conclusion

- Recommendation:
 - 17.0% Developer Fee Reduction
- Maintain Contingencies Until:
 - HCP adopted/JPA formed
 - HCP Endowment holder (and payout rate) determined
 - Transportation cost estimates refined – update of 2005 Reallocation Study

Conclusion

- Questions and Input

