

MINUTES

SAN MARCOS CREEK SPECIFIC PLAN OVERSIGHT COMMITTEE MEETING

SAN MARCOS ROOM (2nd Floor)
CITY HALL, 1 CIVIC CENTER DRIVE
SAN MARCOS, CALIFORNIA
MONDAY, OCTOBER 23, 2017 – 6:00 PM

CALL TO ORDER: Steve Kildoo (Chair) called the meeting to order at 6:02 pm.

PRESENT: COMMITTEE MEMBERS: Crews, Garcia, Harris, Hayes, Hyde, Kildoo, Russo, Smith, Simmons, Tilton, Zahl

ABSENT: COMMITTEE MEMBERS: Arnold, Caltabiano, Engert, Morelos

PRESENT: CITY STAFF: Development Services Director Lynch, Planning Manager Brindley, Administrative Services Manager Herzog, Office Specialist III Kiss.

CITY CONSULTANTS: Michael Baker International (MBI): Dan Wery & Shane Burkhardt

OTHERS: Jim Hernandez, Mike Hunsaker, Ash Hayes, Unidentified women (2) & man (1)

1. Welcome – Handouts, Meeting Overview

Dan Wery/MBI: Distributed Community Survey Results and Preliminary Pro Forma handouts.

2. Approval of Minutes – 8/28/17

MOTION: MOTION MADE TO APPROVE THE MINUTES AS PRESENTED; SECONDED AND CARRIED BY A MAJORITY VOTE WITH GARCIA ABSTAINING.

3. Public Workshop Debrief and Survey Results

Wery: PowerPoint presentation shown and results of survey discussed. There were close to 100 participants at the workshop, 78 participated in the clicker survey and 132 in the online survey that was available for a month. Overall, most results were similar. Participants asked about the Complete Street design of San Marcos Blvd., and most supported it. Group discussion continued.

Kildoo: Asked committee to keep survey results as they may need to review again.

Hayes: Indicated several people at the workshop commented to her that they wanted the plan less structured, more wandering, not in "boxes," and to please not build more affordable apartments.

AGENDA ITEM

2

www.san-marcos.net



Some asked how to incorporate existing businesses along San Marcos Blvd., like Green Thumb Nursery.

Kildoo: Commented that no one is forcing them to do anything on their property. It will happen when it's appropriate. The businesses are there until they don't want to be.

Wery: Pointed out there are at least 30 buildings in the floodway area where you can't do anything until the problem at SR-78 is fixed. It's a challenge to make them fit. The big issue is much of it needs to be filled up, so by the time you get to Creekside Drive, it's 8-10 feet of fill. It affects the phasing, cost and how to integrate. FEMA won't allow a new building in the way of flood waters, but they're there now and can stay. If they were damaged beyond 50%, they could not re-build. They've tried to work around that in the plan and identified areas where you could build up to and around. The existing buildings will stay until they see enough economic value to redevelop.

Kildoo: Added that's why it's always been a 20-year project. Businesses will need to see other projects being built and see the impact, before they're motivated to sell and/or redevelop their properties.

4. Pro-Forma Model Project Feasibility Analyses

Wery: Preliminary pro-forma presentation shown and discussed.

Crews: Inquired if the pro-forma assumes the land is vacant or has a building on it?

Wery: Stated developers are looking for land. They're not interested in paying for the business or what's there. It's part of their negotiation.


Shane Burkhardt/MBI: Commented that there's economic value in the business, so you have to pay for that in addition to the physical property costs.

Crews: The developer will only think about what it's worth to them and how much it will cost to remove what's there.

Burkhardt: Other business won't sell until they don't have the economic value in the existing business.

Crews: For this pro-forma, they can't take every business and calculate the value of the business.

Burkhardt: Correct, it's for vacant available land.



