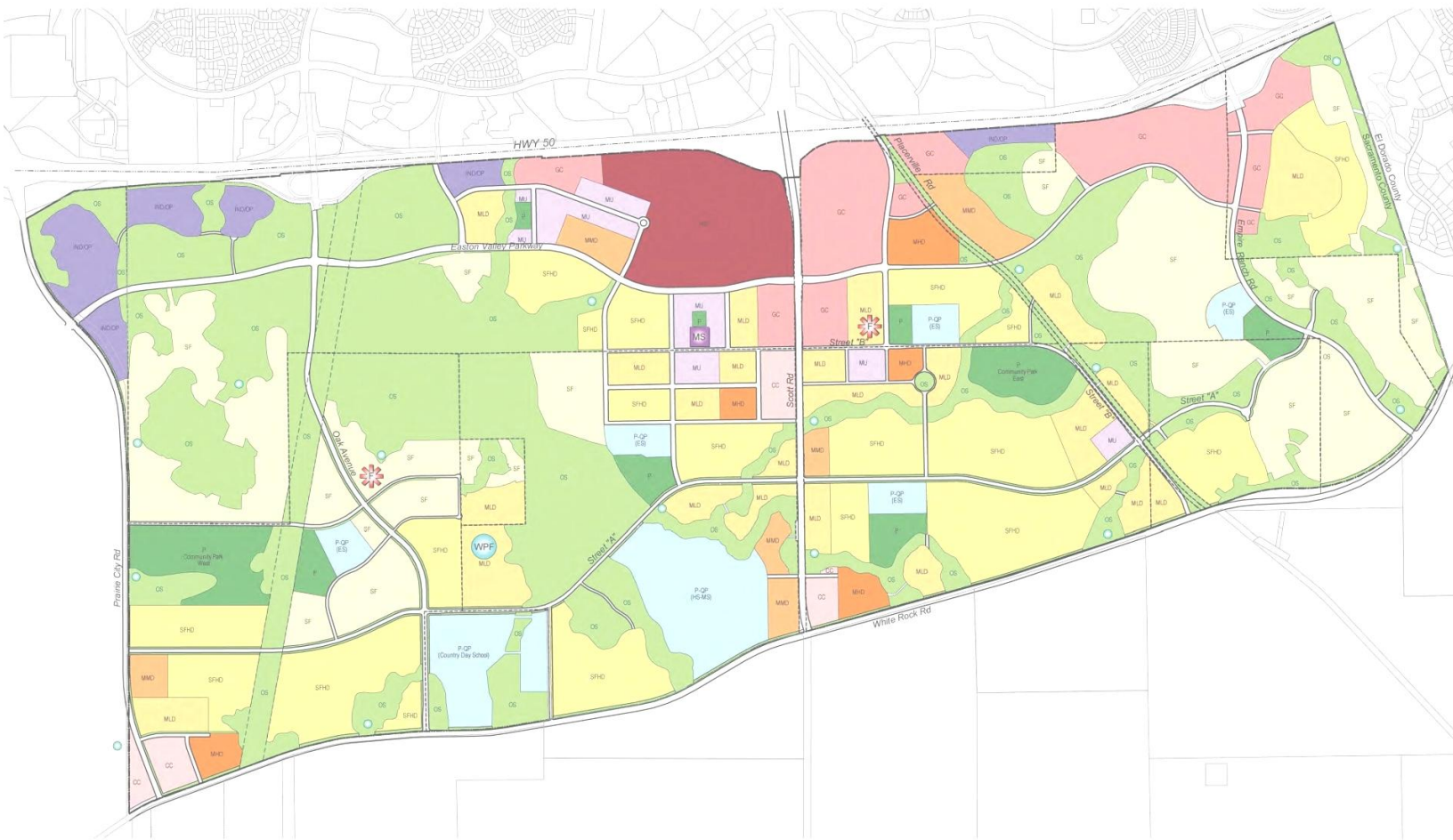


# FOLSOM PLAN AREA SPECIFIC PLAN

## PUBLIC FACILITIES FINANCING PLAN - ADDENDUM



**MAY 2011**



**KOSMONT COMPANIES**

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CITY OF FOLSOM  
Memorandum

Date: May 18, 2010

Subject: Folsom Specific Plan Area: *Public Facilities Financing Burden Analysis*, and Economic Feasibility Comparison Summary of the Proposed Project and various Alternative Land Use Scenarios

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In June, 2010, a Public Facilities Financing Plan (PFFP) was prepared by Economic & Planning Systems (EPS) for the Folsom Specific Plan (FSP). The PFFP included costs for the capital improvements necessary for the buildout of the FSP (see Appendix A). The EPS PFFP indicated a total capital facilities cost of \$1,337,900,000, and also identified the various revenue and funding sources to be used to fund the capital facilities that does not include funds from City revenue sources identified for the existing City services and facilities.

