Economic &
Planning Systems
Real Estate Economics
Regional Economics
Public Finance
Land Use Policy

FINAL REPORT

MISSOURI FLAT MASTER CIRCULATION AND FUNDING PLAN

Prepared for:

County of El Dorado

Prepared by:

Economic & Planning Systems, Inc.

April 1998

Adopted: December 15, 1998

EPS #7270

BERKELEY
2501 Ninth St., Suite 200
Berkeley, CA 94710-2515
www.epsys.com
Phone: 510-841-9190
Fax: 510-841-9208

SACRAMENTO
Phone: 916-649-8010
Fax: 916-649-2070

DENVER
Phone: 303-575-8112
Fax: 303-623-1294

TABLE OF CONTENTS

LIST OF TABLES AND FIGURES

I. INTRODUCTION

The *Master Circulation and Funding Plan* (*MC&FP*) provides a policy and action framework for El Dorado County, in a cooperative effort with major property owners and developers, to fund over $50 million of improvements to the Highway 50 / Missouri Flat Road Interchange and adjacent arterials and collector roads. These capacity improvements are needed to relieve existing traffic congestion and to create additional capacity for planned commercial development in the Missouri Flat Area. The *MC&FP* has evolved during the past several years as an implementation measure of the County's General Plan and concurrent with consideration of major commercial development proposals in the Missouri Flat Area. The *Master Circulation and Funding Plan* has the following objectives:

- <u>Alleviate existing traffic congestion</u>. At the present time, the Missouri Flat Area suffers from excess traffic congestion associated with past growth and development in the County coupled with inadequate road improvements. The proposed MC&FP improvements (see Master Missouri Flat Area Circulation Plan improvements) are intended to relieve current levels of traffic congestion in the area when constructed. It is the objective of the MC&FP Funding Program to provide the mechanisms and agreements needed to pay for the Master Missouri Flat Area Circulation Plan improvements.

- <u>Create adequate capacity to meet General Plan Level of Service (LOS) policy</u>. Since the General Plan has designated the Missouri Flat Area for additional commercial development, and this development will contribute to future additional traffic, it is essential to size and locate new facilities and modify existing facilities to match this future traffic. It is the objective of the proposed Master Missouri Flat Area Circulation Plan improvements to create adequate capacity to meet expected future (e.g., Year 2015) traffic levels consistent with LOS thresholds set forth by Policy 3.5.1.1.

- <u>Establish a vital commercial center in El Dorado County</u>. The County General Plan envisioned the Missouri Flat Area as one of the major commercial centers in El Dorado County. It is an objective of the MC&FP, by relieving existing traffic congestion and providing capacity for future traffic levels, to help to assure that the planned levels of commercial development occur.

- <u>Improve the County's fiscal well being</u>. The General Plan was designed to promote a balanced community that produced an adequate fiscal base for the County and other public agencies in the County. Recapturing sales that are currently "leaking" out of the County by providing infrastructure improvements to support retail sales is critical to achieving this broad objective.

- Establish the framework for revenues collection that will fund specific improvements identified in the Missouri Flat Area. The MC&FP sets the framework to collect revenue, through the mandatory or voluntary participation in the MC&FP by property owners of land designated Commercial on the El Dorado County General Plan, to fund infrastructure improvements necessary to accommodate the Master Missouri Flat Area Circulation Plan improvements in the Missouri Flat Area.

- Widen portions of Missouri Flat Road to six lanes. To amend the El Dorado County General Plan Circulation Element to allow for the widening of Missouri Flat Road to six lanes from Mother Lode Drive to Forni Road to allow for the necessary infrastructure improvements to achieve LOS E or better on this roadway.

The magnitude of transportation improvement costs, along with the lack of any State or federal funding commitments, is such that neither the County nor the proposed new commercial development in the area can feasibly make the improvements. Moreover, the County's traffic analysis has suggested that the cause of the traffic problems are nearly evenly divided between existing deficiencies (associated with previous development in the County) and the new development that is expected in the area. Given the magnitude of the improvement requirements and costs, as well as the mutual responsibility for their need, a cooperative "public/private" approach to financing the infrastructure has been developed.

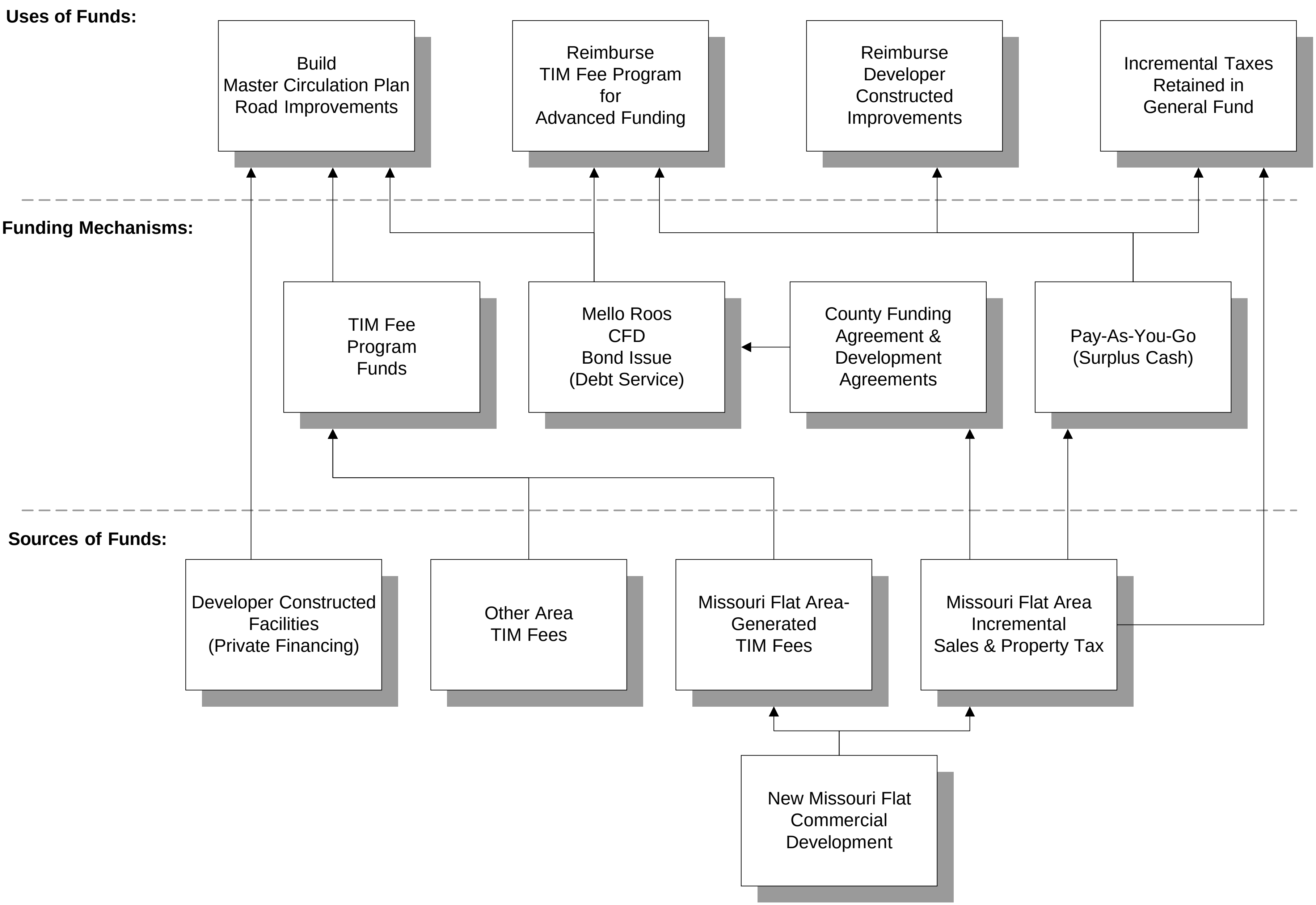
The structure of the *Master Circulation and Funding Plan* is illustrated in **Figure 1**. The proposed sources of funds, the funding mechanisms, and the uses of funds are shown. Sources of funds are drawn primarily from future commercial development in the Missouri Flat Area, either from impact fees levied by the County or from incremental property and sales tax revenue generated by the new commercial development.[1] There will also be an advance of Traffic Impact Mitigation (TIM) Fee Program revenues to augment early-year cash requirements. Funds derived from these sources will be used for the following purposes:

- Pay for the direct and indirect increases in costs for public services provided by the County.
- Pay debt service on any outstanding bonded indebtedness issued to pay for the *MC&FP* transportation improvements.
- Directly fund certain transportation improvements.
- Reimburse developers for certain transportation improvements constructed and dedicated to the County; and
- Reimburse the TIM Fee Program for funds advanced during the first few years of the program.

---

[1]Only retail/commercial development in the Missouri Flat Area would be subject to the *MC&FP*; all existing and new residential development in the area would not be part of the financing plan. New residential development would pay its normal TIM Fee.

Figure 1
Missouri Flat Funding Plan



Source: Economic & Planning Systems, Inc.

The *Master Circulation and Funding Plan* will require a set of positive actions by the County Board of Supervisors that will initiate and maintain the effort. These actions include a set of discretionary approvals (for development projects in the area) establishing funding mechanisms and maintaining funding commitments, and initiating the road improvements funded by the program. Details of these actions are outlined in the final section of the *MC&FP*.

II. BACKGROUND

The Missouri Flat Area has experienced high levels of traffic congestion for many years due to its central location, existing commercial development, and inadequate arterial and freeway overcrossing capacity. The central problem is the Missouri Flat Road Overcrossing at Highway 50, which was not designed for the volume of traffic that it currently experiences. The magnitude and causes of the congestion have been studied and documented in a number of traffic impact studies conducted by the County over the past decade including the analysis prepared as a part of the County's General Plan, and EIRs for major projects (e.g., Walmart). These traffic impact studies, along with the analysis conducted as a part of the County's Traffic Impact Mitigation (TIM) Fee Program, 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 in the County's new General Plan.

While the Missouri Flat Area suffers from inadequate road capacity, it is a prime site for retail development in the County, given its central location and evidenced by the continued interest by major national retailers. The area currently has the largest concentration of retail shopping space in the County. Major expansion of retail uses in several large projects including Sundance Plaza, El Dorado Villages, Walmart, and Raley's Supermarket, is being planned. However, due the existing levels of traffic congestion, approval of new commercial development has been deterred, a result of the inability to meet County General Plan policy "level of service standards" and potential significant adverse traffic impacts as described in EIRs prepared for Area projects.

During consideration of the new commercial projects, a high level of public concern arose regarding the cost of needed improvements and the impact upon the County's other transportation priorities and taxpayers. Accordingly, a citizen initiative, "Measure B" was placed on the ballot in November 1995 and successfully passed. Measure B advised that new commercial development would be responsible for generating the funds needed to construct the necessary improvements.

In 1996, the Board of Supervisors (BOS) adopted a moratorium (as allowed by the State's planning law) on new development in the area pursuant to General Plan Policy 2.1.4.8. The moratorium was intended to provide time for the County to develop a "master circulation plan and funding plan" for the area that would relieve congestion, provide the additional capacity needed, and provide a financing mechanism consistent with Measure B. During the past two years the County has conducted detailed traffic analysis and prepared road improvement designs, in addition to considering development approvals for the major commercial projects. The effort to develop the *MC&FP* has occurred concurrently with this effort, beginning with consideration of a redevelopment project area, which was found to be inappropriate for addressing the financing needs of the County and the project. More recently, a collaborative effort has been established involving County staff and developer representatives. This collaborative effort has focused upon producing a *MC&FP* that is feasible and fair for the County, the private landowners, the developers, and the business owners in the Missouri Flat Area while achieving General Plan policies and meeting the objectives of Measure B.

III. MASTER CIRCULATION PLAN

The *Master Circulation and Funding Plan (MC&FP)* includes a set of transportation projects with a total cost estimated to be $55.4 million. These projects include expansion of a new interchange on Highway 50, improvements to County arterial roads, and other access and safety improvements. Over time additional infrastructure improvements may be completed in the area associated with the requirements of specific development projects and will be funded by these projects.

The Missouri Flat Area and the location of the proposed road improvements are shown on **Figure 2**. A summary description of the projects included in the *MC&FP* and proposed to be funded is shown on **Table 1**, which includes a cost estimate for each project along with an indication of the phase in which it will occur. Phase 1 improvements are proposed to be completed during the next five or six years, eliminating existing congestion problems and providing capacity for the currently proposed commercial projects. Phase 2 road improvements will be completed at a later date (ten years thereafter) as additional commercial development occurs, travel demand increases, and funding becomes available.

The *MC&FP* road projects either are currently or will be included in the County's *Capital Improvements Program (CIP)* and maintained, as a matter of continuing County policy, as priority items to be funded and constructed in a consistent manner.

