



**COMMUNITY DEVELOPMENT AGENCY
LONG RANGE PLANNING DIVISION**

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January 27, 2015

TO: Board of Supervisors

FROM: David Defanti, Assistant Director

Subject: Agreement for Services No. 369-S1511 with Economic & Planning Systems, Inc. for the Missouri Flat Area Master Circulation and Financing Plan Phase II (Component 1) and Business Parks Financial and Market Strategy Report (Component 2)

Purpose

Phase I of the Missouri Flat Area Master Circulation and Financing Plan (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. The ultimate goal of the MC&FP is to encourage economic development in the Missouri Flat area. See Attachment B for a map of the MC&FP Phase I area. The MC&FP Phase I has been an effective program which enabled the development of 500,000 +/- square feet of retail businesses and generates approximately \$900,000 per year in revenue for planned roadway improvements.

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

On December 17, 2013, the Board directed County staff to analyze and report back on opportunities to increase economic development within the County's three existing business parks (El Dorado Hills Business Park, Barnett Business Park, and Park West Business Park). The Business Parks Financial and Market Strategy Report will address the Board's questions by comprehensively analyzing barriers to development in the business parks and recommending strategies to address them. This effort will include a review of current market conditions, a cost burden and financial feasibility analysis, a summary of traffic conditions and needed improvements, general cost estimates for needed improvements, an evaluation of potential financing mechanisms for the recommended infrastructure improvements, a cash flow analysis and financing strategy, and a final financial and market strategy report.

Chief Administrative Office divisions of Procurement and Contracts and Economic Development and Community Development Agency, Long Range Planning Division (LRP), recommending the Board:

- 1) Make findings that money collected from sales and property tax increment in the Missouri Flat Area Master Circulation & Financing Plan (MC&FP) area can be used to fund staff and professional services in the creation of Phase II of the MC&FP because creation of Phase II is consistent with and will further the achievement of the goals of MC&FP Phase I;
- 2) Make findings pursuant to Section 3.13.03 of the County Ordinance that it is more economical and feasible to engage an outside consultant to provide the expertise and assistance necessary to develop the MC&FP Phase II and the Business Parks Financial and Market Strategy Report, both which require unique financial, engineering, planning and public outreach expertise of specialists who routinely work in these areas;
- 3) Award Request for Proposal (RFP) No. 14-918-090 for consulting services related to the Missouri Flat Area Master Circulation and Financing Plan Phase II and Business Parks Financial and Market Strategy Report to Economic & Planning Services, Inc. (EPS) of Sacramento;
- 4) Authorize the Purchasing Agent to execute an agreement for services (Attachment C) not to exceed \$600,000 for a three-year period, subject to review and approval by County Counsel and Risk Management; and
- 5) Authorize the Chair of the Board to sign the budget transfer (Attachment D) allowing the funding of the Business Parks Financial and Market Strategy Report_(Component 2 of the Agreement) to be funded with Economic Development funding.

Background

On April 8, 2014, the Board directed LRP to issue a Request for Proposal (RFP) to create an MC&FP Phase II (Legistar item 14-0245). This task is referred to as Component 1 of the proposed Agreement.

On December 17, 2013 (Legistar item 13-1563), the Board directed County staff to analyze and report back on any obstacles, opinions, benefits and consequences of reducing Traffic Impact Mitigation (TIM) fees for businesses within El Dorado County to stimulate activity within the County's three existing business parks (El Dorado Hills Business Park, Barnett Business Park, and Park West Business Park). This task is referred to as Component 2 of the proposed Agreement.

Staff released an RFP on June 20, 2014 seeking consultant assistance for both Components. The two Components were combined into a single RFP due to the similar subject matter and consultant expertise sought, as well as to minimize County costs relative to contract and project management.

EPS submitted a proposal on August 1, 2014, and their team provided a presentation to staff on August 27, 2014. A second proposal was submitted by a separate consultant team; however, the proposal was withdrawn as the interviews were being scheduled.

EPS' proposal and presentation demonstrated a very strong team with local knowledge and historic perspective on the County programs. EPS helped the County create the original MC&FP

Phase I and has performed a significant role in the creation of financing plans for other jurisdictions. The roles and expertise of the consultant team are as follows:

- EPS: Public finance and Mello Roos Community Facilities District (CFD) formation; fiscal and economic impact analysis; real estate market analysis
- Kittelson and Associates, Inc.: Travel demand modeling, traffic operations and traffic engineering design, and alternatives evaluation
- Quincy Engineering, Inc.: Transportation improvement cost estimates
- Ascent Environmental, Inc.: Environmental review and analysis
- Flint Strategies: Public outreach efforts

The EPS proposal was very well written and provided suggestions on how the project could be completed successfully. The multidisciplinary selection team, comprised of the CAO's office, Economic Development, Transportation Division, Administration and Finance, and LRP, agreed that EPS proved to be a very strong candidate and selected EPS and its consultant team to assist in the creation of Components 1 and 2.

