

# MACKAY & SOMPS

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April 11, 2011

Mr. Kenneth Payne, Chief Environmental and Water Resources Development  
Mr. David Miller, Community Development Director  
City of Folsom  
50 Natoma Street  
Folsom, California 95630

Re: Folsom Specific Plan

Dear Mr. Payne,

This letter summarizes my opinion regarding the economic feasibility of the Proposed Project and the Land Use Alternatives contained in the Draft Environmental Impact Report/Statement dated June 2010 (State Clearing House #2008092051). In comparing each of the four Alternative Land Use Plans to the Proposed Project, I concluded that for numerous reasons explained in the body of this letter that none of the Alternatives are feasible.

I am a registered civil engineer in the State of California and specialize in the planning, design and construction of large scale land development projects. I have 34 years of experience in the land development profession as a design engineer and planner, all with the firm of MacKay & Soms Civil Engineers, Inc. I have served as the President of the firm since 2006. The firm has been involved in land developments throughout Northern California for over 57 years.

I have been involved in land development projects in the Sacramento region since 1984. In addition to my duties in planning, entitling, designing and constructing land development projects I have experience in financing of infrastructure. I have been instrumental in the preparation of Infrastructure Financing Plans for numerous projects in the greater Sacramento Region including the Antelope Community Plan, the Elk Grove-West Vineyard Community Plan, the East Elk Grove Specific Plan, the North Vineyard Specific Plan which are all located in Sacramento County, the Del Webb Roseville Specific Plan and the Highland Reserve Specific Plan both in Roseville, the Twelve Bridges Specific Plan in Lincoln and the Placer Vineyards Specific Plan in Placer County.

## Proposed Project

The Proposed Project has been designed to meet the anticipated housing, commercial, recreational, office and employment needs which will occur in the City of Folsom over

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the next few decades. The plan contains 10,210 residential dwelling units and approximately 5.2 million square feet of space for uses other than residential dwellings. The specific plan is designed as a self-sufficient and pedestrian-oriented community with transportation choices to respond to the changing demographics of the future population anticipated for the City of Folsom. The diversity of housing and product types proposed would provide development at densities which are consistent with smart growth principles. The proposed mix of housing in the plan is different from the current mix in the region, which is dominated by low density, single family homes. The Proposed Project would shift the City's mix to about a 50/50 mix of single-family and multi-family housing types, which is responsive to the changing demographics of the region. The mix continues to include a sufficient amount of traditional single-family residential dwellings to meet the ongoing expected market desires, but also includes a substantial number of medium-density dwellings (7-12 du/acre), as well as a healthy component of higher density dwellings. These medium-density products are neither traditional apartments nor condominiums, but rather, smaller, less expensive products designed to satisfy the needs of a changing demographic which include an aging population, many single parents, working couples and a growing interest in a housing type more accessible to nearby walkable services.

The infrastructure burden that a project must absorb can be used as a test to determine the financial viability of the development. Generally infrastructure burdens that fall within a range of 15-20% of the expected sales price are considered feasible. Projects required to bear an infrastructure burden in excess of 20% tend to be outside the acceptable range. Based upon the infrastructure burden analysis prepared by Kosmont Companies dated April 4, 2011 (attached), overall, the Proposed Project has infrastructure burdens averaging 19.1%, which satisfies this test of economic feasibility. The infrastructure burdens on the residential land uses range from 17.9% to 19.9%. These clearly fall within the normally acceptable range. While the non-residential land uses exceed this test, they only exceed it by a small margin. The non-residential land uses were assessed valuation only, which represents a quarter of the total for the Proposed Project. Overall, the average project burden is considered acceptable.