POLICY CONTEXT

The County's current General Plan, which was adopted in 1996, includes a Circulation Element that provides a general policy framework for transportation improvements in the County and that specifically addresses the road improvements required in the Missouri Flat Area. The new General Plan subjects new commercial development in the area to a range of policy conditions needed to assure that the Circulation Element goals and objectives can be met. General Plan circulation policies, derived from the Circulation Element of the General Plan, that are implemented through the *MC&FP* are listed below:

[insert Figure 2 -- map locating road improvements. Conrad is sending in mail]

Table 1
Summary of Master Circulation Plan Road Improvements by Phase
Missouir Flat Financing Plan

Phase and Road Improvement	Description	Lanes	Year Complete (1)	Estimated Cost *(1997$ constant dollars)*	
Phase 1					
Missouri Flat Widening -A	From Forni Road to Pleasant Valley Connector	2 to 4	1998	$3,268,500	(2)
Missouri Flat Widening -B	From US 50 to Forni	2 to 4	1999	$2,440,000	
* ~~Headington Road Extension~~	~~From Missouri Flat to El Dorado Road~~	~~2 lanes~~	~~1999~~	~~$2,300,000~~	~~(3)~~
Missouri Flat Interchange	Expand overpass on east & widen to Propspector	2 to 4	2001	$14,450,000	
El Dorado Interchange	Widen ramp and signalize	na	2000	$1,545,000	
Missouri Flat/Pleasant Valley Conn.	From Missouri Flat to Pleasant Valley Road	2 lanes	2005	$9,800,000	(4)
Total Cost, Phase I				**$31,503,500**	
* **~~Phase II~~**					
~~Missouri Flat Widening~~	~~From US 50 to Pleasant Valley Connector~~	~~4 to 6~~	~~2009~~	~~$1,300,000~~	
~~El Dorado Interchange~~	~~Expand Overpass~~	~~na~~	~~2009~~	~~$5,000,000~~	
~~Missouri Flat Interchange~~	~~Expand overpass on west & widen to Prospector~~	~~4 to 6~~	~~2014~~	~~$13,300,000~~	
~~Missouri Flat/Pleasant Valley Conn.~~	~~From Missouri Flat to Pleasant Valley Road~~	~~2 to 4~~	~~2014~~	~~$900,000~~	
~~Headington Road Extension~~	~~From Missouri Flat to El Dorado Road~~	~~2 to 4~~	~~2014~~	~~$500,000~~	
~~Missouri Flat Widening~~	~~From Prospector to Headington~~	~~2 to 4~~	~~2014~~	~~$600,000~~	
~~Total Cost, Phase II~~				**~~$21,600,000~~**	
Total Cost				**$31,503,500**	

(1) Represents year that project is complete; construction and acquisition of Right-of-way begins eariler.
(2) Includes design and Right-of-/way for phase A and B.
(3) To be constructed upfront by Sundance Developer and cost reimbursed through Financing Plan over ten year period.
(4) Includes design and righ-of-way for phase 1 and 2.
*** See Board Action, first page of this report.**

Sources: County of El Dorado, Department of Transportation; Economic & Planning Systems, Inc.

Table 2
Circulation Element Policies
El Dorado County General Plan

General Plan Policy	Policy Summary	*MC&FP* Relationship
Policy 3.1.1.1	Roadway alignments shall be consistent with the Regional Highway System (RHS) standards.	The *MC&FP* projects are consistent with RHS standards, bringing sub-standard County roads into conformance.
Policy 3.1.1.2	Allow 500 feet of separation between freeway off ramp and nearest signaled intersection	Design of the Missouri Flat interchange improvement and *MC&FP* conforms to this standard.
Policy 3.2.1.1	Require new development to pay TIM Fees and / or make improvement to achieve LOS Standards	New development in Area will pay full TIM Fee and make variety of project-specific improvements to County roads.
Policy 3.2.1.2	Requires "inadequate" roads to be improvement to meet LOS Standards.	In addition to meeting project-related impacts, the *MC&FP* improves existing "inadequate" roads.
Policy 3.2.2.1	Establishes and defines the County TIM Fee Program.	*MC&FP* incorporates the requirements of the TIM Fee Program and amends the Program to assure improvement priorities.
Policy 3.2.2.2	Recommends that State highway interchange projects be funded with a variety of sources.	*MC&FP* funds interchange project with TIM Fees and incremental County revenues derived from commercial development.
Policy 3.5.1.1	Level of Service of "E" established as minimum.	*MC&FP* road improvements, when completed are projected to operate at LOS "E" or better.
Policy 3.5.1.3	Identify roadways with existing or projected capacity problems and prioritize them for improvements.	Missouri Flat Area roads are among the most congested in the County and have been given a high priority.
Policy 3.5.1.7	Allows LOS standards to be temporarily violated if improvements can be made "within a reasonably foreseeable time frame."	Missouri Flat roads will continue to operate at deficient LOS until Phase 1 of the *MC&FP* is completed (no later than 2005).

IV. PROPOSED RETAIL DEVELOPMENT

The *MC&FP* has been prepared to fund road infrastructure projects that, in turn, relieve existing traffic congestion and create capacity for additional commercial development in the area. The General Plan designated approximately 492 acres of land in the Missouri Flat Area for commercial development, encompassing existing commercial areas and key vacant sites with commercial potential.[2] The proposed retail development in the area falls into two general categories, "pending development proposals" and "future commercial development." The pending development proposals are a group of projects that have been planned and under consideration for a number of years in the County. These projects, if approved, will move forward immediately following approval of the *MC&FP* and certification of the associated EIR. Future commercial development is the development expected to occur during the next 20 years or so on the remaining commercially designated land in the area.[3]

RETAIL DEVELOPMENT BY PHASE

The favorable location of the Missouri Flat Area, the General Plan policy and land use designations, and the ample existing demand in the County for regional-serving retail uses all contribute to the viability of the Missouri Flat Area as an emerging retail-commercial center. Total retail-commercial vacant capacity of the area, as defined by the General Plan would accommodate approximately 5.3 million square feet of development. Pending development proposals, comprising 732,000 square feet, account for only 14 of this capacity. An additional 768,000 square feet of retail is expected to be developed in the future along with overall growth of the County over the next 20 years. The locations of the Pending Development Proposals and the other commercial development capacity are shown in **Figure 3**. The proposed retail development in the Missouri Flat Area is listed in **Table 3**, which indicates the specific composition of Phase 1 projects and the amount of additional development expected in the area through 2015 or Phase 2 development.

