

Village Specific Plan Public Financing Component

Response to Comments Request for Fee Study

Del Mar City Council

June 4, 2012



VSP Public Improvements

- Road, Pedestrian and Streetscape Improvements
 - \$4.5 – 5.5 million
- Parking Structure
 - \$5-7 million
- Total \$9.5 - 12.5 million

Sources of New Revenue

Table 1 - New Revenues Associated with Redevelopment (at Build-Out)								
Additional Generation:		Unit Type	Net Lease		Capitalization	Total	Tax Rate	City Share
			Rate/s.f.	Rate	Value Each			
Residential MF Units (Property Tax)	138	units		n/a	\$ 700,000	96,600,000	1.00%	\$ 135,240
Boutique Hotel (Property Tax)	43	rooms		7.0%	\$ 206,486	8,878,886	1.00%	12,430
Boutique Hotel TOT	43	rooms			\$ 5,037	216,591	11.50%	216,591
Retail and Personal Services (Property Tax)	138,500	sf	\$ 3.60	7.0%	\$ 617	85,474,286	1.00%	119,664
Retail and Personal Services (Sales Tax)	138,500	sf			\$ 98	13,573,000	1.00%	135,730
Restaurant (Property Tax) @ \$5/s.f.	66,000	sf	\$ 5.00	7.5%	\$ 800	52,800,000	1.00%	73,920
Restaurant (Sales Tax)	66,000	sf			\$ 421	27,786,000	1.00%	277,860
Office @ \$3/s.f.	354	sf	\$ 3.00	7.0%	\$ 514	182,057	1.00%	255
Civic	6,534	sf			n/a	n/a	n/a	-
Public Park/Plaza	4,140	sf			n/a	n/a	n/a	-
TOTAL								\$ 971,690

- Highlighted areas amended by Finance Committee
 - Retail lease rates
 - Capitalization rates (annual revenues/ROI = value)
 - Residential unit values

Additional Economic Benefits of the VSP

- Walkable communities create value for nearby residents
- Increased City revenues increase the ability of the City to provide services for residents inside and outside of the VSP, e.g.
 - Additional public safety (police and fire)
 - Enhance street maintenance
 - City recreation center
 - City senior center
 - Civic Center
 - Improved parks
- Overall positive trend for the community

Financing Plan for the Public Improvements

- Bond issuance secured by City general fund revenues.
- Use of Transnet funds designated as sole purpose funds for roadway and transportation improvements.
- Development Impact Fees and In Lieu Parking Fees collected within the VSP area.
- Parking meter fees.
- Grants for transportation improvements.
- Capital Improvement Fund reserve.
- **NO RESIDENTIAL FEES OR RESIDENTIAL ASSESSMENTS ARE REQUIRED**

Streetscape Improvements With 100 Percent Bond Financing

Table 2 - Roundabouts and Pedestrian Improvements					
		<u>Interest Rate</u>		<u>Funding</u>	
TransNet Bond	\$ 2,900,000	4.50%	\$178,035	Existing Transnet Funding	
I-Bank Financing	<u>2,600,000</u>	2.60%	<u>\$125,884</u>	General Fund	
	\$ 5,500,000		\$303,920		
Annual financing costs based upon a 30-year term.					



Bond Issuance

- Focused on three types of instruments:
- TransNet Bonds
 - Secured by the City's annual TransNet revenues of \$178,000/year
- California Infrastructure and Economic Development Bank (I-Bank)
 - Offered for economic development projects, subsidized at 2/3rds the cost of a municipal bond
- Lease Revenue Bonds
 - Typical municipal bond format, higher costs of issuance, potential with public private partnerships

What Can the General Fund Afford?

- The General Fund has averaged about \$460,000 in revenues over expenditures for the past four years.
 - after all reserve and policy considerations have been satisfied
- Less than 1/3 of this amount would be required to be used for \$125,000 annual debt service for the streetscape improvements.



Additional Funding Sources

- Parking In-Lieu Fees
- Development Impact Fees (specifically Traffic Impact Fees)
- Parking Meter Revenues
- Grants
- CIP Funds



Parking In-Lieu Fees

- Authorized by DMMC Section 30.80.170 to permit projects within the Central Commercial Zone not meeting parking requirements to fund required parking by businesses not otherwise able to meet their parking requirements.
- Parking In-Lieu Fees set by resolution of the City Council
- Under DMMC 30.80.170 (C), must be paid prior to issuance of building permit
 - A \$30,000 in-lieu fee could be paid over 15 years at \$240/month
 - Would require amendment of DMMC to permit financing via covenant on property
 - Actual fee will be determined by study



