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OFFICE OF THE  
CITY MANAGER

CITY OF SACRAMENTO  
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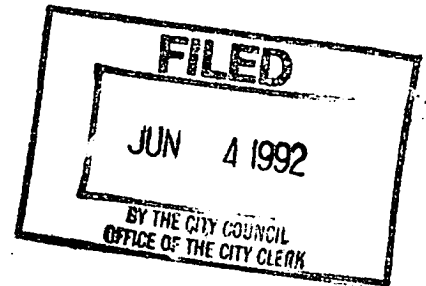
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June 4, 1992

City Council  
Sacramento, California

Honorable Members in Session:



**SUBJECT: NORTH NATOMAS FINANCING AND POLICY ISSUES**

**LOCATION**

North Natomas Community Plan, Council District #1.

**SUMMARY**

This is an update on the North Natomas planning principle process currently underway. Specifically, this report examines the present financial model for development of North Natomas. It also identifies the need to reevaluate certain community plan policies which impact the financial viability of development, phasing of public facilities and equity in the distribution of costs.

**COMMITTEE ACTION**

None.

## **STAFF RECOMMENDATION**

This report is for Council information and staff direction. No formal action is requested at this time.

## **BACKGROUND INFORMATION**

As part of the "planning principle" process currently being undertaken, staff has completed a preliminary feasibility study of development in North Natomas. The attached tables are a summary of this analysis.

Table 1 is based on the adopted community plan and provides a breakdown of the land use designations within the plan area. As indicated, over 35% of the community plan (within the City) has been set aside for parks, open space, right-of-way and other non-developable uses.

Table 2 indicates the infrastructure costs for the current financing plan and identifies some of the special costs which are unique for North Natomas. This table suggests that the cost of basic infrastructure should be in the range of \$50,000 to \$60,000 per acre. However, for North Natomas, the cost is approaching \$93,000 per acre due to the special cost requirements and the amount of land to be dedicated.

Table 3 compares the cost of North Natomas with other developments. As is evident from the comparison, the land dedication requirements and infrastructure costs for North Natomas are high relative to other competitive projects in the Sacramento metropolitan area. This is partly due to the location of North Natomas and partly due to the special conditions placed on development by the community plan.

Table 4 analyzes the maximum bonding capacity and maximum tax rates for the proposed Mello Roos program as estimated during the 1989/90 time frame.

## **FINANCIAL CONSIDERATIONS**

In the past several months, three new issues have surfaced which may further increase the

costs of North Natomas:

1. Regional Transit's request for \$51 million to construct future light rail facilities through the community.
2. School District's request for \$166 million to construct 13 elementary schools; 3 middle schools; and 2 senior high schools.
3. Land acquisition cost for the habitat mitigation plan (SAFCA) estimated at \$150 million.

Table 4a provides a preliminary indication of the combined impact of these new costs. Since development of the financing plan in 1989, staff has had serious concerns about the high development cost for the area. It is fair to say that new development projects usually face much stronger mitigation requirements as a result of new legislation and regulations. However, given the current community plan requirements, coupled with the current economy and potential increased costs for transit, schools, and habitat mitigation, the cost of developing North Natomas may be prohibitive.

In consideration of this, both City staff and the North Natomas Working Group are recommending a reevaluation of the policies contained within the existing 1986 community plan. These are the policies that are unique to North Natomas and do not apply to other developments in the City. The reevaluation will be done in conjunction with the planning principles process and in developing a revised financing plan.

### **POLICY CONSIDERATIONS**

Staff has identified seven separate policy issues contained within the North Natomas Community Plan (NNCP) as adopted in 1986, which impact financing. The following provides a description of these policies and a preliminary discussion on how they could be reevaluated to facilitate development of North Natomas.

1. School Financing -- Page 62 of the NNCP requires an agreement between the developer

and the appropriate school district(s) to ensure the provision of adequate school facilities.

Staff feels that the current policy may be inadequate given the number of school districts in the area and number of developers. The Working Group and staff concur that it will be more practical to incorporate school financing with the City plan to achieve a comprehensive financing approach for North Natomas.

