GOODWIN CONSULTING GROUP

MEMORANDUM

January 8, 2016

To: Mike Webb, Community Development Director, City of Davis
Katherine Hess, Community Development Administrator, City of Davis

From: Dave Freudenberger, Goodwin Consulting Group
Andy Plescia, A. Plescia & Co.

Re: Preliminary Analysis of Infrastructure Funding Alternatives – Nishi Property Development Plan

The Nishi Property is an approximately 46-acre vacant piece of land currently within the jurisdiction of Yolo County, but it is intended to be annexed, processed, and developed within the City of Davis. A preliminary project economic analysis was prepared, and finalized in an October 14, 2014, memorandum from A. Plescia & Co. (APC) and Goodwin Consulting Group (GCG), to develop a preferred development plan for the Nishi Property and to evaluate project feasibility. That analysis involved three development program alternatives, which have since been reduced down to one refined development program by the City of Davis as delineated in the project description for the draft Environmental Impact Report (EIR) for the proposed Nishi Property development project.

As a follow-up to the October 2014 project economic analysis, and based on the project description at the time, APC and GCG updated the project economic analysis and conducted a preliminary analysis of infrastructure funding alternatives for the proposed Nishi Property development on February 13, 2015. This memo and analysis reflects a revised project description and contains both an updated project economic analysis and an updated preliminary analysis of infrastructure funding alternatives. This current project economic analysis again indicates that the proposed project may not be able to fully support the infrastructure required to serve it; in essence, an infrastructure funding gap may exist. The preliminary infrastructure funding analysis evaluates the ability of the project to utilize certain public financing tools and to potentially close that funding gap. ***The results of this analysis suggest that the use of one of the financing tools may be sufficient to fill the infrastructure funding gap and allow for a successful, profitable development project***.

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Updated Preliminary Project Economic Analysis

Attachment 1 to this memorandum is the updated project economic analysis for the current development program as provided by the City of Davis. The result of that analysis, as shown in the last table (Table 7), is that the proposed development project may not be able to support approximately $14.6 million of estimated total allocated public infrastructure costs, which are discussed further below.

Preliminary Analysis of Infrastructure Funding Alternatives

The preliminary infrastructure funding analysis considers two public financing tools, as follows:

1. ***Formation of a Community Facilities District (CFD)***. An annual special tax, typically collected in addition to and together with property taxes, is levied on each property within the boundaries of the CFD. That annual stream of special tax revenue can be used to support debt service on bonds issued through the CFD, can be used to pay directly for infrastructure on a pay-as-you-go basis, or both. This analysis estimates what the annual special tax rates could be, and then determines how much net bond proceeds would be available from an initial bond issue, based on the debt service that could be supported by the annual special tax levy. The analysis also estimates how much money would be available on an annual basis to pay directly for public facilities or to reimburse the Nishi Property developer(s) for public facilities it installed, assuming that the maximum special tax is collected for the 30-year duration of the bonds and the debt service coverage is utilized (i.e., the surplus available after paying debt service and administrative expenses). Finally, the analysis also estimates the additional funding available if an extended term CFD is implemented, in which special taxes are collected for 60 years, allowing the first bond to mature and the CFD bonding capacity to be recycled through the issuance of a second series of bonds. The debt service coverage related to the second bond issue is also factored into the analysis. The analysis considers two alternative scenarios, as detailed below:

   Scenario 1: Scenario 1 assumes that the property within the boundaries of the new CFD would be subject to the school impact fee charged by the Davis Joint Unified School District (DJUSD). Under this scenario, the property in the new CFD would also be subject to the annual tax levy of existing DJUSD CFD No. 1.

   Scenario 2: Scenario 2 assumes that the property within the boundaries of the new CFD would not be subject to the school impact fee, and would annex into existing DJUSD CFD No. 2 rather than into existing DJUSD CFD No. 1. Under this scenario, the infrastructure funding gap is reduced by the amount of school impact fees that wouldn't have to be paid, which amounts to approximately $2.8 million. The lower funding gap would be $11.8 million.

2. ***Formation of an Infrastructure Financing District (IFD)***. Similar to tax increment financing formerly used through a redevelopment agency, the property tax increment created by development within the boundaries of an IFD can be used to support debt service on tax allocation bonds issued through the IFD. The debt service coverage for 30 years associated with an initial series of IFD bonds is also incorporated into the analysis. Note that an extended term IFD is not permitted by law. The scenarios outlined above for the new CFD formation do not apply to the analysis for the IFD. Accordingly, only one scenario is presented for this portion of the analysis.

Seven tables comprise the analysis, and they are included as Attachment 2 to this memorandum. Each of the seven tables is briefly described below:

Table 1 Table 1 summarizes the proposed Nishi Property development program. A 20.7-acre development envelope includes 210 for-sale residences, 440 multi-family rental units, 325,000 square feet of office and research development space, 20,000 square feet of neighborhood retail space, and both surface and structured parking. Estimated values, provided in the project economic analysis, are assumed to be $460,000 per unit for the for-sale residential product, $325,000 per unit for the rental residential product, $350 per square foot for the office and research development space, and $370 per square foot for the neighborhood retail space.

Table 2 Infrastructure improvements required to serve the proposed development, and their associated costs, are provided in Table 2. All of these infrastructure improvements are assumed to be publicly owned and operated, and typically would be considered eligible improvements to be financed under a CFD or an IFD.

Table 3 The distribution of the basic 1% property tax to various taxing entities within the Tax Rate Area that covers the proposed development is presented in Table 3. It is estimated that, upon annexation, the post-ERAF amounts currently distributed to the County General Fund and the County ACO Fund would be available to split between the City and County under a tax-sharing agreement. It is our understanding that the recent Covell Village project involves a tax-sharing arrangement that directs 17.5% of the available property tax to the City. For purposes of this analysis, we have conservatively assumed that 15% of the available property tax is shared with the City. This results in the City receiving 2.08% of the basic 1% property tax from this project area.

