

EIR Public Review Draft

Folsom Plan Area Specific Plan Public Facilities Financing Plan

The Economics of Land Use



Prepared for:

Folsom South Area Group

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1. FINANCING PLAN EXECUTIVE SUMMARY

This Environmental Impact Report (EIR) Public Review Draft Public Facilities Financing Plan (EIR Draft Financing Plan) presents a summary of the strategy to finance required Backbone Infrastructure and other Public Facilities serving the proposed land uses in the Folsom Plan Area Specific Plan (hereafter referred to as Specific Plan or Project) currently located in unincorporated Sacramento County (County) but in the City of Folsom (City)'s Sphere of Influence (SOI). The financing strategy is designed to assure the City that the required facilities will be constructed when necessary. The Financing Plan includes the use of existing fee programs, development of a new Special Financing District, and use of other funding mechanisms.

The financing sources and cost estimates contained in this report are preliminary. Draft and Final Financing Plan reports, which will include additional information from the EIR and public comments, will be presented to the City Council before Project approval.

All costs are in 2010 dollars. Cost estimates will be adjusted for inflation or revised based on more detailed engineering information as the development process is implemented.

Project Background

Pursuant to State of California (State) law, a SOI is required by each Local Agency Formation Commission (LAFCO) to serve as a plan for the probable physical boundaries and service area of a local government agency.¹ In 2001, the Sacramento County LAFCO designated the area south of U.S. Highway 50 (Hwy 50) as Folsom's SOI—the area to which a city is expected to eventually provide services—giving Folsom a “formal voice” over the development process and paving the way for annexation into Folsom in the future.^{2 3}

Establishment of the Folsom SOI in 2001 was the culmination of a 10-year planning process among Folsom, Sacramento County, and the Sacramento County LAFCO. This planning process produced the following three legal compacts, which govern today's SOI:

- *Memorandum of Understanding (MOU) between Folsom and Sacramento County (November 2000).* The MOU required Folsom to adopt, among other things, a general plan amendment and an infrastructure phasing and financing plan. The MOU stipulated that the infrastructure phasing and financing plan shall identify the source of water to serve the area and that the Folsom SOI shall contain a minimum of 30 percent natural open space.
- *LAFCO Resolution 1196 (June 2001).* LAFCO Resolution 1196 requires, among other things, that Folsom prezone the property before annexation, promote annexations in the SOI that

¹ Government Code Section 56425.

² City of Folsom Visioning: South of Highway 50. <http://www.folsom.ca.us/visioning/>.

³ Sacramento LAFCO Resolution No. LAFCO 1195, June 6, 2001.

are well-planned, mitigate potential impacts on traffic and schools, and provide a Transit Master Plan.

- *November 2004 Ballot Measure (Measure W):* In November 2004, Folsom voters overwhelmingly approved a ballot measure that established certain requirements for development of the Folsom SOI, including these:
 - Identifying and securing the source of water for the Folsom SOI.
 - Adopting an infrastructure funding and phasing plan for construction of roadway and transportation improvements necessary to mitigate traffic impacts caused by development of the SOI area.
 - Adopting a plan requiring 30 percent of the area be maintained as natural open space to preserve oak woodlands and sensitive habitat areas.
 - Submitting a plan for funding schools so residents north of Hwy 50 are not required to pay for the construction of new school facilities serving the SOI area.
 - Adopting a general plan amendment in accordance with environmental laws.

Folsom SOI Visioning Process

In the spring of 2004, Folsom commenced a 15-month communitywide outreach program (Visioning Process) to inform its citizenry of the issues, opportunities, and legal constraints pertaining to development of the Folsom SOI and to receive and consider citizen input on those issues. At the conclusion of the Visioning Process and after consultation with the affected landowners, on June 28, 2005, the Folsom City Council unanimously selected a preferred land use plan for the SOI area and directed staff to commence the annexation process. The preferred land use plan was used to assist in creating the land use plans submitted by the landowner group—the Folsom South Area Group (FSAG).

Project Description and Proposed Land Uses

The Project is located on approximately 3,500 acres in the unincorporated County south of Hwy 50 and the City, but in the City's SOI. The Project is bounded to the west by Prairie City Road, to the east by the Sacramento/El Dorado County border, and to the south by White Rock Road. **Map 1-1** shows the size and location of the Folsom SOI relative to the Sacramento Region; **Map 1-2** shows the detailed land use map of the Project.