During the past year, the City with Kosmont Companies has worked to refine the required improvements and the associated capital costs. A summary of this work effort is contained herein to reflect the reduced capital facilities cost of \$1,237,000,000. In addition, this addendum contains a comparison of the capital facilities costs required of the four alternative land use plans analyzed by the EIS/EIR for the project.

The four project alternative analysis is based on project costs ranging from \$1,168,000,000 for the *Centralized Development* alternative to \$1,674,000,000 for the *No U.S. Army Corps of Engineers Permit* alternative. The financial burden for each land use in each alternative, as a percentage of the anticipated market value of the ultimate end product (i.e., homes, condominiums, apartments, office buildings of retail structures) was used as a test of financial feasibility based on the comparison of the total infrastructure cost burden compared to the selling price of a home or building. Percentages greater than 15% to 20% are considered financially feasible. For the FSP, the analysis showed that the project average infrastructure cost burden is 19.1%. The other alternatives averaged between 19.9% and 40.9%. Thus, the project is deemed financially feasible and one of the alternatives, the Centralized Development Alternative is deemed marginally feasible but the other three land use alternatives fall out of the range of acceptability. Thus, the proposed project represents the most economically feasible alternative.

Other measures for project feasibility include meeting the desires of the marketplace for housing types; meeting the community's goals under the City's General Plan for land use intensities, and developing a land use plan that is able to provide desired amenities and levels of service expected by the community. The Appendices also include letters and memorandums from qualified professionals providing their opinion about the financial feasibility of the project and the alternatives.

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# Folsom Specific Plan Area Specific Plan

## May 2011 Addendum to:

### June 2010 Public Facilities Financing Plan

**Background:** The City of Folsom retained Kosmont Companies (“Kosmont”) to assist in the City’s evaluation of the cost, potential impact fee burden, and general financial feasibility analysis of the development of backbone infrastructure anticipated to be required pursuant to the build-out of the Folsom Plan Area Specific Plan (“Project”).

In June of 2010 Economic & Planning Systems, Inc. (“EPS”) prepared a Public Facilities Financing Plan for the Project which included a summary of the proposed Project profile, cost estimates for required infrastructure, and potential sources of funding to support the build-out of Project infrastructure.

This document serves as an addendum to the June 2010 EIR Public Review Draft of the Folsom Plan Area Specific Plan Public Facilities Financing Plan prepared by EPS (“EPS Report”) included in Appendix D. This addendum includes updated cost estimates and revisions to the summary tables provided in the EPS Report as well as a brief discussion of the general financial feasibility of the proposed Project, and alternative development profiles included in the Environment Impact Report (“EIR”) prepared for the Project.

The updated figures and alternative development backbone infrastructure cost estimates provided herein are based on updates to anticipated backbone infrastructure scope and the cost of same. The analysis is based on discussions with City staff, consultants and engineering teams, including a review by MacKay & Soms (Appendix C).

**Organization:** This document contains two primary sections. The first section provides updates to the three tables provided in the EPS Report based on current cost estimates. The second section briefly discusses the general financial feasibility of the proposed Project and development alternatives provided in the EIR for the Project.

## Section 1 - Updated Tables to EPS Report

The three tables that follow are updates to Tables 1-1, 1-2, and 1-3 in the EPS Report. While the build-out values included in Table 1-1 have not been modified from the original figures in the EPS Report (Appendix D), Table 1-1 is included in this addendum for ease of reference. Also for reference, the preliminary estimated cost at build-out in the EPS Report totaled approximately \$1.38 billion while the current estimate is approximately \$140 million lower at \$1.24 billion. The tables summarizing the land use assumptions and infrastructure costs are included in Appendix A.

