

TO: James L. App, City Manager
FROM: Ed Gallagher, Community Development Director
SUBJECT: Chandler Ranch Specific Plan – Request for Forgiveness of Accrued Expenses
DATE: September 17, 2013

Needs: Consider a request from Larry Wurth (Attachment 1) to forgive expenses (principal and interest) incurred preparing draft Chandler Ranch Specific Plans (CRASP).

- Facts:
1. Since FY 02 the City has spent \$1.361 million to prepare draft CRASP. Attachment 2 is a spreadsheet accounting for consultant fees and interest during this period.
 2. In 2005, the Council adopted Resolution 05-150 (Attachment 3), which set forth conditions for the loan of General Funds and a promissory note.
 3. The City's expenses to prepare the CRASP are to be recovered via specific plan fees that will be paid at the time of issuance of certificates of occupancy for homes and commercial buildings in the CRASP area.
 4. A draft Specific Plan was published in 2005 and a Draft EIR published in 2006. The Draft EIR identified traffic impacts that were considered to be significant, based on standards set in the 2003 Circulation Element. The costs to mitigate the impacts to meet those standards were beyond the capacity of both the City and the property owners in the specific plan areas (CRASP and Olsen/Beechwood).
 5. On November 27, 2007, the City Council authorized CRASP property owners to proceed to prepare a draft specific plan using their own funds.
 6. In 2009, the City initiated an update to the Circulation Element to address new State mandates for "complete streets" and seek alternative traffic mitigations that were not as financially burdensome. Work on the draft CRASP and Olsen/Beechwood specific plans was idled while the Circulation Element was being updated.
 7. On August 31, 2010, the City Council re-authorized CRASP property owners to prepare a draft specific plan, and grading models, using their own funds.

Analysis &
Conclusion: Since 2010, the Wurth team has done the following to prepare a draft specific plan.

- In 2011 and 2012, Wallace Group submitted several preliminary chapters of a new draft specific plan for staff's review and comment.
- In August 2012, the team presented a computerized grading analysis that incorporated step foundation grading to the Council's Ad Hoc CRASP Committee.
- In December 2012, staff met with the team, which now included Howard Hamlin, a real estate consultant, and made a proposal to allow pad grading in sections that had previously been proposed for step foundation grading.
- In March 2013, the Wurth team conducted 2-2-1 field trips for the Council to show examples of existing pad grading (off the CRASP property) and a tour of the CRASP site to show where pad grading would be proposed.
- Since March 2013, the team has not submitted any information or requests other than the letter that is the subject of this report.

Much of the work done by consultants for the 2005 draft specific plan and EIR should be of value for the forthcoming specific plan and EIR.

Larry Wurth's letter mentions termination of a consultant contract with Cannon Associates. Cannon was the original consultant hired by the City in 2002 to prepare the draft specific plan. However, the City terminated that contract in 2003 after having spent about \$174,550, which is included in the \$1.4 million.

Policy

Reference: General Plan (Land Use and Circulation Elements), Resolution 05-150

Fiscal Impact: If the request is granted, and interest for the fiscal year ending in 2013 is added, the impact to the General Fund from a full forgiveness could be as much as \$1.38 million.

Options: That the City Council take one of the following actions via minute action (voice vote):

- a. Deny the request for forgiveness;
- b. Amend, modify or reject the foregoing option.

Attachments:

1. Letter from Larry Wurth dated June 6, 2013.
2. Spreadsheet Accounting for CRASP Expenses
3. Resolution 05-150 and Promissory Note

June 6, 2013

Paso Robles

JUL 05 2013

Planning Division

City of El Paso De Robles
Attn: Susan DeCarli and
Ed Galigar
1000 Spring Street
Paso Robles, CA 93446

RE: CRASP Accounting FY 2002-2012

Dear Susan and Ed,

We are in receipt of the City's accounting pertaining to the Chandler Ranch Area Specific Plan (CRASP). We have reviewed the detail and don't agree that the past charges, and then interest, should be passed along to the project upon completion of the CRASP.