Table 4-A Table 4-A is where the estimated CFD special tax rates for proposed residential uses are determined for Scenario 1. Based on a review of property tax bills and an analysis conducted for The Cannery project, the ad valorem taxes and direct assessments that the Nishi Property would be subject to are delineated in Table 4-A. The total annual tax and assessment burden on the proposed for-sale residential product is estimated to be 1.24% of its assumed value, while the burden on the multi-family product is estimated to be 1.33% of its assumed value. Based on our

experience in other jurisdictions in northern California, and based on the CFD plans for The Cannery project, it is assumed that a total effective tax rate (ETR) burden for the Nishi Property may be 1.60% of assessed value. Deducting the existing annual burdens from the proposed ETR of 1.60% appears to leave room for a Nishi Property CFD annual special tax of $1,652 per for-sale unit and $884 per rental unit. A fiscal impact analysis may indicate that some of that special tax capacity would need to be dedicated to offset any fiscal mitigation requirements, but that has not been quantified as part of this analysis.

Table 4-B Table 4-B is where the estimated CFD special tax rates for proposed residential uses are determined for Scenario 2. As outlined above, Scenario 2 assumes that the Nishi Property would be subject to the higher annual special tax rates associated with DJUSD CFD No. 2, which would replace the lower annual taxes related to DJUSD CFD No. 1. The total annual tax and assessment burden on the proposed for-sale residential product is estimated to be 1.40% of its assumed value, while the burden on the multi-family product is estimated to be 1.49% of its assumed value, not including the new Nishi Property CFD. Deducting the existing annual burdens from the proposed ETR of 1.60% leaves room for a Nishi Property CFD annual special tax of $902 per for-sale unit and $364 per rental unit.

Table 5 Based on information developed in the prior tables, Table 5 estimates the annual CFD special tax revenue and the annual IFD tax increment revenue that could be produced by the Nishi Property project. The upper half of the table reveals that total annual special tax revenue would be approximately $822,000 under Scenario 1 and $436,000 under Scenario 2. The lower half of the table shows that the total annual property tax revenue would be approximately $75,000. Note that the $0.25 per square foot CFD special tax rate for non-residential development is based on the same rate being proposed for The Cannery project CFD.

Table 6 Table 6 presents the financing assumptions and results of the CFD and IFD analyses. At the top of the table, interest rate, bond term, issuance costs, annual administrative expenses, debt service coverage requirements, and other variables are delineated for both types of financings. The annual CFD and IFD revenues from Table 5 are shown in the first line of the bottom portion of the table.

Based on the financing assumptions and revenue projection from Scenario 1, it is estimated that an initial CFD bond of $12.5 million could be supported, leaving approximately $10.3 million available to fund infrastructure after accounting for reserve funds, capitalized interest, and issuance costs. Applying the annual debt service coverage would produce another $2.2 million over the 30-year bond term. Therefore, the initial bond cycle could yield a total of $12.5 million in infrastructure funding, although $2.2 million of that would trickle in over a 30-year period. If a second bond cycle is allowed through an extended term CFD, that $12.5 million total could double to $24.9 million.

Under Scenario 2, the bonding capacity of the CFD is roughly half what it is under Scenario 1. In this scenario, an initial CFD bond of $6.6 million could be supported, which leaves approximately $5.4 million for infrastructure funding after accounting for bond-related costs. Applying the annual debt service coverage would produce another $1.2 million over the 30-year bond term. Altogether, the initial bond cycle for Scenario 2 could generate $6.6 million in infrastructure funding. A second bond cycle would also be possible under Scenario 2, which would increase the total amount to $13.2 million.

The much lower IFD annual revenue may support a tax allocation bond totaling $830,000, which would net $730,000 after bond-related costs. The debt service coverage would generate another $430,000 over 30 years, for total IFD funding of $1.2 million.

Conclusions of Preliminary Infrastructure Funding Analysis

The total infrastructure funding gap is estimated to be $14.6 million for Scenario 1. For Scenario 2, the estimated $2.8 million in school impact fees would be eliminated, reducing the total infrastructure funding gap to $11.8 million. Based on the results of the analysis, an extended term CFD that utilizes debt service coverage may be necessary under either scenario. Some Nishi Property infrastructure requirements or some City impact fee obligations, or both, may need to be deferred until funding from the second round of CFD bond financing is available.

The CFD special tax rates assumed in this analysis are not expected to materially affect the estimated values since these estimated values are considered somewhat conservative in the Davis marketplace and competitive with those of The Cannery project. The Nishi Property CFD special tax rates also do not represent a significant portion of the entire effective tax rate burden, which would serve to diminish any downward pressure on values. As noted above, though, a fiscal impact analysis of the project is not included in this analysis, and the special tax capacity, and therefore the bonding capacity, of the proposed development project could be affected if any fiscal mitigation measures are required of the project.

This analysis assumes that Yolo County's share of property tax revenue would not be incorporated into the IFD. Without the County's share, the City's share by itself is expected to be fairly small and produce only a minimal amount of bonding capacity; since it is such a small amount, it may not make sense to consider the formation of an IFD. Furthermore, even though it represents only a marginal amount, any property tax revenue redirected to an IFD and away from the City's General Fund might only exacerbate an adverse fiscal impact associated with the proposed development project. The low IFD bonding capacity probably means that an IFD bond could not be issued on its own anyway, although the IFD revenue could be run through the CFD to support a slightly higher CFD bond issue if desired, or the CFD bond and IFD bond could be pooled together into one bond offering.

