

Exhibit H PCCP Cost and Finance Summary

PCCP COSTS SUMMARY

Tables 1-4 below provide the basic background information on how the one-time costs associated with the implementation of the PCCP were developed. Each table provides a summary of the one-time costs for each of the 3 alternatives that were included in the Board's November 20, 2006 staff report. The single largest cost is associated with the acquisition of private property for protection through the PCCP reserve system (Table 3). The second largest cost is the restoration of certain parts of the acquired lands to meet the mitigation requirements of the wildlife agencies. The restoration costs are approximately 10% of the overall one-time cost. Table 6 below provides a summary of the on-going costs associated with the implementation of the PCCP.

It needs to be noted that the cost estimates are based upon a number of factors. These include estimated land values, that depend on the real estate market for development land, agricultural land, and on the market for mitigation land. One of the key assumptions is whether land would be acquired in fee title versus conservation easement. The assumption (60 percent fee title:40 percent conservation easement) is an estimate for planning purposes at this time because we do not know what the buyer/seller market will look like over time. Dedication of reserve land is also a factor in the acquisition "cost". We present an estimate for planning purposes of the potential impact of land dedication on PCCP one-time costs.

The following is a summary of each of the 6 tables:

- **Table 1** – This table provides an acreage breakdown, by geographic area, of the projected land conversion in Western Placer County (i.e., the amount of land anticipated to be converted to development) between 2005 and 2050. The PCCP will cover the anticipated 54,300 acres of open land conversion for Placer County and the City of Lincoln.
- **Table 2** – This table provides a breakdown of the anticipated acreage requirements for three different alternative reserve maps – Map 3b, Map 5 and Map 6. These three maps were selected for analysis because they represent the widest range of potential outcomes.
- **Table 3** – This table provides an estimate of the one-time costs of implementing the PCCP under each of the three alternatives. The primary cost components include acquiring and restoring land. These are costs that would be borne by the beneficiaries of the PCCP- primarily private land development interests. Land acquisition costs reflect land values in today's real estate market for properties of the types and locations that would need to be acquired through conservation easements or fee title to mitigate impacts of land conversion for each of the three alternatives.
- **Table 4** – This table describes another one-time cost scenario, assuming that some of the reserve land would be contributed by means of dedication and

would therefore not require acquisition in the real estate market. If, overall, about 50 percent of the land were dedicated, the acquisition cost obligation would be about 30 to 40 percent less than shown in Table 3.

- **Table 5 (A-C)** – These tables provide information on the assumed distribution of the one-time costs on a per acre basis, measured at the year 2050, for each of the three alternatives.
- **Table 6** - This table provides a summary of the ongoing costs associated with the implementation of the PCCP. Costs include staff/administration, land management activities, monitoring/research/adaptive management, restoration management, and funding for contingencies.

**Table 1
Estimated Potential Land Conversion 2002-2050**

Geographic Area	Acres	Percent of total
Agricultural Conversion -County	9,700	14%
Agricultural Conversion -Lincoln Planning Area	8,500	13%
Existing Urban and Planned Infill – County	21,100	31%
Existing Urban and Planned Infill - Lincoln	4,700	7%
Rural Residential - County	10,300	15%
Non Participating Cities	13,000	19%
Total Phase 1 Area	67,300	100%
PCCP area excluding non-participating cities	54,300	
Non-Geographic		
Placer Parkway		
PCWA Sacramento River Water Diversion		

**Table 2
Estimates of PCCP Acres for Local Mitigation**

Year 2050	Alternative 3b¹	Alternative 5¹	Alternative 6¹
Total Acres Acquired/Under Management	41,321	45,724	38,574
Acres Restored/Created	8,515	13,021	6,230
NOTE: Acres restored/created are included in acres acquired and under management. Restoration or creation results in a change in ecosystem type, such that acres of one type are acquired and, after restoration/creation, those acres are eventually under management as another type.			
¹ For each of the 3 alternatives, the figure referenced above represents the mitigation requirement. Conservation, over and above this mitigation requirement is a local, state and federal contribution that is estimated to add approximately 25-30% additional acreage.			