FSAG proposes to develop a master-planned community, envisioned to contain approximately 10,200 residential units of varying densities and 5.2 million building square feet of commercial space, including nearly 1.4 million square feet of regional retail, about 2.0 million square feet of general and community retail, 200,000 square feet of mixed use retail, and approximately 1.7 million square feet of office space. **Table 1-1** provides a summary of the number of residential units and acres by type of land use.

Map 1-1

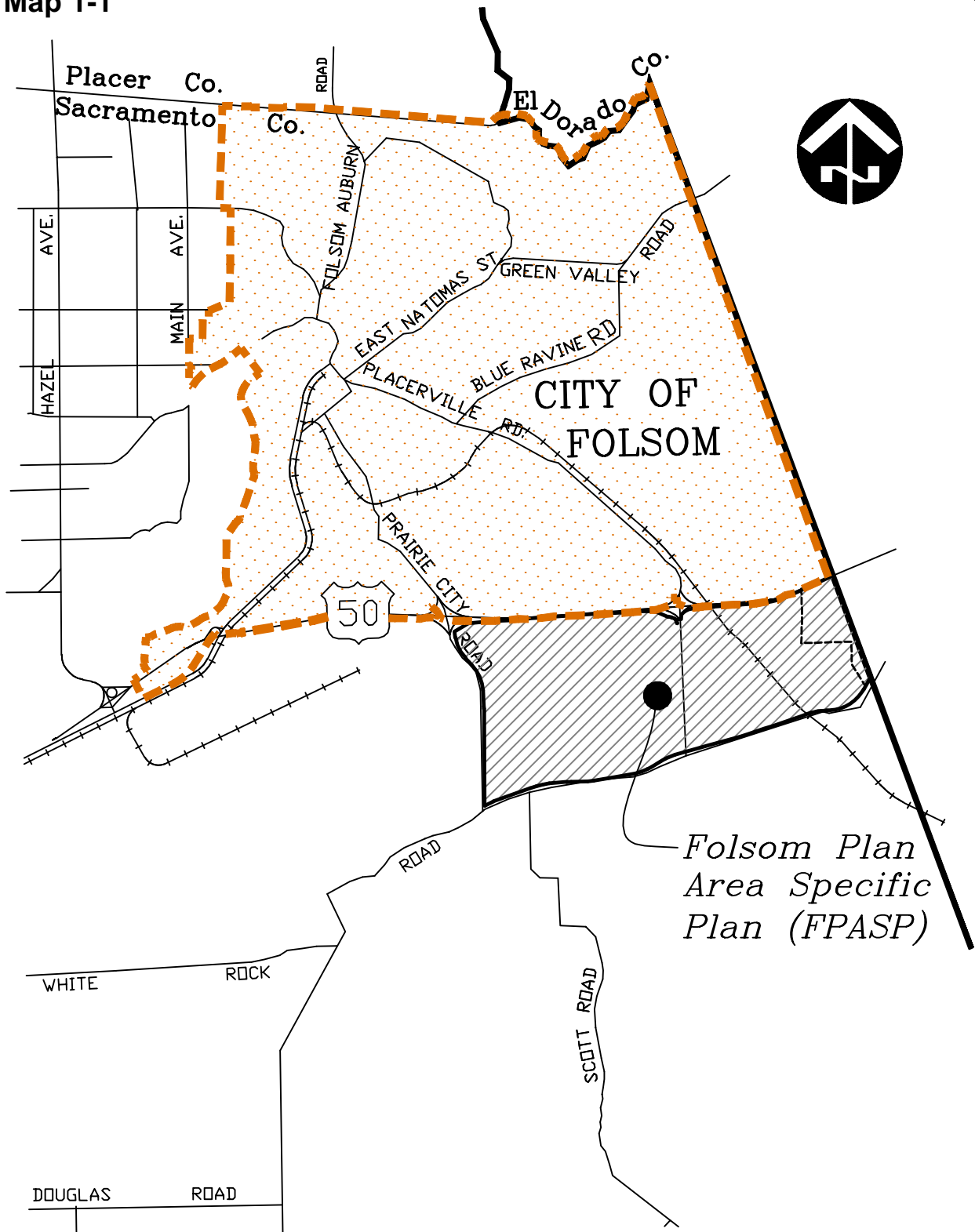
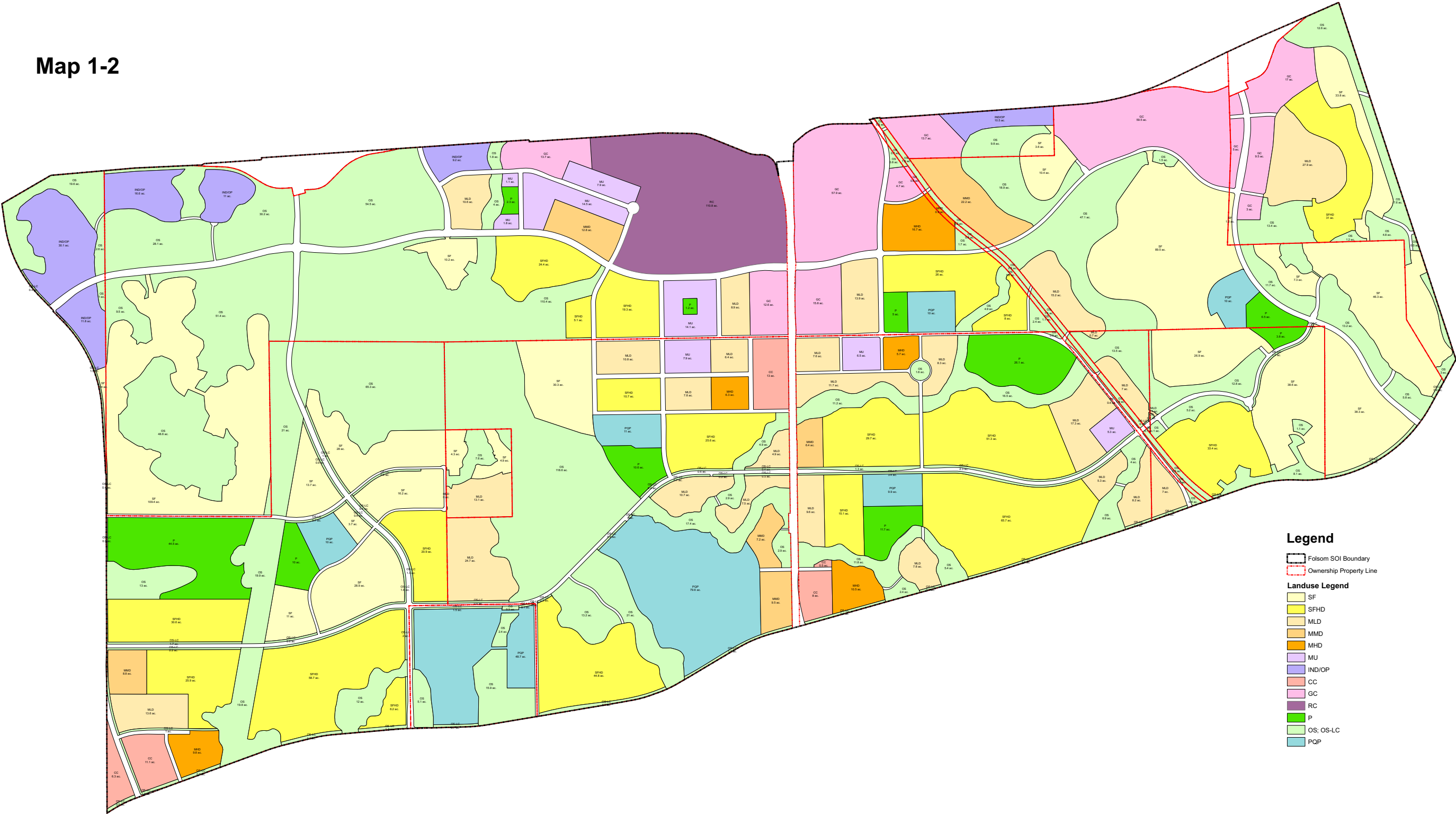


