COUNTY OF PLACER
Community Development/ Resource Agency

Michael J. Johnson, AICP
Agency Director

ADMINISTRATION

MEMORANDUM

TO: Honorable Board of Supervisors

FROM: Michael J. Johnson, AICP
Agency Director

By: Michele Kingsbury, Senior Planner

DATE: December 9, 2014

SUBJECT: WEST PLACER AND SUNSET INFRASTRUCTURE FINANCING PLAN

ACTION REQUESTED

Receive a presentation on the initial findings of the West Placer and Sunset Infrastructure Financing Plan, provide feedback, and direct staff regarding next steps.

BACKGROUND

For more than 40 years, the Sunset Industrial Area has been identified by the County as the primary job center for the County. To this end, the County has prepared several Community Plans specific to the Sunset Industrial Area; the most recent of these plans was last approved in 1997. While one of the primary intents of the 1997 plan was to include the "lifting of constraints on new development", the reality has shown that the provision of infrastructure into the Sunset Industrial Area – the primary constraint for the ultimate development of this area – has proved too daunting for any one project's property owner or group of property owners to undertake. As a result, only intermittent job-based growth has occurred in the area.

In early 2014, the Placer Ranch project was purchased by Westpark Communities, and Westpark announced its intent to revive this project that was centered on the development of a new California State University satellite campus initially designed to accommodate the overflow of students from Sacramento State University. Westpark Communities has since submitted an application to the City of Roseville requesting that the City process a development application for the project, and the City is currently processing this application. As Placer Ranch is located within the Sunset Industrial Area, (Placer Ranch occupies approximately 2,300 acres of the 8,100 acres that comprise the Sunset Industrial Area), County staff saw an opportunity to work cooperatively with the Westpark team with regards to the extension of infrastructure into the Sunset Industrial Area.

In an effort to identify opportunities to facilitate business expansion and attraction within the Sunset Industrial Area, a County "strike team" was formed to brainstorm possible solutions for the extension of infrastructure into the area. This Strike Team, comprised of the County Auditor (Andy Sisk), the County Treasurer-Tax Collector (Jenine Windeshausen), the County's Deputy CEO for Finance and Budget (Andy Heath) and members of the Community Development Resource Agency (Michael Johnson and Michele Kingsbury) have been meeting for the past several months to study and discuss options.

On July 8, 2014, staff received approval from your Board to enter into a contract with Keyser Marston Associates, Inc. to perform Tasks 1a and 1b (see attached scope of work) of the West Placer / Sunset Industrial Development Areas Infrastructure Financing Plan. The study area related to the completion of these tasks includes the proposed Placer Ranch Specific Plan Area, Regional University Specific Plan area, and the remaining Sunset Industrial Plan Area. Task 1a involved evaluating the revenue potential of establishing an Infrastructure Financing District (IFD); and Task 1b included preparing a schedule of needed infrastructure improvements.

It is important to recognize that concurrent with this process, County staff has been working with various property owners as they update financial plans based on previously approved specific plans. In particular, Regional University project has submitted an amendment to its Specific Plan and the Westpark continues to pursue entitlements for the Placer Ranch project, which occupies approximately one-quarter of the Sunset Industrial project area.

ANALYSIS

Infrastructure Financing District Formation

Since 1990, Senate Bill 308 has authorized cities and counties to form Infrastructure Financing Districts (IFDs) to finance communitywide infrastructure without excessively burdening new development in previously undeveloped areas. More recent legislation allows IFDs to overlap with former redevelopment project area boundaries. IFDs were designed specifically to finance public works projects that benefit the larger community. IFDs have not been largely used or considered until now because of the previous availability of Redevelopment Agencies (RDAs) and its associated funding tools. With the dissolution of the RDAs in 2011, IFDs have emerged as a financing tool to fund regional infrastructure projects.

IFDs are not authorized to levy taxes. Similar to RDAs, IFDs allow local governments, excluding schools and community college districts, to voluntarily elect to dedicate a portion of property tax increment toward the IFD's financing for a particular project. The amount of property tax increment can be derived by several methods. All methods require the establishment of a total base year value of all of the properties included in the IFD. While RDAs received revenues based on all the property taxes derived from increases in value over the base year, IFDs can be based on any portion of property taxes accruing from increases in value over the base year. (IFDs can also receive a portion of property taxes accruing to the base year if desired.)