2. Parks and Open Space -- As indicated on Table 1, over 35% of the North Natomas Community Plan area has been set aside for non-developable uses. A good portion of this is parks, open space, buffers, greenbelts, freeway landscape corridors, and lineal parkways. The result is that a significant area of land is excluded from assessments under the financing plan. This problem is further compounded by the cost of landscaping and maintaining these areas, which must be borne by the remaining developable property.

Both staff and members of the Working Group feel that this section of the community plan should be reevaluated to determine if North Natomas is unfairly burdened with excessive landscaping and open space as compared to other developments within the City.

3. Private Sector Responsibilities -- Page 127 of the NNCP requires that the private sector provide all necessary capital improvements within the community plan.

This policy should be reevaluated from the standpoint of fairness and equity. For instance, some improvements, such as freeway interchanges, freeway landscaping, etc., may benefit property beyond the community plan boundary.

4. Stadium Phasing Restrictions -- Page 89 of NNCP requires that the Arco Park Stadium be at least 50% complete prior to development of lands beyond the "phase I" area. At the present time, the stadium construction schedule is uncertain.

Staff will evaluate modifying this condition such that properties that participate in the

financing plan in the early years can proceed with development entitlements.

5. Other Phasing Requirements -- Page 87 of the NNCP identifies several other phasing requirements that restrict development. These include community facilities phasing, services phasing, airport noise study phasing, and jobs/housing balance phasing.

Staff feels that a number of these phasing restrictions are outdated and, in some cases, conflict with themselves. Our approach will be to examine each of the phasing restrictions to determine what is actually needed to implement the goals of the community plan. We will then consolidate all necessary phasing requirements with the financial phasing plan. We believe this step will provide a practical and workable approach to phasing North Natomas development.

6. Landscaping Requirements -- Several sections of the NNCP require landscaping of lineal parkways, greenbelts, freeway corridors, street medians, etc. The cost of this landscaping is in addition to the community and neighborhood parks that are required throughout the Natomas area.

As this policy is examined, staff will first identify what would be the normal amount of landscaping required of a community the size of North Natomas, as compared to the rest of the City. Secondly, we will develop alternative options to the traditional landscaping approach. A moderate reduction in landscaping could potentially save millions of dollars per year in North Natomas maintenance costs.

7. 200-Acre Regional Park -- Page 59 of the NNCP requires that 200 acres of land for a regional park, including perimeter street, water, sewer, and storm drain improvements, be provided by the private sector at no cost to the City.

Staff will reevaluate the history of this policy and will provide alternative recommendations on how this commitment can be dealt with. Potential options include downsizing the park and/or incorporating a portion of the regional park feature as part of the SAFCA mitigation plan adjacent to the Sacramento River.

## **EVALUATION OF INFRASTRUCTURE COST AND PHASING**

As the above policy issues are re-examined, staff will also take a fresh look at the various infrastructure costs estimates for North Natomas. It is anticipated that some infrastructure items can be reduced as additional cost components are added. The phasing plan for infrastructure development will also be reevaluated. While North Natomas is feasible in the long run, bond issues and developer tax rates during the first five to ten years must be carefully structured to assure infrastructure is in place as development proceeds.

## **MBE/WBE**

Not applicable as related to this item.

## **CONCLUSION**

The success of North Natomas is dependent upon three items. First, the improvement of the economy. Second, the development of an acceptable community plan developed through the planning principal process that can support the infrastructure costs. Third, development of a financing plan that provides assurance that infrastructure will be built as development proceeds. Although we cannot influence the first point, we need to have a viable community plan and financial plan in place once the economy turns around in order for development to proceed. At this point, it appears the North Natomas Working Group will come to consensus on the community plan land uses. Both staff and the Working Group believe, however, that the current financing plan, with the potential increased costs for light rail, schools, and habitat mitigation, may not be feasible. Therefore, a reevaluation of the existing community plan policies which impact the financing plan is recommended.