EXHIBIT A
VICINITY MAP
N.T.S.

Map 1-2



Legend

- Folsom SOI Boundary
- Ownership Property Line

Landuse Legend

- SF
- SFHD
- MLD
- MMD
- MHD
- MU
- IND/OP
- CC
- GC
- RC
- P
- OS, OS-LC
- POP



0 200 400 800 Feet

Composite Land Use Areas
Folsom SOI

City of Folsom, California
May 20, 2009

Mackay & Somp's
CIVIL ENGINEERS, INC.
CIVIL ENGINEERING LAND PLANNING AND SURVEYING
SACRAMENTO, CALIF. 95811

Table 1-1
Folsom Plan Area Specific Plan Public Facilities Financing Plan
Land Use Summary

Land Use	Buildout		
	Acres	Units [1]	Bldg. Sq. Ft.
<u>Developable Land Uses</u>			
Residential			
Single-Family (SF)	557.8	1,687	-
Single-Family High Density (SFHD)	532.5	2,933	-
Multifamily Low Density (MLD)	266.7	2,434	-
Multifamily Medium Density (MMD)	67.0	1,224	-
Multifamily High Density (MHD)	49.9	1,251	-
Mixed Use District (MU) - Residential [2]	35.5	681	-
Subtotal Residential	1,509.4	10,210	-
Commercial			
Mixed Use District (MU) - Commercial [2]	23.6	-	205,952
Office Park (OP)	89.2	-	1,165,666
General Commercial (GC) - Office	47.1	-	512,919
General Commercial (GC) - Commercial	141.4	-	1,539,846
General Commercial (GC) - Non-Developable	24.4	-	-
Community Commercial (CC)	38.8	-	423,621
Regional Commercial (RC)	110.8	-	1,351,405
Subtotal Commercial	475.3	-	5,199,409
Total Developable	1,984.7	10,210	5,199,409
Non-Developable Land Uses	1,525.7	-	-
TOTAL LAND USES	3,510.4	10,210	5,199,409

"lu_summ"

Source: MacKay & Somps Land Use Summary, Administrative Review Draft, May 15, 2009; EPS.

[1] Units are an estimate based on target dwelling units. Actual dwelling units may differ but will fall within specified density range identified in Table 2-1.

[2] Mixed Use District is split 60% residential and 40% commercial.

Phasing of the Financing Plan

The Project is anticipated to build out over a period of many years, in multiple phases. For the purpose of this preliminary draft Executive Summary of the Financing Plan, only the Buildout scenario is shown. The Development Agreement, Environmental Impact Report (EIR) Mitigation Monitoring Program, or mapping conditions placed on tentative maps will specify the timing requirements for major public improvements as the Project builds out.

Regional and Backbone Infrastructure and Public Facilities Costs

Many people tend to use the term “backbone infrastructure” for all publicly owned facilities. This Financing Plan describes Regional Infrastructure, Backbone Infrastructure, and Public Facility Improvements and relies on the following definitions to more precisely define the type of improvements included in the analysis.

Regional Infrastructure

The Project will participate in regional fee programs that will construct regional roadway improvements to serve the Project.

Sacramento County Transportation Development Fee Program

Adopted in 1988 and updated in November 2008, the Sacramento County Transportation Development Fee (SCTDF) program is a countywide fee program that funds construction of regional roadway, transit, bicycle, and pedestrian facilities. Specifically, SCTDF funds those improvements that are needed to accommodate new development in Sacramento County (County).

The Project will pay its fair share of the following off-site regional roadway improvements identified in the SCTDF program:

- Easton Valley Parkway, Rancho Cordova city limits to Hazel Avenue.
- White Rock Road, Luyung Drive to Rancho Cordova city limits.
- White Rock Road, Rancho Cordova city limits to Prairie City Road.
- Hwy 50/Hazel Interchange.

Proposed 50 Corridor Mobility Fee Program

A group of developers and jurisdictional entities, collectively named the Highway 50 Coalition, are considering a transportation funding program (Hwy 50 Corridor Mobility Fee Program) that will identify regional roadway infrastructure improvements that would improve mobility in concert with the region’s projected growth. The program would establish a new Hwy 50 fee (Hwy 50 Fee) that would fund major roadway improvements along the Hwy 50 Corridor in Sacramento and El Dorado Counties. The Financing Plan includes a preliminary Hwy 50 Fee for the purpose of testing financial feasibility.

Backbone Infrastructure

For the purpose of this report, Backbone Infrastructure includes most of the essential public service-based items that are underground or on the surface. Backbone Infrastructure is sized to serve numerous individual development projects in the Project and in some cases serves areas beyond the Project site. These items include 4⁺-lane roads, sewer, storm drainage, potable water, and non-potable water. Estimated costs at buildout of the Project equal approximately \$765 million (2010 dollars) for Backbone Infrastructure improvements.

Public Facilities

Project-Specific Public Facilities

The Project public facilities include the following improvements:

- Library facilities.
- Municipal services center.
- Police annex, including vehicles and equipment.
- Fire stations and equipment (both temporary and permanent facilities), including a fire station training area.
- Parks and open space, including neighborhood and community facilities. Private parks (miniparks) and facilities are described, though the Financing Plan excludes the cost of these facilities.
- Trails, specifically paved bicycle trails and associated trail facilities.
- Transit facilities and vehicles.
- Schools.
- Habitat and agricultural mitigation.