In 2014, as a means to provide enhanced infrastructure financing alternatives, Senate Bill 628 (SB 628) was signed into law by Governor Brown. Key enhancements to the IFD law resulting from SB 628 include:

- extends the repayment period of IFD debt from 30 years to 45 years;
- enables IFD debt to be issued with a voting threshold of 55%, down from the previous two-thirds voter requirement; and
- expands permitted uses of IFD proceeds to include among other items, brownfield restoration.

Study Area Results – IFD Revenue Potential

In an effort to identify the relative magnitude of funding required for the development of infrastructure in the Western Placer County area, the IFD study area included the Placer Ranch project area and its proposed land uses, the Regional University Specific Plan Area, and the balance of the Sunset Industrial Area. The Regional University Specific Plan Area is non-contiguous to the Sunset Industrial Area. Keyser Marston evaluated the funding capacity of the study area by taking into account property tax revenues generated by the existing tax base and using conservative projections of assessed valuations at build - out for the study area. The study area contemplates almost 8,500 new residential units (all within the proposed Placer Ranch and Regional University project areas), two college campuses and a significant amount of commercial and industrial square footage. Gross assessed valuation at full build - out for all these areas is estimated to be approximately $7.4 billion. As shown in the chart on the pages below, industrial development represents the largest share due to the significant amount contemplated in the current Sunset Industrial Plan Area.

The projected net increment anticipated at full build-out was estimated by subtracting the current assessed value of the properties within the three planning areas ($0.3 billion) from the estimated future gross assessed value as noted in the table above ($7.4 billion). The resulting increment derived at full build-out is estimated to be approximately $7.1 billion. Assuming annual property tax generated by the IFD area is factored at the 1% ad valorem rate results in collection of $70.6 million in total property taxes ultimately distributed to applicable taxing entities.

The revenue streams that are potentially available to be deposited into an IFD consist of the County General Fund's share of the increment related to the 1 percent ad valorem property tax revenues and property tax in-lieu of motor vehicle license fee revenues that will be generated by new development. Based upon these projections it is estimated that the County's General Fund will receive $14.8 million in annual property tax increment upon build - out and $3.7 million of property tax in-lieu of motor vehicle fees, for a total of $18.5 million annually. Collections of taxes in the proposed Placer Ranch Specific Plan Area and the balance of the Sunset Industrial Area represent 89 percent of the potential revenue available to an IFD.

<u>IFD Financing Assumptions</u>

At the present time, there are several challenges with assessing the true revenue potential for the study area:

1. All areas in the study area are undergoing changes to existing land use plans. Staff recently received a revised land use plan for the proposed Placer Ranch, lowering the number of residential units from 5,240 to 4,875. Regional University Specific Plan submitted an application for a Specific Plan Amendment in an effort to make the project more financially feasible in today's economic climate. Lastly, as mentioned earlier in this report, staff is concurrently updating the Sunset Industrial Area Plan and anticipates changes to the overall land use plan. Staff will continue to monitor and assess these proposed land use changes and evaluate the overall impact to an IFD in the study area.

2. The portion of any IFD revenues is ultimately driven by both County policy and the need to use a portion of the property tax increment revenues to fund on-going services Countywide. Formation of an IFD requires a comprehensive Fiscal Impact Analysis (FIA) evaluating the annual recurring revenues and service costs to the County's General Fund to be generated by the property in the IFD. The FIA also estimates the ongoing percentage of annual property tax increment that could be allocated to the IFD to fund the desired public facilities. Since the proposed IFD would be funded solely by a portion of the property tax increment that accrues to the County General Fund, the property tax revenues to all other taxing agencies would not be impacted in any way by the proposed IFD, unless they chose to participate.