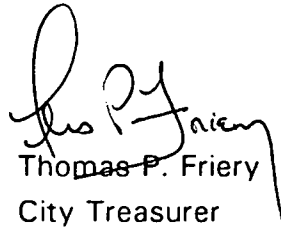
If the City Council concurs with this report, staff and the Working Group will proceed with a reevaluation of the community plan policies listed above, as well as other policies that affect the ultimate costs. It is expected that the policy reevaluation can be done as a parallel process

with the development of planning principles and will not significantly delay the current project schedule.

Respectfully submitted,

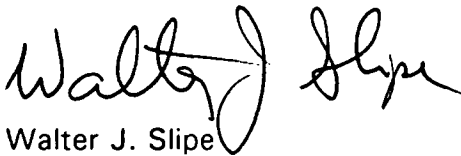


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Recommendation Approved:



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FOR COUNCIL MEETING OF:  
June 4, 1992

GA:dep  
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# TABLE 1

GRA/PW  
March 26, 1992

## NORTH NATOMAS COMMUNITY PLAN PRELIMINARY LAND USE SUMMARY

	<u>Acres</u>
Net Developable Acreage (City Portion NNCP)	4,187
Landscaped Freeway Corridor	91
New Freeway Right-of-Way Dedications	16
Drainage Canals	206
Greenbelt Easements	325
Light Rail Right-of-Way	18
Major and Local Streets	811
Regional Park	200
Neighborhood/Community Parks	252
Schools	161
Civic Lands	80
Agricultural	66
Miscellaneous Open Space	<u>42</u>
Subtotal Gross Finance Plan Area *	6,455
City Portion Outside Finance Plan (Approximate)	643
Existing I-5 Freeway Right-of-Way	271
County Portion Outside Finance Plan	1,428
Main Drain and West Drain Areas	<u>241</u>
<b>TOTAL NNCP AREA</b>	<b>9,038</b>

	<u>Acres</u>	<u>% of Total</u>
Net Developable Property (City Portion NNCP)	4,187	64.9%
Less Parks, Civic, Open Space and Other Non-developable Areas	<u>2,268</u>	<u>35.1%</u>
Total Gross Finance Plan	6,455	100.0%

\*Reference Appendix G-13 NNCP Draft Finance Plan 1989



**TABLE 2**  
**1989 NORTH NATOMAS FINANCING PLAN**  
**PRELIMINARY EVALUATION OF INFRASTRUCTURE COSTS**

ITEM	BASIC COST	SPECIAL COST DUE TO LOCATION	SPECIAL COST DUE TO NNCP	TOTAL 1989 NNCP FINANCING PLAN
Freeway Improvements	\$24,681,600	\$7,560,000 (1)		\$32,241,600
Major Streets	\$98,780,000			\$98,780,000
Drainage	\$83,493,900	\$44,679,000 (2)		\$128,172,900
Sewer	\$32,756,000			\$32,756,000
Water	\$46,083,300	\$2,511,000 (3)		\$48,594,300
Regional Park	\$0		\$15,018,000	\$15,018,000
Fire, Library & Police	\$0		\$11,790,100	\$11,790,100
Air Quality	\$0		\$12,195,600	\$12,195,600
Landscape Improvements	\$0		\$5,998,000	\$5,998,000
Planning Studies	\$0		\$3,116,500	\$3,116,500
<b>TOTAL</b>	<b>\$285,794,800</b>	<b>\$54,750,000</b>	<b>\$48,118,200</b>	<b>\$388,663,000</b>

**EVALUATION OF COST PER ACRE**

Cost per Gross Acre (6,455ac.)	\$44,270	\$8,480	\$7,450	\$60,210
Cost per Normal Net Acre (4,970ac.)	\$57,500	\$11,020	\$9,680	\$78,200
Cost per NNCP Net Acre (4,187ac.)	\$68,260	\$13,080	\$11,490	<b>\$92,830</b>

(1) 3 freeway overcrossings

(2) Offsite canal construction to the Sacramento River, I-5 Crossings, Giant Garter Snake Mitigation, irrigation canal crossings.

(3) T-Main Crossing of American River.