**Conclusion:** The Proposed Project is economically feasible.

### No USA Corps of Engineers Permit Alternative

This Alternative contains approximately 3,800 fewer dwellings units and over 700,000 square feet less of non-residential building space than the Proposed Project. The infrastructure burden on this Alternative as compared to the Proposed Project increases by over \$400,000,000. The significant additional costs involved in developing this Alternative result from the need to construct numerous roadway bridge crossings to span all of the biological resources. Additional costs would be incurred due to the irregular shape of parcels, the need to fence off the preserved wetland resources, and additional grading and retaining walls to match the existing terrain. All land use categories would

exceed the 20% test for economic feasibility. This Alternative would result in an average ratio of infrastructure burden to expected sales price of over 40%. This is clearly outside the normally acceptable range of feasibility. Thus, based on my experience, a reasonable and prudent developer would not construct a development with this level of infrastructure burden due to the difficulty of financing and constructing this type of project.

Conclusion: This Alternative is economically infeasible.

### Centralized Development Alternative

This Alternative consists of approximately 1,000 fewer residential dwelling units than the Proposed Project and fewer than 36% of the units in the single-family dwelling unit category. This lower percentage of single-family units will not meet the expected market demand and thus does not achieve a key objective of the Proposed Project. The infrastructure burden analysis indicates that the residential land uses infrastructure burdens on development under this Alternative range from 20.1% to 22.2% which moderately exceed the acceptable range. For five of the six non-residential land uses, the burdens far exceed 20%. This results in an overall average burden ratio of 21.3% which exceeds the acceptable range of feasibility.

Conclusion: This Alternative is economically infeasible.

### Reduced Hillside Alternative

This Alternative increases the overall residential dwelling unit total to 11,553 units, but consists of only 23% of the units in the single-family category. This is not consistent with the project objective of providing a marketable and healthy mix of residential land uses. The percentage of land uses in the multi-family categories increases to over 73%, which vastly oversupplies the expected demand. While the demographics point toward a need for an increasing amount of units in these categories, this alternative goes too far in providing higher density products and would likely render the project unmarketable. In addition it is not consistent with the balance of the existing Folsom community and likely would meet resident and political opposition.

Although the infrastructure burdens on development under this Alternative average 19.9% when compared to the expected sales price, which just meets the cutoff for the feasibility test, this ratio is at the absolute highest end of the normally acceptable range. This indicates that the economic feasibility of all the land uses is only marginally economically feasible, even assuming the mix of land uses were marketable, which, as stated above, is probably not.

Conclusion: This Alternative is economically infeasible based on potential marketability and an infrastructure burden at the very highest end of the normally acceptable range.

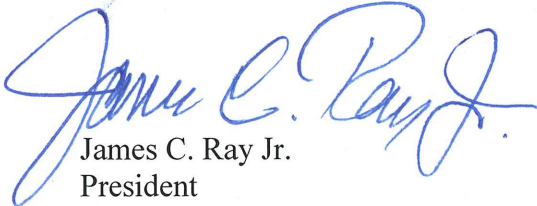
### Resource Impact Minimization Alternative

This Alternative has approximately 2,000 fewer residential dwelling units and over 1,400,000 square feet less of non-residential building space with an infrastructure burden of over \$230,000,000 when compared to the Proposed Project. The infrastructure burden ratio to the expected sales price averages 30.6% and greatly exceeds the normally acceptable criteria for feasibility. The infrastructure burden across all land use categories ranges from 26.2% to 48%, and thus every land use category exceeds the acceptable range. Clearly this alternative fails the economic feasibility test.

Conclusion: This Alternative is infeasible.

Let me know if you have any questions regarding my analysis or conclusions.

Sincerely,  
MacKay & Somps Civil Engineers, Inc.