This group of items provides amenities to the Project (park facilities and libraries) or houses employees providing services to the area (police, fire, public administration).

Other City Public Facilities

In addition to the Project-specific public facilities, costs will be incurred at building permit issuance for various other City services and facilities. These costs include a transportation management fee used to finance transportation facility improvements, a nonresidential housing trust fund fee used to help facilitate development of affordable housing, a general capital facilities fee used for general government facilities, and a solid waste capital improvement fee used for facilities and equipment (including the corporation yard) needed by the City to provide increased municipal services.

The estimated cost of Public Facility improvements for the Project amounts to approximately \$612 million (2010 dollars).

Total Cost Estimates

Total cost estimates for Backbone Infrastructure and Public Facility improvements amount to approximately \$1.38 billion (in 2010 dollars) at buildout as summarized in **Table 1-2**. These figures include the cost of updating the Financing Plan.

MacKay & Somps prepared the Backbone Infrastructure cost estimates used in this Financing Plan dated May 6, 2010.⁴

The Public Facility improvement costs are based initially on estimates provided in the Project Public Facilities Financing Plan (PFFP) prepared by Goodwin Consulting Group (GCG) dated November 20, 2008. EPS worked with MacKay & Somps and FSAG to further refine the costs of Public Facility improvements designed to serve the Project.

The cost estimates and allocations shown in this report are subject to revision as updated information becomes available. As descriptions of facilities and associated cost estimates change, the Financing Plan will be updated with the most current information available.

Other Project Development Costs

The Backbone Infrastructure and other Public Facility cost estimates do not include the costs of in-tract and other subdivision-specific improvements, which will be privately financed. These are considered subdivision improvements and are not part of this Financing Plan. They are as follows:

- **In-tract improvements** in a subdivision project include local roads, sewer, water, drainage, erosion control, and dry utilities. In addition, this Financing Plan considers miniparks to be in-tract improvements. These improvements are funded privately, and the costs of these improvements are not estimated or included in the cost burdens presented in the Financing Plan. The development community considers these costs in their private financing structure as "Lot Costs" or "Subdivision Improvements."
- **Frontage improvements** include frontage roads, sound walls, and landscape corridors that border a subdivision project. Except for the frontage costs noted in any Public Facilities above, these improvements are funded privately, and the costs of these improvements are not estimated or included in the cost burdens presented in the Financing Plan. These costs are typically included in "Lot Costs" and are included in a developer's private financing structure.

⁴ Preliminary Cost Estimate, Folsom Plan Area Specific Plan, Proposed Project Backbone Infrastructure, MacKay & Somps, May 6, 2010.

Table 1-2
Folsom Plan Area Specific Plan Public Facilities Financing Plan
Summary of Estimated Infrastructure Improvement Costs (2010\$)

Improvement	Preliminary Estimated Costs At Buildout (2010\$)
Backbone Infrastructure Improvements	
Backbone Roads	
Project-specific Roads	\$ 231,800,000
Other Road Obligations	\$ 121,700,000
Subtotal Backbone Roads	\$ 353,500,000
Sewer	\$ 90,300,000
Storm Drainage	\$ 21,600,000
Potable Water	\$ 277,800,000
Non-Potable Water	\$ 22,200,000
Subtotal Backbone Infrastructure	\$ 765,400,000
Public Facility Improvements	
Library	\$ 5,500,000
Municipal Services Center	\$ 5,500,000
Police Facilities	\$ 10,400,000
Fire Facilities	\$ 12,400,000
Corporation Yard	\$ 4,100,000
Parks	\$ 121,800,000
Trails	\$ 25,100,000
Transit	\$ 28,100,000
Schools	\$ 350,300,000
Habitat & Agricultural Mitigation	\$ 30,000,000
Items Funded by Other Building Permit Fees [1]	\$ 18,300,000
Financing Plan Administration and Updates	TBD
Subtotal Public Facility Improvements	\$ 611,500,000
Total Improvements	\$ 1,376,900,000

Source: MacKay & Somps (May 6, 2010), City of Folsom, and EPS

[1] Includes transportation management fee, housing trust fund fee, and general capital facilities fee not used for Municipal Services Center.

Financing Strategy Summary

Purpose

The purpose of the Financing Plan is to recommend the appropriate financing mechanisms to fund the necessary Regional and Backbone Infrastructure and other Public Facility costs required to serve the Project. The selected financing mechanisms are flexible enough to ensure the required improvements are constructed when necessary. The financing mechanisms used will depend on the types and timing of the needed facilities.

