CHAPTER 14

FISCAL IMPACT ASSESSMENT AND IMPLEMENTATION STRATEGIES

CHAPTER 14

Fiscal Impact Assessment and Implementation Strategies

A. Introduction

This chapter assesses the potential fiscal impact of the Specific Plan and presents preliminary infrastructure financing and implementation strategies to achieve the vision for high quality development in the North City Specific Plan area. Installation of the required backbone infrastructure to support private development in the Specific Plan area will require partnerships among the City, property owners and developers.

This chapter includes the following:

- A summary of the fiscal impact assessment that evaluates the annual revenue and expense impacts of the Specific Plan to the City.
- A summary of the infrastructure financing strategy, which includes backbone infrastructure costs and potential infrastructure financing mechanisms available to the City and its Redevelopment Agency.
- The recommended steps for achieving desired public and private improvements in the Specific Plan area.

B. Market Demand Overview

1. Assessment of Development Potential

The Coachella Valley has experienced a period of unprecedented growth, as evidenced by rates of land absorption, population growth, new housing production, and visitor volumes, as well as investment in new hotels, employment uses, and retail centers. Despite the 2008 national downturn in the housing market, long-term projections call for strong increases in permanent population, seasonal population, and employment. As other areas of the Inland Empire build out, more commuter population and jobs are expected to locate in the Valley.

The Specific Plan area is strategically located to accommodate new population and employment growth. The Specific Plan area enjoys excellent freeway access and visibility, and an increasingly central location as residential and commercial development expands across the Valley.

However, key challenges must be overcome to achieve new, high-quality development within the Specific Plan area, including:

- The historical characterization of Cathedral City as having lower household incomes, limited employment uses, and few retail and entertainment opportunities.
- The perception that the Specific Plan area is remote from existing residential, shopping, employment, and amenities within the Valley.
- That land ownership within the Specific Plan area is fragmented, with multiple public and private owners.
- Natural factors including high sustained winds and associated blowsand.
- Lack of infrastructure.
- The presence of power lines, easements, and windmills, as well as truck traffic associated with the Edom Hill transfer station.

To compete successfully with other locations in the Valley, the Specific Plan area will need to distinguish itself in terms of design quality, public amenities, and mix and type of uses. A successful mixed-use environment will require urban amenities such as plazas, walkways, landscaping, and water features.

The Keyser Marston Associates, Inc. (KMA) report "*Overview of Market Conditions and Identification of Development Potential,*" September 21, 2007, listed in Appendix B and provided under separate cover, provides additional detail regarding market conditions and development potential.

2. Commercial Retail Potential

According to CB Richard Ellis, the Coachella Valley currently contains 11.1 million square feet (SF) of retail/restaurant space, with an additional 3.2 million SF in the pipeline. Since 2003, retail/restaurant space absorption has averaged 190,000 SF per year. CB Richard Ellis reported an overall vacancy factor in 2007 of just 6%.

Near-term demand for new commercial retail uses in the Specific Plan area is judged to be weak, with long-term demand deemed moderate to strong, as follows:

- In the long-term, the Specific Plan area is well located to establish a new regional retail node within the Valley, including big box and medium box retail.
- New community retail uses such as grocery, drug stores, shops, and services will be required to support new housing and employment uses in the Specific Plan area.

3. Residential and Mixed Use Potential

Long-term projections for the Valley indicate strong increases in permanent and seasonal population, driven both by commuters and retirees. However, as of 2008, there were 40 projects with over 13,000 housing units in the pipeline in the five cities of the western Coachella Valley. This total includes 1,600 units planned or under construction in Cathedral City and 4,000 units in Desert Hot Springs. This inventory represents a significant absorption requirement before demand for housing in the Specific Plan area will mature.

Long-term demand for housing in the Specific Plan area is judged moderate to strong, depending on product type:

- Entry- and mid-level ownership housing is expected to be in strong demand in the long-term.

- Mid- to upper-priced retirement housing, potentially including recreational and health care amenities, is forecasted to be in moderate demand. Possible health care amenities include medical office space, assisted living complexes, and skilled or rehabilitative care facilities.

There are examples throughout Southern California of housing and retail development being planned and built in an integrated fashion. Victoria Gardens in Rancho Cucamonga and The Americana at Brand in Glendale represent two such developments that have been highly successful and attract patronage from a large trade area.

4. Employment Uses Potential

Long-term demand for employment uses in the Specific Plan area – including industrial, research and development (R&D), and business park uses -- is deemed moderate to strong. Proximity to I-10, the Union Pacific Railroad and Palm Springs Airport are key advantages for both manufacturing facilities and warehouse and distribution uses. In 2007, typical industrial tenants in the Valley were small-suite users requiring “flex” space in a business park setting. In the near-term, industrial space in the Specific Plan area should emphasize flexible space in small and combinable suites in a business park format. As the Valley’s economic base becomes more established, increased demand can be anticipated for big box industrial spaces.