James C. Ray Jr.  
President

Encl: Draft Kosmont Companies  
Infrastructure Burden Analysis for the Folsom SOI

Folsom SOI  
Developer Fee Burden  
Project Alternative Cost Comparison & Adjustments

	Wrk Budget Project (March 2011, S&U Format)	Proposed Project w/Wrk Budget Adjustments	Proposed Project w/Wrk Budget + Cost Adjustments	No USA COE Permit	Centralized Development	Reduced Hillside Development	Resource Impact Minimization
Total Major Roads	94,500,024	105,000,027	94,500,024	715,758,419	86,002,657	72,837,639	445,950,403
Total Secondary Roads	27,500,410	67,556,009	27,500,410	51,342,015	27,097,777	19,562,795	26,350,031
Total Signals at Intersections	7,654,500	8,505,000	7,654,500	7,654,500	7,654,500	7,654,500	7,654,500
Total Interchanges	49,760,000	55,288,889	49,760,000	49,760,000	49,760,000	49,760,000	49,760,000
Total Dry Utilities	15,300,000	17,000,000	15,300,000	15,300,000	15,300,000	15,300,000	15,300,000
Total Project Specific Roads	194,714,934	253,349,924	194,714,934	839,814,934	185,814,934	165,114,934	545,014,934
Total Other Road Obligations	121,713,104	121,713,104	121,713,104	121,713,104	121,713,104	121,713,104	121,713,104
Total - Backbone Roads	316,428,038	375,063,028	316,428,038	961,528,038	307,528,038	286,828,038	666,728,038
Total Storm Drains	19,970,911	22,129,696	19,970,911	19,370,911	29,370,911	40,970,911	19,370,911
Total Sewer	88,998,231	82,945,547	88,998,231	88,298,231	82,798,231	88,498,231	85,998,231
Total Potable Water	203,748,267	195,500,871	203,748,267	193,148,267	194,748,267	202,248,267	189,648,267
Total Non-Potable Water	20,523,936	20,523,936	20,523,936	20,523,936	20,523,936	20,523,936	20,523,936
<b>Subtotal Backbone Infrastructure Cost</b>	<b>649,669,383</b>	<b>696,163,078</b>	<b>649,669,383</b>	<b>1,282,869,383</b>	<b>634,969,383</b>	<b>639,069,383</b>	<b>982,269,383</b>
Total Library	2,579,920	5,500,000	2,579,920	2,579,920	2,579,920	2,579,920	2,579,920
Total Corp. Yard	28,000,000	4,100,000	28,000,000	28,000,000	28,000,000	28,000,000	28,000,000
Total Muni Services	-	5,500,000	-	-	-	-	-
Total Police	5,267,040	10,400,000	5,267,040	5,267,040	5,267,040	5,267,040	5,267,040
Total Fire	12,421,701	12,421,701	12,421,701	12,421,701	12,421,701	12,421,701	12,421,701
Total Parks	80,262,500	121,800,000	80,262,500	43,262,500	71,962,500	117,062,500	64,162,500
Total Trails	18,370,000	25,100,000	18,370,000	18,370,000	18,370,000	18,370,000	18,370,000
Total Transit	28,100,000	28,100,000	28,100,000	28,100,000	28,100,000	28,100,000	28,100,000
Total Schools	350,305,000	350,305,000	350,305,000	219,321,391	310,705,304	444,735,043	274,151,739
Total Habitat	30,000,000	30,000,000	30,000,000	11,200,000	26,600,000	31,300,000	27,300,000
Total Other Building Permit Fees	32,359,705	18,300,000	32,359,705	23,023,244	29,040,237	33,474,449	25,614,839
<b>Total Public Facilities</b>	<b>587,665,866</b>	<b>611,526,701</b>	<b>587,665,866</b>	<b>391,545,796</b>	<b>533,046,702</b>	<b>721,310,654</b>	<b>485,967,739</b>
<b>Total Costs</b>	<b>1,237,335,249</b>	<b>1,307,689,779</b>	<b>1,237,335,249</b>	<b>1,674,415,179</b>	<b>1,168,016,086</b>	<b>1,360,380,037</b>	<b>1,468,237,122</b>
Delta From Working Wrk Budget	-	70,354,530	-	437,079,930	(69,319,164)	123,044,788	230,901,873
Average Burden	17.7%	17.7%	19.1%	40.9%	21.3%	19.9%	30.6%
Average Burden w/CFD	13.8%	13.8%	15.2%	37.2%	17.6%	16.0%	26.7%

The analyses, projections, assumptions, rates of return, and any examples presented herein are for illustrative purposes and are not a guarantee of actual and/or future results. Project pro forma and tax analyses are projections only. Actual results may differ materially from those expressed in this analysis.



