GLOSSARY OF SPRING LAKE TERMS

Glossary Reference

Backbone Infrastructure – Major infrastructure improvements such as all major streets (collectors and arterials) including above ground and underground utilities associated with those streets, all bikeways, greenbelts, open space facilities, drainage channels, detention ponds, water wells, pump stations, and parks that provide connectivity and /or benefit to the Spring Lake Plan Area.

Bond Proceeds – The initial payment received upon sale of the special tax bonds. (Bonds are secured by a pledge of revenues received from the Special tax levied by the City on developed and undeveloped property. The special tax is included on the regular property tax bill)

BUA – Building Unit Allocation – The right to apply for a building permit to construct one single family dwelling unit in the Spring Lake Specific Plan.

Cash Call – Property owner contributions.

CFD – Community Facilities District – The Mello Roos Community Facilities Act of 1982, as amended allowed for the provision of an alternate method of financing certain public capital facilities and services, especially in developing areas of the State of California. Once duly established by a city, a community facilities district is a legally constituted governmental entity within defined boundaries, with the governing board of legislative body of the local agency acting on its behalf.
The City of Woodland, Community Facilities District No 2004-1 is located in the approximately 1,097 acre Spring Lake Specific Plan area of the City and currently consists of approximately 657 non-contiguous acres located within the Specific Plan area. It is expected that three parcels, comprising approximately 169 acres, located adjacent to the district is expected to be annexed into the district within the next five years.

Developed Property – Any parcel for which a building permit was issued prior to January 1 of the preceding year.

DUE – Dwelling Unit Equivalent – Cost allocation factors by land use based on the relative benefit received from the improvements for each type of land use.

Equitable Swap – Developed as a financing reimbursement mechanism for oversized infrastructure to serve the MPRA – a proposed equitable swap of infrastructure improvements from the MPRA. In exchange for funding the over-sizing of improvements, the SLIF would transfer cost of improvements that are scheduled to be constructed during development of the MPRA to the MPRA funding program.

Excess Costs – Developers will dedicate land, fund through bond proceeds, cash or construct infrastructure improvements which will benefit other properties in the SLSP area and MPRA, at a cost greater than the SLIF applicable to the development of Developers property.

Fee Credits – Each building permit is charged a SLIF fee. For projects that have reimbursement accounts they can take a credit against the account in lieu of paying some of the fees. Fee credits are applied upon application for a building permit.

Funding and Reimbursement Agreement – The City and property owners have entered into a Funding and Reimbursement Agreement for Development within the Spring Lake Plan Area, dated 9,7,2004. The agreement provides that the property owners will be entitled to reimbursement for the cost of providing infrastructure or other public facility improvements that benefit other properties in the Specific Plan Area, or the MPRA, but only to the extent the City has funds available from bond proceeds, cash advances from other property owners or SLIF payments.

IFR – Initial Facilities Requirement – Facilities necessary for the initial phase of development in the District. It was anticipated that all of the initial facilities will be completed by the summer of 2005.

Look Back – Reconciliation is required to be performed prior to release of the second release BUAs per the original nexus study. Prior to the second and third release the City will update the SLIF to account for the actual infrastructure construction costs. These SLIF updates will be known as the Reconciliation Updates. Each Reimbursement account is subject to a "look back" which will adjust the accounts for building permits already issued (assuming that the developer paid the new fee with each old permit).

MPFP – Major Projects Financing Program fee. The MPFP fee is an existing ***City fee program*** used to fund projects that provide a Citywide benefit.

MPRA – Master Planned Remainder Area

Over sizing – In accordance with the Nexus Study, the development in Spring Lake Specific Plan is required to oversize the backbone infrastructure facilities to benefit future development in the Master Plan Remainder Area (MPRA).

Reconciliation – Prior to each release and periodically throughout the plan the SLIF is updated to reflect actual infrastructure costs. This is done to keep the financing plan from running out of money.

Reimbursement Account – Each developer that has fronted money through a bond assessment, cash payment, or the construction of backbone infrastructure is due a reimbursement of costs. The amount of money due to be reimbursed is kept in account for each property. These money's can be reimbursed through cash payments or fee credits.