5. Hotel Potential

The number of hotel rooms in the Coachella Valley increased relatively slowly during 1995-2005, just 1,444 new rooms, or an average of 144 rooms per year. Hotel occupancy in the Coachella Valley averaged 65.3% in 2007, a marked increase from 2001, but still below industry targets for a stabilized hotel market. Valleywide, hotel room revenues increased 10.7% annually from 1995 to 2005, but just 1.4% annually from 2000 to 2005. As of the 2005-2006 Wheeler's Report, there were over 5,000 hotel rooms in the pipeline throughout the Valley (many of which may since have been delayed or cancelled).

Within the Specific Plan area, strong demand can be anticipated for limited-service hotels catering to through travelers, truckers, and budget-oriented vacationers. A full-service business hotel might be feasible in the long-term, with viability depending on build-out of large-scale employment uses in the vicinity.

Moderate demand might be anticipated for a destination resort hotel in the Specific Plan area in the long-term. Successful development of a resort hotel would require extensive amenities. A destination resort would likely contain a minimum of 300-500 rooms and amenities such as golf, tennis, and spa (which typically require extensive acreage). Additional amenities, such as entertainment uses, shopping and restaurants, and eco-tourist attractions, are also deemed necessary for a resort hotel to be successful in North City.

6. Visitor, Recreational, and Entertainment Potential

The Specific Plan area's dramatic setting, large acreage of developable land, and central location within the Coachella Valley present an unparalleled opportunity within Southern California for a major visitor-oriented recreation or entertainment use. Potential examples include indoor recreational and amusement venues, themed retail stores, athletic facilities, and/or other amenities. Any major attraction or catalyst development built in the Specific Plan area should be integrated with a "town center" in order for retail, restaurant, hotel, and cultural uses to capture spin-off benefits. Stakeholder participation in the Specific Plan process has reinforced the importance of the natural environment as a key theme for a destination or attraction use within the Specific Plan area. This includes taking advantage of the open space and views, using water features to create a bold statement and create oasis-like settings in new development, and using sustainable development principles and green building approaches.

Attempting to determine the viability of visionary uses for any location, including the Specific Plan area, based on current market circumstances is inherently limiting. There are numerous case studies of bold visions for new and unique visitor destinations -- typically supported by public/private partnerships -- that resulted in profound impacts on surrounding communities. A few key examples include: the 1950s development of Disneyland on former citrus farms in Anaheim, CA; the 1960s development of San Antonio's River Walk (TX); the opening of the Harborplace specialty retail center on Baltimore’s Inner Harbor in 1980; and, the development of the Mall of America in Minneapolis in the 1990s.

C. Fiscal Impact Assessment

KMA undertook a detailed fiscal assessment of the Specific Plan at horizon year 2030 to assess the fiscal impacts to the City's General Fund. The fiscal impact analysis also includes potential revenues generated through a City Community Facilities District (CFD) for services provided to new master-planned developments for fire, paramedic, and park maintenance.

KMA estimates the recurring annual fiscal impact at horizon year 2030 of the Specific Plan area as follows:

Recurring Annual Fiscal Impact at Horizon Year 2030 (2008 $, millions)	
General Fund Revenues	$21.7
Community Facilities District	$5.6
Total Revenues	$27.3
General Fund Expenses	($12.8)
Net Fiscal Impact to City	$14.5

As shown, the Specific Plan is projected to generate a positive net fiscal impact to the City of approximately $14.5 million (2008 $) annually at horizon year 2030. This finding is based on the following key factors:

- Residential development and non-residential uses (other than hotel and retail) will pay a CFD assessment for additional services.
- Major new retail development within the mixed-use zones will generate substantial sales tax revenues.
- Hotel and recreational vehicle (RV) resort uses will provide the City with transient occupancy tax (TOT) revenues.

The detailed fiscal impact analysis is presented in the KMA report *"Fiscal Impact Assessment and Preliminary Infrastructure Financing Strategy, North City Specific Plan,"* April 23, 2009, listed in Appendix B and provided under separate cover.

D. Infrastructure Financing Strategy

1. Backbone Infrastructure Costs

Backbone infrastructure costs for the Specific Plan area at horizon year 2030 are estimated to total $232.3 million (2008 $) on a preliminary basis. This figure includes the following cost items:

Backbone Infrastructure Item	*Cost Estimate (2008 $, millions)*
Streets and roads	$53.8
Wet and dry utilities	$148.1
Streetscape improvements	$30.4
Total	$232.3

Development of the Specific Plan area will require additional infrastructure that has not been considered in the Specific Plan fiscal impact analysis. These requirements include: local infrastructure (roads and utilities) developed by private property owners, Specific Plan area share of regional road improvements, and public facilities required by other jurisdictions such as school districts.

The detailed analysis of backbone infrastructure costs is presented in the KMA report *"Fiscal Impact Assessment and Preliminary Infrastructure Financing Strategy, North City Specific Plan,"* April 23, 2009, listed in Appendix B and provided under separate cover.