Table 3
Estimates of PCCP One-time Costs through 2050 (2006 dollars)

	Alternative 3b	Alternative 5	Alternative 6
Land Acquisition	\$ 1,039,000,000	\$ 894,000,000	\$ 954,000,000
Restoration	115,000,000	134,000,000	110,000,000
Contingency (10%)	115,000,000	103,000,000	106,000,000
Total One Time Costs	\$ 1,269,000,000	\$ 1,131,000,000	\$ 1,170,000,000
NOTE: Land acquisition includes the following: acquiring land in fee title, acquiring easements, conducting pre-acquisition surveys, and undertaking one-time site maintenance activities.			

Table 4
Estimates of PCCP One-time Costs through 2050 (2006 dollars)
Land Dedication Scenario

	Alternative 3b	Alternative 5	Alternative 6
Land Acquisition	\$647,000,000	\$575,000,000	\$604,000,000
Restoration	\$115,000,000	\$134,000,000	\$110,000,000
Contingency (10%)	<u>\$76,000,000</u>	<u>\$71,000,000</u>	<u>\$71,000,000</u>
	\$		
Total One Time Costs	838,000,000	\$ 780,000,000	\$ 785,000,000
NOTE: Land acquisition includes the following: acquiring land in fee title, acquiring easements, conducting pre-acquisition surveys, and undertaking one-time site maintenance activities.			

Table 5A
Preliminary Estimate of Mitigation Fees for Residential and Non-residential
Development based on PCCP Costs for [Alternative 3b](#) (presented in Table 3)
(2006 dollars)

Residential development densities			
	Acquisition	Restoration	Total
2 du per acre	\$11,200	\$1,250	\$12,450
4 du per acre	\$5,600	\$625	\$6,225
6 du per acre	\$3,700	\$420	\$4,150
8 du per acre	\$2,800	\$315	\$3,115
10 du per acre	\$2,240	\$250	\$2,490
12 du per acre	\$1,870	\$210	\$2,080
14 du per acre	\$1,600	\$180	\$1,780
16 du per acre	\$1,400	\$155	\$1,555
18 du per acre	\$1,245	\$140	\$1,385
20 du per acre	\$1,120	\$125	\$1,245
Non-Residential development densities			
	Acquisition	Restoration	Total
0.20FAR	\$2,600	\$300	\$2,900
0.25FAR	\$2,100	\$200	\$2,300
0.30FAR	\$1,700	\$200	\$1,900
0.35FAR	\$1,500	\$200	\$1,700
0.40FAR	\$1,300	\$100	\$1,400

Table 5B
Preliminary Estimate of Mitigation Fees for Residential and Non-residential
Development based on PCCP Costs for [Alternative 5](#) (presented in Table 3)
(2006 dollars)

Residential development densities			
	Acquisition	Restoration	Total
2 du per acre	\$9,650	\$1,450	\$11,100
4 du per acre	\$4,825	\$725	\$5,550
6 du per acre	\$3,215	\$485	\$3,700
8 du per acre	\$2,415	\$365	\$2,780
10 du per acre	\$1,930	\$290	\$2,220
12 du per acre	\$1,610	\$240	\$1,850
14 du per acre	\$1,380	\$210	\$1,590
16 du per acre	\$1,205	\$180	\$1,385
18 du per acre	\$1,070	\$160	\$1,230
20 du per acre	\$965	\$145	\$1,110
Non-Residential development densities			
	Acquisition	Restoration	Total
0.20FAR	\$2,200	\$300	\$2,500
0.25FAR	\$1,800	\$300	\$2,100
0.30FAR	\$1,500	\$200	\$1,700
0.35FAR	\$1,300	\$200	\$1,500
0.40FAR	\$1,100	\$200	\$1,300

Table 5C
Preliminary Estimate of Mitigation Fees for Residential and Non-residential
Development based on PCCP Costs for [Alternative 6](#) (presented in Table 3)
(2006 dollars)

Residential development densities	Acquisition	Restoration	Total
2 du per acre	\$10,300	\$1,200	\$11,500
4 du per acre	\$5,150	\$600	\$5,750
6 du per acre	\$3,435	\$400	\$3,835
8 du per acre	\$2,575	\$300	\$2,875
10 du per acre	\$2,060	\$240	\$2,300
12 du per acre	\$1,715	\$200	\$1,915
14 du per acre	\$1,470	\$170	\$1,640
16 du per acre	\$1,290	\$150	\$1,440
18 du per acre	\$1,145	\$135	\$1,280
20 du per acre	\$1,030	\$120	\$1,150
Non-Residential development densities	Acquisition	Restoration	Total
0.20FAR	\$2,400	\$300	\$2,700
0.25FAR	\$1,900	\$200	\$2,100
0.30FAR	\$1,600	\$200	\$1,800
0.35FAR	\$1,400	\$200	\$1,600
0.40FAR	\$1,200	\$100	\$1,300

