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EAST PLEASANTON SPECIFIC PLAN TASK FORCE  
APRIL 8, 2013  
ITEM III.B: ALTERNATIVE 4

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**BACKGROUND**

At the March 2013 Task Force Meeting there was a request from a few Task Force members to look at an alternative that included significantly fewer housing units – approximately 25 percent of the RHNA allocation for the next two housing cycles. Attached is a description of such an alternative, a map generally depicting potential land uses for such an alternative, and a memo from EPS regarding the potential feasibility of the alternative.

**RECOMMENDATION**

Staff agrees with the consultant's conclusion that this alternative is not financially feasible from a developers' point of view. Staff recommends that this alternative is not pursued further.

**ALTERNATIVE 4 DESCRIPTION**

The residential development proposed in this alternative (Figure 1) is based upon achieving 25 percent (713 units) of the RHNA city-wide housing needs within the EPSP for the current plus following cycle. The concept consists primarily of an estate lot community (1.5 units per acre) in the northern portion of the EPSP with higher residential densities (23 and 30 units per acre) in the south. In order to potentially achieve this concept, it is assumed that the OSC and Transfer Station would have to relocate. This concept also features the use of a private greenbelt extending through the Plan Area creating a significant amenity and land use buffer. The community center is comprised of a town square and neighborhood serving retail at the east end of the greenbelt along Busch Road.

Two limited areas of “campus office” use are proposed: (1) in the northernmost portion of the Plan Area above Lake I; and (2) immediately south of Lake I within the Airport Protection Area. The northernmost office site is also proposed to include a retail overlay component to allow restaurants and related retail lakefront uses. Industrial use is planned in the southeast portion of the Plan Area to potentially include business parks, R&D, industrial/flex and distribution uses, as well as the future relocation of the OSC and Transfer Station assumed by this alternative.

Public parkland includes a 35-acre passive recreation community park east of El Charro Road, an 8-acre active recreation park along the south side of Lake I, and a 3-acre town square on Busch Road. In addition, it is hoped that some of the Zone 7 land east of the community park area can also be used for passive recreation use (i.e., trails and vistas) in all of the alternatives.

El Charro Road extends to Stanley Boulevard. Busch Road is designed as a two-lane street. Boulder Street is designed to extend through much of the Plan Area to relieve traffic on Busch Road. A series of cul-de-sac streets would be used within the estate lot area to minimize through-traffic.

**Table 1**

**Alternative 4 Developable Land Acreage\***

SF-R	SF-R	MF-R	MF-R	MF-R		Campus	Ind/	Dest.	Pub.	Open
<u>1.5d/a</u>	<u>11d/a</u>	<u>23d/a</u>	<u>30d/a</u>	<u>40d/a</u>	<u>Retail</u>	<u>Office</u>	<u>Flex</u>	<u>Use</u>	<u>Park</u>	<u>Space</u>
135	0	9	10	0	6	31	105	3	46	33

\* Acreages have been rounded and are thus approximate.