2. Measures of Infrastructure Cost Burden

(a) <u>Comparison with Land Values</u>

The magnitude of the estimated total backbone infrastructure cost can be evaluated relative to measures of economic value and the financing mechanisms potentially available to the City, property owners, and developers. It is helpful to consider the estimated total infrastructure cost relative to total developable land area (approximately $3.42 per SF of net land area). This cost burden is not excessive relative to the probable increase in land values associated with improving large-acreage raw land with backbone infrastructure. The value of land increases greatly as public infrastructure is provided and large properties are subdivided into smaller, useable parcels. For example, in recent years, the median price for large-acreage raw land in the Coachella Valley was less than $1 per SF. By contrast, small development parcels, typically located in infill settings with significant public infrastructure in place, sold for median prices of $17 per SF for non-residential land and $19 per SF for residential land. These figures indicate a significant increase in value associated with entitlement, infrastructure, and subdivision. The anticipated backbone infrastructure cost burden of $3.42 per SF of net land area for the Specific Plan is relatively minor in comparison to this value increase.

(b) Comparison with Development Impact Fees

On a preliminary basis, total costs for backbone infrastructure can be allocated between residential and non-residential uses based on trip generation, utility usage, and other factors. The resulting cost allocation can be summarized as follows:

Backbone Infrastructure Cost Allocation (2008 $)			
Land Use Type	***Estimated Cost of Allocated Backbone Infrastructure (millions)***	***Number of Units or SF Gross Building Area (GBA)***	***Cost per Unit or per SF GBA***
Residential	$107.6	9,620 units	$11,200/unit
Non-residential	$124.7	12.6 mm SF GBA	$9.91/SF GBA
Total	$232.3	-	-

These potential infrastructure costs can be considered in the context of typical development impact fees in Coachella Valley, as follows:

- *Residential Development Impact Fees:* In 2005, development impact fees for backbone infrastructure, such as traffic improvements, utilities, and streetscape, totaled approximately $7,000 per single-family home in Cathedral City. Within the Western Coachella Valley, these development impact fees ranged from a low of approximately $5,900 (Desert Hot Springs) to a high of $8,200 (Palm Desert) per single-family home. (Source: Residential Development Fee Study of the Coachella Valley, for Building Industry Association, Desert Chapter, March 2006.) If these existing fees are adjusted for inflation, the estimated backbone infrastructure cost burden for residential development in the Specific Plan area ($11,200 per unit) is slightly higher and additional funding sources would be required to offset this burden.

- *Non-Residential Development Impact Fees:* A similar survey of development impact fees for non-residential development in the Coachella Valley is not available. Impact fees vary by city, specific infrastructure needs, and the type of land use proposed. Anecdotally, many jurisdictions in Southern California charge total development impact fees for non-residential development in the range of $5.00 to $10.00 per SF GBA. By comparison, the estimated total infrastructure cost burden of $9.91 per SF GBA of non-residential development in the Specific Plan area is within this range; however, additional funding sources, as described below, would offset any of this burden.

3. Potential Infrastructure Financing Mechanisms

The attached Table 14-1 presents a matrix of financing mechanisms to fund backbone infrastructure. These mechanisms include both public (local, state and federal) and private (property owner, developer and user) funding sources. Each mechanism is profiled in terms of program description, eligible uses, and funding parameters. The following table summarizes the overall applicability of each financing mechanism to the Specific Plan area, as well as order-of-magnitude funding potential.

Financing Mechanism	*Applicability to Specific Plan Area*	*Magnitude of Funding for Specific Plan Area*
Developer / Property Owner / User		
Community Facilities Districts	High	High
Special Assessment Districts	High	High
Development Impact Fees	High	Moderate
Property Owner / Developer Exactions	Moderate	Moderate
Developer Advances / Reimbursement	High	Moderate to High
User Fees (such as utility hook-ups)	High	Low
Landscaping Districts/Parking Districts	High	Low
Business Improvement Districts	Low	Nominal
City / Redevelopment Agency / Regional		
Redevelopment Tax Increment (for a portion of the Specific Plan area)	High	Low to Moderate
Transportation Uniform Mitigation Fee	Low	Nominal
Community Development Block Grants	Not Applicable	None
Infrastructure Financing Districts	Low	Low
State / Federal		
California Infrastructure and Economic Development Bank	Moderate	Low
NAFTA Infrastructure Bank	Low	Nominal
State of California Propositions (42/1A and 1B)	Moderate	Low to Moderate

The most probable methods of financing backbone infrastructure for the Specific Plan likely include some combination of the following mechanisms (refer to Section E for more detailed discussion of implementation strategies):

- *Developer exactions.* It is likely that disproportionate backbone infrastructure will be required to support even a small first phase of development. Initial developers will need to advance funds toward a larger phase of infrastructure and seek reimbursement from the City as subsequent developers pay development impact fees. As noted above, the addition of land use entitlements and backbone infrastructure contribute significantly to increased property values.
- *Development impact fees.* Development impact fees can be adopted for a number of different infrastructure items. Typically, cities work with property owners and/or developers to adopt a Public Facilities Financing Plan (PFFP), which sets appropriate fee levels by land use category and phase of development within the Specific Plan area.
- *Community Facilities Districts (CFDs) and/or Special Assessment Districts.* Individual property owners may petition the City to establish CFDs to fund upfront infrastructure requirements through assessments on future owners and tenants.
- *Redevelopment tax increment.* The Redevelopment Agency may devote new tax increment revenues generated within the Redevelopment Project Area portion of the Specific Plan to fund infrastructure needs.
- *User fees and landscaping districts.* These mechanisms are useful for funding utility installation costs and streetscape/landscape improvements, respectively.