Background on MC&FP Phase I and Need for MC&FP Phase II (Component 1)

The MC&FP was established on December 15, 1998 to provide a funding mechanism to address existing road deficiencies within the Missouri Flat corridor. Due to the existing traffic congestion at the time, road capacity was insufficient to meet County General Plan Level of Service (LOS) standards. Therefore, the County was unable to approve new commercial development within the region.

The MC&FP planned to use a range of funding sources to facilitate needed transportation improvements, including:

- Private Financing (developer constructed facilities).
- TIM Fees.
- MC&FP incremental sales and property taxes. The sales and property tax funding mechanism (85% of new property and sales tax) was established in 2001 and currently generates approximately \$900,000 per year.
- Mello-Roos (CFD) infrastructure bonds. The CFD was established in 2002; however, no special tax has been set and no bonding has been incurred. An estimated \$10,000,000 in bonding capacity exists.
- State and federal transportation grants. The County has received substantial funding through the State Transportation Improvement Program (STIP) for the Missouri Flat Interchange improvements.

The MC&FP was developed anticipating two major phases of development. However, when Measure Y was approved by the voters on November 3, 1998 (during development of the MC&FP) it prohibited "County tax revenues" from being "used in any way to pay for building road capacity improvements to offset traffic impacts from new development projects". As a result, certain improvements contemplated in the MC&FP became ineligible for tax increment funding. Therefore, the Board only approved Phase I of the MC&FP to address existing LOS deficiencies and to allow for approximately 732,278 square feet of additional commercial development.

Phase I has been successfully implemented to date, having helped to fund many improvements along the Missouri Flat Road corridor and adjacent arterials.

A list of the roadway projects identified by MC&FP Phase I and their status is provided in Table 1 below:

Table 1: MC&FP Phase I Status of Roadway Facilities	
<i>List of Authorized Facilities</i>	<i>Status</i>
Missouri Flat Road Widening - Phase A: Mother Lode Dr to Forni Rd	Completed
Missouri Flat Road Widening - Phase B: Forni Rd to future Pleasant Valley Connector (Diamond Springs Parkway)	Completed
Missouri Flat Road /US 50 Interchange Improvements - Phase 1	In Progress (Phase 1 was split to 1A, 1B, 1B.2 and 1C. 1A & 1B are complete)
Pleasant Valley Connector Roadway: Missouri Flat Rd to Hwy 49/Fowler Lane Intersection (Diamond Springs Prkwy)	In Progress
Missouri Flat Rd at Headington Rd - Intersection Improvements and Signalization	Not Complete
Missouri Flat Rd at El Dorado Rd - Intersection Improvements & Signalization	Completed

These roadway investments have supported construction of over 500,000 square feet of retail development in the area. Currently there is an additional 400,000 square feet of retail development pending. The additional 400,000 square feet of retail would exceed the 732,278 square feet of retail originally anticipated with MC&FP Phase I. MC&FP Phase II will provide a mechanism to fund additional roadway improvements necessary to relieve potential traffic congestion and create additional capacity for planned commercial development in the designated MC&FP area.

On May 22, 2012 (Legistar item 12-0643), the Board directed staff to initiate Phase II of the MC&FP. 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 April 8, 2014 (Legistar item 14-0245), the Board directed staff to issue a RFP for the creation of MC&FP Phase II.

Business Parks Financial and Market Strategy Report (Component 2)

On December 17, 2013, the Board directed County staff to analyze and report back on any obstacles, options, benefits and consequences of reducing TIM fees for businesses within El Dorado County to stimulate activity within the County’s three existing business parks (Legistar item 13-1563).

The Business Parks Financial and Market Strategy Report will address the Board’s questions by comprehensively analyzing barriers to development in the business parks and recommending

strategies to address them. This effort will include a review of current market conditions, a cost burden and financial feasibility analysis, a summary of traffic conditions and needed improvements, general cost estimates for needed improvements, an evaluation of potential financing mechanisms for the recommended infrastructure improvements, a cash flow analysis and financing strategy, and a final financial and market strategy report.

Discussion

MC&FP Phase II – Scope of Work and Funding (Component 1 of Agreement)

The development of Component 1 requires the consultants to provide the following services:

- EPS: Review the existing MC&FP and Mello Roos CFD, perform a fiscal impact analysis and real estate market analysis, and prepare a Financing Plan.
- Kittelson and Associates, Inc.: Perform travel demand modeling, traffic operations and traffic engineering design.
- Quincy Engineering, Inc.: Provide transportation improvement cost estimates.
- Ascent Environmental, Inc.: Conduct environmental review and analysis.
- Flint Strategies: Conduct public outreach efforts.

