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March 11, 2015

TO: Board of Supervisors

FROM: David Defanti, Assistant Director

Subject: Missouri Flat Master Circulation and Funding Plan (MC&FP) Background Information

The purpose of this memo is to provide information requested by the Board of Supervisors (Board) at the February 10, 2015 hearing relating to the existing Missouri Flat Master Circulation and Funding Plan (MC&FP) Phase I and the proposed MC&FP Phase II. The information provided is as follows:

1. MC&FP Background
 - a. Pre-MC&FP
 - b. MC&FP Formation and Funding Strategies
 - c. "Critical Mass"
 - d. Funding for the original MC&FP study
2. Status of MC&FP Phase I
 - a. Discretionary Approvals
 - b. MC&FP Phase I Funding overview
 - c. Status of MC&FP Phase I Road Improvements
3. Goals of the MC&FP Phase II
4. Recent area studies
5. Uses of MC&FP funds

1. MC&FP BACKGROUND

a. Pre - MC&FP

Prior to the improvements accomplished by the MC&FP, the Missouri Flat area had experienced high levels of traffic congestion for many years due to its central location, existing commercial development, and inadequate arterial and freeway over-crossing capacity (see Attachment 3E for a map of the MC&FP boundary). The main problem was the Missouri Flat Road over-crossing at U.S. Highway 50, which was not designed for the volume of traffic that it was experiencing. The magnitude and causes of the congestion were studied and documented in a number of traffic impact studies conducted by the County including analysis prepared as a part of the County's 1996 General Plan and Environmental Impact Reports (EIRs) for major projects such as Wal-Mart. These studies, along with the analysis conducted as part of the County's Traffic Impact

Mitigation (TIM) Fee Program at the time, documented the need for a set of road improvements necessary to eliminate existing levels of traffic congestion and to provide capacity for additional development in the area as envisioned by the 1996 General Plan.

In the mid 1990's, a number of commercial projects were proposed in the Missouri Flat area, leading to a high level of public concern regarding the cost of needed improvements and the impact on the County's other transportation priorities and the taxpayers. Accordingly, the Board placed Measure B on the ballot and passed in November of 1995 (Attachment 3F). Measure B was an advisory vote that supported the County approach that new commercial development be entirely responsible for funding needed road improvements necessary to maintain level of service (LOS) standards.

Soon after Measure B was passed, the County adopted urgency ordinances limiting new commercial development in the Missouri Flat area for two years between April 16, 1996 and April 15, 1998 (Ordinance Numbers: 4417, 4420, and 4446). The adopted moratorium would also provide time to create a financing mechanism consistent with Measure B along with the 1996 El Dorado County General Plan Policy 2.1.4.8, which stated:

“The County, except where the proponent of a particular project has already received one or more discretionary approvals (other than approval of this General Plan) and has committed to fully participate in any funding mechanism to fund infrastructure within the Missouri Flat Area Planned Community, shall not approve any discretionary land use applications within the Missouri Flat Area Planned Community until September 1996 or such time as a specific plan, redevelopment plan, or a master circulation and funding plan is adopted by the County. The underlying land use designation shall be as specified on the General Plan land use map...”

The County engaged in a collaborative effort with developer representatives to produce a financing plan (which would later be known as the MC&FP) to fund necessary road improvements in the Missouri Flat area while achieving General Plan policies and meeting the objectives of Measure B. In April 1998, an EIR was completed for the MC&FP, Sundance Plaza and El Dorado Villages Shopping Center projects.