Additionally, backbone infrastructure improvements in the Specific Plan area may be competitive for loans and grants available through State programs such as:

- California Infrastructure and Economic Development Bank, for backbone streets

- State Propositions 42/1A and 1B, for backbone streets

TABLE 14.1
POTENTIAL INFRASTRUCTURE FINANCING MECHANISMS

	I. DEVELOPER / PROPERTY OWNER / USER		
	Community Facilities Districts (CFDs)	**Special Assessment Districts**	**Development Impact Fees**
A. Description	• An assessment placed against property located within an established district to fund public facilities and services. • Municipal bonds supported by revenues from the CFD assessment are sold to provide upfront funding to build improvements or fund services.	• Similar to a CFD but shifts the funding of infrastructure from all taxpayers to only those who benefit specifically from the improvement. • Sets a fixed lien on every parcel within the assessment district. • Municipal bonds supported by special assessments provide upfront funding.	• Developer fees pay all or a portion of the costs of any public facility that benefits their development based on PFFP.
B. Eligible Uses	• Fund capital facilities including: - parks - schools - fire stations - water and sewer systems - government facilities • Purchase, construction, and improvement or rehabilitation of real property.	• Construction of capital facilities such as roads, water, sewer, and flood control.	• Capital facilities or ongoing services. Examples of impact fees in Cathedral City include: - school impact fee - MSHCP fee - mitigation fee (police, fire, park, etc.) - water meter installation - sanitation capacity charge - water system facility/backup facility charge
C. Funding Parameters	• Requires 2/3 vote of qualified electors in district. If fewer than 12 residents, vote is conducted on current landowners. • Assessment based on allocation formula, not necessarily in proportion to the benefit received. • Requires value-to-lien ratio of 3:1.	• Typically property owners petition a City to form a district to finance large-scale infrastructure improvements. • Assessments on property owners are determined in proportion to the benefit received.	• Predetermined fees are paid as a condition to the issuance of building permits, occupancy permits, or subdivision map approvals.
D. Overall Applicability to Specific Plan Backbone Infrastructure	High *Funds backbone and local infrastructure through assessments on future users*	High *Funds backbone and local infrastructure through assessments on future users*	High *Applicable to backbone and regional infrastructure*
E. Magnitude of Funding	High	High	Moderate
F. Potential Uses	Broad range of backbone infrastructure	Broad range of backbone infrastructure that benefit affected property owners	Broad range of backbone infrastructure, mitigation measures, and Citywide public facilities

TABLE 14.1 (CONT'D.)
POTENTIAL INFRASTRUCTURE FINANCING MECHANISMS

	I. DEVELOPER / PROPERTY OWNER / USER		
	Property Owner / Developer Exactions	**Developer Advances / Reimbursement Agreements**	**User Fees**
A. Description	• Payments made by developers or property owners in addition to, or in lieu of, development impact fees. • Funds contributed are used to install selected public improvements. • Alternatively, developers are required to construct and deliver specific improvements.	• Advance of funds from developers for use toward backbone infrastructure. • Alternatively, developers construct and deliver specific improvements. • City and developer enter into Reimbursement Agreement.	• Fee imposed by a city, utility, or other franchise for services and facilities they provide.
B. Eligible Uses	• Dedication of right-of-way streets and utilities • Provision of open space • Parks or landscape improvements • Schools and community facilities	• Backbone infrastructure	• Water meter hook-ups • Gas, electric, cable, and telephone hook-ups • Park and recreation facilities
C. Funding Parameters	• Typically paid or committed as part of the development approval process.	• Typically repaid from redevelopment tax increment, CFD bond proceeds, and/or development impact fees collected from future developers.	• Use of user fee revenues are limited to paying for the service for which the fees are collected. • The fee amount may not exceed the cost of providing the service but may include overhead, capital improvements, and debt service.
D. Overall Applicability to Specific Plan Backbone Infrastructure	Moderate *Agreements with individual property owners need to be coordinated with Plan area total infrastructure requirements and phasing*	High *Allows flexibility in forming public/private partnerships; agreements with individual property owners need to be coordinated with Plan area total infrastructure requirements and phasing*	High *Applicable to both backbone and local infrastructure*
E. Magnitude of Funding	Moderate	Moderate to High	Low
F. Potential Uses	Broad range of backbone infrastructure	Broad range of backbone infrastructure	Water infrastructure Dry utilities