Table 6
On-going Cost Summary (2050)
(annual cost in 2006 dollars)

	Alternative 3b	Alternative 5	Alternative 6
Cost Category			
Program Administration	\$ 599,000	\$ 599,000	\$ 599,000
Land Management	3,923,000	4,500,000	3,723,000
Restoration Management	631,000	631,000	631,000
Monitoring, Research, and Adaptive Mngmt.	1,690,000	1,828,000	1,650,000
Contingency (3%)	205,000	227,000	198,000
TOTAL	\$ 7,048,000	\$ 7,785,000	\$ 6,801,000
Acres Managed (cumulative total)	41,321	45,724	38,574
Acres Restored (cumulative total)	8,515	13,021	6,230
On-going Cost per Acre Managed			
Cost Category	Alternative 3b	Alternative 5	Alternative 6
Program Administration	\$ 14	\$ 13	\$ 16
Land Management	\$ 95	\$ 98	\$ 97
Restoration Management (per acre restored)	\$ 74	\$ 48	\$ 101
Monitoring, Research, and Adaptive Mngmt.	\$ 41	\$ 40	\$ 43
Contingency (3%)	\$ 5	\$ 5	\$ 5
TOTAL	\$ 200	\$ 200	\$ 180

Cost Allocation/Fees for One-Time Costs

New residential and non-residential development in the unincorporated area of western Placer County and the City of Lincoln will bear much of the cost of the local mitigation for impacts attributable to covered activities, largely proportional to the conversion of land from non-urban to urban uses. For example, since non-residential development would represent about 15 percent of the total conversion to urban uses, it is likely that non-residential development would bear a share of the PCCP local mitigation cost proportionate to that impact.

For the purposes of illustration, Tables 5A, 5B and 5C depict three scenarios that allocate all one-time acquisition and restoration costs (including contingency) associated with the local mitigation component of the PCCP to the potential new development that could occur in unincorporated Western Placer County and the City of Lincoln through the year 2050 and that would convert agricultural land, habitat, and open space. This type information was developed for the Board in March, 2005 and has been updated to reflect the revised PCCP cost analysis distributed to the Board at the November 2006 workshop. These tables provide an early assessment of how costs are related to new development and the density of development for three reserve map alternatives, 3b, 5 and 6. A fee covering acquisition and restoration would range from about \$6,000 per acre (\$1,500 per unit) for a residential project of typical suburban density (i.e., 4 du/ac) to about \$2,000 per acre (\$165 per unit) for a high density residential project (i.e., 12 du/ac). A high-density project with a small development footprint relative to the number of units produced has 10 percent of the per unit obligation of a project that is at a very low suburban density. The incentives to reduce the footprint and increase densities are logical in that less land required for development will result in less conversion of land that harbors sensitive species. This assessment does not include a fee for any potential endowment to fund ongoing costs (see discussion regarding Tables 6 and 7).

Ongoing Costs

The ongoing costs are more difficult to specifically identify on a per unit basis because such costs could be spread through a variety of finance mechanisms. If an endowment-only alternative was considered, a very significant amount of funding would have to be set aside in a non-wasting account in order to generate sufficient revenue on an annual basis to support the ongoing costs in perpetuity. Because such an account may be difficult to establish and protect in perpetuity (over \$350M would be necessary) other alternatives will likely be examined and presented in the draft finance plan. Early conversations have shown that there is an interest in a range of options for financing ongoing costs as opposed to a single fee option for an endowment payment.

As noted in Table 6, there are a number of costs that cumulatively add up to a need for \$6.8M to \$7.8M annually to manage the PCCP in perpetuity. The basic management obligations include the following:

- Program Administration - This funding obligation accounts for the staffing, benefits and overhead for the employees that manage the PCCP program.
- Land Management - This is the largest funding obligation and includes a range of activities associated with the management of large acreages of land (the PCCP costs assume that 60% of the land was acquired in fee title).
- Restoration Management - The acreage that includes restored habitat will require more management to insure that the performance objectives are met over time.
- Monitoring, Research, and Adaptive Management - All areas will need to be monitored in perpetuity and management activities may need to be modified to adapt to new conditions as they emerge over time.
- Contingency - A 3% contingency factor has been built into the annual management obligation to account for unforeseen circumstances.