3. It is important to note that previously 100 percent of the tax increment from a base year of 1996/1997 (the redevelopment area was adopted June 24, 1997) was allocated to the former Placer County Redevelopment Agency for large portions of the proposed IFD study area that were in the former Placer County RDA boundaries. In 2014, the RDA received $1,759,000 in gross tax increment from the Sunset Industrial Redevelopment Project Area. The tax increment that has been diverted to the RDA, and now the Successor Agency, would have otherwise gone toward supporting services Countywide. Since the dissolution of the Placer County RDA, the increment has been reallocated to the Property Tax Trust Fund to pay enforceable obligations and to distribute any remaining amounts to the affected taxing entities in the former redevelopment areas, including the County. As of June 2014,

the Sunset RDA had limited amounts of enforceable obligations remaining. The Sunset Industrial Area has historically been viewed as a revenue generator for the County due to the nature and type of development currently planned and located there and corresponding projected lower demand for Countywide services. Therefore, as was the case with the former Placer County RDA, there exists potential to apportion tax increment toward an IFD without jeopardizing the overall fiscal health of the County.

The following chart presents several scenarios for the IFD revenue potential related to diverting 25, 50 or 75 percent of the gross annual revenue available within the proposed IFD boundaries to support County service costs and infrastructure bond financing.

Estimated annual property tax revenue from tax increment from value increases after 2013/14 base year	**% and $ of increment retained in General Fund for countywide service costs**		**% and $ of increment allocated to IFD**		**Estimated IFD Bonding Capacity (at full build out, 45 year financing)**	
$18.5 million	25%	$ 4.6 million	75%	$13.9 million	75%	$133.2 million
$18.5 million	50%	$ 9.2 million	50%	$ 9.3 million	50%	$ 88.8 million
$18.5 million	70%	$12.9 million	30%	$ 5.6 million	30%	$ 53.3 million
$18.5 million	0%	$ 0.0	100%	$18.5 million	100%	$180.0 million

Assuming 25 percent of estimated annual increment is retained to support countywide service costs, the anticipated IFD bonding capacity at full build-out is $133.2 million, with the Placer Ranch project supporting $50 million of net bond proceeds, Regional University supporting $15.5 million, and the remaining SIA supporting $67.7 million.

Infrastructure

To form an IFD your Board would need a detailed description of public facilities required to serve the development, including:

- Public facilities to be provided by the private sector / developer;
- Public facilities to be provided by governmental entities without IFD assistance;
- Public facilities to be financed with financial assistance from the IFD; and
- Public facilities to be provided jointly.

Existing infrastructure information related to the IFD area analyzed is outdated. Therefore, staff is unable to precisely estimate the types and costs of public facilities required. Regional University recently submitted a Specific Plan Amendment application and the Sunset Industrial Plan Area Update will include the identification of the infrastructure improvements necessary to support the revised land uses. Although there is some uncertainty about the types and costs of public infrastructure that will ultimately be required, financial contributions related to IFD formation could be advantageous to a number of public infrastructure improvements of regional significance. Some types of infrastructure improvements that IFD financing may support include:

Water infrastructure

Staff has met with Placer County Water Agency (PCWA) staff to ascertain the status of extending water infrastructure from the Ophir Water Treatment Plant to the Sunset Industrial Area to meet the long term needs of West Placer development. The EIR for construction of the plant has been completed. A rough estimate of total costs for the basic infrastructure is $170 million. As costs are refined, staff will continue to work with PCWA staff to determine options for phasing and financing. Staff intends to come back to your Board as additional information becomes available, including possible financing concepts to support the provision of water infrastructure for the West Placer area. Although future connection fees are expected to offset related project costs, using IFD financing to assist with water infrastructure development costs would benefit not only the Sunset Industrial Area, but also Placer Ranch, Regional University, and Bickford Ranch.

Sewer Infrastructure

Staff met with representatives of the Facility Services Department to gather information regarding the types of and potential for IFD financing for sewer infrastructure within the IFD area. Staff has estimated funding in the amount of $20 to $40 million may be required for the backbone infrastructure needed. Development of a sewer master plan would be required to fine-tune the types of improvements and solidify ultimate costs. As with water infrastructure, future connection fees will offset project costs.