Financing Policies

The following objectives and policies, based on Measure W, the November 2004 ballot measure that established certain requirements for the Project, will guide financing of infrastructure and services in the Project:

- Identify and secure the source of water for the Folsom SOI.
- Adopt an infrastructure funding and phasing plan for construction of roadway and transportation improvements necessary to mitigate traffic impacts caused by development of the SOI area.
- Adopt a plan requiring 30 percent of the area be maintained as natural open space to preserve oak woodlands and sensitive habitat areas.
- Submit a plan for funding schools so residents north of Hwy 50 are not required to pay for construction of new school facilities serving the SOI area.
- Adopt a general plan amendment in accordance with environmental laws.

The following additional objectives and policies will also guide the financing of infrastructure and services in the Project:

- Identify ways to finance construction of public infrastructure and facilities through public and private financing.
- Use some of the existing City fee programs to the extent possible.
- Use existing SCTDF, Sacramento Regional County Sanitation District (SRCSD), and other Special District fee programs to the extent possible.
- Establish a Special Financing District to fund all or a portion of major regional backbone infrastructure and other public facilities not included in existing fee programs or funded through other sources.
- Make use of Federal and State funding for transportation improvements.
- Make maximum use of "pay-as-you-go" mechanisms.

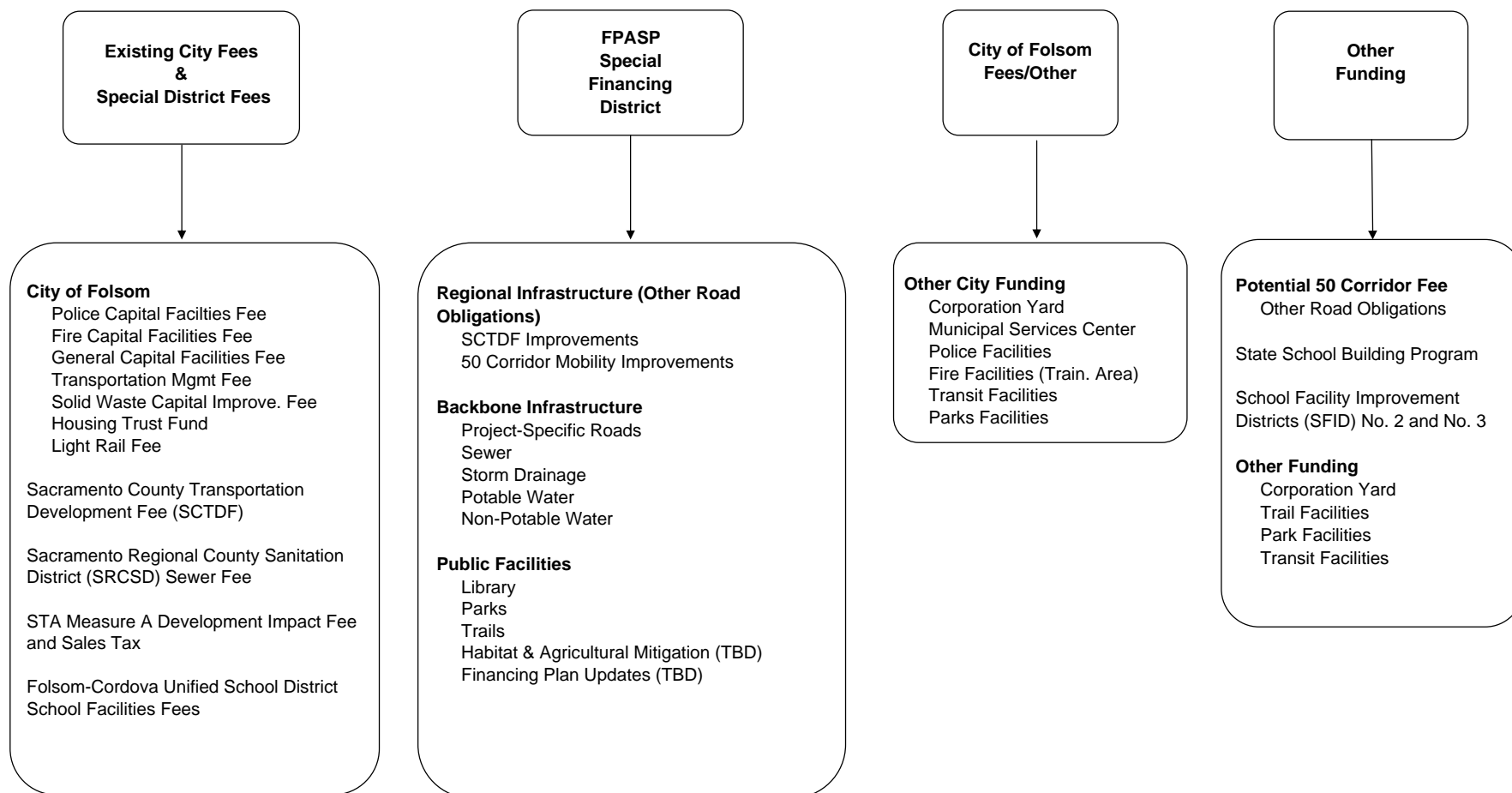
- Build in flexibility to allow response to market conditions.
- Provide developer funding for appropriate facilities, which may include developer funding through municipal debt financing mechanisms.

