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DEPARTMENT OF
PUBLIC WORKS

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CALIFORNIA

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May 29, 1990

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Budget and Finance Committee/Transportation
and Community Development Committee
Sacramento, California

Honorable Members in Session:

SUBJECT: **NORTH NATOMAS FINANCING PLAN – REPORT BACK ON FINANCING FOR THE 200-ACRE
REGIONAL PARK**

SUMMARY

This report identifies the various financing methods available for the 200-acre Regional Park in North Natomas. It also provides an evaluation of each alternative and the basis for staff's recommended alternative as described in the December 1989 draft Financing Plan. This report has been prepared in cooperation with the Department of Parks and Community Services and the City Attorney's Office. No formal action of the Financing Plan is required at this time.

BACKGROUND

At the Joint Committee meeting of April 24, 1990, staff presented a progress report on the North Natomas Financing Plan. As a result of public testimony presented at that meeting, staff was directed to prepare this report on financing alternatives for the North Natomas Regional Park.

Regional Park Data

The North Natomas Community Plan includes 1,149 acres of community parks, greenbelts, linear parkways, and open space. The "centerpiece" of this park and open space system is a 200-acre Regional Community Park. The proposed park site is on the northerly side of Del Paso Road within a major residential area of the Community Plan (please refer to Exhibit A, attached). The park property is situated on eight individual ownership parcels. Six of these parcels (approximately 130 acres) are owned by developing landowners who have executed development agreements with the City. The owner of the two remaining parcels (approximately 112 acres) does not have a development agreement with the City.

In drafting the Financing Plan, staff recognized that acquisition of the land and assurance of financing for park infrastructure was essential in the early stages of North Natomas development. Accordingly, the Regional Park has been designated as a priority funding item since inception of the Financing Plan.

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Financing Criteria/Alternatives

The adopted North Natomas Community Plan (NNCP) sets forth the following requirements relevant to financing of the Regional Park.

- NNCP, Page 58 -- "To accommodate active recreation, establish primary recreational facilities at a regional-scale park at the center of the community with additional minor facilities elsewhere. The Regional Park (200 acres) shall be dedicated to the City."
- NNCP, Page 59 -- "The regional park including curbs, gutters, sidewalks, streets, water, sewer, and storm drains shall be acquired by the City in fee, at the expense of the private sector, and without credit to Quimby Fees."

In addition, several development agreements were approved and executed in conjunction with adoption of the NNCP. The agreements provide for developer dedication of all land needed for infrastructure and public facilities. The City Attorney's Office has advised that park land owned by developing property owners is subject to these dedication requirements. Thus, the City has the authority to require dedication as a condition of development. The 112 acres of land, not covered by a development agreement, however, falls into a different category. Without a development agreement, the City currently has no legal basis to require dedication. For this situation, it was recommended that the property should be acquired through conventional methods.

With this criteria in mind, several funding alternatives were considered for the Regional Park. The following summarizes staff analysis of each alternative.

Alternative 1 -- Mello Roos District

Given the priority of the Regional Park, the Mello Roos was favored early on as a viable funding source for the perimeter infrastructure and that portion of the park not covered by a development agreement. The primary advantage with the Mello Roos is that bonds can be sold in the early phases of development to acquire (or secure) the property that needs to be purchased. Additionally, future bond issues can be structured to fund the perimeter infrastructure, when needed, as the park develops. The current Financing Plan recommends this alternative.

Alternative 2 -- Special Developer Fee

The Special Developer Fee is a one-time charge collected at the building permit stage. Similar to the South Natomas FBA, improvements are funded on a "pay as you go" basis as development occurs. Under the current Financing Plan, the Special Developer Fee has been planned to fund approximately \$18 million in landscaping improvements and certain air quality mitigation measures that were identified in the Community Plan.

During preparation of the Financing Plan, the Special Developer Fee was considered as a funding mechanism for the Regional Park. The Special Developer Fee was not recommended for the following reasons:

1. With the Special Developer Fee, perimeter infrastructure for the park would have to be delayed until sufficient funding became available. Depending on the priority ranking with landscaping and air quality mitigation improvements, funding for park infrastructure could potentially be delayed until the final stages of Community Plan build-out.

