

V. FEASIBILITY OF THE FINANCING PLAN

This chapter provides a summary of financial feasibility of the Project. The feasibility analyses presented in this chapter evaluates the feasibility of the Project in light of current and proposed fees, estimated preliminary infrastructure burden, and taxes and assessments. The actual costs, unit mix, Mello-Roos bond proceeds, fees, and other factors may vary according to the market conditions at the time of development. Final sales prices of the units and major backbone infrastructure and public facilities costs will significantly impact the actual feasibility.

SUMMARY OF FEASIBILITY ANALYSES

To be considered financially feasible, the Project should meet both of the following feasibility tests:

- Total Burden of Major Infrastructure; and
- Total Taxes and Assessments as a Percent of Sales Price.

In relation to this Financing Plan, the purpose of the Total Burden of Major Infrastructure feasibility test is to assess the financial feasibility of the Project given all current and proposed fees, and the additional burden of Project-specific infrastructure costs. If a Project-specific fee (plan area fee) is chosen as the means to fund infrastructure costs not covered by existing and/or proposed financing programs, this feasibility test assesses the additional fee burden on residential dwelling units. Thus, the preliminary RDOSP Special Financing District estimates by land use as shown in **Table D-2** have been included to assess the additional burden of Project-specific infrastructure costs.

The purpose of the Total Taxes and Assessments as a Percent of Sales Price feasibility test is to ensure that current and proposed taxes and assessments do not exceed 1.8 percent of the value of the property.⁹ If a Mello-Roos CFD (special tax) or assessment is chosen as the means to fund infrastructure costs not covered by existing and/or proposed financing programs, this feasibility test assessed the additional special tax/assessment burden on residential dwelling units. The estimated preliminary maximum special tax amount that could be implemented as part of a Mello-Roos CFD or assessment district is included in this feasibility test (refer to **Table 19** in **Chapter VI** for estimated preliminary maximum special tax amounts).

⁹ Although the State guideline is 2 percent, EPS has used a target range of 1.8 percent, to allow a 0.2 percent gap for additional special taxes and assessments as needed.

FEASIBILITY ANALYSIS FINDINGS

Overall, the single-family and medium-density residential land uses meet the feasibility tests. The high-density residential land use, however, is infeasible or bordering on infeasible for the Total Burden of Major Infrastructure feasibility test without a cross-subsidy from the single-family and medium-density units.

TOTAL BURDEN OF MAJOR INFRASTRUCTURE

The infrastructure cost burden of development to a property owner can be used to assess the financial feasibility of a development project. The total infrastructure cost burden consists of all costs (e.g., developer funding and the bond debt associated with special taxes and assessments) plus applicable fees (e.g., county development impact fees, school mitigation fees). A project is financially feasible if the total cost burden is less than 15 to 20 percent of the finished home price. Typically, residential units with a cost burden percentage below 15 percent are clearly financially feasible, while units with a cost burden percentage above 20 percent are likely to be financially infeasible. This feasibility benchmark is based on EPS's experience in conducting financial feasibility analyses for numerous projects throughout the Sacramento and Central Valley regions over the last two decades.

As shown in **Table 17**, the single-family and medium-density units fall within the feasibility range. The high selling price of the high-density land use is at the upper end of the feasibility range, however, and the low selling price of the high-density land use falls outside of the range of feasibility.

This analysis includes a preliminary assumption regarding bond debt. Specifically, this analysis assumes that any bond debt would be associated with an offsetting fee credit.

TOTAL TAXES AND ASSESSMENTS AS PERCENT OF SALES PRICE

The second test of feasibility is a test of total taxes and assessments as a percentage of the home sales price ("2-percent test"). The State of California's Proposition 13 limited general property tax to 1 percent of the value of the property. Based on the 2-percent rule, other bonded debt, special assessments, and other special taxes should not exceed and additional 1 percent, or 2 percent of the total value of the property. The State and industry guideline follows the principle that total taxes and assessments on a developed residential unit should not exceed 2 percent of the value of the property. Although the State guideline is 2 percent, EPS has used a target range of 1.8 percent, to allow a 0.2 percent gap for additional special taxes and assessments as needed.

**Table 17
Rio del Oro Specific Plan
Infrastructure and Public Facilities Financing Plan
Infrastructure Cost Burden Analysis (2006\$)**