Wery: Commented that they're looking at what land costs are for the area. They reviewed assessed value of improved and unimproved lands. They started with different product types that would be in the plan. Looking at viability of plan, what works better, townhome, condos, mid-rise mixed-use, apartments, construction types, range of building heights and densities, types of ownership, rental vs. ownership changes pro-forma and how quickly you get your money back. They started with what the London Group did, and refined it where they could. Some changes were land acquisition costs. London Group had three different prices, single family homes at \$2.4M per acre, \$1M for apartments and \$1.4M for mixed. MBI was able to get some numbers from the City based on recent appraisals and those were factored in. They factored in the City's affordable housing requirement, 15% over six units is suppose to be incorporated into the project. They used the Fuscoe Engineering Master Plan that got the regulatory permits, how to pad, grade and build roads. It was \$37M, to build out developable areas of the district to pad level. It's 50% higher than what London Group had studied. They worked in specific parking calculations, broken down by unit mix/type, figured out how much land was needed, etc. They also factored in City agency fees and kept it at 2,300 units as currently approved. They used construction costs, rents and sales from market data including North City. Feels they picked very defensible numbers.

Burkhardt: Announced that the whole set of pro-forma information is available if anyone wants it. He just provided a 4 page summary handout.

Smith: Replied he'd like to have.

Burkhardt: Explained that they're not looking at a specific development with known construction costs so they had to make a lot of assumptions. They're using 3.5 acres of gross land area that is defined in the plan as each of those blocks. They assumed 5-6 years before developer gets their money out of it and turned it over. That can be extremely variable. They assumed that market absorption would take place over those years and you wouldn't have full build out right after construction. Tenants would fill in at a slightly slower rate. They had to assume interest rates and infrastructure expenses. No public money is being utilized in these numbers, but they could explore public/private partnership financing, or special districts, if desired.

Lynch: Asked if some of the scenarios wouldn't work in terms of land being developable?

Burkhardt: They focused on two numbers: 1). Return on investment/make a profit. That could be over two or ten years, it depends how long you hold property. You can also look at internal rate of return that annualizes it. Scenario #1 is baseline costs, water, sewer, fill, streets, etc., on a per square foot basis. They tested a number of different product types, three-six stories. Each developer has different level of risks. Anything over 10% was plausible, but not great. Developers become more interested at 20%. They looked at comps, but it's hard to find this type in San Marcos.

Crews: Asked what number was used for attached, multi-family?



Burkhardt: Approximately \$300/s.f. for residential sales.

Crews: Asked what Mission 316 is selling for? It's a good comp.

Wery: It's one of the projects they looked at. Scenario is sensitive to that revenue.

Burkhardt: Continued to discuss. Mixed-use and higher density sales flats test out relatively okay. They're being conservative; the numbers could creep up a couple percentage points. The infrastructure costs will decrease as the density and footprint increases. This is if development was to cover their infrastructure costs.

Tilton: Asked if the \$23/s.f. is the mythical 3.5 acre vacant lot?

Burkhardt: Yes, and it's based on a few different comps. It's raw land. It's a decent rate of return. Townhomes also test out very well. The City owned parcels become important as catalyst sites.

Zahl: Asked if all product types are in the plan now?

Wery: Yes.

Garcia: Townhomes have typically been 2 and 3-story.

Burkhardt: Continued to discuss scenarios.

Lynch: Asked if it's the baseline infrastructure cost plus San Marcos Blvd?


Burkhardt/Wery: Yes. Continued to discuss scenarios.

Burkhardt: Scenario #3 does not include the Boulevard, but includes floodway/culvert project. It has an extreme impact. The total burden can't be placed on private sector. There will need to be some type of cost sharing, perhaps Mello Roos, future property owners to pay.

Wery: Equitably, why should the Creek District pay for the entire SR-78 fix? Many properties are affected by it. This district represents about 40% of the total properties affected by it.

Kildoo: Inquired if they have 100-year flood, and it damages buildings, etc., because culvert is undersized, does Caltrans have legal liability for it?

Lynch: Indicated she doesn't have the answer to that.