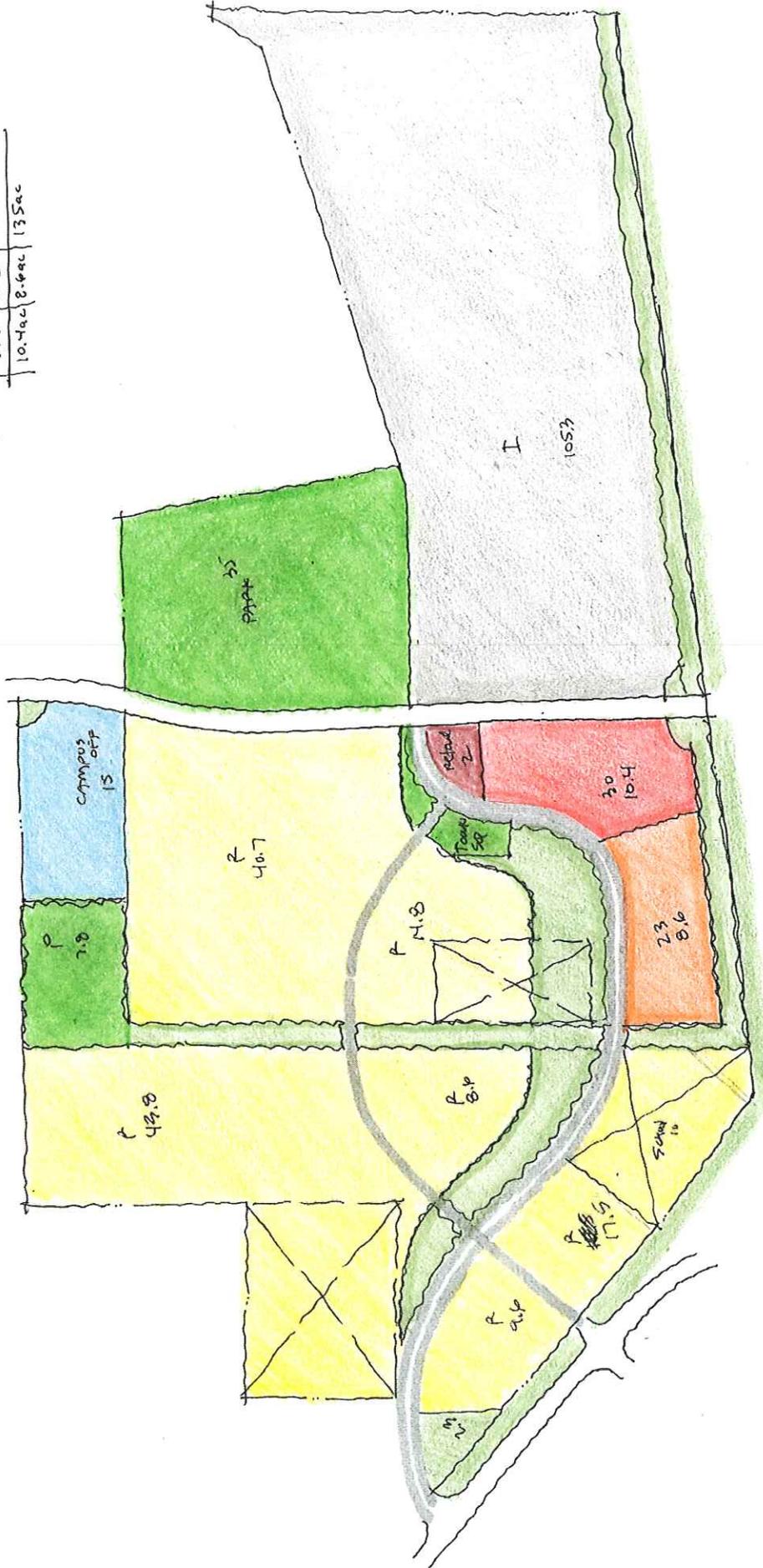
**Table 2**

**Alternative 1 Housing Units and Non-Residential Development Square Footage**

SF-R 1.5d/a	SF-R 11d/a	MF-R 23d/a	MF-R 30d/a	MF-R 40d/a	Total Housing	Campus Retail	Ind/ Office	Flex
202	0	198	313	0	713	91,000	473,000	1,422,000

Financial Feasibility – The City’s economic consulting firm for the EPSP project has reviewed the Alternative 4 concept and provided initial comments in the attached memorandum.

TOTAL	30	23	1.49
713	313	198	202
	10.4ac	8.6ac	135ac



ERSP  
 ALTERNATIVE 4  
 3/28/13

## ***DRAFT MEMORANDUM***

To: City of Pleasanton

From: Jason Moody, Michael Nimon and Ben Sigman, EPS

Subject: EPSP Alternative 4 Development Feasibility Review;  
EPS #121090

Date: April 8, 2013

This memorandum provides an assessment of the development feasibility of a new land use alternative (hereafter, "Alternative 4") being considered as part of the East Pleasanton Specific Plan (EPSP). This alternative represents a significant reduction in residential development relative to previous alternatives evaluated as part of this process (the non-residential land uses are comparable to previous alternatives). Consequently, the City of Pleasanton has asked Economic & Planning Systems (EPS) to evaluate the implications of such a reduction on overall project feasibility from the perspective of private developers and/or property owners.

### **Key Assumptions and Methodology**

Consistent with prior methodology, this memorandum provides an initial screen on the financial feasibility of Alternative 4 based on a comparison of the estimated cost burden of infrastructure relative to the potential finished market values resulting from development at build-out. **Figure 1** summarizes the land use plan and market value assumptions used to evaluate the development feasibility of EPSP Alternative 4. With the exception of residential development, these market assumptions are identical to those used in previous EPS analysis. However, the average value for low density residential development has been increased (from \$950,000 to \$1 million per unit), to reflect potential value premiums associated with larger lots.

In terms of backbone infrastructure, EPS relied on the cost estimate for Alternative 2 (the lowest estimate out of the 3 current alternatives dated April 8, 2013) prepared by Kier & Wright Civil Engineers Surveyors. Additional costs associated with applicable development impact fees and connection charges are estimated on a per-unit or per-square foot basis.