Financing Strategy

A combination of funding sources will ultimately fund the costs of Backbone Infrastructure and Public Facility improvements. **Figure 1-1** describes these sources, which are summarized below:

- **Existing Fee Programs** administered by the City and other public agencies will be used. Examples of these items are citywide fees, including Police Capital Facilities Fee, Transportation Management Fee, Solid Waste Capital Improvement Fee, and Housing Trust Fund; SCTDF for roadways; SRCSD for sewer; and school district development impact fees.
- **A New Folsom Plan Area Specific Plan (FPASP) Special Financing District** will fund improvements not already included in the capital improvement program of existing fee programs. The Special Financing District likely would be in the form of a new FPASP Fee Program that would assign costs among developable land uses in the Project. The Fee Program could include the use of fee revenue for reimbursements to developers who provide advance funding for infrastructure. The FPASP Fee Program could be a publicly administered fee program (by the City) or privately administered fee program (by FSAG). For example, the City may prefer to administer the portion of the fee dedicated to funding Public Facilities, while FSAG could internally implement a fee program to cover the costs of Backbone Infrastructure. Further discussion between FSAG and the City will be required to determine how the Special Financing District will be administered.
- **City of Folsom Fees/Other City Funding.** Certain improvements will be partially funded through existing citywide fee programs. Specifically, it is assumed the Project will contribute its fair share towards on-site Corporation Yard, Police, Fire Municipal Services, and transit facilities intended to serve beyond the Project. Thus, this Financing Plan assumes these Project facilities will be partially funded by existing citywide fee program revenues or other City General Fund revenues.
- **Enterprise Funding/Utility Revenue Bonds.** Instead of funding some of the potable water improvements through the Special Financing District, Utility Revenue bonds may be used. These bonds are repaid through revenues generated by a specified revenue-generating entity associated with the purpose of the bonds. A special surcharge on water utility rates, applicable only to the Project, may be used to pay debt service on revenue bonds and to pay for acquisition of water supply.
- **Private Developer Funding.** Certain construction costs within the boundaries of the Project are the direct responsibility of the FSAG (e.g., miniparks).
- **CFDs.** The City could form one or more CFDs to finance infrastructure improvements needed during development of the Project. The 1982 Mello-Roos Community Facilities Act enables cities and other entities to establish a CFD to finance various facilities and services by selling bonds and levying an annual special maximum tax on land within the CFD boundaries. The

**Figure 1-1
Folsom Plan Area Specific Plan Financing Plan
Summary Infrastructure Funding Programs at Buildout**



Source: EPS.

[1] See report text for a description of Folsom Plan Area Specific Plan (FPASP) Fee Program and CFD(s).

net bond proceeds and the special tax can be used to direct-finance improvements, to acquire facilities constructed by the developer(s), to reimburse developers for advance-funding improvements, or to prepay certain development fees.

- **Matching State School Funding/Other School Funding.** It is anticipated that the school districts in the Project will be eligible for grant funding from the State School Facility Program (SFP). In addition to school district impact fees, school facilities will be funded through a combination of State grant programs (i.e., State SFP), and locally approved General Obligation (GO) bonds: School Facilities Improvement District (SFID) No. 2 (SFID-2) and SFID No. 3 (SFID-3). In March 2002, voters in SFID-2 approved a bond measure to fund the modernization of existing schools and construction of new proposed schools in the Project. Then, in March 2007, voters approved Measure M, a \$750 million school facilities GO bond for the newly formed SFID-3, which will provide funding for site acquisition and construction of new schools in the Project.
- **Other Funding Sources** to fund the Backbone Infrastructure and Public Facilities costs will be required. This may include Federal and State highway funding or other Federal/State funding for transit facilities and equipment. This may also include Federal and State funding sources for the grade separation component of the proposed trail improvements.