Roadway Improvements

The Capital Improvement Program for the Sunset Industrial Area will be revised concurrent with the update to the Sunset Industrial Area Plan. Current estimates for projects that would provide communitywide benefit include the first segment of Placer Parkway from Highway 65 to Foothills Boulevard which is estimated to cost approximately $45 million.

Other roadways projects that may serve the area include:

- Placer Parkway from Foothills Boulevard to Fiddyment Road;
- Railroad overcrossing widening at Sunset Boulevard; and
- Additional improvements to Foothills Boulevard and Sunset Boulevard.

Cost estimates are currently unavailable for these future roadway improvements.

IFD financing may also support other improvements of regional significance such as flood control, storm water / drainage infrastructure, and recycled water infrastructure.

CONCLUSIONS AND NEXT STEPS

Once the infrastructure improvement plans have been refined to more accurately determine phasing, timing, and costs, a comprehensive financial plan can be developed. A comprehensive financial plan would include analyses of available revenues from connection fees, traffic fees, development impact fees, contributions from development projects and other local funds, timing of receipt of revenues, and how best to integrate revenue bond financing and IFD financing. Although the IFD study area is concurrently undergoing changes to the land use patterns, staff believes there is an existing opportunity to establish an IFD to further accelerate job-generating development of West Placer.

Staff seeks Board concurrence to continue refining infrastructure cost estimates to determine the types of communitywide projects that an IFD could support. Staff also seeks Board direction to proceed with Phase 2 of the Keyser Marston scope of work (attached) and prepare a fiscal model. Staff anticipates returning to your Board the early 2015 with additional results and potential recommendation to form an IFD.

FISCAL IMPACT

There is no impact on the County's General Fund associated with this presentation of initial findings. The associated analysis and ensuing report was funded from the FY 2014-15 Planning Services Division Budget; therefore, there are no new net County costs are associated with this action. Sufficient budgeted funds are available to cover the cost related to moving forward with Phase 2 of the Keyser Marston scope of work.

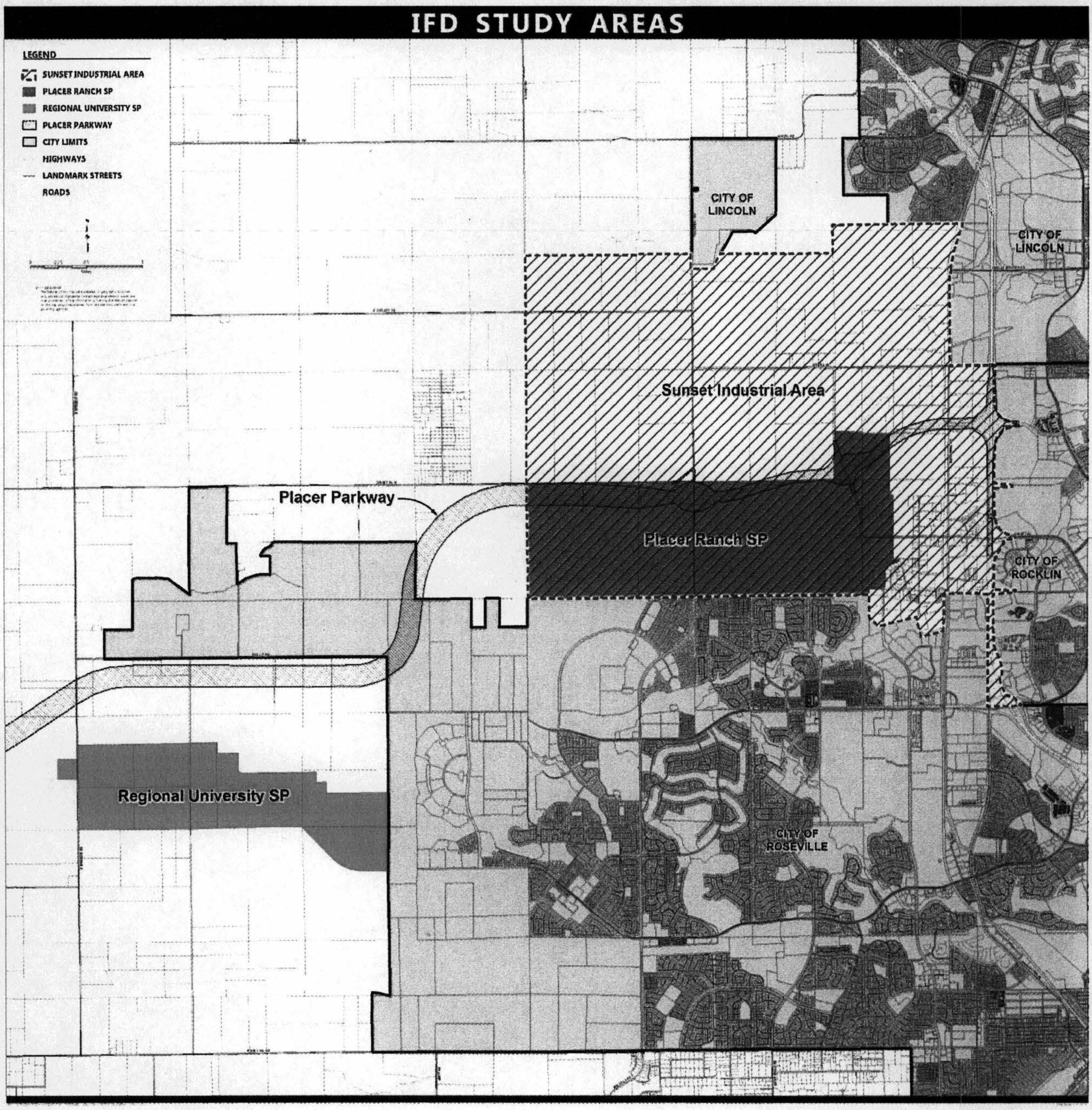
CEQA COMPLIANCE
This is an informational item only. Pursuant to Section 15306 of the California Environmental Quality Act, the action is categorically exempt as information collection.