When the City approached our group back in 2001 we agreed to be part of the City-led CRASP, it was estimated by the city that it would take 1 to 2 years to complete. The City hired consultants and requested that we come up with one of the four plans that would be considered for study. Unfortunately, there were many issues during the CRASP process, including the termination of the contract with Cannon by the City, as well as the City's request for a redesign of the various planning areas two additional times. You may recall that the first two plans we submitted for consideration were based upon pad-graded designs, which have been the preferred method in the Western United States for the past few decades. However, the City did state they did not prefer a pad-graded design.

Because of this, Plan Two was scrapped, and completely re-designed at the request of the City Staff and council. This led to Plan Three; a design utilizing stepped foundations as the result of the City's current grading ordinance. In November-December of 2012, Plan Three was complete and we had a Draft Specific Plan that the City Staff and Council felt would be something they would be happy presenting to the public. Thus, after eleven years of planning and re-planning we finally had a plan the current City Staff and Council felt they could live with.

As owners, we then needed to evaluate the financial feasibility, phasing and marketing of the plan. In December of 2012, we brought in Howard Hamlin of Hamlin Gooding to take "a last look" at the marketability of Plan Three. Unfortunately, Howard's review informed us that the project was financially unfeasible and unmarketable as it was designed. Howard confirmed our fears that the majority of merchant home builders would not build a plan that had stepped foundations, as the cost to build the homes is significantly higher and engenders increased construction liability. As owners, we were at a point of complete frustration, feeling that our attempt to address the Staff and Council's concerns had led us to this point. Millions of dollars have been misspent as we have "jumped through hoops" to try and produce something the City wanted. That money has been wasted and will never be recouped.

Despite this, we decided to move forward again, discussing these issues openly with the Staff and Council. We scheduled site meetings to see if the current council would consider pad grading on the

site. Our goal was to physically show the challenges that plan three had from a cost and marketing standpoint. We also prepared new designs for specific planning areas to show how pad grading could be completed and produce a better building product. We were very pleased with the current Staff and Council's willingness to be open minded and willingness to consider this approach once they understood the complexity of the topography and project more generally. We have obtained a cost estimate from North Coast Engineering to redesign/plan out the project and we have made the decision to move ahead with a new concept design for plan four.

As you know, both sides have spent considerable amounts of money attempting to get the CRASP completed and approved. We realize the City has spent approximately \$1.4 million over the years (without interest) and our accrued cost is almost twenty million dollars already spent on this project. Both sides have made a sizable financial investment in this project. It is, at times, difficult and painful to think about the economic feasibility of our project.

The City's desire to pass through the past CRASP expenses to this project, when the work was completed at the direction of the City, for plans that are not being used and studies that are out of date is unfathomable. This is compounded by the fact that we as owners have spent so much to get to where we are today, which only adds insult to injury. We don't agree that these expenses should burden the project and are asking for the City to reconsider given the circumstances; especially when you consider that 11 years ago we had a plan, and at the City's request we agreed to a 1 to 2 year revision.

I am available to discuss this further at your convenience (714) 490-0491 ext 218.

Thank you for your consideration.

Sincerely,
Jonatkim Enterprises



Larry M. Wurth
Managing Partner
Jonatkim Enterprises

CRASP Accounting FY 2002-2012

Fiscal Year	Cannon	Rincon	Omni-Means	Penfield/Smith	Bob Lata	H. Tschudin	D Taussig	City Attorney	Interest Due	Other	FY Total
2002	55,436.29									705.61	56,141.90
2003	119,113.69	34,098.02						2,592.20		1,894.36	157,698.27
2004		279,706.29						2,682.65		652.34	283,041.28
2005		68,231.18	34,493.35	4,238.95				23,571.90		1,724.39	132,259.77
2006		96,685.12	59,362.71	19,478.40	40,600.00	42,218.75	11,392.04	43,296.11	82,780.00	281.70	396,094.83
2007			3,933.44		19,530.00	4,618.75	16,166.75	6,393.00	67,204.00	1,015.02	118,860.96
2008			22,951.00		15,365.00		7,857.73	1,215.24	63,461.00	117.10	110,967.07
2009					1,785.00			1,153.15	40,466.00		43,404.15
2010								306.80	21,628.00		21,934.80
2011								2,362.36	19,805.00	75.46	22,242.82
2012									18,551.00		18,551.00
Total 02-12	174,549.98	478,720.61	120,740.50	23,717.35	77,280.00	46,837.50	35,416.52	83,573.41	313,895.00	6,465.98	1,361,196.85