The efforts by the consultants will result in a minimum of two primary documents:

1. MC&FP Phase II
2. Environmental Document(s).

The cost to complete MC&FP Phase II is \$450,000. Staff has long anticipated that money collected from 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 \$3.9 million in funding is available in the current MC&FP fund balance as a result of the collection of sales and property taxes. Out of an abundance of caution, staff requested an opinion from County Counsel regarding the use of these monies for this purpose. County Counsel has provided a memorandum (Attachment E) that addresses this issue. In summary, County Counsel opined that the money can be used for that purpose if the County finds that such use is "consistent with the MC&FP".

Staff recommends the Board find that preparation of Phase II is consistent with the MC&FP because the purpose of Phase II is aligned with the MC&FP's original intent. In approving Phase I of the MC&FP, the Board acted upon the following goals and objectives (see Attachment F for details):

- Alleviate existing traffic congestion;
- 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; and
- Allow for discretionary approvals in the Missouri Flat area.

Phase II will further address these goals and objectives by providing a framework to fund additional major improvements to the Highway 50/Missouri Flat Road Interchange and adjacent arterial and collector roads that will alleviate traffic congestion and facilitate additional commercial development in the Missouri Flat Road corridor.

Business Parks Financial and Market Strategy Report (Component 2 of Agreement)

The development of Component 2 requires the consultants to provide the following services:

- EPS: Perform fiscal impact analysis and real estate market analysis, and prepare a financial and market strategy for the business parks.
- Kittelson and Associates, Inc.: Perform travel demand modeling, traffic operations and traffic engineering design and alternatives evaluation
- Quincy Engineering, Inc.: Provide transportation improvement cost estimates.
- Ascent Environmental, Inc.: Conduct environmental review and analysis, if necessary (Optional Task, not part of \$150,000). If environmental review is required, a change order will be required.
- Flint Strategies: Assist the County in conducting public outreach efforts.

The efforts by the consultants will result in a minimum of two primary documents:

1. Infrastructure Needs and Financial and Market Strategy Report.
2. Environmental Document(s).

Included as a part of this agenda item is a Budget Transfer reallocating \$100,000 of appropriated Economic Development funding in FY 2014/15 to allow Module 2, the Business Parks Financial and Market Strategy Report, to move ahead as soon as it is approved by the Board. In order to complete Module 2, an additional \$50,000 of Economic Development funding will be needed as part of the FY 2015/16 budget. Economic Development and Community Development Agency staff will include this additional \$50,000 (along with any unexpended FY 2014/15 funds) in the FY 2015/16 recommended budget or budget addenda.

Reason for Recommendation

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 the County’s three business parks are major employment and industrial centers. The Missouri Flat Road corridor and the business parks have significant untapped potential. The Board directed staff to create an MC&FP Phase II to help fund necessary roadway improvements to support additional commercial development in this area. The Board has also directed staff to look at how the County could stimulate activity within three specified business parks. These two efforts are key investments intended to grow the County’s job base, sales tax base and property tax base by removing barriers to economic development.

Recommendation

Chief Administrative Office divisions of Procurement and Contracts and Economic Development and LRP recommending the Board approve the following:

- 1) Make findings that that money collected from sales and property tax increment in the Missouri Flat Master Circulation & Financing Plan (MC&FP) area can be used to fund staff and professional services in the creation of Phase II of the MC&FP because creation of Phase II is consistent with and will further the achievement of the goals of MC&FP Phase I;

- 2) Make findings pursuant to Section 3.13.03 of the County Ordinance that it is more economical and feasible to engage an outside consultant to provide the expertise and assistance necessary to develop the MC&FP Phase II and the Business Parks Financial and Market Strategy Report, both of which require unique financial, engineering, planning and public outreach expertise of specialists who routinely work in these areas;
- 3) Award Request for Proposal (RFP) No. 14-918-090 for consulting services related to the MC&FP Phase II and Business Parks Financial and Market Strategy Report to EPS;
- 4) Authorize the Purchasing Agent to execute an agreement for services (Attachment B) not to exceed \$600,000 for a three-year period, subject to review and approval by County Counsel and Risk Management; and
- 5) Authorize the Chair of the Board to sign the budget transfer (Attachment C) allowing the funding of the Business Parks Financial and Market Strategy Report (Component 2 of the Agreement) to be funded with Economic Development funding.

Next Steps

Upon Board direction, staff will execute Agreement No. 369-S1511 with EPS, contingent upon County Counsel and Risk Management approval, and issue a Notice to Proceed

Clerk of the Board Follow Up Actions

- 1) Clerk of the Board will obtain the signature of the Chair on the budget transfer included as Attachment D.

Contact

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