

ELEMENT B, THE CLIFFS PLANNED COMMUNITY

SUB-ELEMENT B12: PUBLIC SERVICES AND FINANCING

Overview

Ada County Comprehensive Plan Policy:

Policy 5.8-10 Planned Communities shall be considered for approval only when assurances are provided by the developer or appropriate public agency that essential public services will be provided, created and financed.

Policy 5.8-12 Planned Communities shall have a mixture of land uses that provide a tax base sufficient to cover the costs of essential public services and government functions that will be needed to support the project.

Policy 5.8-15 Developers of Planned Communities shall provide financial assurances that essential public services will be provided to the project.

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B12.1 – Essential Public Services and Financing Plan

Overview

This section provides an overview of the infrastructure and public facilities financing plan for The Cliffs (“Project”). This financing plan represents the current best estimates for the essential infrastructure and public facility costs associated with each phase of the Project. This report also presents Skyline’s financial standing and general strategy for financing these improvements.

During the master plan review process, Economic and Planning Systems, Inc. (EPS), in consultation with Skyline, will continue to augment this analysis by setting forth a detailed program for financing these improvements. EPS will also further demonstrate the feasibility of the financing program, and identify necessary implementation factors. As a part of this ongoing effort, EPS will incorporate findings from its dynamic fiscal impact analysis of The Cliffs (Element E), including strategies to mitigate any fiscal shortfalls or other negative economic impacts beyond the normally expected incremental impacts of development on affected municipalities and other agencies and/or districts.

The key summary points from the preliminary analysis are as follows:

- Total annual property tax revenues generated by the Project at full build-out are estimated at \$10,263,243.
- The Project will generate a fiscal surplus of \$865,718 for the Ada County Government’s combined General Fund and Special Levy Funds.
- Special Taxing Districts applicable to the Project will experience a fiscal surplus. Although incremental costs for the Ada Community Library District and Whitney Fire District are not yet estimated, these districts are expected to show a fiscal surplus.

Summary

Installation of essential infrastructure and public facilities will be sufficient to serve the anticipated population of each phase of the Project, as well as provide for integration in subsequent phases. Essential infrastructure and public facility improvements include streets and public access, dry utilities (i.e. underground power, natural gas, telephone / cable television / data), wet utilities (i.e., sanitary sewer, potable water, and pressurized reclaimed water for irrigation of open space), a fire station and open space. Total costs for these improvements are estimated at **\$43,363,922**, comprised of nearly **\$20 million for Phase 1**, **\$12.4 million for Phase 2**, and about **\$11 million for Phase 3**.

Skyline intends to finance these improvements through a combination of debt and equity. The company is committed to ensuring the successful development of The Cliffs by preparing

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feasible financing plans that respond to public and private objectives and make creative use of available financing mechanisms. This commitment includes customary financial assurances to appropriate service providers with each phase of development.

Infrastructure and Public Facilities Phasing

The Cliffs will be developed in **three** major Phases. The sequence of development will be logical and based on principles to achieve efficiency and timeliness with regard to services and infrastructure, while creating a strong sense of the community's character early in the development. Because of transportation access, and close proximity to dry utilities and domestic water, development of The Cliffs will begin generally with the North Neighborhood (**Phase 1**) and proceed to the Central and South Neighborhoods (**Phase 2** and **Phase 3**, respectively). This sequence also provides a natural progression for gravity flow sewer lines as the North Neighborhood is the lowest elevation within the property. Extension of, and/or the building of infrastructure like the MBR wastewater treatment plant will be part of the first final plat of Phase 1. All essential infrastructure and public facilities will be: (1) installed within each phase of development to provide service to each lot; (2) sized for the current phase of development, while including sufficient capacity for future phases; and (3) stubbed to the boundary of future phase, allowing for ready extension to subsequent phases.

Complete build-out of the three phases is projected to take approximately ten years from the start of construction. However, timing to complete all three phases of The Cliffs is subject to change due to market conditions, product mix, local housing competition and other potential factors, not necessarily within Skyline's control.

Costs of Essential Infrastructure/Facilities

The essential infrastructure improvements include streets and public access, dry utilities (i.e., underground power, natural gas, telephone / cable television / data), and wet utilities (i.e., sanitary sewer, potable water, and pressurized reclaimed water for irrigation of open space). Essential public facilities include a fire station and open space improvements. Installation costs for each of these essential infrastructure and facility improvements are presented by phase in **Table 1**.