Release – 1st, 2nd or 3rd release – The City Council adopted Ordinance NO 1343 on April 16, 2002 as amended on June 1, 2004, requiring a timed release of the building permits for the aggregate 2,579 single family market rate homes approved for development in the District,… The BUA Ordinance establishes three release dates for the BUAs, the first of which will occur upon the issuance of the Series 2004 Bonds. The second BUA release is scheduled to occur on June 30, 2007 and the third release may occur at any time between June 30, 2011 and June 30, 2015. "The projected dates for each stage or release are based on the assumption that landowners have obtained land use entitlements and are prepared to advance funds or obligate their respective properties to bond financing to begin construction of the physical improvements." The BUA map included in the 2004 -1 CFD identified the number and general location of 1st release units. (See attached)

SLIF – Spring Lake Infrastructure Fee – The primary source of backbone infrastructure funding within the district. Necessary in lieu of development paying for facilities costs up front. The SLIF is a means to apportion the ***developer's necessary cost of improvements*** in order to develop property. SLIF is a fee charged on all residential development (including affordable housing) and commercial development in the specific plan area, with a portion of the obligation expected to be satisfied through the issuance of bonds. SLIF fees serve the Spring Lake area only. Property owners who have paid to construct the oversized facilities will receive SLIF credits and or reimbursements of such over sizing costs. SLIF fees are due upon application for a building permit.

SLSP – Spring Lake Specific Plan

Small lot tentative map – A map that is made for the purpose of showing the design of a proposed subdivision, including Residential lots that are expected within the subdivision, as well as the conditions pertaining thereto. It is not based on a detailed survey for the property and is not recorded in the County Recorders Office to create legal lots.

City of Woodland

REPORT TO MAYOR AND CITY COUNCIL

AGENDA ITEM

TO: THE HONORABLE MAYOR
AND CITY COUNCIL

DATE: October 6, 2009

SUBJECT: Preparation for the Second Release of Building Unit Allocations (BUA) for the Spring Lake Specific Plan Area

Report in Brief

It is a well known fact that development in Spring Lake has nearly stalled. Although this is at least partly due to current economic conditions, the requirements of the Building Unit Allocation (BUA) ordinance have exacerbated the problem. Property owners and developers are unable to issue bonds or provide the large amount of up-front cash necessary to allow continued development under the BUA ordinance's original concept. In order to avoid having development in the Spring Lake Specific Plan (SLSP) area frozen for several years by this unavailability of capital, the City is in the process of investigating alternative means to facilitate continued development in the SLSP area. Staff has prepared a conceptual plan to proceed without front money and having only class C participants in the program.

Development in the SLSP area is critical to the financial health of the City. Development fees help fund repayment of City bond debt and other capital projects. The City has developed this plan to facilitate growth in the SLSP.

Staff is proposing that the City reconcile the Spring Lake Infrastructure Fee (SLIF) and prepare for the release of 882 BUA's from the second release.

Staff recommends that the City Council provide comment and direct staff to proceed in preparation of the second release of BUA's without requiring the sale of new bonds and prepare the SLIF update and reconciliation of reimbursement accounts to accompany the release in the manner described herein.

Background

The BUA ordinance, as adopted into the Woodland Municipal Code on April 16, 2002, does not allow the issuance of building permits or approval of final maps within the SLSP area unless a project holds BUA's equal to the number of permits sought or units to be covered by final maps. The BUA ordinance also serves three additional functions: 1) controls growth by initially restricting the number of building permits that can be issued, 2) prioritizes building permits, giving preference to those who funded the Spring Lake Specific Plan planning documents, and 3) establishes a method for financing construction of offsite infrastructure, with reimbursement of over sizing costs from later BUA Releases to the earlier BUA Releases.

The BUA ordinance also had some unfortunate consequences including:

- Lowering the value of land that does not have available BUA's to completely build out.
- Lowering the appraised value of land and limiting bonding capacity.
- Promoting hopscotch development and increasing the infrastructure costs to the early phases of development.
- Restricting continued development in Spring Lake by establishing an infrastructure financing system that is not supportable in today's market and may not be for some time.

The BUA ordinance was the basis of the entire Spring Lake financing plan, and is intertwined with a number of other documents, including the Master Reimbursement Agreement, Fee Nexus study, participation agreements, infrastructure planning documents, and the CFD bond documents. Significant amendments or outright repeal could lead to either one or both of the following problems: litigation from developers based on existing agreements; or deferring infrastructure requirements which would allow some continued development but will heavily burden future phases of development and will likely render complete build out of the plan infeasible.