PENDING DEVELOPMENT PROPOSALS

The development proposals include five major projects: 1) Sundance Plaza with 394,000 square feet in the Phase 1;[4] 2) Raley's Supermarket with 63,000 square feet; 3) Walmart with 129,000 square feet; and 4) El Dorado Villages with 120,000 square feet; 5) Other near-term development projects (e.g., the proposed 26,000 square feet expansion of the Lucky Supermarket at Prospector's Plaza). In aggregate, the pending development proposals or Phase 1 will comprise approximately 733,000 square feet of gross leasable floorspace.

[2]Includes retail, office and service commercial uses (e.g., nurseries, auto repair, etc.).
[3]Only about 30 percent of the total commercial acreage is expected to be developed with retail uses over the next 20 years, based on the retail market study prepared for this project by Economic & Planning Systems, Inc. (1997).
[4]Another approximate 140,000 square feet is expected to develop during Phase 2 at Sundance Plaza.

[insert figure 3 -- map of commercial areas and proposed projects. CM is producing an updated version of this map]

Table 3
Retail Development by Phase, Land Use and Project
Missouri Flat Fiscal and Financial Analysis

Phase and Land Use	Project: Sundance Plaza	Wal-Mart	Raleys	El Dorado Villages	Lucky Expansion	Other Future Uses	All Projects
PHASE I							
PENDING DEVELOPMENT PROPOSALS							
Restaurant	8,500	0	0	5,000	0	0	13,500
Regional Retail	297,073	129,000	0	0	0	0	426,073
Home Improve	63,350	0	0	0	0	0	63,350
Drug Stores	0	0	0	0	0	0	0
Small Shops	25,355	0	0	60,000	0	0	85,355
Supermarkets	0	0	63,000	55,000	26,000	0	144,000
Total	**394,278**	**129,000**	**63,000**	**120,000**	**26,000**	**0**	**732,278**
PHASE II (1)							
Restaurant	3,500	0	0	0	0	40,000	43,500
Regional Retail	96,230	0	0	0	0	419,000	515,230
Home Improve	0	0	0	0	0	0	0
Drug Stores	22,847	0	0	0	0	20,000	42,847
Small Shops	17,295	0	0	0	0	148,850	166,145
Supermarkets	0	0	0	0	0	0	0
Total	**139,872**	**0**	**0**	**0**	**0**	**627,850**	**767,722**
TOTAL PHASE I AND II							
Restaurant	12,000	0	0	5,000	0	40,000	57,000
Regional Retail	393,303	129,000	0	0	0	419,000	941,303
Home Improve	63,350	0	0	0	0	0	63,350
Drug Stores	22,847	0	0	0	0	20,000	42,847
Small Shops	42,650	0	0	60,000	0	148,850	251,500
Supermarkets	0	0	63,000	55,000	26,000	0	144,000
Total	**534,150**	**129,000**	**63,000**	**120,000**	**26,000**	**627,850**	**1,500,000**

(1) Phase II development is based on the Retail Market Analysis prepared by EPS and estimated demand from household growth and accounts for some continued sales leakage from the Primary Market Area.

Source: Economic & Planning Systems, Inc.

FUTURE COMMERCIAL DEVELOPMENT

The remaining future retail development considered in the *MC&FP* analysis (approximately 767,000 square feet) is expected to develop starting in 2005 and is likely to be developed in increments of 60,000 to 150,000 square feet per year through the year 2015 as retail demand increases in the County. About 140,000 square feet of retail is expected to be added to the Sundance Plaza project after 2005 or during Phase 2. The remainder of vacant capacity in the Missouri Flat Area is presumed to develop after 2015, if sufficient market demand emerges for such development.

POLICY CONTEXT

The County's General Plan included land use designations and zoning reflected in the earlier General Plan for the Missouri Flat Area. The new General Plan continued this land use pattern but subjected it to a range of new policy conditions necessary to meet the breadth of General Plan policy, and specifically the need to resolve traffic congestion problems affecting the Area. **Table 4** summarizes the Land Use Element policies that are implemented through the *MC&FP*, as follows:

Table 4
Land Use Element Policies
El Dorado County General Plan

General Plan Policy	Policy Summary	*MC&FP* Relationship
Policy 2.1.4.1	Establishes Planned Community Areas, including PC-5, the Missouri Flat Planned Community Area.	*MC&FP* encompasses the territory included in the Missouri Flat Planned Community Area
Policy 2.1.4.8	Establishes requirement for the *MC&FP* prior to any "discretionary approvals" in the Area.	*MC&FP* conforms to and implements this central policy.
Objective 2.5.2	Create new opportunities for County residents to shop in the County.	*MC&FP* provides the infrastructure necessary to achieve a major expansion of region-serving retail uses in the County that captures as much as $250 million of retail sales currently "leaking" from County.
Policy 2.5.2.2	Locate new commercial development in areas where commercial presently exists.	The Missouri Flat Area is presently a major commercial center in the County.

MARKET ANALYSIS SUMMARY

A detailed retail market analysis was conducted as a part of developing the *MC&FP*. The Market Analysis described the current and expected growth of retail demand between 1995 to 2010 in the El Dorado County. The Market Analysis provided the basis of a "project description" defining the type, amount, and market absorption of commercial development in the Missouri Flat Area. This project description was used as a basis of the financial analysis as well as the fiscal, economic and EIR impact analysis contained in the *MC&FP* Draft EIR. The Market Analysis concluded as follows.

- The "Trade Area" for the Missouri Flat Area presently contains enough retail demand to support the amount and types of uses contained in the pending development proposals, with the exception of the proposed supermarkets.

- At the present time an estimated $250 million of retail sales are "leaking" out of the County, generally occurring to the west in Sacramento County.

- Over time, additional development in the County will support additional retail development in the Missouri Flat Area.

- While there will be some shift in sales from existing retailers in Placerville and other parts of the County to the new retailers located at Missouri Flat, the general increase in sales from new residents and visitors expected in the coming years will offset most of these shifts.

V. FUNDING PROGRAM

FUNDING REQUIREMENTS

The total cost of the road improvements required to service both existing and new development in the Missouri Flat planning area is about $55.4 million (constant 1997 dollars). These cost estimates have been developed by the County Department of Transportation (DOT) as part of the County's Capital Improvement Program consistent with road improvement priorities identified by the TIM Fee Program. **Table 5** summarizes the funding sources in the *Funding Plan*. The *MC&FP* provides the required funding without additional taxes or fees upon existing residents and businesses, or any reduction in public services. It is unlikely that State or federal funds will be available to fund the County's share of the improvement costs and a source of local funding is required; however, such funding will continue to be sought over time and, if obtained, could reduce the County's funding obligations. The sales tax measure for transportation improvements being considered by the County emphasizes maintenance of existing road system and, if ultimately limited to such projects, would not contribute to proposed Missouri Flat Improvements.