TABLE 14.1 (CONT'D.)
POTENTIAL INFRASTRUCTURE FINANCING MECHANISMS

	I. DEVELOPER / PROPERTY OWNER / USER	
	Landscaping Districts / Parking Districts	**Business Improvement Districts (BIDs)**
A. Description	• Assessment on properties located within a specific district that benefit from landscaping and/or parking.	• Annual fees paid by business owners and/or property owners to fund activities and programs intended to enhance the business environment in a defined area.
B. Eligible Uses	• Landscaping districts allow for the funding of lights, recreational equipment, landscaping, and irrigation. • Parking districts allow for the acquisition, improvement, and operation of shared parking facilities.	• Marketing and promotion • Security • Streetscape improvements • Operating and maintenance of public improvements • Special events
C. Funding Parameters	• Funds are typically collected concurrently with the annual business license tax or property tax bill, with varying formulas for retail vs. non-retail businesses, and residential vs. non-residential property.	• Once established, annual BID fees are mandatory for businesses/properties located within the BID boundary. • Business-based BID fees are collected with business license fees; property-based BID assessments are collected on property tax bills.
D. Overall Applicability to Specific Plan Backbone Infrastructure	High	Low *Limited applicability to capital needs*
E. Magnitude of Funding	Low	Nominal
F. Potential Uses	Landscaping and open space features	Streetscape improvements and ongoing maintenance

TABLE 14.1 (CONT'D.)
POTENTIAL INFRASTRUCTURE FINANCING MECHANISMS

	II. CITY / REDEVELOPMENT AGENCY / REGIONAL		
	Redevelopment Tax Increment	**Transportation Uniform Mitigation Fee (TUMF)**	**Community Development Block Grants / Section 108 Loans**
A. Description	• Approximately 13.5% of the Specific Plan Area is located in the City's Redevelopment Project Area. • The non-housing portion of tax increment revenues generated in the Project Area can be used to fund capital projects.	• Impact fee charged to residential and non-residential developers to fund transportation improvements.	• Annual grants for use towards economic development, public facilities and housing rehabilitation. • Section 108 loans provide front-end financing for large-scale community and economic development projects that cannot be financed from annual grants.
B. Eligible Uses	• Public improvements such as infrastructure and parking. • Land assembly and disposition. • Direct property acquisition and land cost write-down. • Payment of permits and fees.	• Variety of regional transportation improvements	• Acquisition and disposition of property. • Clearance and demolition. • Public facilities and site work. • Funds must be targeted to specific areas benefiting low- and moderate-income persons or to eliminate blight.
C. Funding Parameters	• The last year in which the Redevelopment Agency is entitled to repay debt with tax increment is 2036. • The Redevelopment Agency can issue bonds secured by tax increment in order to raise funds to pay for backbone infrastructure serving the North City Plan (Redevelopment Project Area portion of Plan). However, any new bond issuances must consider the constraints imposed by the Agency's existing debt service obligations as well as the periodic appropriation of redevelopment funds by the State of California.	• Fees are collected by the applicable jurisdiction and transmitted to CVAG to be placed into the Coachella Valley Transportation Mitigation Trust Fund.	• Funds are provided by HUD and administered by the County of Riverside.
D. Overall Applicability to Specific Plan Backbone Infrastructure	High *Flexible funding source available to City to stimulate first-phase development in Project Area portion of Plan area*	Low *Funds regional infrastructure based on funding priorities determined by CVAG*	Not Applicable *Funds targeted to blighted and/or low/moderate-income areas*
E. Magnitude of Funding	Low to Moderate	Nominal	None
F. Potential Uses	Broad range of backbone infrastructure	Cost allocation between regional and backbone shares	None

TABLE 14.1 (CONT'D.)
POTENTIAL INFRASTRUCTURE FINANCING MECHANISMS

	II. CITY / REDEVELOPMENT AGENCY / REGIONAL
	Infrastructure Financing Districts (IFDs)
A. Description	• Similar in function to redevelopment tax increment, tax increment revenues within an IFD are used to finance the construction of public works and facilities.
B. Eligible Uses	• Highways, interchanges, bridges, and ramps • Sewage treatment and water reclamation plants • Flood control levees, retention basins and drainage channels • Parks and recreational facilities
C. Funding Parameters	• Created by cities and/or counties. • IFDs may not include any portion of a redevelopment project area. • IFDs may not finance routine maintenance or repair work or ongoing operating costs.
D. Overall Applicability to Specific Plan Backbone Infrastructure	Low *Limited tax increment yield based on City's small share of 1.0% property tax*
E. Magnitude of Funding	Low
F. Potential Uses	Installation of major infrastructure