**Table 1-1**  
**Folsom Plan Area Specific Plan - May 2011 PFFP Addendum**  
**Land Use Summary**

Land Use	Build-Out		
	Acres	Estimated D/U	Bldg. SF
<b>Residential</b>			
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	35.5	681	-
<b>Residential Subtotal</b>	<b>1,509.4</b>	<b>10,210</b>	
<b>Commercial</b>			
Mixed Use District (MU) - Commercial	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
Community Commercial (CC)	38.8	-	423,621
Regional Commercial (RC)	110.8	-	1,351,405
<b>Commercial Subtotal</b>	<b>450.9</b>	<b>-</b>	<b>5,199,409</b>
<b>Total Developable</b>	<b>1,960.3</b>	<b>10,210</b>	<b>5,199,409</b>
<b>Non-Developable Land Uses</b>	<b>1,550.1</b>	<b>-</b>	<b>-</b>
<b>Total Land Uses</b>	<b>3,510.4</b>	<b>10,210</b>	<b>5,199,409</b>

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.

**Table 1-2  
Folsom Plan Area Specific Plan - May 2011 PFFP Addendum  
Summary of Estimated Infrastructure Improvement Costs (2010\$)**

Improvement	Preliminary Estimated Cost at Build-Out
<b>Backbone Infrastructure Improvements</b>	
Backbone Roads	
Project Specific Roads	194,714,934
Other Road Obligations	121,713,104
<b>Adjusted Subtotal Backbone Roads</b>	<b>316,428,038</b>
Sewer	88,998,231
Storm Drainage	19,970,911
Potable Water	203,748,267
Non-Potable Water	20,523,936
<b>Subtotal Backbone Infrastructure</b>	<b>649,669,383</b>
<b>Public Facility Improvements</b>	
Library	2,579,920
Municipal Services Center	-
Police Facilities	5,267,040
Fire Facilities	12,421,701
Corporation Yard	28,000,000
Parks	80,262,500
Trails	18,370,000
Transit	28,100,000
Schools	350,305,000
Habitat & Agricultural Mitigation	30,000,000
Other Building Permit Fees	32,359,705
<b>Subtotal Public Facility Improvements</b>	<b>587,665,866</b>
<b>Total Estimated Cost</b>	<b>\$ 1,237,335,249</b>

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.

**Table 1-3  
Folsom Plan Area Specific Plan - May 2011 PFFP Addendum  
Infrastructure Funding Capacity Analysis  
Estimated Infrastructure Costs and Sources of Funding: Build-Out (2010\$)**

Improvement	Estimated Cost	Build-Out Funding Sources				
		Existing City Fees	FPASP Financing District	Special Financing	Existing City Fees - Paid to Other Agencies	Other City Funds and Outside Funding
<b>Backbone Infrastructure Improvements</b>						
Backbone Roads						
Project Specific Roads	194,714,934					
Other Road Obligations	121,713,104					
<b>Adjusted Subtotal Backbone Roads</b>	<b>316,428,038</b>	X	X	X	X	X
Sewer	88,998,231	X	X	X		
Storm Drainage	19,970,911		X	X		
Potable Water	203,748,267		X	X		
Non-Potable Water	20,523,936		X	X		
<b>Subtotal Backbone Infrastructure</b>	<b>649,669,383</b>					
<b>Public Facility Improvements</b>						
Library	2,579,920		X			
Municipal Services Center	-					
Police Facilities	5,267,040	X				
Fire Facilities	12,421,701	X				
Corporation Yard	28,000,000	X				X
Parks	80,262,500		X			
Trails	18,370,000		X			X
Transit	28,100,000	X	X			X
Schools	350,305,000				X	
Habitat & Agricultural Mitigation	30,000,000		X			
Other Building Permit Fees	32,359,705	X				
<b>Subtotal Public Facility Improvements</b>	<b>587,665,866</b>					
<b>Total Estimated Cost</b>	<b>\$ 1,237,335,249</b>					

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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## **Section 2 - General Financial Feasibility of Proposed Project and EIR Alternatives**

The cost of backbone infrastructure will be paid for through existing City fees levied on developments within the Project, special developer fees specific to the Project, and other funding sources external to the City. If the total burden of fees to the property owner and/or developer is too great then Project development and build-out may be financially infeasible. In general, historical experience indicates that total development fees in a range of up to 15 - 20% of development value are considered financially feasible. However, it should be noted that while this burden metric is a general indicator of potential financial feasibility, it is but one component of financial feasibility which is also reliant on an alignment of other factors including but not limited to appropriate ratios of development product type, product pricing, and product demand.