NEW DEVELOPMENT SHARE OF COSTS

About 45 percent or $24.7 million of the total project costs would be funded with TIM Fee revenue or by new development through standard impact fees. The Technical Report prepared for the TIM Fee Program established the nexus for each improvement included in the *MC&FP*, which ranges from 51 to 58 percent for each eligible project. There are two projects that are not included in the TIM Fee Program, i.e., Headington Road and El Dorado Interchange, which make the overall average lower or at 45 percent. The El Dorado Interchange may be added to the TIM Fee Program at a later date.

COUNTY SHARE OF COSTS

The majority of the remaining costs, about 55 percent or $30.7 million, are associated with current traffic deficiencies caused by existing development. Under constitutional and statutory standards, new development cannot be required to mitigate impacts not associated with the new development, nor bear a portion of the cost of mitigation which is not roughly proportional to the impacts of, or needs generated by, the new development. However, lack of infrastructure capacity, regardless of the cause and ultimate allocation of cost to mitigate the problem, can act as a constraint upon development, especially where the improvements to be publicly funded must be closely

Table 5
Summary of Funding Sources
Missouri Flat Financial Analysis

Participant	County TIMF Program (impact fees)	County Incremental Sales & Property Tax Revenue	Other Sources	Total Funding Sources
Missouri Flat Retail Development	$10.7	$30.7	$0.0	$41.4
Other Development in Market Area	$14.0	$0.0	$0.0	$14.0
Other Non-Project Area Development	$0.0	$0.0	$0.0	$0.0
Total	$24.7	$30.7	$0.0	$55.4
Percent Distribution	45%	55%	0%	100%

(1) The County's contribution is through the incremental sales and property tax revenues.
The TIMF program revenues represents new development's fair share of improvement costs.

Sources: El Dorado County; Economic & Planning Systems, Inc.

coordinated with, and may be integral to, mitigation measures specific to new development. Therefore, the portion of the costs allocated to existing development is proposed to be funded by the County out of revenues generated by new development, but with the cooperation of property owners proposing to develop who will assist in obtaining and securing public financing by agreeing to the formation of a Community Facilities (Mello Roos) District.

In the context of this cooperative effort, there will be a need for the County to contribute some funding (also out of revenues generated by new development) toward certain road improvements that might otherwise be the responsibility of new development which, if not accomplished by the *MC&FP*, would impact the economic feasibility of certain commercial development projects that are integral to the overall program. That impact on the private projects would result in foregoing the economic development benefits of those projects for the County and the contribution to the *MC&FP* expected from those projects.

POLICY CONTEXT

The County's General Plan addressed the context and need for commercial development in the Missouri Flat Area in an Economic Development Element. The Economic Development Element established policies regarding the economic and fiscal performance of new development and specifically required preparation of a circulation plan and *MC&FP* for the Missouri Flat Area. **Table 6** summarizes the Economic Development Element policies that are implemented through the *MC&FP*.

RECOMMENDED FINANCING MECHANISMS

The *Missouri Flat Funding Plan* was developed during a two year period of intensive market and financial analysis, consideration of financing options, and discussions with County officials, landowners, and developers in the area. An innovative financing program has evolved from this effort involving a blending of the County's TIM Fee Program, a contribution of incremental property and sales taxes to relieve existing traffic deficiencies, and establishing a land secured financing district to capitalize the subsequent tax flows. The specific components of the *MC&FP* include:

- County Traffic Impact Mitigation (TIM) Fee Program
- TIM Fee Advances
- County Funding Agreement
- Mello Roos Community Facilities District
- Development Agreements and Related Funding Agreements

Table 6
Economic Development Element Policies
El Dorado County General Plan

General Plan Policy	Policy Summary	*MC&FP* Relationship
Objective 10.1.6	Recognize and promote the need to create greater opportunities for residents to satisfy retail shopping demands in County.	The *MC&FP* is a proactive approach to achieve this policy. Without such an innovative, public/private partnership, this objective cannot be met in the Area.
Program 10.2.2.2.1.	Projects should finance improvements consistent with degree of impact and participate in legally binding agreements to secure participation in funding programs.	The *MC&FP* recommends a master development agreement and individual development agreements for all commercial projects in the area. Such agreements specify participation in funding for road improvements.
Policy 10.2.4.3	Increase fiscal performance of the County by improving retail sales tax capture.	The *MC&FP* will allow County to capture and additional $179 million of retail sales through 2005.
Policy 10.2.5.1	Avoid using (existing) County General Fund revenues to fund new municipal services.	The *MC&FP* applies a share of "incremental" General Fund revenues -- sales and property taxes generated by new commercial development to fund County share of road improvement costs, net of costs for "new municipal services".
Policy 10.2.7.3	County commits to development of a "road circulation plan" for the Missouri Flat Area, including development of a "specific funding mechanism."	The *MC&FP* is the embodiment and implementation of this policy.

COUNTY TRAFFIC MITIGATION IMPACT FEE PROGRAM

During the past decade, the County has imposed a Countywide fee for mitigating the traffic improvements of new development. Following adoption of the General Plan in 1996, DOT updated and revised the Traffic Impact Mitigation (TIM) Fee Program relying upon the traffic modeling data made available through the General Plan Update.

The updated TIM Fee Program established a number of subareas or market areas throughout the County reflecting traffic patterns and improvement requirements. The current TIM Fee is $7.44 per square foot of retail commercial space in the Missouri Flat Area. This amount of fee represents "new development's fair share" of regional and local roadway improvements needed in the County. The County TIM Fee Program maximizes the amount of impact fee that could be charged to new development and thus, this represents the total amount of revenue that can be legally charged to new development. The TIM Fee Program and fee rates are tied to an annual cost adjustment factor that averages about two to three percent per year.

TIM FEE ADVANCES TO THE *MC&FP*

The *MC&FP* proposes that DOT would provide about $4.1 million[5] loan from TIM Fee Program revenue in the first year of the project. This loan will be reimbursed from subsequent tax flows. The County would reimburse DOT with incremental sales and property taxes and bond proceeds over a ten-year period.