In November 1998, the voters adopted Measure Y (Attachment 3F) which amended the County's General Plan to require that certain LOS standards be met. As a result of the 1998 Measure Y, County tax revenues could not be used to fund road improvements necessary to mitigate traffic impacts of new development¹ (a new restriction that had significant impacts on the MC&FP as discussed in the section below).

b. MC&FP Formation and Funding Strategies

The MC&FP was first established on December 15, 1998 to provide a funding mechanism to address existing road deficiencies within the Missouri Flat Road corridor and encourage economic development in the area. On the same date, the Board also approved project

¹ The revised Measure Y adopted in 2008 (Attachment 3F) removed language that prohibited County tax revenues from being used to fund road improvements to mitigate traffic impacts of new development.

applications and development agreements for Wal-Mart, the El Dorado Villages Shopping Center and Sundance Plaza. Please see the following attachments for details regarding MC&FP formation:

- Attachment 3G - list of identified roadway improvements for Phase 1
- Attachment 3H - Final Report of the Missouri Flat Master Circulation and Funding Plan prepared by EPS in 1998
- Attachment 3I - Final Report of the Missouri Flat Master Circulation and Funding Plan updated by EPS in 2000
- Attachment 3J- Approved Development Agreements

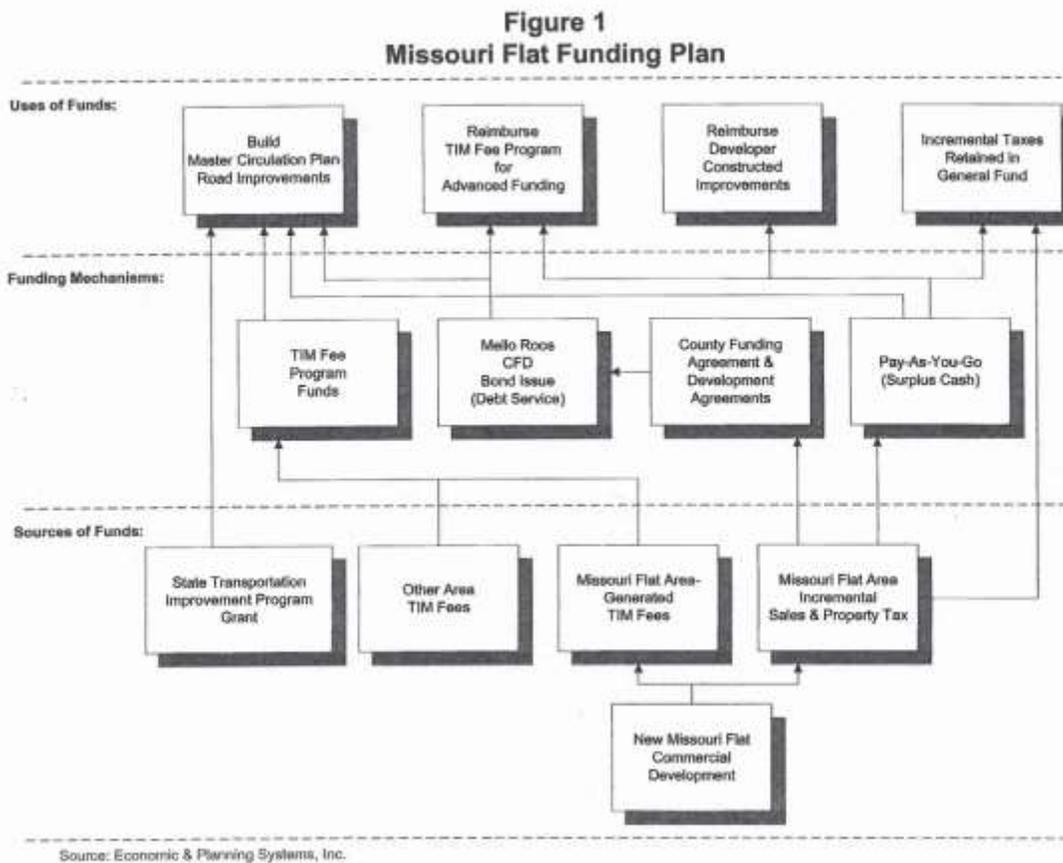
The MC&FP approved by the Board in 1998 was only Phase I of what was originally proposed as a two-phase circulation and funding plan. Measure Y was passed by the voters one month before the Board hearing to consider adoption of the MC&FP; it prohibited County tax revenues from being used to fund road improvements necessary to mitigate traffic impacts of new development. Measure Y caused certain improvements included in the draft MC&FP (e.g., extension of Headington Road and improvements to the El Dorado Road Interchange) to become ineligible for MC&FP tax increment funding. The draft MC&FP had to be modified to ensure compliance with these new requirements. As a result, the County determined that MC&FP would be required to be split into two phases. Phase I would address existing LOS deficiencies and allow for approximately 732,278 square feet (See Table 3 of Attachment 3H for a breakdown of the square footage estimates) of additional commercial development. Phase II goals and objectives are discussed in Section 3 below.