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Folsom SOI  
Land Use/Value Assumptions

Land Use Tables

	RESIDENTIAL UNITS				COMMERCIAL ACRES							
	SF	SFHD	MLD	MMD	MHD	MU-R	MU-C	OP	GC-O	GC-C	CC	RC
Proposed Project w/Wrk Budget + Cost Adjustments	10,210	1,687	2,933	2,434	1,224	1,251	681	59.1	89.2	213.1	38.9	110.8
No USA COE Permit	6,373	2,388	1,127	1,323	981	210	344	28.7	73.9	177.6	7.2	131.7
Centralized Development	9,026	641	2,602	2,542	2,044	764	433	36.1	112.8	186.6	15.4	133.6
Reduced Hillside Development	11,553	989	1,619	3,866	2,314	2,380	385	36.1	111.8	210.1	15.4	133.6
Resource Impact Minimization	7,965	1,513	2,703	2,213	942	287	307	25.6	52.1	161.3	15.4	110.7
SF/ACRE		3,485	13,068	9,628	9,635	10,890	12,197					

Total Unit/SF

	RESIDENTIAL UNITS				COMMERCIAL SF							
	SF	SFHD	MLD	MMD	MHD	MU-R	MU-C	OP	GC-O	GC-C	CC	RC
Proposed Project w/Wrk Budget + Cost Adjustments	5,199,409	205,952	1,165,666	512,919	1,539,846	423,621	1,351,405					
No USA COE Permit	4,461,264	100,014	965,726	427,473	1,263,325	78,408	1,606,318					
Centralized Development	5,194,564	125,801	1,474,071	449,135	1,348,359	167,706	1,629,492					
Reduced Hillside Development	5,407,869	125,801	1,461,003	505,698	1,518,168	167,706	1,629,492					
Resource Impact Minimization	3,841,728	89,211	680,843	388,239	1,165,543	167,706	1,350,185					

Assessed Valuation

	RESIDENTIAL VALUES				COMMERCIAL VALUES							
	SF	SFHD	MLD	MMD	MHD	MU-R	MU-C	OP	GC-O	GC-C	CC	RC
Original Base \$/SF	206.1	200.4	249.9	266.3	247.6	247.6	247.6	194.8	176.0	202.0	201.5	246.0
Current Base \$/SF	200.0	200.0	250.0	250.0	250.0	250.0	250.0	194.8	176.0	202.0	201.5	246.0
SF/Unit	2,500	2,000	1,375	1,075	925	925	1	1	1	1	1	1
Base A/V	500,000	400,000	343,750	268,750	231,250	231,250	195	176	202	202	202	246

CFD

	Residential	Commercial
CFD Rate	0.50%	\$ - \$/SFYR
Bond Multiplier	10	10

Proposed Project w/Wrk Budget + Cost Adjustments

	Inflator	CFD	CFD Rate	CFD Rate	CFD Rate	CFD Rate	CFD Rate	CFD Rate	CFD Rate	CFD Rate	CFD Rate	CFD Rate
No USA COE Permit	5.0%	525,000	420,000	360,938	282,188	242,813	242,813	242,813	242,813	242,813	242,813	246
Centralized Development	0.0%	500,000	400,000	343,750	268,750	231,250	231,250	231,250	231,250	231,250	231,250	246
Reduced Hillside Development	0.0%	500,000	400,000	343,750	268,750	231,250	231,250	231,250	231,250	231,250	231,250	246
Resource Impact Minimization	5.0%	525,000	420,000	360,938	282,188	242,813	242,813	242,813	242,813	242,813	242,813	246