The general financial feasibility of the proposed Project, and development alternatives discussed in the Project EIR were evaluated against this 15 - 20% total burden benchmark. The alternatives evaluated were development without a United States Army Corps. Of Engineers (“USACOE”) permit, a centralized development alternative, a reduced hillside alternative, and a resource impact minimization alternative. A detailed description of each alternative can be found in the Project EIR. A discussion of the estimated developer fee burden and general financial feasibility of the proposed Project and each of these alternatives based on the burden metric follows. The tables showing the burden and project alternative comparisons are included in Appendix B.

### **Proposed Project**

The estimated average developer fee burden under the proposed Project is approximately 19.1%. The burden for residential development ranges from 17.9 - 19.8%, and the burden for commercial development ranges from 16.0 – 22.7%. While much of the commercial burden exceeds the general 20% threshold, total commercial value is less than one-quarter of total development value, and the average burden across the Project is less than 20%. As such the proposed Project is generally considered financially feasible.

### **No USACOE Permit**

The estimated average developer fee burden under the No USACOE Permit alternative is approximately 41.2%. This burden is high primarily due to increased bridge and roadway costs and reduced build-out capacity contemplated under this alternative. The burden for residential development ranges from 32.1 – 39.2%, and the burden for commercial development ranges from 47.3 – 71.3%. The No USACOE Permit

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alternative is generally considered financially infeasible given the relatively high developer fee burden.

### **Centralized Development**

The estimated average developer fee burden under the Centralized Development alternative is approximately 21.4%. This burden is higher than the proposed Project primarily due to reduced build-out capacity contemplated under this alternative. The burden for residential development ranges from 20.3 – 22.3%, and the burden for commercial development ranges from 17.3 – 25.0%. Given that the average burden level is above 20% and is relatively high for the primary residential components of build-out, the Centralized Development alternative is generally considered financially infeasible.

### **Reduced Hillside Development**

The estimated average developer fee burden under the Reduced Hillside Development is approximately 19.9%. The burden for residential development ranges from 19.1 – 21.4%, and the burden for commercial development ranges from 15.2 – 21.9%. The average burden is below the 20% threshold, and therefore this alternative would typically be considered financially feasible. The general financial feasibility of the Reduced Hillside Development alternative is considered marginal. The burden is essentially at the 20% threshold, and a significant majority of the proposed product types exceed the 20% threshold.

### **Resource Impact Minimization**

The estimated average developer fee burden under the Resource Impact Minimization alternative is approximately 30.9%. This burden is higher than the proposed Project primarily due to increased roadway costs and reduced build-out capacity contemplated under this alternative. The burden for residential development ranges from 26.3 – 30.5%, and the burden for commercial development ranges from 32.9 – 49.1%. Given the average burden is well above 20%, the Resource Impact Minimization alternative is generally considered financially infeasible.



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## APPENDICIES

- A. May 2011 PFFP Project Costs Tables - Addendum
  - a. Land Use Summary
  - b. Summary of Estimated Infrastructure Improvement Costs
  - c. Summary of Estimated Infrastructure Improvement Costs w/ Funding Sources
- B. May 2011 PFFP Alternative Comparison Tables - Addendum
  - a. Project Alternative Cost Comparison & Adjustments
  - b. Project Alternative Cost Comparison & Adjustments for Alternatives
  - c. Developer Fee Burden, March 2011 for Base Alternative
  - d. Developer Fee Burden, March 2011 for “No USACOE Permit Alternative”
  - e. Developer Fee Burden, March 2011 for “Centralized Development Alternative”
  - f. Developer Fee Burden, March 2011 for “Reduced Hillside Development Alternative”
  - g. Developer Fee Burden, March 2011 for “Resource Impact Minimization Alternative”
- C. April 11, 2011 Letter to Kenneth V. Payne from James C. Ray, MacKay & Soms regarding Folsom Specific Plan Economic Feasibility of the Proposed Project and the Land Use Alternatives w/ tables
- D. Folsom Plan Area Specific Plan Public Facilities Financing Plan, prepared by Economic Planning Solutions, Inc., dated June, 2010

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## APPENDIX A

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## APPENDIX B

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## APPENDIX C

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## APPENDIX D