Assumptions/ Fee Type	Residential		
	Single-Family	Medium Density	High Density
Land Use Assumptions			
Acres	1,597	237	86
Units	7,985	1,896	1,720
Estimated Avg. Square Feet Per Unit	2,600	2,000	1,400
Total Building Square Feet	-	-	-
Units Per Acre/ Floor Area Ratio	5	8	20
Finished Unit Selling Price [1]			
Low Range	\$590,000	\$480,000	\$300,000
High Range	\$560,000	\$460,000	\$280,000
	\$620,000	\$500,000	\$320,000
Rio del Oro Infrastructure Burden			
City/County Fees	<i>Per Unit</i>		
Processing Fees			
Building Permit	\$1,646	\$1,207	\$1,046
Plan Check	\$1,097	\$805	\$697
Zone Check	\$143	\$105	\$91
Building Compliance Inspection	\$250	\$250	\$250
Seismic/Strong Motion	\$50	\$50	\$50
Fire Plan Review [2]	\$0	\$0	\$0
General Plan Cost Recovery	\$159	\$90	\$65
Total Processing Fees	\$3,344	\$2,507	\$2,199
Development Impact Fees			
Water Fee Zone 40 [2]	\$9,192	\$9,192	\$9,192
Drainage Fee Zone 11A	\$2,668	\$1,746	\$807
County of Sacramento Transit Fee [3]	\$175	\$175	\$356
Transportation Impact Fee	\$17,284	\$17,284	\$11,540
Transportation Admin. Fee (2%)	\$349	\$349	\$238
Low Income Housing	N/A	N/A	N/A
Sacramento Transportation Authority [4]	\$1,000	\$1,000	\$700
Total Development Impact Fees	\$34,190	\$33,268	\$25,488
Total City & County Fees	\$37,535	\$35,775	\$27,686
Likely Additional Fees/Dev. Charges			
Est. Preliminary Park Development Fee [5]	\$11,027	\$11,027	\$8,270
Park Renovation Charge [6]	\$1,500	\$1,500	\$1,125
Swainson's Hawk Trust Fund [7]	\$3,675	\$2,297	\$919
Transportation Shortfall Charge [8]	\$6,000	\$6,000	\$6,000
Affordable Housing Fee	TBD	TBD	TBD
Habitat Conservation Plan Fee	TBD	TBD	TBD
Highway 50 Regional Transportation Fee	TBD	TBD	TBD
Total Likely Additional Fees/Dev. Charges	\$22,202	\$20,824	\$16,314
School Fees			
Folsom-Cordova USD School Facilities Fee	\$14,612	\$11,240	\$7,868
Other/ Special District Fees			
CSD-1 Sewer Fee (incl. \$45 inspection fee)	\$2,269	\$1,435	\$601
SRCS D Sewer Fee	\$7,000	\$7,000	\$5,250
SMFD Capital Fire Facilities Fee	\$1,066	\$820	\$574
Total Other/Special District Fees	\$10,335	\$9,255	\$6,425
Total Fees Per Unit/ Acre	\$84,683	\$77,094	\$58,293
Rio del Oro Special Financing District Fees [9]	\$8,552	\$7,442	\$5,413
Total Infrastructure Burden	\$93,235	\$84,536	\$63,706
Total Infrastructure Burden as a Percentage of Estimated Sales Price [10]			
	Target Range = 15% to 20%		
Est. Average Sales Price - High Range	15%	17%	20%
	<i>to</i>	<i>to</i>	<i>to</i>
Est. Average Sales Price - Low Range	17%	18%	23%

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Source: Elliott Homes; City of Rancho Cordova; Sacramento County; Reed Construction Data, 2004; and EPS.

Table 17
Rio del Oro Specific Plan
Infrastructure and Public Facilities Financing Plan
Infrastructure Cost Burden Analysis (2006\$)

- [1] Data based on information provided by the developer, Elliott Homes, and comparable real estate values in the Sacramento region.
- [2] EPS assumes one 2" line per 55,000 sq. ft. for retail and 37,500 sq. ft. for office and one 4" line per 350,000 sq. ft. for industrial.
- [3] The County of Sacramento increased the Transit Development Fee on March 14, 2006. However, Rancho Cordova collects the older rate.
- [4] Fee does not take effect until April 2009; included here as it is expected project development will correspond with the implementation of the fee.
- [5] Placeholder amount based on park development fees as negotiated in Sunridge East in 2006. Multifamily park fee assumed to be 75% of Single-Family park fee.
- [6] Placeholder park renovation charge estimated based on development agreement negotiated costs in a recently approved project in Rancho Cordova.
- [7] The City has not yet adopted a Swainson's hawk mitigation fee; estimate shown is based on current rate for Sacramento County.
- [8] Additional transportation funding not a fee program. Placeholder amount reflects funding program intended to finance existing transportation deficiencies. Will be established through development agreement negotiations.
- [9] Represents estimated fee per unit for Rio del Oro Special Financing District to fund infrastructure costs not funded by existing programs or mechanisms. Financing mechanism for these remaining infrastructure costs has not been determined at this time. Special Financing District may be Mello-Roos Community Facilities District, Plan Area Fee Program, Benefit Assessment District, or other Infrastructure charge.
This analysis tests the feasibility of current and proposed fees, including an estimated Plan Area Fee as a percent of sales price.
- [10] As a guideline, a target range for total infrastructure burden is 15-20 percent of the home sales price.

As summarized below, **Table 18** reflects the following key assumptions used in this analysis:

Item	Assumptions
CFD Special Tax Amount	
Single-Family	\$1,300
Medium-Density	\$1,200
High-Density	\$750
Police Special Tax	\$250

Table 18 presents the total estimated taxes and assessments as a percentage of home sales price for each proposed residential prototype. The total annual amount includes the following taxes and assessments:

- Property taxes;
- Other general ad valorem taxes (e.g., school/other GO bonds);
- Special taxes and assessments;
- Proposed or potential special taxes and assessments; and
- A preliminary estimate of Project Infrastructure CFD special taxes, based on tax rates in Anatolia, a comparable project in the City.

