

Development Finance Best Practices—Case Study

The Economics of Land Use



presented by

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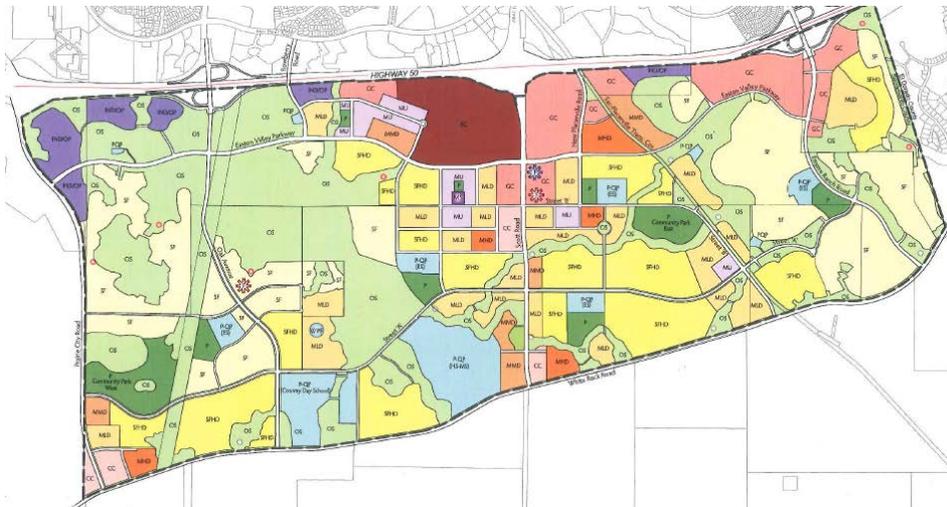
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Presentation Overview

- Case study of Folsom Plan Area Specific Plan.
- Greenfield project versus infill.
- Financing principles are applicable in multiple contexts.
- Lessons learned during project implementation.



CITY OF
FOLSOM
DISTINCTIVE BY NATURE

Folsom Plan Area Specific Plan

- Project context
 - Multiple property owners (residential and nonresidential).
 - Annexation and tax sharing required.
 - Specific Plan and Development Agreement(s).
 - Water Supply Agreement.
 - Public Facilities Financing Plan.

Folsom Plan Area Specific Plan (cont.)

- Public financing issues/circumstances
 - Reduced share of property and sales taxes.
 - Measure W provisions.
 - Annual water supply costs.
 - Water treatment plant “buy-in” costs (and timing).
 - Backbone infrastructure versus public facilities.
 - Interchanges and Highway 50 mitigation.
 - Quarry Truck Management Plan.

Folsom Plan Area Specific Plan (cont.)

- Financing mechanisms considered
 - Development impact fees.
 - Water and sewer utility rates.
 - Mello-Roos Community Facilities District.
 - I-Bank loan.
 - State grants.
 - Private financing (debt and equity).
 - City loan.
- Financing Plan included combination of many sources.

Development Impact Fees

- City facilities
 - Pooled facilities fees.
 - Stand-alone fees.
- Specific Plan Infrastructure Fee (SPIF)
 - Pooled for backbone infrastructure.
 - Rules for reimbursement and fee credits.
- Other agency fees
 - Regional facilities.
 - Schools.

Land Secured Financing Strategy

- Water supply and facilities CFD
 - Annual water supply costs.
 - Water facilities “buy-in” costs.
 - Water supply cost transitions to user rates.
- CFD No. 18—areawide facilities and services
 - Willow Hill costs.
 - Water and sewer facilities.
 - Aquatic center.

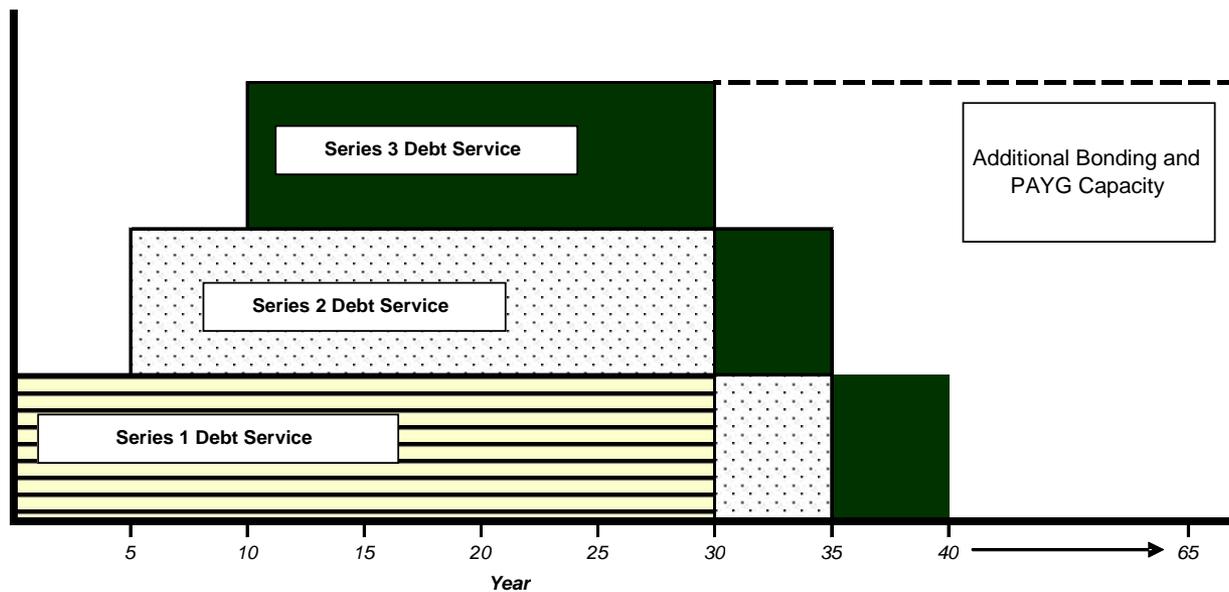
Land Secured Financing Strategy (cont.)

- CFD No. 18—Areawide facilities and services (cont.)
 - Interchanges (portion). **
 - Road widenings (portion). **
 - Trails (portion). **
 - Quarry TMP costs. **
 - Maintenance of areawide facilities
 - Landscape corridors, medians, and street lights.
 - Storm drainage facilities.
 - Open space.

** = Funded through pay-as-you-go revenues and the extended-term CFD.

Extended-Term CFD Financing

- Pay-as-you-go (PAYGO) funding.
- Extended term for tax levy or bond sales.



Project-Specific CFDs

- Project-specific facilities and maintenance.
- Bond sale proceeds and PAYGO revenues.



Conclusions

- Complex projects require layered financing structures.
- Cooperation between public agency (or agencies) and private property owners is critical.
- Creative approaches needed to align demand for facilities and timing of revenue sources.
- Identify ways to optimize use of existing financing tools.
- Maintain flexibility during implementation to adapt to changing circumstances.