In order to be ready for any growth in 2010 (or later), the City needs to create more developable land through the release of the second phase of BUA's.

Discussion

Key issues and next steps

Staff (Community Development, Finance and the City Attorney), following the direction of the Spring Lake Finance Subcommittee of the City Council, has identified three key issues that need to be addressed to facilitate continued development.

First, because the SLSP has multiple development partners with divergent interests, the City realizes that finding a solution that benefits all of the property owners and puts none of them at a disadvantage is unlikely. Given this parameter, the City needs to be able to act unilaterally, which requires that the City proceed without amending the Reimbursement Agreement or BUA ordinance.

Second, the ability to proceed is limited by a need to move to a "pay as you go" model that does not require bond sales or advances of money. Rather than coming up with large amounts of cash initially at the time of the release of BUAs, development would pay for improvements on an incremental basis. This would include a "set aside" of fees for offsite improvements, and projects extending infrastructure as needed within the plan area. A key element for the Pay as You Go concept is the elimination of restrictions on release of building unit allocations.

Third, the BUA ordinance establishes a priority system for the issuance of BUA's that grants a preference to properties if they advance money or participate in a financing district that will issue bonds; these are known as class A and B properties. A class C property is not required to front money and receives the "left over" BUA's that are not allocated to class A and B properties. Legal review of the BUA Ordinance has determined that the BUA's may be released without a bond district or advances of money; however the release would then only have class C properties and an alternate distribution of BUA's.

If no upfront money is provided it is critical the City identify a mechanism to fund the offsite improvements so that offsite infrastructure does not become overly burdensome and preclude build out of the SLSP area.

Therefore the following multi-step process is recommended to facilitate continued development within the Spring Lake Specific Plan area.

1. Adopt and implement a financing plan (discussed below) that does not require additional bonds or significant upfront money.

2. Solicit interest in the second release.

3. Release all 882 BUAs without upfront money or additional bonds and all interested properties become Class C.

Release of all 882 BUA's is recommended, because it is likely the City will only have class C participants (with no requirement to front money and no limits to participation) the release will need to be spread across all land owners that want to participate. This makes it necessary to release a large amount of BUA's so that individual properties will receive enough buildable lots to be viable.

Financing Plan Outline

Based on the above analysis, staff believes it is best to proceed by releasing the BUAs without requiring upfront money or additional bonds and distributing all BUAs to participants as Class C properties.

However, a plan is needed to insure that offsite infrastructure is not back loaded to the point of stopping development at a later point. Therefore, staff has outlined the basic concept for a financing plan as follows:

1. Due to lack of upfront money through the sale of bonds, the $6.2 million projected to be owed to the 3rd release from the Master Plan Remainder Area (MPRA) should be spread

across all Spring Lake units – this will increase the SLIF approximately $1,615 per unit (and may impact reimbursement accounts during reconciliation)

The MPRA will still be required to reimburse any Spring Lake property owners on a prorated basis. Distribution of this cost over the entire plan rather than the third release will facilitate build out of the plan.

2. Specific offsite infrastructure needs to be funded to preclude over burdening of individual projects. Conceptual requirements would be approximately $10.2 million in storm drain, road and sewer offsite improvements. The proposal is to reduce the amount of SLIF credit developers may take from their SLIF fees at permit issuance. This would mean that ability to use fee credits would need to be reduced by an amount set aside to fund offsite improvements.

   After analyzing various alternatives, the City's economic consultants, Economic & Planning Systems (EPS) estimates a set aside of 10% for the first release and 25% of the non administration or parks SLIF fee, for the second and third release (about $2,975 and $7,436 respectively per Single Family Dwelling). This set aside amount will be refined (and may decrease) prior to Council action to adjust the SLIF fee program.

3. Reimbursement accounts will be adjusted as part of the required account reconciliation process prior to the second release.

4. Projects will pay for infrastructure as they develop ("pay as you go") and proceed when they can extend infrastructure to construct.

5. Amend Development Agreements (DA's) upon request of the developers (not necessary to amend the plan, but some developers may wish to renegotiate their requirements after a new financing plan has been adopted).