ATTACHMENT 1

UPDATED PRELIMINARY PROJECT ECONOMIC ANALYSIS

(JANUARY 4, 2016)

TABLE 1:
REFINED LAND USE DEVELOPMENT PLAN AND PROGRAM

Refined Development Program							
Type	Description	Average Density/FAR	No. of Units	Bldg. Area (SF)	Site Area (Acres)	Bicycle Parking	Dedicated Auto Parking
Residential							
	For-Sale Product Type						
	5-story wood frame attached with podium and surface parking; average 1,300 SF unit size (net)	58.0	210	319,000	3.6	420	315
	Multi-Family Rental Product Type						
	5-story wood frame attached with podim, surface and structured parking; average 970 SF unit size (net)	71.0	440	502,750	6.2	880	702
	Subtotal	66 du / acre	650	821,750	9.8	1,300	1,017
Office / Research Development							
	3-story buildings with structured and surface parking with 21,000 to 37,000 SF building floorplates (27,800 SF average)	1.49		325,000	5.0	650	716
Neighborhood Retail							
	Included as ground floor of office/research & development building(s) with 5,000 to 10,000 SF unit sizes	NA		20,000	NA	NA	NA
On-site Parking (Surface)		NA		NA	5.9	NA	NA
Net Developable Area				**1,166,750**	**20.7**	**1,950**	**1,733**
Non-Developable Area							
	Roads				3.0		
	Putah Creek				3.3		
	Open Space & Parks				15.9		
	Detention				4.0		
	Subtotal				**26.2**		
TOTAL					**46.9**		

NISHI PROGRAM STRATEGY

PROGRAM ELEMENTS	AREA	UNITS/SQ. FT.	NET DENSITY/FAR	BIKE PARKING	CAR PARKING
Residential: Rental	6.2 acres	440 units	65-82 du/acre	880	792
Residential: For Sale	3.6 acres	210 units	57-61 du/acre	420	315
Research & Dev.	5.0 acres	325k ft²	.75-1.8 FAR	650	818
Surface Parking	5.9 acres				
Retail	-	20k ft²			
Roads	3.0 acres				
Creek	3.3 acres				
Open Space & Parks	15.9 acres				
Detention	4.0 acres				
TOTAL	46.9 acres	650 units 325k ft² R&D 20k ft² retail		1,950 bike P	1,925 car P

SITE PLAN

LEGEND

- City Boundary
- Nishi Property Plan Area
- Creek
- For-Sale Residential
- Rental Residential
- Research & Development
- Surface Parking
- Park/Greenway
- MultiuseTrail
- Stormwater Swale
- Solar Panels

DAVIS Nishi Gateway

0 100 300 500 ft

TABLE 2:
COST, REVENUE, FINANCING AND INVESTMENT ASSUMPTIONS

Development Cost Assumptions (as applicable to each land use type)	
Land	
Land Value (Targeted)	Targeted values of $10 to $12 per net developable acre and $4 to $6 per gross acre
Direct Construction	
Public Infrastructure	$15 to $25 per square foot of net site area
Site Development	$8 per square foot of net site area
Building Construction	
Residential Ownership	
Base Construction	$140 to $145 per square foot of gross building area (including structured parking)
Options / Upgrades	1.0% of estimated base construction cost
Residential Rental	$130 to $135 per square foot of gross building area (including structured parking)
Retail	
Base Construction	$100 to $110 per square foot of gross building area
Tenant Improvements	$40 to $60 per square foot - non-food uses; and $80 to $100 per square foot - food uses
Office	
Base Construction	$110 to $120 per square foot of gross building area
Tenant Improvements	$40 per square foot of building area
Research / Development	
Base Construction	$140 to $150 per square foot of gross building area
Tenant Improvements	$80 per square foot of building area
Parking	
Surface	$10 per square foot of site area
Structured - Podium	$50 per square foot of parking area
Structured - Garage	$60 per square foot of parking area
General Contractor	20% of estimated direct construction cost for insurance, overhead and profit
Contingency	5% of estimated direct construction cost
Indirect	
Entitlements	$2.50 per square foot of gross building area
Architecture / Engineering	5% of estimated direct construction cost of vertical & horizontal improvements
Municipal Permits & Fees	Provided by City staff
Taxes & Insurance	1% of estimated direct construction cost
General & Administration	1% of estimated directr construction cost
Legal & Accounting	1% of estimated directr construction cost
Marketing Expense	1% to 2% of estimated gross sales revenue - residential ownership
Leasing & Marketing	1% to 2% of estimated direct construction cost
Leasing Commissions (Commercial)	5% of lease income - initial 5-year term (retail, office and research development
Warranty Reserves	1.0% to 1.25% of estimated gross sales revenue -residential ownership
Developer Fee	4% of estimated direct construction cost
Contingency	5% of estimated indirect costs

TABLE 2:
COST, REVENUE, FINANCING AND INVESTMENT ASSUMPTIONS

Development Cost Assumptions (as applicable to each land use type)	
Financing	
Construction Loan Fee & Costs	2% of estimated loan amount based on 65% loan-to-cost ratio
Interest during Construction	6% interest rate / 12 to 18 month construction period depending on use(s)

Residential (Ownership) Income Assumptions	
Base Sales Price	$345 per square foot
Options / Upgrades	2% to 3% of estimated base sales price
Sales / Closing Costs	
Commissions	3% of estimated sales price (including builder sales commission)
Title / Escrow Costs	0.5% of estimated sale price

Residential (Ownership) Financing and Investment Assumptions	
Construction Loan-to-Cost Ratio	65% of estimated total development cost
Amount of Equity	35% of estimated total development cost
Construction Loan Interest Rate	6%
Construction Period	18-month build-out / sales period per phase
Targeted Return	10% to 12% of gross sales revenue

Residential (Rental) Income and Expense Assumptions	
Rent Per Square Foot / Month	$2.20 per square foot (average)
Parking Income	Included in rent
Other Income	3% of estimated gross rental income
Vacancy Rate	5%
Operating Expenses	25% of estimated effective gross rental income