AV Sensitivity / Burden Analysis	
-10.0%	5.0%
-5.0%	0.0%
0.0%	19.8%
5.0%	19.1%
10.0%	18.4%
15.0%	18.4%
20.0%	19.1%
25.0%	19.1%
30.0%	19.1%
35.0%	19.1%
40.0%	19.1%
45.0%	19.1%
50.0%	19.1%

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**Folsom SOI  
Model Adjustments**

SF/Unit	RESIDENTIAL UNITS				MUR-R
	SF	SFHD	MLD	MMD	
Original	2,183	2,183	1,200	939	939
Ratio of SF Proposed	100%	80%	55%	43%	37%
	2,500	2,000	1,375	1,075	925

6.24 /SF of Residential

MU-C	OP	COMMERCIAL ACRES				RC
		GC-O	GC-C	CC	CC	
1	1	1	1	1	1	1
1	1	1	1	1	1	1

0.47 /SF of Commercial

Burden	Product Type % of Project										Avg Based on AV
	Proposed Project	No USA COE Permit	Centralized Development	Reduced Hillside Development	Resource Impact Minimization	MU-C	OP	GC-O	GC-C	CC	
17.9%	18.9%	19.7%	18.9%	19.7%	19.7%	21.9%	20.4%	21.9%	21.9%	22.0%	15.6%
32.7%	33.6%	38.4%	38.4%	39.3%	39.3%	64.7%	60.0%	69.2%	69.2%	69.4%	45.4%
20.1%	21.1%	22.2%	21.1%	22.0%	22.0%	23.7%	22.3%	23.9%	23.9%	24.0%	16.9%
19.1%	20.1%	21.0%	19.8%	20.7%	20.7%	20.4%	19.4%	20.5%	20.5%	20.6%	14.9%
26.2%	27.2%	30.1%	29.7%	30.5%	30.5%	45.5%	42.2%	47.9%	47.9%	48.0%	30.6%

Product Type % of Project	Product Type % of Project										Avg Based on SF
	Proposed Project	No USA COE Permit	Centralized Development	Reduced Hillside Development	Resource Impact Minimization	MU-C	OP	GC-O	GC-C	CC	
19.4%	27.0%	15.4%	6.1%	5.3%	2.9%	0.9%	5.4%	2.4%	7.1%	1.9%	6.2%
37.1%	14.0%	11.3%	6.6%	1.2%	2.0%	0.6%	6.0%	2.7%	8.0%	0.5%	10.0%
8.5%	27.7%	18.6%	11.7%	3.8%	2.1%	0.7%	7.8%	2.4%	7.2%	0.9%	8.7%
11.5%	15.1%	24.7%	11.6%	10.2%	1.7%	0.6%	6.8%	2.4%	7.1%	0.8%	7.6%
21.4%	30.7%	17.3%	5.7%	1.5%	1.6%	0.5%	3.9%	2.2%	6.6%	1.0%	7.7%

Total SF	Total SF										
	Original Base	Proposed Project (Balanced)	No USA COE Permit	Centralized Development	Reduced Hillside Development	Resource Impact Minimization	MU-C	OP	GC-O	GC-C	CC
3,681,956	6,401,409	2,920,800	1,149,054	1,174,401	639,302	205,952	1,165,666	512,919	1,539,846	423,621	1,351,405
4,217,500	5,866,000	3,346,750	1,315,800	1,157,175	629,925	205,952	1,165,666	512,919	1,539,846	423,621	1,351,405
5,970,000	2,254,000	1,819,125	1,054,575	194,250	318,200	100,014	965,726	427,473	1,283,325	78,408	1,606,318
1,602,500	5,204,000	3,495,250	2,197,300	706,700	400,525	125,801	1,474,071	449,135	1,348,359	167,706	1,629,492
2,472,500	3,238,000	5,315,750	2,487,550	2,201,500	356,125	125,801	1,461,003	505,698	1,518,168	167,706	1,629,492
3,782,500	5,406,000	3,042,875	1,012,650	265,475	283,975	89,211	690,843	388,239	1,165,543	167,706	1,350,185

The analyses, projections, assumptions, rates of return, and any examples presented herein are for illustrative purposes only. Actual results may differ materially from those expressed in this analysis.