ATTACHMENTS:

Attachment 1: Study Area Map
Attachment 2: Keyser Marston Scope of Work

cc: David Boesch, County Executive Officer
Holly Heinzen, Chief Assistant County Executive Officer
Jerry Carden, County Counsel
Karin Schwab, Deputy County Counsel
Andy Sisk, County Auditor-Controller
Jenine Windeshausen, County Treasurer-Tax Collector
Andy Heath, Deputy CEO – Budget and Finance

Study Area Map



ATTACHMENT 1

Keyser Marston Associates, Inc.
Scope of Work

A. Phase 1 Work Plan

Task 1a: Evaluating the IFD, CFD, and Impact Fee Funding Capacity of Sunset Industrial and Specific Plan Areas.

The purpose of this preliminary funding analysis is to estimate the order of magnitude of IFD bond, CFD bonds, revenue bonds and impact fees relative to the cost of needed infrastructure improvements. The analysis consists of: estimating the increment assessed value of the developments, annual property tax revenues that will be allocated to the County and the amount of debt that the property tax revenue stream could support. KMA will also assemble data to be provided by County staff regarding the magnitude of impact fee revenue that could be generated by the developments for needed infrastructure improvements.

This initial analysis will assess the funding capacity upon build-out of each of the Specific Plan areas and each land use within each Specific Plan Area. A cash flow analysis will be undertaken in Phase 2.

a. *Incremental Assessed Property Value* – Based on tax assessor data to be provided by County staff, KMA will identify the current assessed value of the subject properties. KMA will use available market data on home prices, land values, and construction cost estimates to estimate the potential incremental assessed value of the target properties. To the extent that specific plan applicants have undertaken market studies and defined development product types and construction costs, the information from those studies will be used in estimating future assessed values.

b. *Estimate of Property Tax Increment* – KMA will estimate annual property tax revenue that would potentially be generated by the new development and the share that would accrue to the County. At your request, we will also evaluate the magnitude of property tax in lieu of motor vehicle revenues (VLF) that would accrue to the County. Under the Governor's proposed Enhanced IFD Legislation, the County would be permitted to deposit VLF revenue generated by the IFD properties into the IFD.

c. *Estimate of Available Property Tax Increment for IFD* – Given that property tax revenues are a critical funding source for County services, it is likely that a portion of property tax increment will need to be retained by the General Fund. KMA will evaluate a range of diversion allocations to the IFD.

d. *Estimate of IFD Bonding/Leveraging Capacity* – KMA will estimate the bonding/leveraging capacity of the increment flow based on a range of underwriting assumptions and assumptions regarding the number and diversity of properties contained within the IFD.