Residential (Rental) Financing and Investment Assumptions	
Construction Loan	
Loan-to-Cost Ratio	65% of estimated total development cost
Interest Rate	6%
Construction Period	18-month build-out / lease-up period per phase
Permanent Loan	
Loam-to-Value Ratio	65% of estimated project value
Interest Rate	6%
Term	20 to 25 years
Capitalization Rate	6%
Targeted Profit Margin	18% to 20% of estimated total development cost

TABLE 2:
COST, REVENUE, FINANCING AND INVESTMENT ASSUMPTIONS

Commercial (Retail, Office & Research Development) Income and Expenses Assumptions	
Annual Rents	
Retail	$24 per square foot (NNN) - non-food uses; $36 per square foot (NNN) - food uses
Office	$24 per square foot (NNN)
Research Development	$30 per square foot (NNN)
Tenant Reimbursements	
Retail	$7.00 per square foot
Office	$7.00 per square foot
Research Development	$7.00 per square foot
Vacancy Rate	
Retail	7%
Office	7%
Research Development	7%
Operating Expenses	
Retail	$8.00 per square foot per year
Office	$8.00 per square foot per year
Research Development	$8.00 per square foot per year

Commercial (Retail, Office & Research Development) Financing and Investment Assumptions	
Construction Loan	
Loan-to-Cost Ratio	65% of estimated total development cost
Interest Rate	6%
Construction Period	18-month build-out / lease-up period per phase
Permanent Loan	
Loam-to-Value Ratio	65% of estimated project value
Interest Rate	6%
Term	20 to 25 years
Capitalization Rate	6.0% (Retail); 6.5% (Office/Research Development
Targeted Profit Margin	18% to 20% of estimated total development cost

TABLE 3:
ESTIMATED PROJECT ECONOMICS: RESIDENTIAL OWNERSHIP

Refined Development Program

	Estimated Cost		
	Total	Per SF (Bldg.)	Per Unit
PROGRAM			
Site Area			
Acres	3.6		
Square Feet	156,816		
Units	210		
Density	58.3		
Gross Ave. Unit Size (SF)	1,519		
Gross Building Area (SF)	319,000		
Floor-Area-Ratio	2.03		
Parking			
Bicycle	420		
Auto (On-site)	315		
DEVELOPMENT COST			
Land			
Purchase Price	$ -	$ -	$ -
Subtotal	$ -	$ -	$ -
Direct Construction			
Public Infrastructure	$ 1,881,792	$ 5.90	$ 8,961
Site Development	$ 1,254,528	$ 3.93	$ 5,974
Building Construction (1)	$ 44,660,000	$ 140.00	$ 212,667
Options / Upgrades	$ 446,600	$ 1.40	$ 2,127
Surface Parking (2)	$ 234,000	$ 0.73	$ 1,114
General Contractor	$ 9,648,584	$ 30.25	$ 45,946
Contingency	$ 2,423,846	$ 7.60	$ 11,542
Subtotal	$ 60,549,350	$ 189.81	$ 288,330
Indirect Costs			
Entitlement	$ 797,500	$ 2.50	$ 3,798
Architecture / Engineering	$ 2,423,846	$ 7.60	$ 11,542
Municipal Fees	$ 10,154,250	$ 31.83	$ 48,354
Taxes & Insurance	$ 605,494	$ 1.90	$ 2,883
General & Administration	$ 605,494	$ 1.90	$ 2,883
Legal & Accounting	$ 605,494	$ 1.90	$ 2,883
Marketing Expense	$ 1,412,775	$ 4.43	$ 6,728
Warranty Reserve	$ 1,177,313	$ 3.69	$ 5,606
Contingency	$ 889,108	$ 2.79	$ 4,234
Subtotal	$ 18,671,272	$ 58.53	$ 88,911

TABLE 3:
ESTIMATED PROJECT ECONOMICS: RESIDENTIAL OWNERSHIP

Refined Development Program

	Total	Per SF (Bldg.)	Per Unit
Financing			
Construction Loan Expense	$ 1,029,868	$ 3.23	$ 4,904
Interest during Construction	$ 2,317,203	$ 7.26	$ 11,034
Subtotal	$ 3,347,071	$ 10.49	$ 15,938
Total	**$ 82,567,693**	**$ 258.83**	**$ 393,179**
REVENUE & INCOME			
No. of Units	210		
Building Area (SF)	273,000		
Base Sales Price			
Per SF	$ 345		
Per Unit (Average)	$ 448,500		
Sales Revenue			
Base Price	$ 94,185,000	$ 295.25	$ 448,500
Options / Upgrades	$ 2,825,550	$ 8.86	$ 13,455
Total	$ 97,010,550	$ 304.11	$ 461,955
Sales / Closing Costs			
Commissions	$ 2,825,550	$ 8.86	$ 13,455
Title / Escrow	$ 470,925	$ 1.48	$ 2,243
Total	$ 3,296,475	$ 10.33	$ 15,698
Net Sales Revenue	$ 93,714,075	$ 293.77	$ 446,258
Less: Developer Profit	$ 9,418,500	$ 29.53	$ 44,850
Project Value	$ 84,295,575	$ 264.25	$ 401,408
Less: Estimated Total Development Cost	$ 82,567,693	$ 258.83	$ 393,179
NET PROJECT VALUE (RESIDUAL LAND VALUE)			
Total	$ 1,727,882		
Net Developable Area - 4.27 acres (3)			
Per Acre	$ 404,656		
Per SF	$ 9.29		

TABLE 3:
ESTIMATED PROJECT ECONOMICS: RESIDENTIAL OWNERSHIP

Refined Development Program			
	Total	Per SF (Bldg.)	Per Unit
Gross Land Area Allocation - 9.68 acres (4)			
Per Acre	$ 178,500		
Per SF	$ 4.10		

Footnotes:

(1) Cost of podium parking included in estimated Building Construction cost

(2) Based on pro-rata share of surface parking for Residential Owndership (75 spaces; 0.67 acres) in relation to total surface parking for entire site (656 spaces; 5.9 acres)

(3) Includes site area (3.6 acres) and portion of designated surface parking area (0.67 acres)

(4) Based on percentage of Residential Ownership acres (3.6 acres) to net developable acres (14.8 acres) then applied to total site area (46.9 acres)

TABLE 4:
ESTIMATED PROJECT ECONOMICS: MULTI-FAMILY RESIDENTIAL

Refined Development Program

	Estimated Cost		
	Total	Per SF (Bldg.)	Per Unit
PROGRAM			
Site Area			
Acres	6.2		
Square Feet	270,072		
Units	440		
Density	71.0		
Gross Ave. Unit Size (SF)	1,143		
Gross Building Area (SF)	502,750		
Floor-Area-Ratio	1.86		
Parking			
Bicycle	880		
Auto			
Surface/Podium	395		
Structured (Off-site)	307		
	702		
DEVELOPMENT COST			
Land			
Purchase Price	$ -	$ -	$ -
Subtotal	$ -	$ -	$ -
Direct Construction			
Public Infrastructure	$ 5,401,440	$ 10.74	$ 12,276
Site Development	$ 2,160,576	$ 4.30	$ 4,910
Building Construction (1)	$ 67,871,250	$ 135.00	$ 154,253
Surface Parking (2)	$ 838,500	$ 1.67	$ 1,906
Structured Parking (3)	$ 7,183,800	$ 14.29	$ 16,327
General Contractor	$ 16,691,113	$ 33.20	$ 37,934
Contingency	$ 5,841,890	$ 11.62	$ 13,277
Subtotal	$ 105,988,569	$ 210.82	$ 240,883
Indirect Costs			
Entitlement	$ 1,256,875	$ 2.50	$ 2,857
Architecture / Engineering	$ 4,172,778	$ 8.30	$ 9,484
Municipal Fees	$ 14,805,860	$ 29.45	$ 33,650
Taxes & Insurance	$ 1,059,886	$ 2.11	$ 2,409
General & Administration	$ 1,059,886	$ 2.11	$ 2,409
Legal & Accounting	$ 1,059,886	$ 2.11	$ 2,409
Marketing Expense	$ 2,119,771	$ 4.22	$ 4,818
Developer Fee	$ 4,239,543	$ 8.43	$ 9,635
Contingency	$ 1,276,747	$ 2.54	$ 2,902
Subtotal	$ 31,051,232	$ 61.76	$ 70,571

TABLE 4:
ESTIMATED PROJECT ECONOMICS: MULTI-FAMILY RESIDENTIAL

Refined Development Program

			Estimated Cost		
			Total	Per SF (Bldg.)	Per Unit
Financing					
Construction Loan Expense			$ 1,781,517	$ 3.54	$ 4,049
Interest during Construction			$ 4,008,414	$ 7.97	$ 9,110
Subtotal			$ 5,789,932	$ 11.52	$ 13,159
Total			**$ 142,829,732**	**$ 284.10**	**$ 324,613**

PROJECT INCOME	No. of Units	Lease Area (SF)	Monthly Rent / SF	Monthly Rent / Unit	Annual Income
Residential					
Rent	440	426,800	$ 2.20	$ 1,980	$ 11,267,520
Other Income					$ 338,026
Total Gross Income					$ 11,605,546
Less: Vacancy					$ 580,277
Effective Gross Income					$ 11,025,268
Less: Operating Expenses / Reserves					$ 2,901,386
Net Operating Income					$ 8,123,882

PROJECT VALUE (RESIDUAL LAND VALUE)	
Project Value (5.5% capitalization rate)	$ 147,706,944
Less: Estimated Development Cost	$ 142,829,732
Residual Land Value	$ 4,877,212
Net Developable Area - 8.14 acres (4)	
Per Acre	$ 599,166
Per SF	$ 13.75
Gross Land Area Allocation - 18.44 (5)	
Per Acre	$ 264,491
Per SF	$ 6.07

Footnotes:

(1) Cost of podium parking included in estimated Building Construction cost

(2) Based on pro-rata share of surface parking for Multi-Family Residential (215 spaces; 1.94 acres) in relation to total surface parking for entire site (656 spaces; 5.9 acres)

(3) Based on pro-rata share of structured parking for Multi-Family Residential (306 spaces) in relation to total structured parking (650 spaces)

(4) Includes site area (6.2 acres) and portion of designated surface parking area (1.94 acres)

(5) Based on percentage of Residential Ownership acres (6.2 acres) to net developable acres (14.8 acres) then applied to total site area (46.9 acres)

TABLE 5:
ESTIMATED PROJECT ECONOMICS: OFFICE AND RESEARCH / DEVELOMENT & RETAIL

Refined Development Program			
		Estimated Cost	
		Total	Per SF (Bldg.)
PROGRAM			
Site Area			
Acres		5.0	
Square Feet		217,800	
Gross Building Area (SF)			
Office		225,000	
Research / Development		100,000	
Retail		20,000	
Total		345,000	
Floor-Area-Ratio (Gross Acres)		1.58	
Parking			
Bicycle		650	
Auto			
Surface		372	
Structured (On-site)		344	
Total		716	
DEVELOPMENT COST			
Land			
Purchase Price		$ -	$ -
Subtotal		$ -	$ -
Direct Construction			
Public Infrastructure		$ 3,267,000	$ 6.50
Site Development		$ 1,742,400	$ 3.47
Building Construction			
Office		$ 27,000,000	$ 53.70
Research / Development		$ 15,000,000	$ 29.84
Retail		$ 2,200,000	$ 4.38
Tenant Improvements			
Office		$ 9,000,000	$ 17.90
Research / Development		$ 7,500,000	$ 14.92
Retail		$ 1,200,000	$ 2.39
Parking			
Surface (1)		$ 1,427,400	$ 2.84
Structured (2)		$ 8,049,600	$ 16.01
General Contractor		$ 11,737,280	$ 23.35
Contingency		$ 2,934,320	$ 5.84
Subtotal		$ 91,058,000	$ 181.12