TABLE 14.1 (CONT'D.)
POTENTIAL INFRASTRUCTURE FINANCING MECHANISMS

	III. STATE / FEDERAL			
	California Infrastructure and Economic Development Bank (I-Bank)	**NAFTA Infrastructure Bank**	**State of California Propositions**	
			Propositions 42 and 1A	**Proposition 1B**
A. Description	• Low cost financing to public agencies for a wide variety of infrastructure projects.	• Financial assistance to Mexican border states for transportation projects that are necessary to accommodate increased traffic resulting from the implementation of the North American Free Trade Agreement.	• Proposiiton 42 required a portion of sales tax on gasoline be transferred to the Transportation Infrastructure Fund (TIF). Amended by Proposition 1A to limit the State's ability to suspend transfer of revenues from the TIF during fiscal difficulties.	• *Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006.* • Approved in 2006, made available $20 billion for state and local improvement projects.
B. Eligible Uses	• City streets • Educational facilities • Environmental mitigation measures • Parks and recreational facilities • Public transit	• Grants provided to (1) relieve congestion due to increased traffic resulting from the implementation of NAFTA and (2) improve enforcement of motor carrier safety laws.	• Congestion relief • Safety enhancements • Local streets repair • Public transportation	• Congestion relief • Improve air quality • Enhance safety and security of transportation systems
C. Funding Parameters	• The Infrastructure State Revolving Fund Program offered by the I-Bank offers loans ranging between $250,000 to $10,000,000 with eligible repayment sources including General Fund revenues, tax increment revenues and property assessments.	• Limits the Federal share of costs for such projects to 80%.	• Funds provided directly for local road improvements, as well as for capital projects (highway and transit) selected by Caltrans in the State Transportation Improvement Program.	• League of California Cities is drafting legislation with the California State Association of Counties for allocation of this revenue source.
D. Overall Applicability to Specific Plan Backbone Infrastructure	Moderate *Competitive process*	Low *Funding targeted to regional/state transportation infrastructure*	Moderate *Funds may be used for regional, backbone, and local infrastructure*	
E. Magnitude of Funding	Low *Relatively small loans*	Nominal	Low to Moderate *Competitive process with limited track record*	
F. Potential Uses	Backbone streets and open space features	Cost allocation between regional and backbone shares	Backbone streets	

E. Implementation Strategy

The attached Table 14-2 presents an implementation strategy for achieving desired public and private improvements in the Specific Plan area. The strategy presents six major implementation steps, and identifies key action steps, priority/timing, responsible parties, and potential funding sources for each. The major implementation steps include:

#1 – Prioritize and implement catalyst developments.

The City and Redevelopment Agency should work closely with property owners and developers, as well as other private business interests, to ensure that well-designed, fiscally sound, mixed-use development occurs in the Specific Plan area. It will be important for the City and Redevelopment Agency to work with developers and property owners to review potential development opportunities and/or major land use proposals that might serve as catalysts for the Plan area. The City and Agency should evaluate development proposals in the context of the City's goals for North City. As priority catalyst developments are identified, the Agency may also wish to consider financial participation to assist these developments.

#2 – Attract and implement high-quality destination attractions and employment uses to ensure that North City develops as an integrated mixed-use community that complements its unique natural environment.

The City and stakeholders have indicated a strong desire to create a sustainable built environment in North City that includes: (a) a major attraction or visitor destination; and (b) high-quality eco-friendly employment. The City and property owners/developers should work together to identify suitable uses and "placemaking" amenities for the Specific Plan area. This effort should focus on the unique assets offered by the Specific Plan area's natural environment. Specific targets for employment uses could include industries involved in solar and wind-related technologies and other "green" development techniques. One such recent example of a sustainable development plan for a large-acreage site is the redevelopment plan for Treasure Island in San Francisco Bay. Strategic partners for this implementation step might include institutions such as the Palm Springs Desert Resorts Convention and Visitors Authority, Coachella Valley Economic Partnership, College of the Desert, California State University at San Bernardino, and University of California at Riverside.

#3 – Form public/private partnerships between City and property owners/developers.

Development of the required backbone infrastructure to support private development in the Specific Plan area will require partnerships among the City, property owners and developers. It is appropriate for the City and Redevelopment Agency to establish and maintain the vision for mixed-use development of high-quality design in the Specific Plan area. The City will also need to educate property owners and developers regarding the City's fiscal limitations, and the necessity for developers to fund infrastructure needed for their development projects. The City and Redevelopment Agency may also seek to establish parameters for potential financial participation to assist infrastructure requirements for targeted development projects. This may be particularly appropriate for developments that will support significant new sales tax or Transient Occupancy Tax (TOT) revenues.

#4 – Create a Transfer of Development Rights Program for land within the MSHCP Conservation Area.

Setting up a Transfer of Development Rights (TDR) program that allows the transfer of development rights from properties within the MSHCP Conservation Areas to designated sites outside the Conservation Areas (either within or outside the Specific Plan boundaries) may minimize the impact on private property owners. This would allow vested development rights for properties within the MSHCP Conservation Areas to be transferred to areas outside the MSHCP Conservation Areas. Appendix C contains a discussion of TDR programs as well as the necessary steps needed to establish one for the Specific Plan area.

#5 – Adopt Public Facilities Financing Plan(s) for phased implementation of backbone infrastructure.

The major responsibility for financing backbone infrastructure belongs to property owners and developers undertaking private development pursuant to the Specific Plan. The first step is to determine which development projects are ready to proceed, and what associated first-phase backbone infrastructure is required to implement those projects. The City will need to work closely with these development partners to prioritize infrastructure needs and establish preferred methods of financing.