Tilton: Asked if anyone, an engineer or lawyer, has challenged the presumptions of the new FEMA map? He thinks it's too much; the differences are really big compared to the old map.

Wery: Explained the flood analysis was generated locally to try to get a better look at it. It acknowledges what's happened over decades. All the paving and rooftops contribute to the speed of water that gets to the creek. Its art and science, you can challenge it. Individual properties sometimes do and in some cases it's a matter of inches whether they're in or out of floodplain.

Burkhardt: Added there is an appeals process.

Tilton: The burden should not be on the whole district. People are tolerant of existing traffic on San Marcos Blvd. He doesn't think the multi-way plan is sound. What would be a fair way to divide cost between district and rest of city? Suggested maybe the citizens should decide? On-site should be Creek District.

Burkhardt: They'd recommend developing a financing plan that includes a fiscal analysis; a number of options are available, financing districts, Mello Roos, federal funding. Depending upon type of district, it could go to property owners, residents or a combination. Assessment based on capital improvements that need to be made.

Wery: It depends on what you're trying to finance. SR-78 fix might have one district, the boulevard another.

Burkhardt: Would want to explore. All are eligible for federal funding, but not in foreseeable future.

Lynch: Commented that equity would be important as a policy discussion. Who bears the burden for this, how and what is a key point. Individual developments are not responsible for fixing the entire flood issue. There has been a lot of development over the years and it must be considered. What's impacted today, what are the existing and created conditions, and how to distribute costs appropriately?

Kildoo: Added that San Marcos Blvd. is not all resident traffic, but City must fix.

Zahl: If not fixed, it stalls all other development.

Lynch: Commented they must find a nexus from a legal standpoint in order to recommend a tool.

Wery: Pointed out the public facilities financing plans job is to look at it globally and come up with overall plan.

Harris: Asked how much is raw land and not built square pads?



Wery: About 40% have something on it.

Harris: They're asking anyone coming in to develop empty land, 60%, to take on the burden.

Crew: Commented they must set up some type of bond, so everyone pays their fair share.

Wery: Additional infrastructure costs were spread out over 20 years.

Burkhardt: Added it was amortized, assuming a private bond or something.

Crews: Asked if infrastructure costs are about \$99M?

Simmons: Commented that's before you buy the land or build the project.

Burkhardt: Fuscoe's cost under scenario #1 is in the pro-forma under construction costs.

Crew: Asked if they're sure their numbers are good?

Wery: Replied that Fuscoe's plans are pretty detailed, down to pipe size and drainage, etc. It could change if the plan changes.

Burkhardt: Commented that \$99M is not just placed on one block.

Group continued to discuss.

Lynch: Asked if inclusive of multi-way?

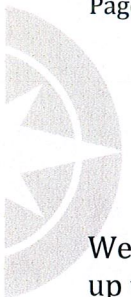
Wery: Baseline does not include multi-way or split flow fix. The Fuscoe number is as good as they can get and is based on 60% engineered drawings. That's a pretty solid number and is usually underestimated. They know the earthwork numbers are \$12-\$13M to keep area high and dry. There's probably a lot material to excavate first, it's too silty and not good for construction.

Simmons: Asked the cubic yards of import?

Wery: Replied 880,000 cubic yards. There was dirt from University District that was going to go there.

Harris: Commented he's worried they're going down a pigeon hole and not being flexible.

Zahl: Asked why they'd put certain types, 2-3 story, in the plan if developer can't make money?



Wery: Explained they're not saying they have to build to a certain story, they're saying you can. It's up to the market to figure out where they can make it work. They're putting broad parameters on it. The green area's have highest and lowest densities. If you want mixed-use and urbanism, you'd want some higher density. You only need seven high density blocks to get 2,300 units, or you could do 22 blocks of townhomes and be done, or a combination of these things. If you give options and leave wide open, you may not get the other features you want.

Burkhardt: If you require lower density those may not pencil out. The public wanted lower density, 2-3 stories, but townhomes or higher density penciled out.