COUNTY FUNDING AGREEMENT

The *MC&FP* proposes that up to 85 percent of incremental sales and property taxes generated by new development in the Missouri Flat Area, that would otherwise accrue to the General Fund, be used to pay for the County's proportional share of improvement costs.[6] These costs are associated or attributed to relieving existing traffic congestion deficiencies. This approach assures that the proposed retail development can move forward and that the existing congestion problems are relieved. Under the proposed agreement, a portion of the incremental sales and property tax revenues, varying over time, would be dedicated to the County's share of Missouri Flat road improvements, including the payment of CFD annual debt service.

MELLO ROOS COMMUNITY FACILITIES DISTRICT

A Mello Roos Community Facilities District (CFD) is proposed as a mechanism and framework for issuing the necessary bonds needed to fund *MC&FP* improvements and for establishing a contingent source of funding. A CFD provides a flexible, market accepted mechanism for issuing debt, sharing costs, funding agreements, and risk management.

The Mello Roos Community Facilities District (CFD) Act of 1982 created a flexible land-secured infrastructure financing mechanism in California. CFDs issue debt that is secured through a special tax levied upon all subject properties included in the CFD. Local governments initiate CFDs either by landowner petition or resolution. Within inhabited areas, two/thirds-voter[7]

---

[5]Over and above the TIMF obligation of new development obligation. TIMF program would be reimbursed with interest over seven to ten years.
[6]In the first two years, 100 percent of incremental sales and property tax revenue would be used to create a Special Reserve Fund for the *Funding Plan*.
[7] two/thirds of the registered voters.

approval is required to set the special tax. In uninhabited areas, where there are less than 12 persons registered to vote, two/thirds-landowner approval is required.

The Missouri Flat CFD would be established principally as a means to raise the necessary capital through municipal bond issues. In a manner similar to other CFDs, any debt issued would be secured by a special tax upon properties within the CFD; however, because the landowners and developers will be paying their proportional share of project costs through the TIM Fee program, the CFD debt service would be funded entirely from a portion of the incremental sales taxes and property taxes derived from new commercial development in the area. This funding would be allocated annually by the Board of Supervisors pursuant to the County Funding Agreement discussed above.

DEVELOPMENT AGREEMENTS AND RELATED FUNDING AGREEMENTS

The *MC&FP* will be implemented initially, in part, through the execution of development agreements with the various property owners or developers currently proposing development as part of the original project (e.g., Sundance Plaza, Raley's Supermarket, Walmart, El Dorado Villages). Those development agreements will incorporate appropriate provisions of the *MC&FP* and will establish the obligations of the parties, including the obligation of the property owners to consent to the formation of the Mello Roos District.

With respect to future development, the *MC&FP* would be implemented through the negotiation of similar development agreements or comparable instruments that would provide for the participation of future development in the program on the same basis as the original developers. Where permitted by applicable legal standards, such participation may be required as part of project approvals. In any event, to the extent that roadway capacity inadequacies exist at the time of proposed future development, the project contemplates the adoption of regulations, through General Plan policies or other enactments, which would regulate such development until such time as financing mechanisms (e.g., a development agreement to participate in the *MC&FP*) for the future completion of the public improvements is in place.

The individual development agreements, in addition to incorporating the requirements of the *MC&FP*, would specify the unique requirements of each project. For example, in addition to the general terms of the *MC&FP*, the Development Agreement with the Sundance Plaza project will include a proposal to reimburse Sundance Plaza, out of incremental tax revenues generated by new development, for the cost of building Headington Road, which is estimated to cost $2.3 million. Headington Road will be funded and constructed by the developers of Sundance Plaza in 1999. The County would enter into an agreement with the developers that would specify the manner and schedule for acquisition or reimbursement.

RISK MANAGEMENT PROGRAM

As in any major project financing involving issuance of municipal bonds, the *MC&FP* dependence upon future incremental tax flows, and use of impact fees collected by the County over time as development occurs offer a number of potential risks for both public and private participants. Examples of these risks include:

- Slower growth than assumed in the financial analysis.
- Lower sales tax generation due to a recession or downturn in the economy.
- Cost of the proposed road improvements will be higher than expected.

These risks, while necessary to quantify, consider, and manage, must be compared with the risks of "no action." Without the *MC&FP* and the related funding of the improvements, existing levels of traffic congestion will worsen and potential amounts of commercial development will not occur. This loss of development opportunity will not only weaken the financial position of private investors, landowners, and developers, but also forego the significant revenue benefits of commercial development in the area to the County.

However, recognizing the potential risks, the development of the *MC&FP* has included an extensive risk analysis and has incorporated methods to limit and manage potential risks. Some of these methods are standard and are required parts of any debt financing. Others methods have been included that add to the normal risk management expected in the municipal bond marketplace.

Table 7 presents the methods proposed to manage risk as the *MC&FP* is implemented. The key feature of the risk management program is the two phase structure of the Master Circulation Plan and the related financial commitments. No debt obligations will be incurred until and unless the pending development proposals, comprising over 700,000 square feet of retail development are built and are generating sales taxes. In the event of delays in the retail commercial development, the Phase 1 roadway projects will simply be delayed.

Similarly, the Phase 2 improvements will be linked to additional retail-commercial development in the Missouri Flat Area. If this development does not proceed as expected, the Phase 2 road improvement projects would be delayed until such time as the necessary funding (derived from TIM fees and incremental taxes) are available.