A key opportunity for first-phase infrastructure is the southeastern section of the Specific Plan area. This portion of the Plan represents the largest private land holding (Franconia Investments); the owner has made significant progress in pursuing entitlements; and much of it is located within the Redevelopment Project Area, which may afford potential tax increment financing assistance.

As discussed in the previous section, there is a variety of tools available to developers to assist them in absorbing the backbone infrastructure cost burden. Developers can fund backbone infrastructure directly, and in some cases receive reimbursements from subsequent developers. The City can establish development impact fees (DIFs) for specific infrastructure items, and collect these funds until there are sufficient resources and/or need for the facilities. More typical in large-acreage Specific Plans is the formation of one or more assessment districts, such as a Community Facilities District (CFD) or Special Assessment District. These districts can be used to fund a broad variety of backbone infrastructure by issuing tax-exempt bonds that are repaid with revenues from assessments on the ultimate buyers of the completed development (homeowners, commercial landlords, etc.).

Development of backbone infrastructure for the Specific Plan will likely occur over an extended time period, involve multiple methods of financing, and require a series of City Council actions. These may include adoption of Public Facilities Financing Plan(s), developer reimbursement agreements, and/or assessment districts.

Preparation of a Public Facilities Financing Plan (PFFP) would ensure that all owners of undeveloped property pay their fair share of funding to finance public facilities. A PFFP for the Specific Plan area should include:

- Forecast and analysis of residential and non-residential development planned for the Specific Plan area.
- Identification of specific capital improvement projects including the cost and anticipated timing associated with each individual project.
- A fee schedule showing the projected rate of assessment for various land uses.
- The strategy proposed to finance each capital improvement project such as Facilities Benefit Assessments, Development Impact Fees, Assessment Districts, Community Facilities Districts, and State/Federal funding.

#6 – Pursue State and Federal infrastructure funding sources.

While the burden of installing new infrastructure rests with property owners and developers, the City should be vigilant in exploring other governmental funding sources that can be secured to jumpstart the Specific Plan area's backbone infrastructure.

#7 – Ensure long-term maintenance of public infrastructure and facilities.

As major new public infrastructure and facilities are developed within the Specific Plan, the City will want to implement improvement districts and maintenance agreements that assure long-term maintenance and repair by sharing these costs with the future businesses and residents.

TABLE 14.2
PRELIMINARY IMPLEMENTATION STRATEGY

Implementation Step	Key Action Steps	Priority / Timing	Responsible Parties	Potential Funding Sources
#1 - PRIORITIZE AND IMPLEMENT CATALYST DEVELOPMENTS	(a) Promote well-designed, fiscally sound, mixed-use development within the Plan area, including: • A critical mass of employment uses supporting high-quality jobs • Establishment of a dominant commercial (retail) node within the Coachella Valley • A broad range of housing types and prices, from entry-level to upper-end retirement, including single-family homes and higher-density multi-family and clustered developments • Visitor-serving and hospitality uses that further establish North City as an important destination (b) Identify catalyst development projects that frame key entries to the Plan area, i.e., at the existing freeway interchanges (c) Review opportunities for the Redevelopment Agency to participate in implementation of catalytic development projects that bring desired uses to the Plan area (within the Redevelopment Project Area portion only) (d) Partner with private sector business and economic development organizations to promote desired development in the Plan area	HIGH / Years 1 and 2	City of Cathedral City Redevelopment Agency Property owners and developers Cathedral City Chamber of Commerce Coachella Valley Economic Partnership The Palm Springs Desert Resort Convention and Visitors Authority	Redevelopment tax increment Housing set-aside funds Enterprise Zone tax benefits Business improvement districts Landscaping/parking districts

TABLE 14.2 (CONT'D.)
PRELIMINARY IMPLEMENTATION STRATEGY

Implementation Step	Key Action Steps	Priority / Timing	Responsible Parties	Potential Funding Sources
#2 - ATTRACT AND IMPLEMENT HIGH-QUALITY DESTINATION ATTRACTIONS AND EMPLOYMENT USES TO ENSURE THAT NORTH CITY DEVELOPS AS AN INTEGRATED MIXED-USE COMMUNITY THAT COMPLEMENTS ITS UNIQUE NATURAL ENVIRONMENT	(a) Explore and actively recruit opportunities to create a sustainable built environment, including: • A major attraction or visitor destination. Partners to promote desired development in the Plan area could include regional visitor associations and the hotel industry • High-quality eco-friendly employment. Targets for employment uses could include industries involved in solar and wind-related technologies and other "green" development techniques, e.g., Treasure Island in San Francisco Bay • Inclusion of placemaking amenities and pedestrian-friendly features (b) Encourage government sponsored demonstration projects	MEDIUM / Year 2 and ongoing	City of Cathedral City Redevelopment Agency Property owners and developers The Palm Springs Desert Resort Convention and Visitors Authority Coachella Valley Economic Partnership College of the Desert	Transient Occupancy Tax (TOT) revenues generated by new development in Plan area Redevelopment tax increment Landscaping/parking districts