The approved MC&FP Phase I provided for roadway improvements necessary to correct existing deficiencies and allow for what was then referred to as Phase I development (which included Wal-Mart, the El Dorado Villages Shopping Center and Sundance Plaza). Under the MC&FP, funds for the roadway improvement would come from a combination of the following revenue sources (see Figure 1 below):

- Private Financing (developer constructed facilities)
- TIM Fees
- MC&FP incremental sales and property taxes
- Community Facilities District (CFD) infrastructure bonds (i.e., Mello-Roos)
- State and federal transportation grants

The TIM Fees would cover the new development's share of the project costs, and the new tax increment revenues would pay the cost of the roadway projects associated with existing deficiencies. In order to effectively capitalize the new tax revenue, a CFD was formed in 2002 with a bonding capacity of \$35,000,000 (see Attachment 3K for the Resolution and Attachment 3L for the Hearing Report establishing the Missouri Flat CFD No. 2002-01 Financing Plan prepared by Economic & Planning Systems, Inc.). New non-residential developments larger than 10,000 square feet within the boundaries of the MC&FP are required to annex into the CFD. See Attachment 3M for the CFD No. 2002-01 Annexation Decision Tree and Attachment 3J for the Development and Annexation Agreements. The CFD was intended to provide a source of capital funding for the County's share of the needed transportation improvements. Any debt issued by the Missouri Flat CFD will be secured by a special tax lien upon properties within the

CFD boundary. The annual bond debt payments would be paid first with sales and property tax revenue generated within the entire MC&FP boundary, with any balance paid through assessments to properties included in the CFD. A formula was established for the special tax levy, and specific sales tax performance targets were identified in the development agreements. Developers were willing to provide this security, as they recognized their projects could not move forward without resolving the funding needs associated with existing deficiencies. The County was ultimately very successful in competing for grants; as a result, there has not been a need to issue bonds or levy a special tax to date.



c. “Critical Mass”

Shortly after the adoption of the MC&FP, Sundance Plaza proponents indicated that the project would not be able to proceed given issues with surrounding wetlands. The loss of the Sundance Plaza project in conjunction with the passage of the 1998 Measure Y cast into question the availability of funding for the roadway projects within a foreseeable period of time, since no replacement development was readily apparent to make up for the loss of tax revenue expected from the Sundance Plaza project. In order to avoid a situation where projects like Wal-Mart and El Dorado Villages could proceed and generate traffic before reasonably foreseeable development was identified to complete the funding of the roadway improvements; a “critical mass” requirement was placed in the Development Agreements for projects within the MC&FP area.

The “critical mass” requirements provided that neither Wal-Mart nor El Dorado Villages (and by extension any other projects requiring discretionary approvals) could obtain building permits until reasonably foreseeable development would be identified which would generate sufficient revenue to finance the necessary roadway improvements. The details of this process were set forth in the development agreements. The “critical mass” calculation required some replacement for the Sundance Plaza incremental tax revenues before projects could move forward.