Under the “2-percent test,” a total of taxes and assessments as a percentage of sales price that is less than 2 percent indicates financial feasibility. As shown in **Table 18**, assuming a \$250 Police Special Tax, the taxes and assessments for Project homes range from 1.53 percent to 1.70 percent. This analysis indicates the current and proposed annual tax burden is feasible for all residential units.

The additional proposed special annual taxes and assessments, which include a landscaping and lighting district (LLD), park maintenance CFD, and road maintenance assessment district, totals approximately \$600 per residential unit and is estimated to reduce total bond proceeds by approximately \$75 million, or \$6,500 per residential unit based on a total of approximately 11,600 residential units in the Project.

Table 18
Rio del Oro Specific Plan
Infrastructure and Public Facilities Financing Plan
Test of 2% Sales Price - Residential Market Rate Units (2006\$)

CFD Formed \$1,300 SF Tax
\$250 Police Special Tax

Item	Single-Family	Medium-Density	High-Density	Total All Units
Assumptions				
Lot Size (sq. ft.)	8,712	5,445	2,178	
Unit Square Feet	2,600	2,000	1,400	
Number of Units	7,985	1,896	1,720	11,601
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Finished Unit Selling Price [1]	\$590,000	\$480,000	\$300,000	
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Ad Valorem Taxes				
General Property Tax [2]	\$5,830	\$4,730	\$2,930	\$60,560,230
Los Rios Comm. College G.O. Bonds	\$19	\$15	\$10	\$196,391
Folsom Cordova CFD No. 1	\$313	\$255	\$159	\$3,258,869
Regional Sanitation Bonds	\$32	\$26	\$17	\$337,548
Total Ad Valorem Taxes Range-Low Range	\$6,195	\$5,027	\$3,115	\$64,353,038
Likely Special Annual Taxes / Assessments				
SFID-3 [3]	\$434	\$353	\$221	\$4,517,615
Rancho Cordova Police Special Tax (O&M) [4]	\$250	\$250	\$250	\$2,900,250
Sloughhouse Fire Protection (O&M) [5]	\$100	\$100	\$100	\$1,160,100
CSA 10 Zone 2 (O&M) [6]	\$100	\$64	\$48	\$1,002,404
Water & Drainage Studies	\$7	\$7	\$7	\$80,511
SAFCA O&M A.D. No. 1	\$42	\$26	\$11	\$404,116
CSA 1 Lights City of RC Zone 4	\$3	\$3	\$3	\$29,699
Total Likely Special Annual Taxes / Assessments	\$936	\$803	\$639	\$10,094,695
Add'l Potential Special Annual Taxes / Assess. [7]				
Landscaping and Lighting District	\$150	\$150	\$150	\$1,740,150
Park Maintenance CFD	\$300	\$300	\$300	\$3,480,300
Road Maintenance Assessment District	\$150	\$150	\$150	\$1,740,150
Total Add'l Potential Special Annual Taxes / Assess.	\$600	\$600	\$600	\$6,960,600
Estimate of Proposed Rio del Oro CFD [8]	\$1,300	\$1,200	\$750	\$13,945,700
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Total Annual Taxes and Assessments	\$9,031	\$7,630	\$5,104	\$95,354,033
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Taxes & Assessments as % of Sales Price	Target Range < 1.8%			
	1.53%	1.59%	1.70%	

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Source: Elliott Homes; City of Rancho Cordova; Sacramento County; and EPS.

- [1] Finished unit selling price for single-family and medium-density units provided by Elliott Homes; EPS estimated high-density finished unit selling price based on condominium projects in the Sacramento region.
- [2] Includes homeowners property tax exemption of \$7,000.
- [3] Potential Folsom Cordova School Facilities District No. 3. Based on estimated annual average of \$73.61 per \$100,000 of Assessed Value. The actual annual tax rate will vary from approximately \$37.31 to \$99.91 per \$100,000 of assessed value.
- [4] Assumes a \$250 per dwelling unit, based on special tax for Anatolia in FY 2004-05.
- [5] Tax rate area formerly part of Sloughhouse Fire Protection, until it was dissolved into Sac Metro District, but maintained name. Special tax covers ambulance services.
- [6] CSA 10 provides transportation-related services, such as shuttle transit and trip reduction activities to the Sunridge Specific Plan Area. This analysis assumes a similar assessment will apply to Rio del Oro.
- [7] Preliminary estimates shown.
- [8] Estimate of Rio del Oro CFD Special Tax are based on tax rates in Anatolia, a comparable project in the City. Financing mechanism to fund remaining infrastructure costs has not been determined at this time. Special Financing District may be Mello-Roos Community Facilities District, Plan Area Fee Program, Benefit Assessment District, or other Infrastructure charge.