**James C. Ray, Jr.:** Principal and President  
Registered Civil Engineer, California and Nevada  
BS in Civil Engineering, Stanford University

**34 Years of Civil Engineering and Land Development Experience**

**Specialty:**

Planning, Engineering, Entitlement and Problem Solving for Large Land Development Projects

**History:**

Jim has worked for MacKay & Soms for 34 years, beginning as a Junior Engineer in the San Jose office in 1976. In 1984, Jim was selected to manage the Sacramento office. He took a staff of five under his direction and grew it to over fifty people. In 1989, Jim established a Roseville branch office to provide services in burgeoning Placer County. The two offices were consolidated in 2009 and currently employ 30 full time employees. He became a Principal of the firm in 1992 and was elected President in 2006.

**Experience:**

For the past 26 years, Jim has had detailed involvement in the growth and development of the greater Sacramento area. From 1984 to present, Jim has provided political, planning and engineering expertise for many projects and clients. He had a significant role in all of the projects listed below:

Antelope Community Plan	Sacramento County
Lake Forest Specific Plan	El Dorado County
Elk Grove/West Vineyard Community Plan	Sacramento County
North Central Roseville Specific Plan	Roseville
Southeast Woodland Specific Plan	Woodland
Sun City Roseville/Del Webb	Roseville
East Antelope Specific Plan	Sacramento County
Highland Reserve North Specific Plan	Roseville
East Elk Grove Specific Plan	Sacramento County
Elverta Community Plan	Sacramento County
Twelve Bridges Specific Plan	Lincoln
Sun City Lincoln Hills	Lincoln
North Vineyard Station Specific Plan	Sacramento County
Placer Vineyards Specific Plan	Placer County
Regional University Specific Plan	Placer County
Sun City Tehama	Tehama County
Florin-Vineyard Community Plan	Sacramento County
Folsom Specific Plan	Folsom
Easton/Glenborough Community Plan	Sacramento County



**Regional Efforts:**

Since 1993, Jim has represented the Building Industry Association on the Sacramento Water Forum, a consensus effort to develop a water supply plan through 2030 for Sacramento, El Dorado and Placer Counties. This historic agreement, approved in 2000, established the framework to permit healthy economic development while preserving the environmental values of the American River. Jim is continuing his role as water agencies implement and construct projects to deliver water. Through his participation, Jim helped forge a valuable agreement for the region. He also developed significant regional water supply knowledge and established working relationships with every major water purveyor in the area.

Jim has been involved in transportation planning throughout the region. He participated in the development of the Sacramento Area Council of Governments' "Blue Print" process which established a long term land use and transportation plan for the six county region. He is active in drainage master planning and represented land owners in the development of the Alder Creek Watershed Management Plan in the City of Folsom. He has provided his expertise on numerous infrastructure and financing plans for large scale land development projects.

**Community and Professional Efforts:**

Jim has been very active with the Building Industry Association of Superior California. He has chaired their Sacramento Area Council, served on the Board of Directors and currently is a member of the Building Industry Political Action Committee. Jim has been recognized for his efforts with several awards including Associate of the Year in 1995, Achievement Award in 2000 and Meritorious Award in 2004.

Jim has been active in the Consulting Engineers and Land Surveyors of California (CELSOC). He has served on the State Board of Directors and is a past president of the local Sierra Chapter. Jim is a member of American Public Works Association.

Jim has assisted the Metro Chamber of Commerce with Water Resources issues, including participation in the cap-to-cap lobbying trip.