Wery: Stated that all numbers assume 2,300 units. The public wants less because they don't want traffic and impacts to schools. If you do 2,000, it won't pencil.

Russo: Commented you can do the 2,300 in those few blocks if you max out the height.

Wery: Agreed. If you want to try to pay for that infrastructure you need 2,300 units. If you want more infrastructure, split-flow fix or multi-way, you'd need higher density, more profitable development to pay for it.

Burkhardt: Or a higher return on investment to get developers interested.

Tilton: Asked Planner's opinion what you're losing if a townhouse neighborhood vs. flats or stacks?

Wery: It's a change in character, spread out, probably multiple developers, uniformity in height and general style.

Tilton: Asked if it were a greenfield, what would the mix be like?

Wery: Indicated there are so many variables. The Committee needs to decide what they want to see.

Smith: Inquired if infrastructure cost is aggregate? He understands the City has some earmarked already for infrastructure?

Wery: Indicated it is independent of \$70M to build bridges, parks, first part of the promenade and levy.

Smith: The numbers are huge and this is after a significant investment by the City. That goes a long way to developers.

Wery: The bridges, Via Vera Cruz, Bent Avenue, the parks, it's a huge investment. It will change the way people see the area and increase capacity for traffic. When Discovery is extended to Twin Oaks, it will take a huge burden off San Marcos Blvd. Almost six blocks of City-owned land will be rough graded in two and half years and will add tremendous value to the area. It can leverage immediate adjoining properties and build core area.

Harris: Asked if City would sell or build the land it owns? Infrastructure costs would be a burden.

Lynch: Replied that the City doesn't have a history of selling a lot of land, and they'd have to look into it from a business standpoint based on City's needs.

Harris: Inquired if City would own apartments or be a landlord?

Kildoo: Commented the City is the landlord for Creekside Marketplace.

Burkhardt: Pointed out there is also investment trusts, where other property owners become silent partners in the development based on share of property and can benefit from the return.

Russo: Inquired if they did a bond, would it go to voters and require 2/3 vote?

Kildoo: Replied it would go to voters, but is not sure about the split.

Harris: Commented it would be a tough sell and the school district will be trying to sell their bond too.


Russo: It would be an easier sell if you're throwing in San Marcos Blvd., but 2/3 is a deal breaker.

Harris: Asked the November City Council date?

Kildoo: Indicated they'd discuss.

Lynch: Regarding the total cost, you may recall the numbers of \$200M, sort of big picture. If you look at the numbers generated in the pro-forma and City's investment, rough order magnitude that's the \$200M. We kind of got us half way there as a City, this is the other half remaining that would be assumed, borne by the private sector and hopefully some other supplement. Clarified that the San Marcos multi-way concept provides benefits for multi-modal movement, but it's not a traffic solution and may slow down vehicular traffic.

Hyde: Agreed, you'd make it a bigger parking lot.



Wery: It's roughly 10,000 trips per day per lane. Explained that the multi-way would make it six lanes, but two lanes are slow access lanes for parking and bikeway. Whatever is built will fill up and LOS would be the same. Cars will continue to use route until the pain gets too bad.

Kildoo: Part of the challenge is SR-78 controls the lights.

Hyde: Commented that Discovery Street won't be the answer either.

Wery: The main thing is having a more direct connection.

Hyde: Commented residents can't get out of Discovery Hills and he can't get off McMahr in the afternoon. They need some lights.

5. Next Steps

Kildoo: He feels the committee should continue working on it and make a recommendation. The urgent time pressure has been lifted; they can continue but not rush it. They spent 3.5 years working on the plan the first time. There is more flexibility than when they first started.

Wery: Next item is the Recommendations Report. Does the committee want higher density mixes in the smaller area, 2,300 units? You don't need all 22 blocks.

Kildoo: Questioned what you'd do with other blocks if you reach max capacity too soon?

