

TO: JAMES L. APP, CITY MANAGER

FROM: BOB LATA, COMMUNITY DEVELOPMENT DIRECTOR

SUBJECT: PROPOSED SCOPE OF SERVICES FOR EVALUATING
INFRASTRUCTURE FINANCING OPTIONS,
CHANDLER RANCH AREA SPECIFIC PLAN

DATE: NOVEMBER 1, 2005

Needs: For the City Council to consider authorizing a contract related to the Chandler Ranch Area Specific Plan project. The proposal is to hire David Taussig & Associates to assist with evaluation of options for financing infrastructure related to the Specific Plan area.

Facts:

1. The Chandler Ranch Area Specific Plan (CRASP) includes seven primary property owners, plus additional fractional ownerships in the "Our Town" area.
2. Implementation of the CRASP will involve construction of a backbone infrastructure system that will be needed to serve multiple property owners. Components to this system include:
 - a. Airport Road construction as an arterial street from Linne Road on the south to Highway 46 East on the north (Note: the major part of Airport Road construction is the obligation of the CRASP property owners who are the successors in interest to the parties who entered into an Annexation Agreement in 1980. Evaluation of options would include this consideration.)
 - b. A bridge over the Huer Huero Creek between Union Road and Highway 46 East.
 - c. An interim and long-term connection between Airport Road and Highway 46 East.
 - d. Sherwood Road extension eastward to Linne Road.
 - e. Gilead Lane extension eastward to Airport Road.
 - f. Intersection connections between arterial and collector streets.

- g. The primary trail system that extends through the open space areas in the different property ownerships.
 - h. Site acquisition and construction of an Emergency Services Station that is needed to provide services for the area.
 - i. Site acquisition and construction of an Elementary School.
- 3. Because of the multiple property ownerships and the inter-dependent nature of the backbone infrastructure needs, it would seem appropriate to evaluate options for financing these improvements.
- 4. To the extent that agreement can be reached in terms of financing some or all of these facilities, infrastructure could be provided in advance of projected demand.
- 5. David Taussig & Associates has provided assistance to the City in establishment of its Fiscal Impact Analysis model, its Community Facilities District for City services, and in the update of the City's AB-1600 Development Impact Fees. The firm has considerable expertise in many forms of infrastructure financing.
- 6. Attached is a proposal from David Taussig & Associates to assist the City and property owners within the CRASP to evaluate options for infrastructure financing.
- 7. This proposal addresses an initial scope of work. It is suggested that this scope of work be provided to the property owner group as a further advance of funds that would be recouped at the time that building permits are issued for development within the CRASP. Any additional efforts to address particular needs of respective property owners are anticipated to be funded by the respective property owners.

Analysis
and

Conclusion:

It would seem to be in the best interests of the property owners and the City to seek to foster cooperation among the property owners in terms of financing and construction of backbone infrastructure for the CRASP.

The attached scope of work would provide examination of options that the property owners could choose to pursue.

Providing common tools for infrastructure financing would help avoid disproportionate requirements being placed on individual property owners at the time that they are seeking entitlements for development.

A viable financing program for backbone infrastructure and facilities would also help mitigate impacts of development within the subject area, including but not limited to school and emergency services facilities.

If the property owners are in agreement with the need for and value of services from David Taussig & Associates, they could provide the funding based on proportionate contributions. Alternatively, the services could be funded by an advance from the City's General Fund that would be repaid, with interest, at the time of development and/or through any public financing over which the City has any jurisdiction.

Based on feedback from the property owners, it would appear that most (but not all) of the property owners would support providing an advance to pay for the David Taussig contract based on dwelling units and equivalent dwelling units per property owner.

Based on the fractured ownership pattern, it may be necessary for the City to provide a further funding advance for the property owners who have not been willing to participate in the advance. A coordinated financing of infrastructure would seem to benefit both the City and the respective property owners.

Policy

Reference: General Plan; City Council Policy on Public Finance

Fiscal

Impact: Either payment by the property owners or an advance from the City which would be repaid, with interest, at the time of development.

Options:

- a. That the City Council approve the scope of services and budget for David Taussig & Associates, as described in the attached Exhibit "A" and Exhibit "B" and authorize the City Manager to enter into an Agreement subject to the property owners posting a deposit for \$18,000. Property owners would be requested to post an advance equivalent to their proportionate share of dwelling units and dwelling unit equivalents. For those property owners that do not agree to provide the advance on this basis, the City would provide the advance from General Fund Reserves; the City would recoup the advance at the time of building permit with interest plus a proportionate City administrative charge for the City making the contract arrangements.

- b. That the City Council approve the scope of services and budget for David Taussig & Associates, as described in the attached Exhibit "A" and Exhibit "B" and authorize the Director of Administrative Services to establish a further advance of \$18,000 from General Fund Reserves to the Chandler Ranch Area Specific Plan account and to provide for repayment of the advance, with interest, from specific plan fees at the time of development or from any common financing over which the City has jurisdiction, whichever is sooner available.
- c. Amend, modify or reject the foregoing options.

EXHIBIT A**CITY OF EL PASO DE ROBLES
PUBLIC FINANCE CONSULTING SERVICES****Scope of Work**

David Taussig and Associates, Inc. ("DTA") shall provide public financing consulting services to assist the City of El Paso De Robles ("City") and Chandler Ranch Area Specific Plan (the "CRASP") property owners in analyzing the availability of public financing to fund public improvements necessary for the development of the CRASP. DTA will assist the parties in developing a financing strategy that will ensure that the goals, objectives, and policies of the City are properly implemented and that the following general objectives are addressed:

- The public improvements identified in Task 1 below are adequately financed and provided in a timely manner;
- Public financing is equitable, financially feasible, efficiently utilized and consistent with City guidelines and accepted public policy, and meets all relevant nexus and benefit criteria;
- Public financing mechanisms avoid creating a financial and administrative burden to the City.

