

TO: BOARD OF DIRECTORS
FROM: BRUCE BUEL *BB*
DATE: SEPT. 5, 2008



WILLOW ROAD FUNDING OPTIONS

ITEM

Authorize submittal of comments to SLO County on Willow Road Funding Options [PROVIDE POLICY GUIDANCE].

BACKGROUND

The SLO County Board of Supervisors discussed funding for the Willow Road Extension Project at their August 26, 2008 Meeting (See attached presentation); indicated that an Ad Valorem Property tax was their top choice for funding the \$12 million deficit; and directed County Staff to conduct a series of outreach activities on the Nipomo Mesa to secure feedback from the community. President Winn has placed this item on this agenda so that the NCSD Board can formulate comments back to the County.

As detailed in the attached presentation, County staff evaluated six funding options and recommended Option 4 because it did not need General Fund debt support and it was less dependent on new development. None of the six options proposed the use of County General Fund Reserves to pay for any portion of the project. Although Option 4 envisions the continued collection of the \$10,337 per EDU Road Impact Fee (RIF), none of these fees would actually be used to pay for Willow Road debt service. Option 4 also assumes that the value of property correlates to the usage of County Roads.

Staff believes that some General Fund contribution is necessary to fund the project. Staff further believes that some increase in the RIF should be included to pay for a portion of the project's debt service. Finally, staff believes that a parcel tax or an assessment would more equitably spread the cost of the project amongst the road users.

The only fiscal impact to the District regarding this item is the dedication of staff time, which is budgeted in the FY08-09 Budget.

RECOMMENDATION

Staff recommends that your Honorable Board discuss these issues, develop a position and authorize the President to forward a letter to the Board of Supervisors articulating that position.