Without Sundance Plaza moving forward in a timely manner, the implementation of the MC&FP was delayed. In November of 2002, the County was able to obtain grant funding from the El Dorado County Transportation Commission (EDCTC) for transportation improvements in the MC&FP area. This provided the “critical mass” needed to move forward with the MC&FP. See Attachment 3N for a summary of grants received from EDCTC in the MC&FP area.

d. Funding for the original MC&FP study

Efforts to create the MC&FP were funded by the County’s General Fund, Wal-Mart, El Dorado Villages, and Sundance developments. Ordinance 4565 (Attachment 3O) was adopted by the Board in 2000 to authorize the MC&FP Reimbursement Fee in order to reimburse the County General Fund for the costs incurred in the preparation and adoption of the MC&FP and its related activities (environmental review, engineering, traffic engineering, financial, economic, drafting and legal services), which amounted to \$642,519.84. Resolution 295-2000 (Attachment 3P) was adopted to implement a \$0.43/square foot fee for all non-residential buildings within the MC&FP area to repay the County for the amount spent to create the MC&FP. As of March 2015, the total collected per the reimbursement fee resolution is approximately \$130,000.

2. STATUS of MC&FP PHASE I

MC&FP Phase I required a set of continuing positive actions by the County in order to succeed as an adopted plan. These actions included approval of ongoing discretionary development projects, establishment of funding mechanisms and construction of identified roadways. The following discussion provides information and status on these items:

a. Discretionary approvals

The County approved a number of discretionary projects in the area, including Wal-Mart, El Dorado Villages (Safeway shopping center), and Sundance Plaza (now The Crossings at El Dorado, and not yet constructed). The County also approved additional commercial development including the Golden Center Drive area, Panda Express, Ross Dress for Less, and Walgreens. The square footage built to date is approximately 500,000. There are also a number of proposed projects currently in process:

- The Crossings at El Dorado, PD97-11/DA98-0001 (formerly Sundance Plaza) is an approved project of 535,000 square feet, with only 394,278 square feet anticipated in MC&FP Phase I. The project proponent is proposing a revised Phase I of 120,000 square feet. The project proponent submitted an application for revision in December 2011, and presented a revised phasing plan to the Planning Commission in May, 2014. The Planning Commission found the revised phasing plan to be consistent with the Conditions of Approval of the existing agreement.

- Creekside Plaza (PD10-05/P10-12/Z10-09) was approved at 21,000 square feet by the Board on April 3, 2012. The project is being revised, but has not been submitted for Planning Commission or Board consideration.
- The Diamond Dorado Retail Center project (A07-18/Z07-54/PD07-34/P08-17) was approved by the Board at 241,515 square feet on September 11, 2012. This project has a Planned Development overlay which requires additional discretionary review and action.

b. MC&FP Phase I Funding Overview

The Board has established funding mechanisms in the MC&FP area, as described in the background above. The sources and status are below:

- The MC&FP tax increment (85% of property taxes and 85% of 1% of new sales taxes), established in 2001, is currently generating approximately \$1,000,000 per year.
- The MC&FP CFD was established in 2002. No special tax has been set and no bonding has occurred at this time.
- TIM fees for road improvement projects within the MC&FP area.
- State and federal grants for road improvement projects within the MC&FP area.

The current status of the MC&FP revenue and expenditures can be found in Attachment 3Q.

c. Status of MC&FP Phase I Road Improvements

As described above, the MC&FP Phase I designated roadways with existing deficiencies to be funded and improved (Attachment 3G). Below is the status of the authorized roadway facilities for MC&FP Phase I:

1. Missouri Flat Widening Phase A: Mother Lode Dr. to Forni Road
Status: Completed - 1999
2. Missouri Flat Widening Phase B: Forni Road to Pleasant Valley Connector (Diamond Springs Parkway)
Status: Completed - 1998
3. Missouri Flat Road/US 50 Interchange Improvements - Phase 1 (split into 2 phases)
Phase 1A Status: Completed - 2009
Phase 1B Status: Majority of the construction completed in 2013, with the final portion scheduled for construction in 2015/16.
4. Pleasant Valley Connector Roadway (Diamond Springs Parkway): Missouri Flat Rd. to Hwy 49/Fowler Lane Intersection (split into 2 phases)
Overall Status: EIR certified May, 2011, 50% design complete, and right-of-way negotiations have started.
Phase 1A (Work along Highway 49) Status: In progress
Phase 1B (4 lane road) Status: In progress
5. Missouri Flat Rd at Headington Rd –Intersection Improvements and Signalization
Status: Not complete