ATTACHMENT 2
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e. *Estimate of Potential CFD Bonding Capacity* – KMA will review the use of CFDs throughout the area and the typical overall burden rate. Based on this analysis as well as the estimate of future property values, KMA will estimate the magnitude of CFD bonds that could be supported by the Specific Plan Properties, using a range of assumptions.

f. *Impact Fee Revenues* - County staff will estimate the magnitude of impact fee revenue that the Specific Plan areas could generate for infrastructure improvements. KMA will incorporate the County's revenue estimates into an overall revenue projection.

Task 1b: Schedule of Needed Infrastructure Improvements

KMA will assemble a schedule of needed infrastructure improvements based on information to be provided by project sponsors, draft CEQA documents, and County staff. Ideally, the schedule will list all public improvements needed to serve the Sunset Industrial Area and two (2) Specific Plan areas and provide the following for each improvement: its development cost, schedule, and distribution of benefit among the three areas,, and possibly adjoining communities.

Phase 1 Product

KMA will prepare a technical memorandum that will provide a general understanding of the West Placer's infrastructure needs and the potential joint funding capacity of IFDs, impact fees, revenue bonds and CFDs. This general information will enable the County to decide whether or not it would like to continue with Phase 2 to develop an overall financing plan for infrastructure for the Area. The memorandum will summarize the following for each of the three (3) areas:

- Projected assessed value;
- Projected annual property tax increment;
- Projected annual potential diversion of tax increment to IFD;
- IFD bonding capacity upon build-out of each land use component available for infrastructure improvements;
- Development impact fee revenue available for improvements;
- Revenue bond revenue available for improvements;
- CFD revenue that could potentially be available for improvements;
- List, cost, timing, and distribution of benefit of needed public infrastructure improvements; *and*
- Property tax increment available for ongoing County services.

B. Phase 2 Work Plan

In the second phase of the work program, an overall financing plan will be prepared for the West Placer Development Areas including the Sunset Industrial Area. This financing plan will incorporate the cost and revenue findings of the Phase 1 work program, refined timing assumptions and other potential revenue sources, such as other local funds, and project/developer funds. The financing plan will be prepared on a cash flow basis and will include the following components:

a. *Public Infrastructure/Facility Capital Costs* – KMA will summarize cost and schedule estimates for improvements needed by the two Specific Plans within the West Placer Development Area.

b. *Allocation of Benefit/Cost among Specific Plan Areas* - Based on information to be provided by County staff, KMA will estimate the distribution of benefit of each public improvement among the two Specific Plan areas, and, possibly among adjoining communities, as appropriate.

c. *Revenue Generating Capacity of Applicable Current County Impact Fees* – KMA will integrate the impact fee revenue projections into the financing plan.

d. IFD Funding Capacity – Based on the revenue analysis prepared in Phase 1, KMA will collaborate with County staff to examine the impacts of various allocations of property tax revenue (and possibly VLF revenue) to an IFD.

e. *Potential Special Tax (CFD)/Assessments Capacity* – Using valuation information developed in the Phase 1 work program as well as a review of the overall tax burden of other developments in the market area, KMA will estimate the magnitude of public infrastructure improvements that might be funded by a special tax (CFD) or special assessment districts, if necessary.

f. *Contributions from Local and State Funding Sources* – In collaboration with County staff, KMA will summarize the potential of local districts and State funds and the magnitude of funds that might be available to fund a portion of the Specific Plan Areas' public infrastructure/facilities costs.

g. *Optional Task: Private Development's Capacity for a one-time Contribution for Capital Costs and Public Benefits* – At your request and to the extent that sufficient development program is available, KMA will estimate the financial capacity that new development might have to make a one-time contribution to fund the Plan's capital costs and public amenities/benefits. As appropriate, KMA will also evaluate the potential value that could be created from modifications to regulatory controls, such as parking, density and/or other development incentives. The potential revenue from developer contributions will be included in the financing plan.