Preliminary discussions with EPS indicate that this is a viable plan. However, staff is deferring calculation of an actual fee pending City Council direction due to consultant costs to update the SLIF. EPS indicates that costs to update the nexus study for this plan would range between $25,000 and $50,000 depending on the amount of public review and development group meetings.

Growth Control

Further review of the BUA ordinance by the City Attorney has determined that the growth limit restricting the number of BUAs issued to 410 per year is not applicable after the first release of BUAs. Because market absorption is unlikely to exceed the 410 permit per year in the current economic conditions staff is not proposing new growth control measures as part of this process. However, if directed, staff can add this requirement into the ordinance in a separate process.

Timing of Third Release

The BUA ordinance allows for the timing of the third release to be as early as June 30, 2011 and as late as June 30, 2015. This financing plan will support the third release of BUA's on June 30, 2011. As part of the overall Spring Lake build out plan the Council should anticipate releasing these BUA's as soon as possible to allow complete entitlement of land.

BUA distribution

By having all properties become class C, the BUA distribution pattern may be altered. The methodology is anticipated to follow a procedure wherein the first BUA's are allocated to participating properties based on proportion of buildable lots under their zoned maximum density. This would be followed by verification that any minimum BUA commitments in DA's are met. If any commitments in DA's are not met a minor adjustment will be made to insure all DA commitments are fulfilled.

Conclusion

Staff believes viable alternative has been developed to proceed with the implementation of the second and third releases of the Spring Lake Specific Plan. This alternative approach allows the City to issue BUAs and have development proceed without overburdening later development. Proceeding in this manner should allow the City to release additional BUA's in 3 to 5 months. This in turn will raise property values, make land in the Spring Lake area more marketable, and facilitate development to occur.

Fiscal Impact

Proceeding with this new approach to the BUA ordinance will increase the SLIF fee by approximately $1,615 per unit in the second and third BUA releases, which will be paid back by future development in the MPRA. The SLIF increase is the effect of spreading the amount owed by the MPRA to the entire plan area rather than just the third release.

The City's three year capital budget and ten year capital improvement plan (CIP) rely heavily on continued development in Spring Lake, assuming build out of the entire specific plan area during the ten-year planning period. The City has issued bonds and pledged repayment through revenue generated from development impact fees; the total annual requirement from these development fees is $4.1 million. Based on the Major Project Financing Plan (MPFP) fees adopted by Council on December 16, 2008, the City needs to issue almost 215 single-family building permits per year in order to generate revenue to pay debt service; additional permits are needed to fund capital projects. In the event that development revenues are insufficient to cover annual debt service, the City must find alternative sources of non-restricted funding, which is primarily the General Fund. Failure to allow continued development in Spring Lake will require enormous reductions in the CIP.

In addition to the capital program, the FY09-10 operating budget assumes development revenues related to continued development in Spring Lake. If development in Spring Lake stopped, it would result in a reduction in the budgeted revenues of approximately $135,000 for FY09-10 and further reductions in future years.

Funding for the Changes

In addition to contracting EPS, there will be significant staff and City Attorney time (and potentially other consultants) to complete the changes mentioned herein. Depending on the approach and the length of review times, costs are estimated to be between $25,000 and $50,000 not including staff time. Staff is proposing to use CFD interest earnings to cover the cost of staff and consultants.

Public Contact

Staff has posted the City Council agenda and held group and individual meetings with the Spring Lake development community.

Alternative Courses of Action

1. Provide comment and direct staff to proceed in preparation of the second release of BUA's without the sale of new bonds and prepare the SLIF update and reconciliation of reimbursement accounts to accompany the release in the manner described herein.

2. Direct staff to stop work on this approach and maintain the current plan for development requiring additional bonds or advances of funds.

3. Provide alternate direction to staff.

Recommendation for Action

Staff recommends that the City Council approve Alternative No. 1

Prepared by: Bruce Pollard, PE. TE
Senior Civil Engineer

Reviewed by: Andy Morris
City Attorney

Reviewed by: Cindy Norris,
Principal Planner

Reviewed by: Kim McKinney
Senior Accountant

Reviewed by: Brent Meyer, PE, SE, TE
Principal Civil Engineer

Reviewed by: Paul Siegel,
Deputy Director CDD

Mark G. Deven
City Manager

Attachments: Glossary
EPS Report (Not available electronically)