Notably, there are other public facilities that are important components of The Cliffs' development program, but are not essential in nature in the strict sense of the term. As such, they may be outside of Skyline's responsibility to construct or finance. However, given the project's placemaking objectives, Skyline is working to fund their support or construction. These facilities may include a school and library, a post office, a mercantile store (convenience), a recreation center, and the environmental center.

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Streets and Public Access Improvements

The Cliffs circulation plan includes approximately 17 miles of roads, including a Divided Entry Collector Street, a Main Street, a Main Street Boulevard Collector, a Residential Collector Street, and Local Core Streets, Traditional Streets, and Edge Roads. The phasing of roadway construction will correspond to the three major phases of development. Specifically, Phase 1 will include construction of the Divided Entry Collector Street (i.e., Warm Springs to Main Street) as well as the North Neighborhood streets and a small portion the Central Neighborhood Main Street. Phase 2 will include the balance of the Central Neighborhood road network, and Phase 3 will consist of the South Neighborhood streets.

The total installation cost for The Cliffs roadways, including sidewalks, alley ways, landscaping and drainage, is estimated to be **\$12,375,849** (2006 \$). Excluding the Divided Entry Collector Street, each Neighborhood's road network is estimated to cost between \$3.0 to \$3.5 million to install.

Dry Utilities

The Cliffs will include an underground network of dry utilities that will provide power, gas, and data/phone/video service to residents and onsite businesses and facilities. Utility service providers will include a variety of local, regional, and/or private providers (e.g., Idaho Power and Qwest Communications or other entity for service within The Cliffs). All services will be provided via a joint trench concept, located in the alley ways where possible to remove the visibility of above ground appurtenances.

Power will be provided to the site by Idaho Power. Service will be extended to the site from existing power supply along Warm Springs Avenue and Highland Valley Road. All onsite power will be buried. Costs of providing power service to The Cliffs are mainly onsite distribution costs. An offsite upgrade of overhead cable will also be required, but not until close to buildout of the Project. This upgrade cost is estimated to be **\$150,000**. Onsite distribution costs are expected to total **\$2,025,000**.

Distribution costs by phase will require an upfront payment by Skyline to Idaho power according to the terms of IPUC Rule H "New Service Attachments and Distribution Line Installations or Alterations." However, Skyline will be eligible for refunds of up to \$800 per lot as homeowners and businesses in The Cliffs connect to the power system.

Natural gas lines are located in the Warm Springs Avenue corridor and can be easily extended to The Cliffs. As such, Skyline does not anticipate upfront payments to Intermountain Gas for service extension and onsite distribution.

Telecommunications, Broadband Data, and Cable TV - As with natural gas, existing service lines for telecommunications, broadband data, and cable television are in close proximity to The Cliffs and their installation costs are relatively low compared to

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power. Therefore, Skyline does not anticipate upfront payments to Qwest Communications, Cable One, or other service providers for service extension and/or onsite distribution.

Wet Utilities

Sewer - The design, engineering, and construction of the sanitary sewer system for the Cliffs will be funded by Skyline. The sanitary sewer system for The Cliffs will be developed and managed by an independent, newly formed entity, separate from existing municipal sanitary sewer providers. Meanwhile, the wastewater treatment system proposed for The Cliffs will be designed to generate a tertiary effluent that can be used for irrigation of common areas and restoration of natural open space areas.

The estimated cost for the sanitary sewer system, including the wastewater treatment plant and onsite collection lines, is **\$9,476,231**.

Water - United Water Idaho, Inc. will oversee management and maintenance of The Cliffs water delivery system. According to the Memorandum of Understanding (MOU) between United Water and Skyline, all construction costs associated with infrastructure additions and improvements needed to serve The Cliffs will be paid for by Skyline in compliance with United's construction specifications and standards. These infrastructure improvements include:

- Approximately 16,500 feet of water main line extension(s) to and within the Project, including 10,000 offsite and 6,500 onsite.
- A 1,500 gallon per minute booster station offsite, including a pressure reducing station and standby power generating equipment
- A 720,000 gallon onsite water storage reservoir and required pumping and control facilities
- A bypass and control vault, valves, piping and control facilities located at Barber Reservoir

The water distribution system will be designed to provide domestic and fire flow requirements for the development. Fire hydrants will be provided throughout the system.

In addition to financing the hard construction costs of these facilities, Skyline will pay for soft costs including engineering, inspection, accounting, legal, and administrative costs as well as other contingencies. The total estimated cost for the potable water system is **\$9,309,141**.