TABLE 5:
ESTIMATED PROJECT ECONOMICS: OFFICE AND RESEARCH / DEVELOMENT & RETAIL

Refined Development Program			
		Estimated Cost	
		Total	Per SF (Bldg.)
Indirect Costs			
Entitlement		$ 862,500	$ 1.72
Architecture Engineering		$ 3,819,320	$ 7.60
Municipal Fees		$ 5,232,136	$ 10.41
Taxes & Insurance		$ 910,580	$ 1.81
General & Administration		$ 910,580	$ 1.81
Legal & Accounting		$ 910,580	$ 2.80
Marketing Expense		$ 1,365,870	$ 4.20
Leasing Commissions		$ 2,685,600	$ 8.26
Developer Fee		$ 3,642,320	$ 11.21
Contingency		$ 834,858	$ 2.57
Subtotal		$ 21,174,344	$ 65.15
Financing			
Construction Loan Expense		$ 1,459,020	$ 4.49
Interest during Construction		$ 3,282,796	$ 10.10
Subtotal		$ 4,741,817	$ 14.59
Total		**$ 116,974,161**	**$ 359.92**

PROJECT INCOME	Lease Area (SF)	Monthly Rent / SF	Annual / Total
Office / Research Development			
Rent			
Office	225,000	$ 2.00	$ 5,400,000
Research / Development	100,000	$ 2.50	$ 3,000,000
Total	325,000		$ 8,400,000
Tenant Reimbusements	325,000	$ 0.60	$ 2,340,000
Less: Vacancy (7%)			$ 751,800
			$ 9,988,200
Effective Gross Income			
Less: Operating Expenses / Reserves	325,000	$ 0.67	$ 2,600,000
Net Operating Income			$ 7,388,200
Retail			
Rent			
Non-Food	12,000	$ 1.90	$ 273,600
Food	8,000	$ 2.90	$ 278,400
			$ 552,000

TABLE 5:
ESTIMATED PROJECT ECONOMICS: OFFICE AND RESEARCH / DEVELOMENT & RETAIL

Refined Development Program			
	Lease Area (SF)	Monthly Rent / SF	Annual / Total
Tenant Reimbursements	20,000	$ 0.50	$ 120,000
Less: Vacancy (5%)			$ 47,040
Effective Gross Income			$ 624,960
Less: Operating Expenses / Reserves	20,000	$ 0.67	$ 201,000
Net Operating Income			$ 423,960
PROJECT VALUE (RESIDUAL LAND VALUE)			
Project Value (3)			
Office / Research Development			$ 113,664,615
Retail			$ 7,066,000
Total			$ 120,730,615
Less: Development Cost			$ 116,974,161
Residual Land Value			$ 3,756,455
Net Developable Area - 8.29 acres (4)			
Per Acre			$ 453,131
Per SF			$ 10.40
Gross Land Area Allocation - 18.78 (5)			
Per Acre			$ 200,024
Per SF			$ 4.59

Footnotes:

(1) Based on pro-rata share of surface parking for Office/Research Development & Retail (366 spaces; 3.29 acres) in relation to total surface parking for entire site (656 spaces; 5.9 acres)

(2) Based on pro-rata share of structured parking for Office/Research Development & Retail (344 spaces) in relation to total structured parking (650 spaces)

(3) Based on 6.5% capitalization rate for Office/Research Development and 6.0% capitalization rate for Retail

(4) Includes site area (5.0 acres) and portion of designated surface parking area (3.29 acres)

(5) Based on percentage of Office/Research Development & Retail acres (5.0 acres) to net developable acres (14.8 acres) then applied to total site area (46.9 acres)

TABLE 6:
ESTIMATE AND ALLOCATION OF PUBLIC INFRASTRUCTURE AND IMPROVEMENT COSTS

Refined Development Program				
Item(s)	Unit Costs (Per SF)	Area (SF)		Estimated Cost
Cost of Improvements				
Detention	$5.00	174,240	$	871,200
Putah Creek				
General Improvements (1)	$5.00	143,748	$	718,740
Bridge (2)	$200.00	5,500	$	1,100,000
Open Space & Parks	$8.00	692,604	$	5,540,832
Roads (3)	$15.00	130,680	$	1,960,200
Grade Separated Connection (4)		NA	$	10,000,000
Olive Drive Extension (4)		NA	$	1,000,000
Subtotal			$	21,190,972
Indirect Cost (5)			$	7,840,660
Total			**$**	**29,031,632**
Per Acre (Gross)		49.6	$	619,011
Per Acre (Net Developable) (6)		20.7	$	1,402,494
Per Land SF (Gross)		2,160,576	$	14.21
Per Land SF (Net Developable)		901,692	$	32.20
Per Bldg. SF (Total)		1,166,750	$	24.88

	Acreage				
	Site Area	Net Dev. (6)	Gross (7)	%	Allocation Amount
Allocation of Improvement Costs					
Residential Ownership	3.60	4.27	9.68	20.6%	$ 5,992,030
Residential Rental	6.20	8.14	18.44	39.3%	$ 11,414,569
Office / Research Development & Retail	5.00	8.29	18.78	40.0%	$ 11,625,033
Total	**14.80**	**20.70**	**46.90**	**100.0%**	**$ 29,031,632**

Footnotes:

(1) Includes only minimal/basic improvements to the parkway

(2) Based on information from Cal Trans Construction Statistics 2014; proposed concrete bridge of 100 foot length and 55 foot width at cost of approximately $200/square foot

(3) Includes water, sewer, drainage, utility and power improvements

(4) Based on information provided by City of Davis staff

(5) Includes general contractor (20%), contingency (7%), engineering (5%) and financing (5%) costs

