FORA Phase III Capital Improvement Program Review

presented to

Fort Ord Reuse Authority

presented by

David Zehnder
Economic & Planning Systems, Inc.

June 13, 2014
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
**STEP 1**
Determine total remaining CIP Costs (Equals the Sum of all CIP Cost Components)

**STEP 2**
Determine the sources and amount of funds:
- Fund Balances
- Grant Monies
- Loan Proceeds
- CSU Mitigation Fees
- Land Sales / Lease Revenues
- FORA Property Tax Revenues

**STEP 3**
Determine **Net Costs** funded through Policy and CFD Special Tax Revenues
\[ \text{(Net Costs} = \text{Step 1} - \text{Step 2)} \]

**STEP 4**
Calculate Policy and CFD Fee Revenue (Using prior year rates and reuse forecast)

**STEP 5**
Adjust Policy and CFD Special Tax (as necessary)
(by comparing Step 3 with Step 4)
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

<table>
<thead>
<tr>
<th>Land Use</th>
<th>Basis</th>
<th>Existing Rate</th>
<th>Adjusted Rate</th>
<th>Difference</th>
<th>Percentage Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>New Residential</td>
<td>per du</td>
<td>$27,180</td>
<td>$22,560</td>
<td>($4,620)</td>
<td>-17.0%</td>
</tr>
<tr>
<td>Existing Residential</td>
<td>per du</td>
<td>$8,173</td>
<td>$6,780</td>
<td>($1,393)</td>
<td>-17.0%</td>
</tr>
<tr>
<td>Office &amp; Industrial</td>
<td>per acre</td>
<td>$3,567</td>
<td>$2,960</td>
<td>($607)</td>
<td>-17.0%</td>
</tr>
<tr>
<td>Retail</td>
<td>per acre</td>
<td>$73,471</td>
<td>$60,980</td>
<td>($12,491)</td>
<td>-17.0%</td>
</tr>
<tr>
<td>Hotel</td>
<td>per room</td>
<td>$6,065</td>
<td>$5,030</td>
<td>($1,035)</td>
<td>-17.0%</td>
</tr>
</tbody>
</table>

*Development Fee Policy/CFD Special Tax*

July 1, 2013 | June 5, 2014

*ROUNDED*
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

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

<table>
<thead>
<tr>
<th>Item</th>
<th>Calculation</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Estimated Sources of Funds</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Existing Fund Balances</td>
<td>o</td>
<td>$0</td>
</tr>
<tr>
<td>Existing Fund Balance for HCP Endowment</td>
<td>p</td>
<td>$6,043,000</td>
</tr>
<tr>
<td>Grants</td>
<td>q</td>
<td>$0</td>
</tr>
<tr>
<td>CSU Mitigation Fees</td>
<td>r</td>
<td>$0</td>
</tr>
<tr>
<td>Loan Proceeds</td>
<td>s</td>
<td>$0</td>
</tr>
<tr>
<td>FORA Property Tax Revenues</td>
<td>u</td>
<td>$11,221,000</td>
</tr>
<tr>
<td>Land Sale Revenues</td>
<td>t</td>
<td>$67,612,000</td>
</tr>
<tr>
<td>Other Revenues</td>
<td>v</td>
<td>$0</td>
</tr>
<tr>
<td><strong>Total Sources of Funds</strong></td>
<td>w = sum (o to v)</td>
<td>$84,876,000</td>
</tr>
</tbody>
</table>
### Detailed Results—CFD Special Tax Rate Adjustment

<table>
<thead>
<tr>
<th>Item</th>
<th>Calculation</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Costs</td>
<td>$n = k + l + m</td>
<td>$247,509,000</td>
</tr>
<tr>
<td>Total Sources of Funds</td>
<td>$w = \text{sum} (o \text{ to } v)$</td>
<td>$84,864,000</td>
</tr>
<tr>
<td>CFD Special Tax Revenue Required</td>
<td>$x = n - w</td>
<td>$162,645,000</td>
</tr>
</tbody>
</table>

**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