**Figure 1 Summary of Alternative 4 Land Uses and Value Assumptions**

Use	Units/Sq.Ft.	Value Unit/SF	Finished Value
<b>Residential</b>			
<u>Attached<sup>1</sup></u>			
30 du/ac (MR)	266	\$350,000	\$93,100,000
30 du/ac (BMR)	47	\$0	\$0
23 du/ac	198	\$500,000	\$99,000,000
<u>Detached</u>			
1.5 du/ac	<u>202</u>	\$1,000,000	<u>\$202,000,000</u>
Residential Total	713		\$394,100,000
<b>Retail</b>	91,476	\$350	\$32,016,600
<b>Office Campus</b>	472,626	\$300	\$141,787,800
<b>Industrial/Flex</b>	1,421,929	\$95	\$135,083,255
<b>Destination Use<sup>2</sup></b>		-	-
<b>Total</b>			<b>\$702,987,655</b>

Source: Gates + Associates and EPS

<sup>1</sup> Attached housing program includes a mix of Market Rate (MR) and Below Market Rate (BMR) units. BMRs comprise 15% of total units and are provided in high-density residential projects.

<sup>2</sup> EPS conservatively assumes that Operations Service Center (OSC) and Transfer Station (TS) do not contribute to infrastructure feasibility. However, the land for the OSC and TS is assumed to be developed with value-generating uses.

## Development Feasibility Findings

The key findings from this preliminary financial feasibility review are summarized in **Figure 2** and further described below.

- The initial financial feasibility screen suggests that alternative 4 is not likely to be feasible from the perspective of a real estate developer(s) based on the relationship between potential finished building values and the required infrastructure investments and other costs necessary to create this value. Specifically, total backbone infrastructure cost plus development impact fees and connection charges are estimated at about 23 percent of the total "finished value" at build-out, well above the 15 percent range considered financially feasible for a project of this nature. In addition, the Tax Burden Threshold suggests if backbone infrastructure (but not fees and connection charges) were financed through a Community Facilities District (CFD), the total property and other special tax burden would be equal to about 2 percent of project value, approximating the maximum acceptable level commonly used in municipal finance.

- Even though Alternative 4 results in lower fees relative to other alternatives evaluated as part of this process, the significant decrease in the number of residential units disproportionately reduces total project value, resulting in a Plan that is unlikely to attract the level of private investment necessary to ensure successful implementation. Moreover, per-unit residential values would need to increase dramatically in order to alter this result. Specifically, the average sale price of a single-family unit would need to increase by about 180 percent (from \$1 million to \$2.8 million).

**Figure 2 Summary of Findings**

Item	Alternative 4
<b>Infrastructure Costs</b>	
Backbone Infrastructure	\$59,015,228
Off-Site Utility Improvements <sup>1</sup>	\$2,000,000
Fees and Connection Charges <sup>2</sup>	\$98,634,567
<b>Total Infrastructure Cost Burden</b>	<b>\$159,649,796</b>
<b>Development Value</b>	<b>\$702,987,655</b>
<b>Infrastructure Cost/Value Ratio</b>	<b>22.7%</b>
<b>Tax Burden Threshold Test</b>	
CFD Bond Proceeds and Issuance Cost <sup>3</sup>	\$64,065,990
Proceeds Required for Annual Debt Service <sup>4</sup>	\$5,814,398
Debt Coverage Factor	120%
Special Tax Revenue Required (Annual)	\$6,977,278
<b>Potential Special Tax (% of Development Value)</b>	<b>0.99%</b>

Source: Kier & Wright Civil Engineers Surveyors and EPS

<sup>1</sup> Reflects a conservative "place-holder" assumption to cover any upgrades to off-site sanitary sewer pipes, water systems and other utility systems.

<sup>2</sup> Include water, wastewater, impervious surface, public facilities, traffic development, Tri-Valley Transportation Committee, school, park dedication, and GIS fees based on the City's January 2013 fee schedule.

<sup>3</sup> Assumes a Community Facilities District bond (CFD) is used to cover backbone and off-site infrastructure, but not fees (bond issuance costs assumed at 5 percent of bond value).

<sup>4</sup> Assumes an Interest rate 6.5% for a 20-year term.

- The results of the Infrastructure Cost Burden Review are preliminary and provide a high-level screen for "fatal flaws" in the alternative program use mixes. The intent is to provide an early-stage assessment that helps to guide refinement of EPSP planning parameters. Future analysis should consider program phasing (e.g., market absorption relative to required infrastructure investment), more detailed assessments of specific real estate product types, and refined infrastructure cost analysis, including potential off-site costs, if any.