6. Missouri Flat Rd at El Dorado Rd – Intersection Improvements & Signalization
Status: Completed.

3. GOALS OF THE MC&FP PHASE II

As summarized in the *CEQA Finding of Fact and Statement of Overriding Considerations of the Board of Supervisors for the Missouri Flat Area Master Circulation and Funding Plan* prepared on December 15, 1998 (Attachment 3R), Phase II goals are similar to those as Phase I, which are to:

- Establish a vital commercial center in El Dorado County
- Improve the County’s fiscal well-being
- Establish the framework for revenue collection that will fund specific improvements identified in the Missouri Flat area
- Allow for discretionary approvals of commercial development in the Missouri Flat area
- Alleviate existing/projected traffic congestion

Facilitating economic development is a key priority for El Dorado County. Board Policy J-2 states that “all departments provide priority treatment for commercial and industrial projects being processed in El Dorado County, to assure that the future tax base of the County is provided in a timely manner.” The Missouri Flat Road corridor is a major commercial center and has significant untapped potential.

On May 22, 2012 (Legistar item 12-0643), the Board directed staff to initiate Phase II of the MC&FP to help fund necessary roadway improvements to support additional commercial development in this area. Staff waited to begin work on the MC&FP Phase II until completion of an update to the County’s growth forecasts and travel demand model.

On February 24, 2014 (Legistar item 14-0245), the Board directed staff to issue a Request for Proposals (RFP) for the creation of MC&FP Phase II. This effort is a key investment intended to grow the County’s job base, sales tax base and property tax base by removing barriers to economic development.

The MC&FP Phase II would accomplish the following:

1. Reduce additional constraints related to the build-out of the area:
 - a) Increase capacity for additional commercial development. Pending commercial development of approximately 400,000 square feet, in addition to the 500,000 square feet constructed to date, would exceed the 732,278 square feet anticipated in Phase I.
 - b) Identify and fund additional improvements to the Highway 50/Missouri Flat Road Interchange and adjacent roads to relieve projected congestion and create additional capacity for planned commercial development.
 - c) Build much-needed road improvements without increasing taxes or TIM fees.

The tax increment currently brings in \$1,000,000 per year; however, the additional proposed and potential commercial development in the area will necessitate major roadway improvements (e.g. four lane Diamond Springs Parkway, the second phase of

the Missouri Flat Interchange, Headington Road extension, etc.) that may not be sufficiently funded by tax increment and TIM fees generated from future projects. The Phase II analysis will take this into consideration when determining how future improvements will be funded.

2. Facilitate additional commercial development to:
 - a) Expand retail shopping opportunities for residents and visitors.
 - b) Keep more sales tax revenue in the County (reduce sales tax leakage to neighboring jurisdictions).
 - c) Increase job and business opportunities in the County.
3. Address Caltrans' comments regarding the need for the County to include a \$35,000,000 Missouri Flat Road Interchange Phase II (Single Point Diamond Interchange [SPDI]) in the County's CIP and TIM Fee Program, and construct it within the next 10-20 years.
 - The Missouri Flat Road Interchange Phase II is not currently in the CIP or TIM Fee Program, and adding it would likely increase TIM fees.
 - Caltrans must approve an encroachment at State Route 49 for the Diamond Springs Parkway project to move forward.

MC&FP Phase II will evaluate the following options:

- Interchange alternatives to determine if there are less expensive ways to achieve desired result.
- Timing of Missouri Flat Road Interchange Phase II: staff is not convinced that Phase II of this interchange is needed within the stated timeframe given historic growth trends and updated growth forecast.