Traffic Impact Fees

- A type of development impact fee requiring “growth to pay for growth”
- Permits equitable sharing of expenses that would otherwise be borne by the greater community
- Widely implemented across the nation
- Del Mar is unusual in not requiring traffic impact fees/development impact fees
- Existing TransNet RCTIP impact fee can only be used for Via de la Valle



Parking Meter Fees

- Meter returns vary widely across the City
- \$3.50/day average for L'Auberge garage, and Maiden Lane
- \$20/day on Coast Blvd. across from Seagrove Park
- Implementation of paid parking in Downtown is a new concept



Applicable Grants

- Caltrans Bicycle Transportation Account
- Caltrans Local Assistance Program
- SANDAG Healthy Works (CPPW) Pass-through Grant Program
- SANDAG Transportation Development Act
- SANDAG Smart Growth Incentive Program
- Community Development Block Grants
- Receipt of grants is uncertain in amount and timing, so specific grand funding is not included in the plan



Capital Reserve

- Balance maintained for scheduled and unscheduled projects
- Current balance is \$665,000
- Could be used in part to fill in any shortage in funding
- Capital financing program has been developed without the use of the Capital Reserve.



Parking Structure Financing

- Applicable for debt financing including public-private partnership
 - I-Bank
 - Revenue Bond
- Financed by In-Lieu Fees
- Financed by Parking Meter Revenue

Parking In-Lieu Fees (Draft)

Table 3 - Parking In-Lieu Fee Calculation				
	Cost per Space	Number of Spaces	Total Cost	In-Lieu Fee per Space
Parking Garage	\$ 35,000	200	\$ 7,000,000	
New Diagonal Streetside Parking	\$ 10,000	<u>50</u>	<u>500,000</u>	
		250	\$ 7,500,000	\$ 30,000

Potential Offset to Streetscape Improvements

= 50 to 60 spaces @ \$30,000 each = \$1.5 - \$ 1.8 million

Parking Structure Financing

Example for structure cost shared by:

- In-Lieu Fees contributed by developing businesses
- In-Lieu Fees contributed via the proposed Civic Center Project
- Daily Parking Meter Revenues

Table 4 - Parking Garage Net Financing Need		Number Collected	Total	
In-Lieu Fees	\$ 30,000	50	\$ 1,500,000	
Civic Center Parking Contribution	\$ 30,000	60	\$ 1,800,000	
Remainder to be Financed			<u>\$ 3,700,000</u>	
			\$ 7,000,000	
		Daily Parking Revenue Required Per Meter		
Annual Financing Cost of \$3,700,000		400 meters	200 meters	140 Meters
Revenue Bond - 30 year at 5 percent	\$ 240,690	\$ 1.65	\$ 3.30	\$ 4.71
I-Bank - 30 year at 2.6 percent	\$ 179,143	\$ 1.23	\$ 2.45	\$ 3.51



Comments on Revenue Generation

- Reviewed by Finance Committee and changes made to pro forma previously described
- Parking meter rates – based on actual meter experience and included as conservative estimate
- Requested Economic Study to evaluate proper business mix
- Plan should address equitable sharing of benefits and burdens between business landowners, city government, residents and DM taxpayers – roadway specific TransNet Funds (benefits everyone), General Fund is a funding source from all of the community, and impact fees and parking fees are specifically provided by new development and users of the businesses
- Comment opposed higher taxes – plan does not impose taxes
- Support for development of impact fees – included in public finance plan



Comments on Costs

- What are estimates of increased costs associated with plan implementation?
 - Minor maintenance expenses of \$30 – 40k/year for streetsweeping, landscape maintenance, trash collection

Comments on Minimizing Impacts to Businesses

- Believed to be minimal
- Tight and limited construction schedule – increases construction cost, but reduces potential impacts
- Businesses will not be required to close except under the most extreme situations and if so City could compensate
- Most sidewalks adjacent to businesses will be maintained, and new sidewalks will be constructed on the street side, allowing continuous access in most cases
- Businesses will be provided with additional sales opportunities, e.g. tent sales on City property to offset any construction impacts
- Short-term construction inconvenience will be more than offset by the long-term investment that the Community will make in its Downtown



Council Action

- Receive report, receive community input, and provide direction to staff regarding any additional modifications to the Public Finance component (Chapter 9) of the Draft Village Specific Plan and Draft Program EIR; and
- Provide direction to staff to secure professional services at a not-to-exceed cost of \$10,000 for a Traffic Impact Fee and Parking In-Lieu Fee study (included in FY 2012-2013 budget request).



- END

Public Financing Comments by Type

Comment Category	# Comments
Economic Impact Report including impacts outside the VSP area	4
Additional detail requested in the financing plan	4
Economic development including City Hall site	3
Impact Fees	2
Parking meter revenue estimates	1
Construction Impacts on Businesses	6