Table 7
Methods of Risk Management
Missouri Flat MC&FP

Risk Management Method	Amount	Timing	Use and Restrictions	Priority
1. Use Conservative Cost, Market, and Financial Assumptions in Financial Analysis.	If mid-range cost assumptions and market performance used (versus. conservative assumptions) available revenue could increase $250,000 to $500,00 annually.	Conservative assumptions used throughout 20-year forecast period e.g. Growth of sales limited to baseline inflation assumption (3 percent).	If sales and property tax revenues are higher, more revenue will be available for "pay-as-you go", reimbursements, or early retirement of debt.	Financial Analysis shows that financial commitments can be met even under conservative economic and financial assumptions.
2. Use Debt Coverage Ratio in Financial Analysis.	Revenue 30 to 50 percent higher than annual debt service in all years.	Available year-to-year. As used in certain years for debt service.	This revenue, as available, helps create the Special Reserve Fund (described below) and fund other pay-as-you-go costs.	Included in Financial Analysis and required by bond market which will expect and evaluate debt coverage ratio.
3. Delay Phase 2 Improvements ($22.6 million) if development does not occur.	Delay of Phase 2 improvements reduces debt service and other funding required for improvement costs.	Phase 2 Improvements can be deferred if Future Commercial Development fails to materialize.	None.	Applied first, in event of funding shortfall associated with deferred Future Development.
4. Create Special Reserve Fund Created and Maintained	Minimum 1-yr County Funding Agreement liability (e.g., $1,500,000 in Phase 1; $3,000,000 in Phase 2).	In first year, $1.5 million is set aside; over time it is recommended that the fund be increased and held at $3.0 million.	Fund covers revenue shortfalls in any year, should sales and property tax be less than County's obligation.	Applied second in Phase 1, first in Phase 2 during periods of funding shortfalls.
5. Subordinate other Financial Commitments	Other Financial Commitments vary from year to year, from a one time $2 million repayment to DOT and $650,000 per year in the 1st 10 years.	Available at time of first financing and year-to-year thereafter.	Revenues not needed for debt service are planned for pay-as-you-go funding, TIMF Fund repayment and other reimbursements.	Applied third, after Special Reserve Fund depleted.
6. Borrow additional TIMF revenue	$4.1 million loan assumed in year 1. No other loans assumed in Financing Analysis.	Additional loans may be available at any time.	Loan would cover annual shortfalls in project revenue.	Applied fourth, after use of other project revenues available.
7. Levy Contingent Special Tax on Commercial Development	Up to total debt service requirement (e.g., $1,300,000 in Phase 1; $2,800,000 in Phase 2).	Tax available from year 1, and thereafter, once CFD is established.	Covers annual cash short falls; revenue generated from special taxes would be reimbursed in subsequent years.	Applied fifth, after all other methods (above) are applied and depleted.
8. Create Standard Bond Reserve Fund	10% of total bond issues has been assumed, Fund increases over time to $3.4 when all bonds are issued.	Created as bonds are sold; maximum fund created by 2010.	As security that debt service can be met year-to-year. Remainder applied to last debt payments.	Not used until all other revenues have been exhausted.

VI. PUBLIC BENEFITS

The County motivation for creating the *MC&FP*, in addition to specifically implementing at least 18 General Plan policies, includes the pursuit of several public benefits that will be derived from successful commercial development of the area, consistent with the General Plan. These public benefits include:

- Relief of existing traffic congestion
- Economic benefits
- Fiscal benefits

These benefits comprise the merit of the project, which can be contrasted with the potential impacts and costs of the *MC&FP*.

TRAFFIC CONGESTION RELIEF

Currently, the Missouri Flat Interchange and adjacent intersections along Missouri Flat Road are at Level of Service (LOS) D to F in the PM peak hours. LOS F represents a "gridlock" level of traffic congestion. The Missouri Flat / Mother Lode Drive intersection operates least effectively, i.e., at LOS F throughout the PM peak hours. Unsignalized intersections in the Missouri Flat Area were analyzed as well and the results indicate that none of these intersections meet the rural peak hour volume warrant as outlined by Caltrans (see footnote in DEIR pages 4.4.6 to 4.4.7)

ECONOMIC BENEFITS

The County has pursued commercial development in the Missouri Flat Area because of the potential economic benefits of such development to the County and its residents. These economic benefits can be summarized as follows:

- <u>Expand retail shopping opportunities</u>. The commercial development planned in the Missouri Flat Area will allow the County to provide retail-shopping opportunities not currently available to County residents. The Retail Market Analysis conducted as a part of the *MC&FP* found that there was sufficient market demand in 1996 to support the proposed retail projects at Missouri Flat, including Walmart, Sundance Plaza, El Dorado Villages, and Raley's Supermarket. At the present time, a very large percentage of regional shopping center-type sales occur out of the County, with an estimated dollar amount exceeding $250 million annually. This pattern of sales in not only inconvenient for the County's residents but it is a major drain on its sales tax receipts.

- Build much-needed road improvements without increasing taxes or fees on County residents. New commercial development in the Missouri Flat Area, including the Walmart store, will pay nearly $25 million in traffic impact fees to the County to help fund their proportional share of road improvements. Incremental sales and property taxes generated by the new commercial development will help the County remediate existing traffic congestion problems in the area by funding approximately $30 million in road improvements. Together, impact fees and County funding will finance roadway improvements costing $55 million.

- Generate tax revenues in excess of costs for the County General Fund. Over the twenty-year period there would be an additional $23 million (constant 1997 dollars) in revenues net of contributions for capital improvements and public service costs, including public safety sales tax revenues. This revenue could be used to fund a variety of other services and capital improvements required in the County. This amount of revenue represents a significant public benefit of the project.

- Increase job and business opportunities in the County. The retail development at Missouri Flat will generate about 2,600 new permanent retail jobs. The regional retail development will generate the most employees at about 1,500 employees. The project will also generate numerous secondary jobs and economic benefits as well. The construction of the road improvements will generate about 1,050 total annual construction jobs. Development of the retail space will generate a total of 1,570 annual construction job.[8]

FISCAL BENEFITS

A fiscal analysis was prepared to forecast public revenues generated by new retail development in the Missouri Flat Area and to compare these revenues with public service costs, including direct services costs and a proportional share of Countywide service costs. The fiscal analysis also assumed, consistent with the *MC&FP*, that an average of 85 percent of sales and property tax revenues generated by new retail development in the Project Area will be allocated, for a period of years, to fund the County's share of improvement costs.

Table 8 summarizes the fiscal impacts of the proposed commercial development and the *MC&FP*. In the first year of the financing of infrastructure, 100 percent of sales and property tax revenue are allocated to a special reserve fund. After 2000, up to 85 percent of sales and property tax revenues would be used for the financing. At this time a fiscal surplus of about

[8]Annual construction jobs represents one full year of employment and are not considered permanent jobs. Includes direct, indirect, and induced jobs based on input/output model for El Dorado County as discussed in Missouri Flat Circulation and Financing Plan DEIR (May, 1998).

Table 8
Projected Fiscal Impacts to General Fund
Missouri Flat Financing Plan

	Fiscal Year Ending	
	2005	**2015**
Annual General Fund Revenue		
Property Taxes	$29,500	$83,700
Sales Tax	$206,900	$400,000
Public Safety Sales Tax	$624,100	$1,206,200
Licenses And Permits	$4,900	$10,500
Franchises	$2,200	$4,700
Fines & Forfeitures	$200	$400
Total General Fund Revenue (1)	**$867,800**	**$1,705,500**
Annual Service Costs		
General Government	$41,100	$87,700
Sheriff Protection	$143,100	$229,400
Judicial/Probation/Detention	$76,400	$163,100
Inspection/Other	$8,800	$18,800
Total Annual Service Costs	$269,400	$499,000
Net Fiscal Impact on General Fund (2)	**$598,400**	**$1,206,500**

(1) Includes only 25 percent of sales and property tax revenues.
(2) Includes all General Fund revenues, net of financing requirements and costs that would be impacted by projects.