In addition to the ultimate funding sources described above, financing mechanisms will be used to cover the costs of improvements before the ultimate source of funding (e.g., fees) is available and to cover any funding shortfalls during the initial phases:

- **Developer Advances.** The Financing Plan anticipates that developer advances will finance infrastructure improvements needed in the initial phases of the Project and before the collection of fees or other revenue sources. The Financing Plan assumes that fee credits or reimbursements for facilities otherwise funded by fee programs may be available if developers fund and construct fee-funded facilities. Developer advances will also be financed as the City acquires facilities through the Mello-Roos Districts.

Because developers will be conditioned to complete specific infrastructure improvements and, in many instances, will advance-fund more than their "proportionate share" of infrastructure costs, private or public reimbursement agreements may be appropriate. Private or public reimbursement agreements may be prepared for each development project providing more than its proportionate share of infrastructure costs. Either through such private or public reimbursement agreements or the Development Agreements (DAs), the developers fronting the cost of improvements benefiting adjacent owners may be able to recover those costs.

Table 1-3 shows the detailed costs and funding sources by category of improvement.

Financial Feasibility

Project-related infrastructure and public facilities costs are significant but offset by the availability of local, State, and federal funding sources. As a result, the Project should be able to feasibly fund the Project's backbone infrastructure and public facilities. If certain sources of funding are not available to fund the Project, however, development may need to be restricted until funds become available.

Table 1-3
Folsom Plan Area Specific Plan
Infrastructure Funding Capacity Analysis
Estimated Infrastructure Costs and Sources of Funding: Buildout (2010\$)

Item	Estimated Cost	Buildout Funding Sources			
		Existing City Fees	FPASP Special Financing District	Fees Paid to Other Agencies [1]	Outside Funding
Backbone Infrastructure Improvements					
Backbone Roads					
Project-specific Roads	\$231,800,000		X		X
Other Road Obligations [2]	\$121,700,000		X	X	
Subtotal Backbone Roads	\$353,500,000				
Sewer	\$90,300,000		X	X	
Storm Drainage	\$21,600,000		X		
Potable Water	\$277,800,000		X		X
Non-Potable Water	\$22,200,000		X		
Subtotal Backbone Infrastructure	\$765,400,000				
Public Facility Improvements					
Library	\$5,500,000		X		
Municipal Services Center	\$5,500,000	X			
Police Facilities	\$10,400,000	X			
Fire Facilities	\$12,400,000	X			
Corporation Yard	\$4,100,000	X			
Parks	\$121,800,000		X		X
Trails	\$25,100,000		X		X
Transit	\$28,100,000	X			X
Schools	\$350,300,000			X	X
Habitat & Agricultural Mitigation	\$30,000,000		X		
Items Funded by Other Building Permit Fees [3]	\$18,300,000	X			
Financing Plan Administration and Updates	TBD				
Subtotal Public Facility Improvements	\$611,500,000				
Total Facilities	\$1,376,900,000				

Source: EPS, MacKay & Somp

su_bo

[1] Other Agency Funding includes:

- Roads - Highway 50 Mobility Fee, Measure A
- Sewer - Sacramento Regional County Sanitation District (SRCSD)
- Schools - Folsom-Cordova Unified School District

[2] FPASP funding includes FPASP SCTDF obligation.

[3] Includes transportation management fee, housing trust fund fee, and general capital facilities fee not used for Municipal Services Center.

A detailed Financing Plan will be provided before approval of the Project by the City that will include analysis of the ability of the Project to fund required infrastructure and public facilities. The Financing Plan will compare the Project's cost burden to those of surrounding projects and will show the total cost burden per unit as a percentage of the sale price to demonstrate feasibility.

Information Sources

Preparation of the Financing Plan relied on the following information:

- Land use designations, as provided by MacKay & Somps, June 9, 2009.
- Roadway, sewer, storm drainage, and water cost estimates, prepared by MacKay & Somps, May 6, 2010.
- Folsom Plan Area Specific Plan Public Facilities Financing Plan, prepared by GCG, November 20, 2008.
- Folsom SOI Draft Financing Plan Peer Review Memorandum, prepared by EPS, March 10, 2009.
- Existing and Planned City/County fee program data.