(6) Includes allocated portion of designated surface parking area (5.9 acres) for each private land use

(7) Based on percentage of acreage of each land use category (including allocated portion of surface parking area) in relation to the total site area (46.9 acres)

TABLE 7:
COMPARISON OF ESTIMATED VERSUS SUPPORTABLE COST OF PUBLIC INFRASTRUCTURE AND IMPROVEMENTS

Refined Development Program

Item(s)	Amount (5)	Building SF Total	Building SF Amount/SF	Net Acres Total (5)	Net Acres Amount/Net Acre	Gross Acres Total (6)	Gross Acres Amount/Gross Acre
Allocation of Infrastructure Costs							
Residential Ownership							
Allocation of Estimated Costs (1)	$5,992,030	319,000	$ 18.78	4.27	$1,403,286	9.68	$619,011
Supportable Amount of Costs (2)	$2,578,055		$ 8.08		$603,760		$266,328
Difference	$3,413,975		$ 10.70		$799,526		$352,683
Residential Rental							
Allocation of Estimated Costs (1)	$11,414,569	502,750	$ 22.70	8.14	$1,402,281	18.44	$619,011
Supportable Amount of Costs (3)	$7,399,973		$ 14.72		$909,088		$401,300
Difference	$4,014,596		$ 7.99		$493,194		$217,711
Office / Research Development & Retail							
Allocation of Estimated Costs (1)	$11,625,033	345,000	$ 33.70	8.29	$1,402,296	18.78	$619,011
Supportable Amount of Costs (4)	$4,475,790		$ 12.97		$539,902		$238,327
Difference	$7,149,243		$ 20.72		$862,394		$380,684
Summary							
Allocation of Estimated Costs	$29,031,632	1,166,750	$ 24.88	20.70	$1,402,494	46.90	$619,011
Supportable Amount of Costs	$14,453,818		$ 12.39		$698,252		$308,184
Difference	$14,577,814		$ 12.49		$704,242		$310,828

Footnotes:

(1) See Allocation of Improvement Costs in Table 6

(2) Based on $1,881,792 (from Table 3) plus general contractor (20%), contingency (7%), engineering (5%) and financing (5%) costs

(3) Based on $5,401,440 (from Table 4) plus general contractor (20%), contingency (7%), engineering (5%) and financing (5%) costs

(4) Based on $3,267,000 (from Table 5) plus general contractor (20%), contingency (7%), engineering (5%) and financing (5%) costs

(5) Includes site area (14.8 acres) and allocated portion of designated surface parking area (5.9 acres) for each of the three private land uses

(6) Based on percentage of acreage of each land use category (including allocated portion of surface parking area) in relation to total site area (46.90 acres)

ATTACHMENT 2

UPDATED PRELIMINARY ANALYSIS OF INFRASTRUCTURE FUNDING ALTERNATIVES

(JANUARY 8, 2016)

Table 1
City of Davis
Nishi Property Project
Development Plan Summary

Land Use	Acres	Number of Units	Estimated Value per Unit	Leasable Building Square Feet	Estimated Value per Bldg. SqFt
Residential					
For-Sale	3.6	210	$460,000		
Multi-Family Rental	6.2	440	$325,000		
Office / Research Development	5.0			325,000	$350
Neighborhood Retail	N/A			20,000	$370
On-Site Parking (Surface)	5.9				
Net Developable Area	**20.7**				
Non-Developable Area					
Detention	4.0				
Putah Creek	3.3				
Parks and Greenway	15.9				
Roads / Easements	3.0				
Subtotal	**26.2**				
Total	**46.9**				

Sources: A. Plescia & Co.; Goodwin Consulting Group, Inc. *1/8/2016*

Table 2
City of Davis
Nishi Property Project
Estimated Cost of Public Improvements

Improvement	Estimated Cost
Detention	$871,200
Putah Creek - General Improvements	$718,740
Putah Creek - Bridge	$1,100,000
Parks and Greenway	$5,540,832
Roads / Easements (1)	$1,960,200
Grade Separated Connection	$10,000,000
Olive Drive Extension	$1,000,000
Subtotal	$21,190,972
Indirect Costs (2)	$7,840,660
Total	$29,031,632

(1) Includes water, sewer, drainage, utility, and power improvements.
(2) Includes general contractor (20%), contingency (7%), engineering (5%), and financing (5%) costs.

Sources: A. Plescia & Co.; Goodwin Consulting Group, Inc. 1/8/2016

Table 3
City of Davis
Nishi Property Project
Property Tax Allocation Assumptions

Property Tax Fund	Post-ERAF Property Tax Distribution (1)		County of Yolo	City of Davis
Tax Rate Area (TRA):	061-030	**Available**		
Acres:	46.9	**to Split**		
County General Fund	0.12374	**0.12374**	**0.10518**	**0.01856**
County ACO Fund	0.01481	**0.01481**	**0.01259**	**0.00222**
County Library	0.02214			
Solano County Flood Control	0.04296			
Yolo County Resources Conservation District	0.00313			
County Schools	0.03741			
Davis Joint Unified School District	0.45086			
Los Rios Community College	0.05593			
ERAF	0.24902			
Total	1.00000	**0.13855**	**0.11777**	**0.02078**
Property Tax Redistributed to the City of Davis (2)				**2.08%**

(1) The reallocation of property taxes away from counties, cities, and other agencies to the Educational Revenue Augmentation Fund (ERAF) is based on certain formulas; the allocations to the various funds shown above represent allocations after ERAF reduction factors were applied.
(2) Assumes the amount available to split would be allocated as follows: 85% to Yolo County and 15% to the City of Davis.