It is not possible to predict the exact costs associated with status quo management obligations because they will vary widely from project-to-project. However, the range of activities described above are consistent with the management of preserved habitat being managed throughout the greater Sacramento region by such entities as the Center for Natural Lands Management, the Habitat Management Foundation, the Wildlife Heritage Foundation, the Placer Land Trust and others. The primary difference may be the obligation to monitor the PCCP reserve lands in perpetuity. Under status quo, monitoring obligations can end after a 3-5 year period or after certain performance objectives have been met.

PCCP FINANCE

It is anticipated that most of the local mitigation costs of the PCCP will be borne by the new development receiving incidental take coverage for impacts to species and habitat under the PCCP permit. The greatest percentage of participation will come from new development in unincorporated western Placer County and the City of Lincoln, although properties developing in the Loomis Basin and Auburn areas will most likely have to pay mitigation fees to the PCCP for the right to develop their properties. County and City of Lincoln facilities projects will also contribute to the mitigation requirements.

There are a number of financial options that can be used to implement the PCCP for both ongoing costs as well as the one-time costs. Table 7 was prepared by MuniFinancial as part of the PCCP work program. Table 7 provides summary information on the range of funding options available to implement the PCCP. Additional information can be found on each of these options in the July 5, 2005 PCCP Financing Memo provided to the Board on November 20, 2006.

At this time, the staff is not prepared to recommend a finance strategy. The final finance plan will focus on one or more of these alternatives. A financial stakeholder working group had been previously formed to meet and discuss finance issues. The financial stakeholder working group will reconvene once a reserve map is selected and specific financial information is prepared based upon the preparation of the conservation strategy.

Comments on All Cost Estimates

A number of factors could reduce ongoing and one-time costs including spreading the costs across a broader base, reducing the overall footprint of take, acquiring a higher percentage of conservation easements versus fee title, obtaining greater funding support from state/federal agencies, establishing revenue generating activities, etc. Conversely, other factors could increase these costs including inflated land costs, increased administrative costs, increased adaptive management obligations and others. With this said, development of this data and a recommended approach will come out of the financing plan that will be developed once the conservation strategy has been prepared.

**Table 7
Potential Funding Sources - Key Characteristics**

Funding Source	Use of Funds			Source of Funds		Annual Revenue		Other Issues		
	One-time Costs	On-going Costs	Debt Financing	New Development Only	Broad Geographic Areas	Potential Amount	Stability	Voter Approval	Add'l Legal Analysis	Special Legislation Required
Land Dedication/Habitat Mitigation Fee	Yes	Use Endowment	No	Yes	No	Low/Moderate	Variable	No	No	No
Development Impact Fee	Yes	Use Endowment	No	Yes	No	Low/Moderate	Variable	No	Yes	No
Conservation Easements	Yes	No	No	No	Yes	Low	Variable	No	No	No
Community Facilities District (Mello Roos)	Yes	Maybe	Yes	Yes	Yes	Low/Moderate	Stable	Landowner or Voter ¹	Yes	No
Benefit Assessment Districts	Yes	Yes	Yes	Yes	Yes	Low/Moderate	Stable	Landowner ²	Yes	No
Habitat Maintenance Assessment District	Yes	Yes	No	Yes	Yes	Low/Moderate	Stable	Landowner ²	Yes	Yes
Community Services Districts	Yes	Yes	Yes	No	Yes	Low/Moderate	Stable	Landowner or Voter ³	No	Yes
Agricultural Leases	Yes	Yes	No	No	Yes	Low	Stable	No	No	No
Parcel Tax	Yes	Yes	Yes	No	Yes	Moderate/High	Stable	Voter ⁴	No	No
Sales Tax	Yes	Yes	Yes	No	Yes	Moderate/High	Stable	Voter ⁴	No	No
Other Local Sources	Yes	Yes	TBD	No	Yes	TBD	Stable	TBD	TBD	TBD

Note: "TBD" is To Be Determined.

Source: MuniFinancial

¹ Approval requires a two-thirds vote of property owners based on acreage, or if 12 or more voters are registered within the proposed district then approval requires a two-thirds vote of registered voters.

² Approval requires a majority vote of property owners weighted by the amount of the assessment.

³ Approval of district formation requires a majority vote of registered voters. Approval of a new assessment or charge requires a majority vote of property owners weighted by the amount of the assessment.

⁴ Approval requires a two-thirds vote of registered voters