# TABLE 3

## Preliminary Infrastructure Cost Comparison Sacramento Metropolitan Area

	North Natomas (City) 1986 NNCP/1989 Finance Plan	Natomas West AD (Includes FBA On-Site Costs)	Laguna Creek Assessment District (City - 1988)	Laguna Creek Mello-Roos District (County - 1986)	North Central Roseville Mello-Roos CFD (1990)	Folsom East Facilities Plan 1991	Laguna West Lakeside Public Facilities Plan 1990
Gross Geographic Area	6,455	441	740	4,597	1,707	3,811	1,665
Open Space, R/W Public Land, Etc.	35%	15%	34%	18%	31%	35%	29%
Net Developable Acres	4,187	375	491	3,789	1,176	2,492	1,181
Residential Units	28,788	2,619	3,156	15,960	4,403	7,884	5,556
Non-Residential Uses	21,114,000 Sq Ft	2,554,900 Sq Ft	47 acres	632 acres	712 acres	602 acres	410 acres
Total Infrastructure Cost (1)	\$388,663,000	\$24,900,000	\$10,033,000	\$93,336,000	\$66,399,546	\$138,018,600	\$40,083,100
Basic Drainage Cost/ Net Acre	\$19,900 /acre	\$16,100 /acre	\$10,110 /acre	N/A	\$1,977 /acre	\$2,921 /acre	\$1,577 /acre
Basic Freeways and Major Streets/Net Acre	\$29,500 /acre	\$39,600 /acre	\$6,140 /acre	\$15,470 /acre	\$32,222 /acre	\$30,230 /acre	\$31,934 /acre
Other Infrastructure/ Net Acre	\$43,430 /acre	\$10,700 /acre	\$4,180 /acre	\$9,160 /acre	\$22,263 /acre	\$22,243 /acre	\$423 /acre
Total Infrastructure/ Net Acre	\$92,830 /acre	\$66,400 /acre	\$20,430 /acre	\$24,630 /acre	\$56,462 /acre	\$55,394 /acre	\$33,934 /acre

(1) EPS estimates for North Central Roseville, Folsom East and Laguna Ranch/Lakeside represent bond funded and project specific fee funded improvements. These estimates do not include city/county fee funded improvements.

# TABLE 4

May 19, 1992  
GRA/PW

## 1989 NORTH NATOMAS FINANCING PLAN MELLO ROOS EVALUATION

### Leveraging Capacity

Land Value Undeveloped	Lien	Leverage
\$3.00	\$1.00	33%
\$4.00	\$1.00	25%
Land Value Developed	Lien	Leverage
\$2.00	\$1.00	50%
\$3.00	\$1.00	25%

### Maximum Taxing Capacity

Mello Roos Tax -- Per Residential	1% or Less
Property Tax	<u>1%</u>
Maximum	2%

### North Natomas Financing Plan

Appraised Value		\$689 Million
Build-out Schedule		Varies to 20 Years
Mello Roos Bonds Proposed		\$182.3 Million
North Natomas Assessment District No. 1		<u>\$ 38.5</u> Million
		\$220.8 Million
		<u>Leverage</u>
Value to Lien Ratio	\$3.1 to 1	32.3%
(\$689/220.8)		
Proposed Bond Phasing	1992	\$ 17.7 Million
	1993	\$ 73.2 Million
	1996/2000	<u>\$ 91.4</u> Million
		\$182.3 Million

# TABLE 4a

## NORTH NATOMAS COMMUNITY PLAN POTENTIAL COST INCREASES

	<u>COST</u>	<u>COST PER NET ACRE</u>
1989 NNCP Financing Plan	\$388,663,000	\$92,830
Potential School Cost (1)	110,000,000	26,272
Potential Light Rail (2)	51,000,000	12,181
Potential Habitat Mitigation (3)	50,000,000	11,942
	<u>\$599,663,000</u>	<u>\$143,225</u>

(1) \$166 million total for K-12th facilities; assumes one third of funding generated by existing Sterling fees.

(2) Estimated cost to extend Light Rail (Source: Regional Transit)

(3) \$150 million total; assumes one third allocated to North Natomas (Source: SAFCA)