TABLE 14.2 (CONT'D.)
PRELIMINARY IMPLEMENTATION STRATEGY

Implementation Step	Key Action Steps	Priority / Timing	Responsible Parties	Potential Funding Sources
#3 - FORM PUBLIC/PRIVATE PARTNERSHIPS BETWEEN CITY AND PROPERTY OWNERS/DEVELOPERS	(a) Explore public/private partnerships to bring high-quality development and visionary new uses to the Plan area (b) Educate property owners and developers regarding the fiscal impacts and infrastructure funding responsibilities for new development projects (c) Develop parameters and possible budget for Redevelopment Agency involvement in Plan area backbone infrastructure development, if any (d) Develop parameters for potential City financial participation to assist targeted development projects with extraordinary infrastructure requirements through sales tax sharing and/or Transient Occupancy Tax (TOT) sharing (e) Review individual development proposals in terms of fiscal impact and sustainability and work with applicants to modify proposals if needed	MEDIUM / Year 1 and ongoing	City of Cathedral City Redevelopment Agency Property owners and developers	Redevelopment tax increment New sales tax generated by project-specific development in Plan area New Transient Occupancy Tax (TOT) revenues generated by project-specific development in Plan area
#4 - CREATE A TRANSFER OF DEVELOPMENT RIGHTS PROGRAM FOR LAND WITHIN THE MSHCP CONSERVATION AREA	(a) Designate sending areas - identify properties within the MSHCP Conservation Areas suitable for being designated as sending parcels (b) Designate receiving areas - identify areas outside of the MSHCP Conservation Areas (either within or outside the Specific Plan area boundaries) suitable for receiving the density from the receiving areas (c) Establish a process by which the specific amount of development rights for a sending parcel is transferred to a receiving parcel (d) Consider establishment of a development rights bank, a mechanism by which the local government or a governmnetal/ non-profit agency purchases development rights before they are applied to receiving parcels, retains them permanently in order to prevent development , or sells them as appropriate	MEDIUM / Year 1 and ongoing	City of Cathedral City Redevelopment Agency Non-profit agencies Other governmental agencies	City of Cathedral City Non-profit agencies Grants and loans from other governmental agencies

TABLE 14.2 (CONT'D.)
PRELIMINARY IMPLEMENTATION STRATEGY

Implementation Step	Key Action Steps	Priority / Timing	Responsible Parties	Potential Funding Sources
#5 - ADOPT PUBLIC FACILITIES FINANCING PLAN(S) FOR PHASED IMPLEMENTATION OF BACKBONE INFRASTRUCTURE	(a) Identify property owners and developers ready to proceed with major development projects and willing to partner in implementing key backbone infrastructure needs (b) Assess the probable timeline of specific development projects and associated backbone infrastructure needs (c) Work with property owners and developers to review cost estimates for required backbone infrastructure improvements and potential financing mechanisms (d) Further review feasibility of key infrastructure financing mechanisms in terms of both legal/implementation issues and market/financial viability. Based on this review, adopt City guidelines regarding infrastructure financing requirements for new development in the Plan area. These guidelines should prioritize key methods of financing acceptable to the City for the major categories of backbone infrastructure. (e) Conduct nexus analyses as necessary to set cost of specific infrastructure items relative to land ownerships and land use designations (f) Adopt Public Facilities Financing Plan(s), developer reimbursement agreements, Community Facilities Districts (CFDs), and/or other implementing actions, as appropriate	MEDIUM / Year 1 and ongoing	Property owners and developers City of Cathedral City Redevelopment Agency	<u>Primary Sources</u> Property owner/developer Developer Developer impact fees Community Facilities Districts User fees <u>Secondary Sources</u> Redevelopment tax increment New sales tax generated by project-specific development in Plan area New Transient Occupancy Tax (TOT) revenues generated by project-specific development in Plan area

TABLE 14.2 (CONT'D.)
PRELIMINARY IMPLEMENTATION STRATEGY

Implementation Step	Key Action Steps	Priority / Timing	Responsible Parties	Potential Funding Sources
#6 - PURSUE STATE AND FEDERAL INFRASTRUCTURE FUNDING SOURCES	(a) Identify, monitor, and apply for other governmental funding sources for backbone infrastructure, including State and Federal loans and grants (b) Partner with the Coachella Valley Association of Governments in prioritizing and phasing regional road and utility improvements through the Plan area in conjunction with required backbone infrastructure	MEDIUM / Year 2 and ongoing	Property owners and developers City of Cathedral City Redevelopment Agency Coachella Valley Association of Governments Riverside County Transportation Commission Riverside County Flood Control and Water Conservation District	California Infrastructure and Economic Development Bank State Propositions 42/1A and 1B Other loans and grants that may become available in the future
#7 - ENSURE LONG-TERM MAINTENANCE OF PUBLIC INFRASTRUCTURE AND FACILITIES	(a) Work with property owners and developers to implement landscape districts, business improvement districts, and maintenance agreements to ensure ongoing maintenance and capital repairs for major facilities and community amenities developed in the Plan area	LOW / Year 3 and ongoing	Property owners and developers City of Cathedral City Redevelopment Agency	Property owner/developer exactions User fees Business improvement districts Landscaping/parking districts