Wery: Mentioned a possible school site on 10-15 acres, however, they'd have the same cost and fill issues. They could concentrate on a smaller area. Less than 2,300 units won't work. Committee needs to think through the scenarios. Perhaps a couple blocks higher density and the rest townhouses?

Harris: Commented the residents don't want high density or more traffic. The Committee would hear the same thing if they held another workshop. It comes down to what will get passed at the hearings with the vocal public.

Tilton: The Committee is here to find a good plan that everyone loves. They need a new plan, then have another workshop to show residents.

Harris: He heard from the workshop that residents didn't get to talk enough.

Russo: Pointed out its 2,300 units either way. If you have a smaller footprint, it leaves other areas for open space and other things, which might alleviate the concerns of residents.



Group continued to discuss.

Wery: Stated it comes back to the catalyst property on Via Vera Cruz. Site will be graded in about two years with a new bridge and would be almost turnkey and ready to develop.

Kildoo: Commented the next meeting will restart this conversation.

Garcia: Asked if they're expecting an outcome where they're on the same page? Not everyone will be happy.

Kildoo: No, they'll discuss, and if/when they'll go back to the public.

Harris: He'd like to see their timeline. He feels they're wasting time and wants it to move forward. He's confused regarding the pro-forma. The feasibility will be different with every developer.

Kildoo: Replied that it's complicated and involves a lot of decisions.

Hyde: He'd like to see at next meeting what other areas can be developed in the near future?

Wery: Indicated they'd bring the ownership map to next meeting. The City owns several parcels.

Lynch: Explained that just because the City hasn't traditionally sold land doesn't mean they couldn't go that direction or that another business deal or type of structure may not work, such as a ground lease, which is less than desirable for residential, but it may be the City has some public use on a portion of the property, builds that up as much as possible, then potentially sells another portion and that becomes mixed-use. There may be viable, potential options the City would be interested in. Obviously, City's elected officials would have to weigh in at that time. It's not a done deal that the City would sit on it or never sell.


Hyde: Questioned what's available?

Wery: Commented that part of it is the hatched areas, which are more difficult. The un-hatched is phase 1 and easier to do. MBI can provide a map showing existing buildings and ownership.

Simmons: Asked for an opaque and aerial view, with the 2017 plan over the top.

6. Public Input

Mike Hunsaker, resident: Commented that parking has always been a major problem. The state wants zero parking, which would be a disaster. Inquired about the parking assumptions? As a tax payer, he's already paid for congestion. CA has the highest gas tax anywhere. He feels there's a tax



revolt going on now because citizens haven't been given the infrastructure that was promised. SANDAG is being restructured. City of San Diego is taking everything for mass transit to put in transit-priority areas with huge amounts of private taxpayer subsidies. In 2018, VWD and SMUSD are going for bonds. Have those been put through? There have been too many promises about putting in infrastructure for development, then it doesn't appear or citizens end up having to pay for it afterwards. You're seeing the greater resistance of taxpayers to accept promises. Indicated he's worked on many bonds committees. The Prop K promises were huge but hardly anything was done. The Creekside project started as a drainage project, and then changed later to a housing project. SANDAG and General Plan say to plan on 2% growth, but now the City is close to 2050 build-out. Suggested the City needs a new General Plan with whole infrastructure revisited.

Jim Hernandez, resident: Agreed with Mike. Whatever happens has to be approved by City Council. It was easy last time, but it won't be the case this time. The plan was sold on high density to pay for the infrastructure. If they can't get it put together, the City must become a public/private partnership to get it done. If they wait too long, elections are coming and that's not good.

Lynch: Thanked Committee for their time, energy and efforts and handed out Certificates of Recognitions, which were recently distributed at the City's volunteer event. The City and State Senator Joel Anderson's office thanks them for volunteering.

7. Adjournment / Next Meeting

Kildoo: Next meeting will be 11/27/17. Adjourned at 7:58 p.m.

Steve Kildoo, San Marcos Creek
Specific Plan Oversight Committee Chair

ATTEST:

Lisa Kiss
Office Specialist III