Caltrans' concerns can be addressed during the MC&FP Phase II and will inform the current major CIP and TIM fee program update. The results of the evaluation of timing and scope of the potential improvements in the Missouri Flat area can be incorporated into the major update of the CIP and TIM fee programs. Any significant delay in the evaluation of the Missouri Flat Road Interchange Phase II could result in underfunding or overfunding the potential improvements in the corridor. The coordination with Caltrans will also benefit the Diamond Springs Parkway project. CDA Transportation staff must have Caltrans approval of the Diamond Springs Parkway project encroachment at State Route 49. Addressing the Missouri Flat Road Interchange Phase II project in conjunction with the Diamond Springs Parkway project simultaneously with Caltrans should expedite the approval process.

As discussed in Attachment 3A, Phase II of the MC&FP (Component 1 of Proposed Agreement No. 369-S1511) will provide a framework to fund any necessary additional major improvements to the U.S. Highway 50/Missouri Flat Road Interchange and adjacent arterial and collector roads that will alleviate forecast traffic congestion and facilitate additional commercial development in the Missouri Flat Road corridor.

The Consultant, Economic & Planning Systems, Inc. (EPS) has assembled a highly qualified team that includes Ascent Environmental, Flint Strategies, Kittelson & Associates, Inc. and Quincy Engineering, Inc. to prepare the MC&FP Phase II. The work will include land use analysis, economic analysis and financing strategies, traffic analysis, civil engineering, environmental review and public outreach.

The following is a summary of specific tasks to be performed by EPS and their sub-consultants:

EPS

- Conduct a Retail Market Assessment documenting the feasibility and timing of proposed commercial development in a Market Assessment Memorandum.
- Analyze Cost Burden and Financial Feasibility and document the findings in a Cost Burden Analysis Memorandum.
- Prepare a Fiscal Impact Analysis to evaluate the impact of the proposed Project on the costs and revenues of the County's General Fund and Road Fund. This includes analyzing budget and service-level standards, forecasting public service costs, forecasting public revenues, and analyzing the net fiscal effects of proposed development. The findings will be documented in a Summary of the Net Fiscal Impacts of the Project Technical Memorandum
- Evaluate Potential Financing Mechanisms and document findings in a Financing Plan Assumptions and Approach Technical Memorandum.
- Prepare Cash Flow Analysis and Financing Strategy informed by the following items: the County's public financing principles; statutory and legal considerations; industry standards regarding who typically pays for what; the timing of public improvements related to private development; commitments regarding the availability of public-sector funding; and negotiation-based preference of stakeholders. The findings will be documented in a Cash Flow Analysis and Draft Financing Strategy Technical Memorandum.
- Assist Kittelson and Quincy in coordinating the TIM Fee and CIP programming.
- Prepare a Financing Plan Report which will include: identification of the backbone infrastructure and public facility improvements required for project development; description of the sources and uses of funding; and identification of the project's proportionate cost obligation for these improvements.
- Provide project management.

Ascent Environmental, Inc.

- Develop project description for the CEQA document.
- Determine prior CEQA coverage and prepare the Initial Study.
- Prepare the CEQA document, assuming a tiered-focused EIR.

Flint Strategies

- Conduct public outreach to ensure maximum participation of individuals and businesses in the Missouri Flat Area.

- Outreach strategies include Board study sessions and Planning Commission presentations, focus group presentations/mini-workshops, public workshops, web site and social media, media relations and collateral development.

Kittelson & Associates, Inc.