Notes:

1. Fiscal Year refers to the year ending June 30 of the year cited.
2. Other Expenses include printing, legal notices, room rental, and other incidentals.
3. Interest Due refers to Interest due on promissory note to the City's General Fund per Resolution 05-150.

RESOLUTION NO. 05-150

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF PASO ROBLES
APPROVING PROMISSORY NOTES FOR SPECIFIC PLANS

WHEREAS, the Council has authorized the preparation of the Chandler Ranch and Olsen/Beechwood Specific Plans; and

WHEREAS, funds for the cost of their preparation must be advanced from the City's General Fund; and


WHEREAS, it is the Council's desire to "hold harmless" the loss of interest income to the General Fund resulting from the advance of funds to the Chandler Ranch and Olsen/Beechwood Specific Plans; and

WHEREAS, the establishment of formal promissory notes bearing reasonable interest cost would mitigate the loss of interest income to the General Fund.

THEREFORE BE IT HEREBY RESOLVED by the City Council of the City of El Paso de Robles that the two promissory notes attached herein, one for Chandler Ranch Specific Plan and one for the Olsen/Beechwood Specific Plans, are approved.

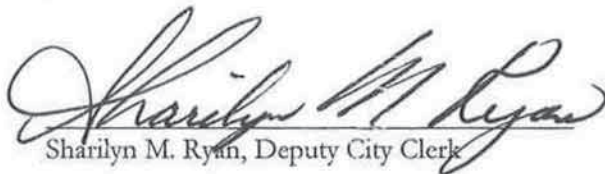
ADOPTED by the City Council of the City of El Paso de Robles at a regular meeting of said Council held on the 2nd day of August 2005 by the following vote:

AYES: Picanco, Strong, and Mecham
NOES: None
ABSTAIN: None
ABSENT: Heggarty and Nemeth



Frank R. Mecham, Mayor

ATTEST:


Sharilyn M. Ryan, Deputy City Clerk

PROMISSORY NOTE
CHANDLER RANCH SPECIFIC PLAN

August 2, 2005

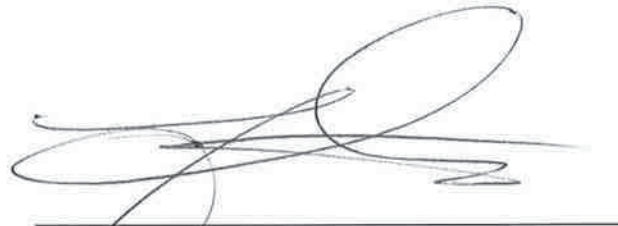
For value received, the Chandler Ranch Specific Plan Fund shall repay the City's General Fund all sums advanced for preparation of the Specific Plan, past, current and future. Repayment shall be made from fees to be collected from all development occurring within the Specific Plan boundaries.

Amounts advanced shall accrue quarterly compounded interest at the "average effective monthly yield" rate as calculated for the month of June each year for the Local Agency Investment, State of California, plus two percent (2%).

Each June, the quarterly compounding interest rate shall be adjusted going forward. For the purposes of this note, the beginning interest period rate shall be June 2001 giving rise to the following applicable rates until the next adjustment period:


July 1, 2001	6.948%
July 1, 2002	4.987%
July 1, 2003	3.697%
July 1, 2004	3.469%
July 1, 2005	4.967%

August 16, 2005
Date:



Frank R. Mecham, Mayor
City of El Paso de Robles

ATTEST:



Sharilyn M. Ryan
Deputy City Clerk