2. The Special Developer Fee could not assure adequate funding for the purchase of the land not covered by a development agreement. If the land was acquired through negotiation, the purchase agreement would have to specify that payment was contingent on development of the Community Plan area. This could result in additional costs for the land purchase. If the land was acquired through condemnation, 100% of the fair market value would need to be available before initiating condemnation proceedings. In the event of a delay, the fair market value could escalate, resulting in a funding shortfall.

Alternative 3 -- Land Dedication Fee

The Land Dedication Fee is a special financing method designed to allow dedication of land by developing property owners in a fair and equitable manner. It is not a funding source for land acquisition in the conventional sense. The land value component of the fee is not directly tied to fair market value of the property. Rather, it will be determined at a uniform rate established through agreement between developing property owners and approved by City Council. The Land Dedication Fee is the recommended financing method for that portion of the park (130 acres) owned by developing property owners. These owners have executed development agreements with the City and have provided input on structuring the Land Dedication Fee. In the event that the Land Dedication Fee is not adopted with the Financing Plan, the City will still retain its authority to require dedication as provided by the existing development agreements.

Concerning the 112 acres of land not covered by a development agreement, the Land Dedication Fee was not recommended for the following reasons:

1. The City does not currently have the legal authority (under the Land Dedication Fee) to require dedication of the property.
2. It is anticipated that acquisition of this land will be through negotiated purchase or condemnation at fair market value in accordance with standard City procedures. The Land Dedication Fee cannot assure adequate funding for this type of acquisition.
3. In the event of a delay in funding, the appraised value of the property could escalate resulting in a potential funding shortfall.
4. In the event the Land Dedication Fee is not approved with the Financing Plan, an alternative funding source would need to be identified.

FINANCIAL DATA

The funding components for the Regional Park may be summarized as follows:

	<u>Recommended Funding Source</u>	<u>Projected Cost FY 90/91 Dollars</u>
Perimeter Infrastructure and Purchase of Land Not Covered By a Development Agreement (112 Acres)	Mello Roos	\$15,018,000
Dedication of Land Owned by Developing Property Owners (130 Acres)	Land Dedication Fee	<u>*2,600,000</u>
TOTAL		\$17,618,000

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*Land value for the Land Dedication Fee is projected at \$20,000/acre. Final land value will be determined through agreement between developing landowners and approved by City Council.

POLICY CONSIDERATIONS

The policy regarding financing of the Regional Park is clearly set forth in the adopted Community Plan. As previously referenced, the NNCP requires that the park property, as well as the perimeter infrastructure improvements, be provided to the City at the expense of the private sector. While each of the alternatives presented here meet this criteria, staff feels that the recommended alternative (Mello Roos/Land Dedication Fee) provides the City with the best plan to secure the property in a timely manner and construct improvements when needed to serve the park development.

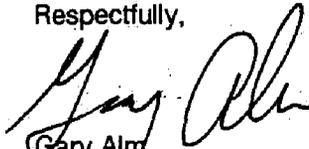
MBE/WBE

There is no MBE/WBE impact.

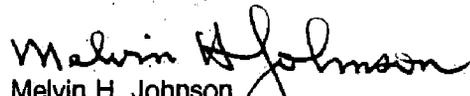
RECOMMENDATION

It is requested that the Committee consider the various financing options presented in this report. As proposed in the current Financing Plan, staff recommends that the Mello Roos District finance the perimeter infrastructure and the purchase cost for that portion of the Regional Park not covered by a development agreement. The Land Dedication Fee is recommended to acquire the remaining park property owned by the developing owners.

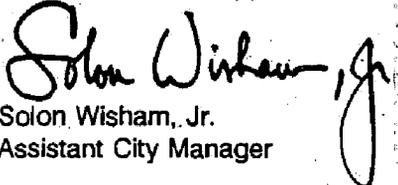
Respectfully,


Gary Alm
Supervising Engineer

Approved:


Melvin H. Johnson
Director of Public Works

Recommendation Approved:


Solon Wisham, Jr.
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District 1

EXHIBIT A