- Determine required infrastructure and project design, which includes surveying the physical inventory and traffic conditions, assessing the existing traffic conditions, identifying deficiencies and needed improvements, performing future traffic forecasts, assessing the future traffic conditions, and identifying deficiencies and needed improvements.
- Conduct a focused analysis to address the following four (4) questions as they relate to the Missouri Flat Road Interchange with U.S. Highway 50: What is the expected service life of the current interchange configuration and geometrics? How much additional development can be accommodated before triggering the need for further improvements to the interchange? Are there low-cost interim improvements that can extend the service life of the existing interchange? How much additional development could be accommodated if these interim improvements are implemented?
- Produce the following four (4) Technical Memorandums to document their findings:
 1. MC&FP Phase II Study Area, Analysis Methodology, Procedures & Assumptions
 2. Existing Traffic Analysis Results and Findings for the MC&FP Phase II Study Area
 3. Future Traffic Analysis Results and Findings for the MC&FP Phase II Study Area
 4. Missouri Flat Road Interchange Capacity Threshold Phasing Analysis and Alternative Screening Evaluation.

Quincy Engineering, Inc.

- Produce updated cost estimates for the alternatives identified in the original Missouri Flat Road/U.S. Highway 50 Interchange Project Report for the projected delivery year.
- Produce schematic layouts and planning level cost estimates for the three alternative forms of the Missouri Flat Road/U.S. Highway 50 Ultimate Interchange identified through the Alternative Screening process performed by Kittelson & Associates.
- Determination of the required infrastructure and preliminary project estimates for the uncompleted projects identified in the original MC&FP and any new projects identified as the result of the MC&FP traffic analysis.

4. RECENT AREA STUDIES

EDCTC recently completed the *Diamond Springs and El Dorado Area Mobility and Livable Community Plan, 2014* (Attachments 3S and 3T), which was funded by a grant from Caltrans. The purpose of the study was to provide the communities of Diamond Springs and El Dorado with a menu of options from which they can make informed recommendations about transportation infrastructure improvements that will help shape the future of their community. The transportation analysis used the draft El Dorado County Travel Demand Model to forecast traffic and potential improvement needs through 2035. The EDCTC study will be an important input for the MC&FP Phase II and current major update to the CIP and TIM Fee Program.

5. USES OF MC&FP FUNDS

Staff has long anticipated that funds collected from the sales and property tax increment in the MC&FP area would be used to fund staff and professional services in the creation of Phase II of the MC&FP. Approximately \$3,900,000 in funding is in the current MC&FP fund balance as a result of the collection of sales and property taxes. The MC&FP funds are currently slotted to go towards a portion of the Missouri Flat Road Interchange, Diamond Springs Parkway, with sufficient funding to be used towards the MC&FP Phase II study. Attachment 3Q includes detailed information as to how the MC&FP money is being used with CIP projects.

Out of an abundance of caution, staff requested an opinion from County Counsel regarding the use of these monies for staff and professional services. On January 6, 2015, County Counsel provided a memorandum (Attachment 3D) that addresses this issue. In summary, County Counsel opined that the money can be used for any purpose the County finds to be "consistent with the MC&FP".

Page 2 of the memorandum from County Counsel contains the following quotes from the Development Agreements with El Dorado Villages Shopping Center, Walmart, and Sundance Plaza, "...The Tax Increment Revenues may be used for any purposes consistent with the MC&FP including, but not limited to, direct payment for the cost of MC&FP Improvements on a pay-as-you-go basis, contribution of funds to the CFD for debt service and CFD costs associated with CFD bond indebtedness used to fund the MC&FP Improvements, repayment of TIM Fee advances made pursuant to Section 6.J of this Development Agreement, contributions to the CFD for redemption of bonds, payment of design and engineering costs, right-of-way acquisition, and accumulation of Tax Increment revenues in a special account for future use consistent with the MC&FP with respect to MC&FP Improvements, such as accumulation of funds for future MC&FP Improvements."

In addition, page 3 of the memorandum states that "The determination of the uses to which such revenues will be put shall be made by County in furtherance of the goals of accelerating completion of MC&FP Improvements, repaying any moneys advanced by County from other sources, reducing the need for issuance of bond indebtedness, or the reduction of existing indebtedness, as in the judgment of County will result in the most effective implementation of the MC&FP."