Product(s): A financing plan that features a cash flow projection of sources and uses of funds. The financing plan strategy will be designed as a planning tool that can be updated and refined over time as new conditions emerge.

C. Phase 3 Work Plan

If, following the completion of Phases 1 and 2, the County decides to proceed with adopting an IFD(s), KMA will prepare the IFP(s). During the course of the work, the number and boundaries of IFDs will be determined. Preparing the formal IFP for each IFD will involve: revising the tax increment and bonding capacity projection to reflect the properties that will be included in the IFD; preparing a detailed fiscal impact analysis reflecting the County's current budget; preparing a cash flow schedule of the public facilities to be funded partially by the IFD; preparing a range of tax increment allocation ranges to the IFD; and preparing the final IFP document.

Task 3a: Revise Projection of Property Tax Increment and bonding capacity

KMA will revise the projection prepared in Phase 2 to reflect the properties selected to be part of the IFD.

Task 3b: Fiscal Impact Analysis

KMA will prepare a fiscal impact analysis of the Specific Plan Area(s) to be included in the IFD(s). The fiscal impact analysis will include projected revenues and expenditure impacts to the County's General Fund. The purpose of the analysis is to demonstrate that the diversion of property tax increment (and possibly VLF revenue) to the IFD will not jeopardize the County's ability to provide on-going services to the IFD's new residents and businesses. The fiscal impact analysis will be prepared on a cash flow basis, consistent with the financing plan.

a. *Projection of Annual General Fund Revenues* - KMA will estimate the gross annual tax revenues and subvention revenues to be generated by the IFD to the County's General Fund. The major revenues that we expect to quantify include the following:

   - County's share of annual property tax revenues (net of diversion to the IFD);
   - County's share of property transfer taxes;
   - Property taxes in-lieu of motor vehicle fees (net of diversion to the IFD);
   - County's share of sales and use tax revenues;
   - Other applicable revenue sources, such as fines and forfeitures, etc.

b. *Annual General Fund Service Costs* – The second focus of the analysis is the evaluation of the County's annual General Fund operating and maintenance costs related to providing services such as sheriff protection, fire protection, and general County services. KMA will incorporate findings of available environmental impact reports, and input from County staff regarding the special service requirements of the IFD area. The major steps or tasks to identify costs are:

   - Prepare a set of basic cost factors derived from the County's budget;
   - Meet with representatives from the County's finance officials and, if appropriate, other departments to discuss the County's service standards, the revenue and cost

estimates derived from the budget, additional data needs, and any modifications that are needed to reflect the specific service requirements of the development within the IFD; and

- Prepare an estimate of recurring service costs to the County to be generated by the Preferred Plan.

c. *Prepare Cash Flow Analyses of General Fund Revenues and Costs* – KMA will combine the revenue and cost projections into a cash flow projection of net impacts on the County's General Fund.

d. *Preparation of Fiscal Impact Report* – The results of our fiscal impact analysis will be presented in a report to accompany the IFP.

Task 3c: Infrastructure Financing Plan

KMA will prepare an Infrastructure Financing Plan (IFP) in accordance with California Government Code Section 53395.1. The IFP will contain the following:

- A map of the proposed district;
- A description of the public improvements and facilities required to serve the development proposed in the district;
- A finding that the public facilities are of communitywide significance;
- The maximum portion of the incremental tax revenue allocated to the County of Placer that is proposed to be committed to the district;
- A 30 year projection of increment;
- Limitation on the number of tax increment dollars to be allocated to the district;
- A plan for financing the public facilities to be assisted by the district, including a detailed description of any intention to incur debt;
- A date on which the IFP will end, to not exceed 30 years; and
- An analysis of the fiscal impacts on Placer County.