ATTACHMENTS

- Slides from 8/26/08 Presentation

Willow Road Interchange

Project Funding Alternatives

Department of Public Works
Department of Planning and Building

WILLOW ROAD EXTENSION/US 101 INTERCHANGE PROJECT

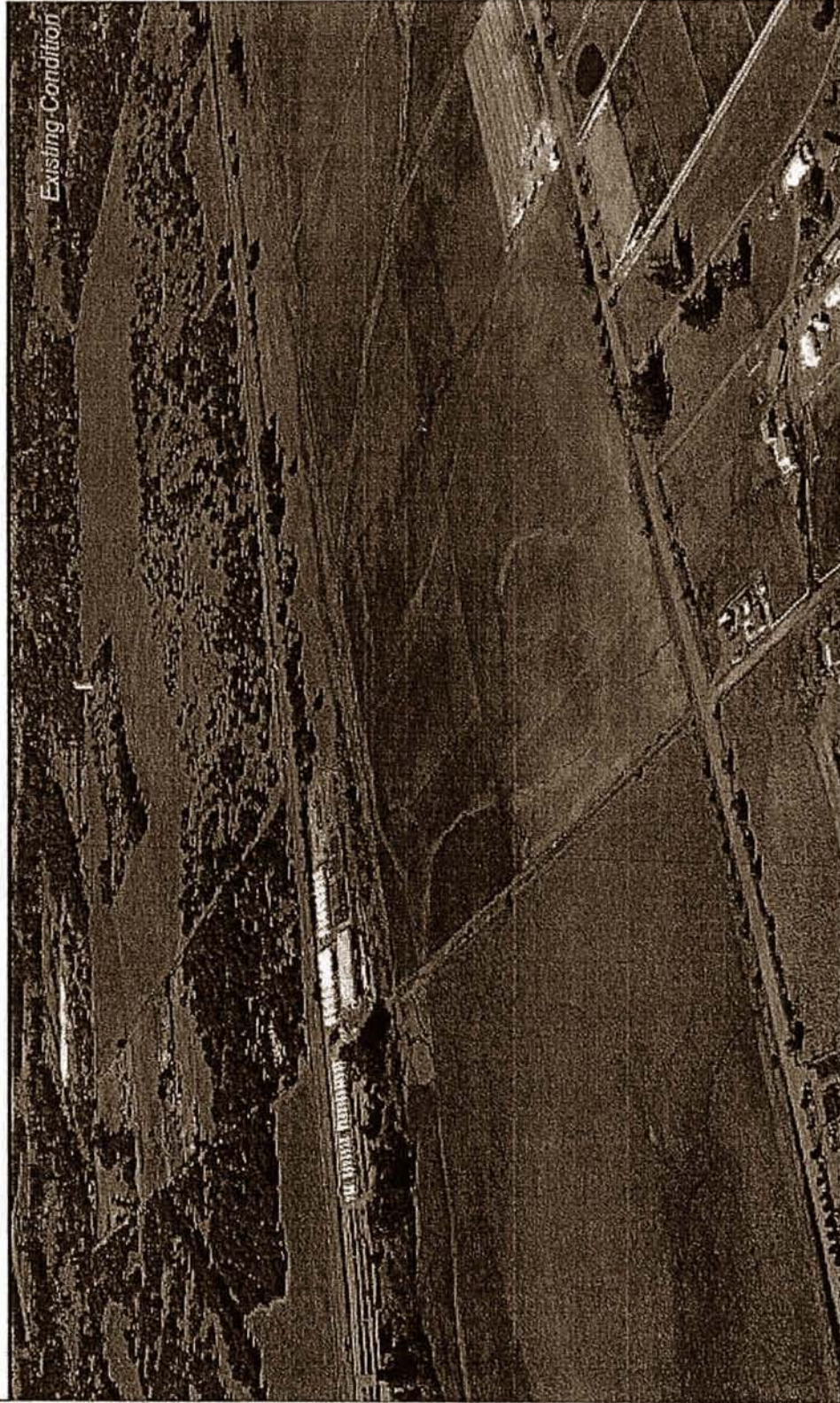


August 26, 2008

Willow Road Funding Options



New Highway 101 Interchange at Willow Road Extension



Existing Condition



Visual Simulation Looking Northwest

In the Community of Nipomo
San Luis Obispo County

August 26, 2008

Willow Road Funding Options



New Highway 101 Interchange at Willow Road Extension



with US 101 interchange and Willow Road Extension to Thompson Road



Visual Simulation Looking Northwest

In the Community of Nipomo
San Luis Obispo County

August 26, 2008

Willow Road Funding Options

History of Project

- ◆ Included in Area Plan Circulation since 1980's; funding established under Road Improvement Fee since 1990
- ◆ The Project is needed to support existing and future development based on the existing General Plan
- ◆ Until the Project is built, traffic congestion at Tefft Street and 101 will continue to worsen

History of Project

- ◆ Project costs rose from \$12 million to \$42 million over the past 15 years
- ◆ Estimated funding gap is \$12 million
- ◆ Your Board previously discussed more than 13 alternative financing techniques to fill the funding gap

Project Costs versus Funding

◆ Project Costs:

\$ 5 m	Design
\$ 3 m	Right of Way
\$ 8 m	Roadway
\$24 m	Interchange
<u>\$ 2 m</u>	Tree mitigation
\$ 42 m	TOTAL

Project Costs versus Funding

◆ Available Funding

\$11 m Cash on hand

\$ 7 m Woodlands
(remaining)

\$10 m STIP

\$ 2 m Expected RIF

\$ 30 m Identified

Project Costs versus Funding

◆ **Shortfall (or GAP)**

Project Costs – Available
Funding

= \$42 million - \$30 million

= \$ 12 million shortfall

Tools in the Toolbox

- ◆ Increase Road Improvement Fees (RIF)
- ◆ Create Community Facility District (CFD)
- ◆ Property Tax (parcel or ad valorem)
- ◆ Assessment District
- ◆ Some combination of above

Implementation

- ◆ RIF: Public Hearing Action by Board
- ◆ CFD: District Formation by Board, condition of approval for development
- ◆ Parcel Tax: 2/3rds vote of residents
- ◆ Assessment District: 50% approval by property owners

Risk Assessment

- ◆ Water availability
- ◆ Housing market
- ◆ STIP funds must be secured with local funding by June 30, 2010
- ◆ Construction cost inflation
- ◆ RIF and CFD depend on development or General Fund, whereas
- ◆ Special taxes are not

Option 1: 100% funding from RIF

- ◆ Fees would be expected to increase 50% from \$10,000 per residential unit to \$ 15,000 per residential unit
- ◆ Not a viable source to secure bonding
- ◆ General Fund debt support would be required under current schedule

Option 2: 100% CFD Funded

- ◆ Development would enter into CFD instead of paying RIF
- ◆ CFD special tax on an average home would be \$1,200 per year
- ◆ Would replace RIF as development contribution to transportation mitigation projects
- ◆ General Fund debt support would be required under current schedule

Option 3: RIF + CFD

- ◆ RIF could be reduced to \$7,500 per dwelling
- ◆ CFD special tax could be held down to \$600 per year for an average home
- ◆ General Fund debt support would be required under current schedule
- ◆ All RIF and CFD capacity needed for Willow only

Option 4: RIF + Ad Valorem Tax

- ◆ RIF would remain at \$10,337
- ◆ Annual Ad Valorem Tax of \$53.33/\$100,000 assessed value would support debt to cover \$12 million gap
- ◆ RIF would be used primarily for other road improvement projects
- ◆ No General Fund debt support needed

Option 5: RIF + Parcel Tax

- ◆ RIF would remain at \$10,337 per dwelling
- ◆ Parcel Tax of \$178 per year for each parcel would support debt to cover \$12 million gap
- ◆ RIF would be used primarily for other road improvement projects
- ◆ No General Fund debt support needed

Option 6: RIF + Assessment District

- ◆ RIF would remain at \$10,337 per dwelling
- ◆ RIF would be used primarily for other road improvement projects
- ◆ Assessment of \$178 per year for each parcel would support debt to cover \$12 million gap
- ◆ Recent Supreme Court case creates new challenges for this option

Staff Preference: Option 4

1. RIF would continue to provide cash for smaller projects without cost of debt
2. Existing and future property owners would share the cost burden
3. An Ad Valorem Tax best matches ability to pay: (higher-value properties are subject to higher tax increases)

Staff Preference: Option 4

4. No General Fund debt support needed
5. Option 4 is the less dependent upon new development

Action Items

- ◆ Direct staff to conduct community workshop and survey to introduce these funding mechanisms and obtain feedback
- ◆ Report back in February 2009 to obtain final direction on project funding