Sources: Yolo County; Goodwin Consulting Group, Inc. *1/8/2016*

Table 4-A
City of Davis
Nishi Property Project
Total Effective Tax Rate (Scenario 1)

		Nishi For-Sale	Nishi Multi-Family
Assumptions			
Assessed Value		$460,000	$325,000
Unit Size (Square Feet)		1,520	1,140
Ad Valorem Taxes	**Rate**	**Amount**	**Amount**
General Tax Levy	1.000000%	$4,600	$3,250
Davis JUSD 2000 Bond	0.020000%	$92	$65
Los Rios CCD 2002 Bond	0.011300%	$52	$37
Total Ad Valorem Taxes	**1.031300%**	**$4,744**	**$3,352**
Direct Assessments		**Amount**	**Amount**
Davis Joint Unified 2012 Measure C		$327	$327
Davis Joint Unified 2013 Measure E		$204	$204
Davis Special Library Tax		$97	$97
Davis Landscape/Lighting		$98	$98
Davis City CFD #1		$0	$0
Davis Open Prop.		$48	$48
Davis Joint Unified CFD #1		$190	$190
Total Direct Charges		**$964**	**$964**
Total Taxes and Direct Charges		**$5,708**	**$4,316**
Percentage of Assessed Value		**1.24%**	**1.33%**
FY 2015-16 Maximum Special Tax at 1.60% Total Tax Rate		**$1,652**	**$884**

Sources: Yolo County; The Cannery Project; Goodwin Consulting Group, Inc. *1/8/2016*

Table 4-B
City of Davis
Nishi Property Project
Total Effective Tax Rate (Scenario 2)

		Nishi For-Sale	Nishi Multi-Family
Assumptions			
Assessed Value		$460,000	$325,000
Unit Size (Square Feet)		1,520	1,140
Ad Valorem Taxes	**Rate**	**Amount**	**Amount**
General Tax Levy	1.000000%	$4,600	$3,250
Davis JUSD 2000 Bond	0.020000%	$92	$65
Los Rios CCD 2002 Bond	0.011300%	$52	$37
Total Ad Valorem Taxes	**1.031300%**	**$4,744**	**$3,352**
Direct Assessments		**Amount**	**Amount**
Davis Joint Unified 2012 Measure C		$327	$327
Davis Joint Unified 2013 Measure E		$204	$204
Davis Special Library Tax		$97	$97
Davis Landscape/Lighting		$98	$98
Davis City CFD #1		$0	$0
Davis Open Prop.		$48	$48
Davis Joint Unified CFD #2		$940	$710
Total Direct Charges		**$1,714**	**$1,484**
Total Taxes and Direct Charges		**$6,458**	**$4,836**
Percentage of Assessed Value		**1.40%**	**1.49%**
FY 2015-16 Maximum Special Tax at 1.60% Total Tax Rate		**$902**	**$364**

Sources: Yolo County; The Cannery Project; Goodwin Consulting Group, Inc. *1/8/2016*

Table 5
City of Davis
Nishi Property Project
CFD and IFD Revenue

Land Use	Number of Units	Leasable Building Square Feet	FY 2015-16 Special Tax Rate	Total Special Tax Revenue
CFD Revenue - Scenario 1				
Residential				
For-Sale	210		$1,652 per Unit	$346,937
Multi-Family Rental	440		$884 per Unit	$389,107
Office / Research Development		325,000	$0.25 per SqFt	$81,250
Neighborhood Retail		20,000	$0.25 per SqFt	$5,000
Total				**$822,294**
CFD Revenue - Scenario 2				
Residential				
For-Sale	210		$902 per Unit	$189,382
Multi-Family Rental	440		$364 per Unit	$160,193
Office / Research Development		325,000	$0.25 per SqFt	$81,250
Neighborhood Retail		20,000	$0.25 per SqFt	$5,000
Total				**$435,825**

IFD Revenue					
Land Use	**Number of Units**	**Estimated Value per Unit**	**Leasable Building Square Feet**	**Estimated Value per Bldg. SqFt**	**Total Estimated Value**
Residential					
For-Sale	210	$460,000			$96,600,000
Multi-Family Rental	440	$325,000			$143,000,000
Office / Research Development			325,000	$350	$113,750,000
Neighborhood Retail			20,000	$370	$7,400,000
Total					$360,750,000
General Tax Levy (at 1%)					$3,607,500
Property Tax Redistributed to the City of Davis (at 2.08%)					**$74,973**

Sources: A. Plescia & Co.; The Cannery Project; Goodwin Consulting Group, Inc. *1/8/2016*

Table 6
City of Davis
Extended Term CFD and IFD
Summary of Bonding Capacity and Net Proceeds

Assumptions	**CFD**		**IFD**
	Scenario 1	**Scenario 2**	
Average Interest Rate	6.00%	6.00%	5.50%
Capitalized Interest (Months)	6	6	N/A
Bond Term (Years)	30	30	30
Reserve Fund as % of Bond Issue	10.00%	10.00%	6.86%
Capitalized Interest as % of Bond Issue	3.00%	3.00%	N/A
Issuance Cost / Underwriter's Discount as % of Bond Issue	5.00%	5.00%	5.00%
Annual % Increase in Special Tax	2.00%	2.00%	N/A
Annual District Admin as % of Revenue	3.00%	3.00%	5.00%
Debt Service Coverage	110%	110%	125%
Conclusions	**Scenario 1**	**Scenario 2**	
Maximum Revenue (FY 2015-16)	$822,294	$435,825	$74,973
Supportable Principal Bond Amount	$12,520,000	$6,640,000	$830,000
Net Construction Proceeds (2015 $)	$10,270,000	$5,440,000	$730,000
30 Years of Debt Service Coverage	$2,180,000	$1,160,000	$430,000
Total Bond Cycle Available Proceeds	$12,450,000	$6,600,000	$1,160,000
Extended Term CFD Bond Cycles	2	2	
Total Available Proceeds	$24,900,000	$13,200,000	

Source: Goodwin Consulting Group, Inc. *1/8/2016*