DTA shall perform the tasks listed below:

Task 1. Background Research

Review available planning, engineering, existing property tax, development absorption, project sales prices and financial information regarding the CRASP, as provided by the City, the CRASP property owners, and/or Paso Robles Unified School District ("PRUSD"). The capital costs required for the development of the property within the CRASP shall be provided by these same parties, and shall include the following:

- Backbone road system through the CRASP.
- Airport Road, a 4-lane arterial to be constructed from Linne Road on the south to Highway 46 East on the north.
- The Huer Huero Bridge, an essential link for Airport Road to reach Highway 46 East.
- A connection between Airport Road and Highway 46.
- Gilead Lane, an east-west collector road that would link Golden Hill Road with Airport Road.
- Sherwood Road, an east-west arterial street that would extend from the intersection of Sherwood and Fontana eastward to Linne Road in the vicinity of Our Town.

- A central trail system that would extend through the residential portions of the CRASP.
- Paso Robles Unified School District facilities.

Other than property tax data, all of the above information shall be provided by City, the CRASP property owners, PRUSD and/or their consultants. DTA shall base its analysis on data received from these sources, and shall not conduct any independent research to verify the accuracy of such data.

Task 2. Prepare a Quantified Analysis of Costs Supportable by a Community Facilities District

DTA shall prepare a quantitative analysis of the magnitude of costs that could be supported through one Community Facilities District for the entire CRASP project to pay for acquisition or construction of public improvements. This task shall include valuation of debt service coverage factors and projected value to lien ratios (if provided by City and/or its consultants, as discussed below) to determine supportable levels of bond debt based on tax and assessment parameters agreed to by the City. The quantitative analysis shall evaluate all properties in the CRASP, and shall include both (i) the potential proceeds to finance capital costs and (ii) the financing burdens that would be placed on property owners or service users for the financing mechanisms selected. The potential proceeds analysis shall consider the funds available with each year of construction.

DTA shall determine timing of bond issues based on overall value to lien ratios in the CRASP only if provided estimated or appraised value over time by the City and/or its consultants. DTA shall not conduct an appraisal nor obtain an independent appraisal of the properties within the CRASP. If no estimate of appraised value is provided, DTA's bonding capacity analysis shall be limited to a test of sufficient special tax coverage ratios.

Task 3. Identify Funding Alternatives for Capital Costs

Prepare a list of other (non-CFD) public finance mechanisms available to fund the public improvement capital costs. This list shall include:

- **Special Assessment Districts** – A more restrictive type of land-secured financing that can be used for public improvements that directly benefit those properties which are assessed to pay for the improvements
- **Infrastructure Financing Districts** – A district which allows the use of tax increment financing for infrastructure, without a requirement that the area be predominantly urban and blighted, as is required for redevelopment areas
- **Other Financing Mechanisms**

Infrastructure financing supported by dedicated revenues such as a fee program with reimbursements and credits intended to promote the timely development of infrastructure.

Task 4 Attend Meetings

Attend two meetings with City staff and CRASP property owners. The first meeting shall be used to present the results of Tasks 1-3. The second meeting shall be used to discuss comments from City staff and CRASP property owners, and to present additional information requested by participants at first meeting.

Task 5. Additional Tasks

Provide additional assistance to the City in developing and implementing a strategy to fund improvements and services for the CRASP. This could include the following tasks:

- Attendance at additional meetings
- Preparation of a written public improvements and services financing strategy
- Allocation of infrastructure costs by benefit levels to each of the eight property owners within CRASP
- Analysis of separate CFDs or Improvement Areas for separate property owners
- Assistance to City in negotiating Funding and Acquisition Agreements and Development Agreements with CRASP property owners
- Formation of special financing districts and sale of bonds

EXHIBIT B

CITY OF EL PASO DE ROBLES PUBLIC FINANCE CONSULTING SERVICES

Fee Schedule

DTA shall be remunerated for services on an hourly basis according to the hourly rates set forth in Table 1 below, with invoices being submitted to City on a monthly basis. DTA shall perform Tasks 1-4 under the scope of work for total fees not to exceed \$16,500 (plus out-of-pocket expenses not to exceed \$1,500). Additional consulting services beyond Tasks 1-4 may be provided for additional fees if they cause the budget maximum to be exceeded.

Table 1

| | Hourly Rates |
|--------------------|--------------|
| President | - \$225/Hour |
| Vice President | - \$210/Hour |
| Manager | - \$180/Hour |
| Senior Associate | - \$160/Hour |
| Associate | - \$140/Hour |
| Financial Analyst | - \$120/Hour |
| Research Assistant | - \$100/Hour |

The above hourly rates apply for a 12-month period from execution of an agreement and are subject to a cost-of-living and/or other appropriate increase every 12 months thereafter. We generally review our fee structure and hourly rates annually and, if appropriate, adjust them to reflect increases in seniority, experience, cost-of-living, and other relevant factors. Consultant shall notify City in advance of any such increase. On or about the first two weeks of each month during which public finance consulting services are rendered hereunder, DTA shall present to City an invoice covering the current consulting services performed and the reimbursable expenses incurred pursuant to the agreement and exhibits thereto. Such invoices shall be paid by City within thirty (30) days of the date of each invoice. A 1.2% charge may be imposed against accounts which are not paid within 30 days of the date of each invoice.

Limitations

This \$16,500 budget covers only those tasks outlined in Tasks 1-4 in the Scope of Work. Additional consulting services beyond those included in the Scope of Work ("Additional Work") may be provided for additional fees if they cause the budget maximum to be exceeded.

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