Source: Economic and Planning Systems, Inc.

$600,000 increasing to about $1.2 million by 2015 cumulatively the County will receive from $15 to $20 million during this period, over and above service costs. This surplus revenue could be used to fund a variety of other services and capital improvements required in the County, thus adding to the fiscal benefits generated by the *MC&FP* and related development.

One of the key reasons that the project generates positive fiscal benefit for the County is related to State Proposition 172, which allocated an additional half-cent of sales tax revenue to counties expressly for public safety costs (including sheriff services and criminal justice system costs. In order to receive this revenue the County must continue to fund current public safety at an established "Maintenance of Effort" level. After accounting for sheriff and other justice system costs, the proposed project would generate an additional $450,000 annually in public safety revenues at 2005, which is an additional benefit of this project allowing the County to improve funding for its public safety and criminal justice system and reducing the need for General Fund support of these services.

VII. ACTION STEPS

The *MC&FP* establishes an action framework for implementing General Plan Policies, which have been identified above. The *MC&FP* is a central component of a complex set of actions required by the County to achieve implementation. These actions can be grouped into three categories: 1) discretionary approvals by the County; 2) establishing funding mechanisms; and 3) initiating road improvements.

DISCRETIONARY APPROVALS

It is presumed that the discretionary approvals associated with the *MC&FP* will be considered concurrently in a series of public hearings at the Planning Commission and at the Board of Supervisors during the late summer and fall of 1998. The following actions will be considered for approval in these hearings.

CERTIFY PROJECT EIR

The *MC&FP* EIR must be certified prior to other actions. While the EIR will outline a number of potential impacts resulting from the *MC&FP* and the related commercial development, the findings included with the Final EIR will also document the merits of the project. In essence, the project implements a wide range of General Plan policies, which, taken as a whole, provide a wide range of social, economic, and environmental benefits that must be compared with potential impacts.

ADOPT MC&FP

The *MC&FP* as adopted, will create an implementation framework for the General Plan in the Missouri Flat Area and achieving specific objectives for the area affirmed by the Board of Supervisors as a part of *MC&FP* preparation. These objectives include establishment of a Master Circulation Plan, defining the priority of road improvement projects to be constructed, and policies and commitments regarding how the road projects will be funded.

ADOPT DEVELOPMENT AGREEMENTS

The development agreements with the individual pending development proposals will provide project-specific contracts with the individual developers conferring vested development entitlements and securing participation in the *MC&FP* financing mechanisms. The individual development agreements will incorporate the terms of a "Master Developer Agreement" that defines the procedures and commitments common to all of the development agreements, especially the reciprocal funding commitments between the developers and the County.

APPROVE PENDING COMMERCIAL DEVELOPMENT PROJECTS

Approval of the development agreement sets the stage for approval of the discretionary permits requested by the individual developers, pursuant to the terms of the development agreements and other conditions of approval recommended by the County staff. Discretionary approvals will lead quickly to submittal by the applicants of the various ministerial permits required to proceed with development.

ESTABLISH FUNDING MECHANISMS

TIM FEE AND CIP AMENDMENTS

The TIM Fee Program and the County's Capital Improvements Program will need to reflect the policies and commitments contained in the *MC&FP*. While the existing TIM Fee Program and CIP largely conform to the *MC&FP* at the present time, it will be important to confirm this consistency at the time of adoption and maintain consistency over time. For example, the *MC&FP* presumes that the TIM Fee program remains in force and that increases in TIM Fees, at least proportional to the construction cost index, occurs year-to-year.

COUNTY FUNDING AGREEMENT

A central component of the Funding Plan is an agreement by the County to commit a portion of incremental sales and property taxes derived from the development of new commercial development in Missouri Flat to fund road improvements. This funding commitment is proportional to the "County share" of costs based upon existing traffic congestion deficiencies in the area. Under the County Funding Agreement, annual payments will be made to a special fund account that will be dispensed for project-related purposes, including funding reserve accounts, pay-as-you-go funding of projects, and contributions to the proposed Missouri Flat Community Facilities District to offset debt service.

ESTABLISH FINANCING DISTRICT

A Missouri Flat Community Facilities District (CFD) is proposed as a mechanism for issuing bonds that would fund road improvements in the Missouri Flat Area. The CFD would be initiated by the Board of Supervisors through the legally defined procedure that begins with a Resolution of Formation. The formation process would follow the certification of the Project EIR, adoption of the *MC&FP*, and negotiation and adoption of a development agreement(s) with the individual project proponents. The development agreements would be accompanied by contractually binding reimbursement agreements or lease agreements that would fund the annual debt service and other expenses associated with the CFD.

Initially, the CFD would contain only those properties that are the subject of current development proposals. Only these properties would be included in the CFD and be subject to the special tax and reimbursement/lease agreement. As additional commercial development proposals are processed by the County in the area they would be added to the CFD as a condition of approval (of a General Plan Amendment, rezoning, or use permit). Over time, all of the commercially designated properties in the project area would be included in the CFD. Exceptions may be made for small properties and/or properties that require no discretionary act.

INITIATE ROAD IMPROVEMENTS

FINALIZE ROAD IMPROVEMENT DESIGN/ENGINEERING

Preliminary engineering and the Project Study Report (for the Highway 50/Missouri Flat Road overcrossing) have been initiated as a part of the development of the Master Circulation Plan. However, this work cannot be completed until after the project EIR is certified. It is presumed that immediately following discretionary approvals that DOT, in concert with Caltrans, will complete project engineering for the Phase 1 improvements.

COMPLETE RIGHT-OF-WAY PURCHASES

Some of the road improvements will require purchase of right-of-way. These acquisitions have been identified by DOT staff. Following the approval of the *MC&FP*, the necessary acquisitions will take place. Some of the acquisitions will involve property currently owned by developers or landowners participating in the *MC&FP*. Where this is the case terms of the right-of-way acquisition will be defined in the individual project Development Agreements.

BEGIN ROAD IMPROVEMENT CONSTRUCTION

Completion of engineering and right-of-way acquisition will lead the way to project construction. A precise schedule for construction will be developed by DOT following approval of the *MC&FP*. It is proposed that certain acquisitions and improvements will begin immediately; however, the major improvements in Phase 1 will be delayed until the pending development proposals (Walmart, Sundance Plaza, and El Dorado Village Shopping Center) are constructed and occupied.