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Fire

According to the MOU between the Whitney Fire District and Adelaide Investments (affiliated with Skyline and current landowner of The Cliffs), the developers of The Cliffs will construct and equip a new fire station on site or near the site, prior to issuance of the building permit for construction of the 401st building in the Property. It is currently anticipated that completion of the station will coincide with the first part of Phase 2. The installation costs for the fire station and equipment are estimated to be **\$1,492,000**.

Upon completion of the new fire station the Whitney Fire District will fully staff and operate the fire station. Adelaide will subsidize the O&M budget shortfalls of the fire station until Whitney has experienced two consecutive years in the black from The Cliffs' station benefit zone. EPS will incorporate estimates of these fiscal shortfalls into The Cliffs financing plan as part of its ongoing refinement. It is currently anticipated that tax revenues from The Cliffs will exceed the O&M costs for this new station by year 6 of development.

Parks, Trails And Open Space

Parks, trails, and open spaces define and distinguish the form of development at The Cliffs. Skyline has made a philosophic and strategic decision to concentrate development in a smaller area and create larger, more contiguous areas of open space as the defining elements and key separators between neighborhoods. Each neighborhood is organized around a "signature park" and open spaces, which are complemented by neighborhood parks, pocket parks, and a network of trails throughout the development.

The Ada County PC Ordinance requires that the applicant provide cost estimates for open space improvements. Skyline estimates that these improvements, including parks, facilities, trails, and open space restoration and enhancement will cost **\$8,535,700**.

Other Facilities

In addition to the essential infrastructure and public facilities described above, The Cliffs development program includes other significant facilities, including a neighborhood school and library, a post office, a mercantile building, a recreation center, and an environmental center. Although these facilities are either beyond Skyline's responsibility to construct/ finance or are not essential, in the strict sense of the term, the following descriptions offer some of the key considerations in the development of these facilities. To the extent that Skyline is involved in the construction/financing of these facilities, EPS will conduct more detailed analysis over the next several weeks of the costs incurred by Skyline and the financial assurances provided.

School - The Cliffs is located in the Independent School District of Boise City (Boise Schools). Boise Schools and The Cliffs have entered into a letter of agreement to "work together on plans for a

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public school...in the core of the village area.” Boise Schools sees the benefits of an elementary school, or a magnet school (K through 6 or 8), to both The Cliffs and to the Treasure Valley at large. The Cliffs and Boise Schools have agreed “to consider joint and shared uses, alternative methods of financing, unconventional land and building size and arrangement requirements, and alternative programming of the facilities.”

Boise Schools is responsible for constructing facilities as needed throughout the District. However, Skyline is committed to donating a site for the school proper. Further, Skyline intends to assist the District in planning and finding additional options for funding school construction on-site. Development options for the school include a building framework, i.e. multiple, separate buildings that could be constructed at different times. An element of this strategy may include the initial construction of a community **gymnasium/ recreation facility** in proximity to the school site, which could later be integrated into the school complex for their use during the day, and the community’s use on nights and weekends.

Library - Skyline is committed to establishing a branch library within The Cliffs, ideally as a joint-use with the school. Based on discussions with both the Ada Community Library District and Boise Schools, Skyline envisions that a joint-use library will be located adjacent to or as a physical extension of the school. Realizing the benefits of shared use, The Cliffs can demonstrate that capital and operating costs can be used to a much greater advantage by combining purposes for civic facilities.

Post Office - Since mail service within The Cliffs will be delivered to one or more central locations, and ultimately include a post office along Main Street, a temporary facility will be provided with Phase 1 until the permanent post office and delivery locations are constructed. The location, type, and operation of the temporary facility, as well as the permanent facilities, will be coordinated with the United States Postal Service.

Mercantile Building - The Cliffs Mercantile, which will provide daily goods and services to residents, will be one of the first structures constructed along Main Street to demonstrate community character and serve as a gathering place. Construction will likely commence during the second stage of Phase 1.

Environmental Center – The Cliffs Environmental Education Center is envisioned to be a place for interactive learning, hands-on participation and stewardship, and a resource for the community. A temporary facility is expected to be developed at the beginning of Phase 1, either as a free standing structure, or shared use with another structure, followed by the construction of a permanent facility in Phase 2. Environmental education programs will be developed in Phase 1.

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Financing Plan

Skyline I Development, Inc., is a successful real estate development company with nearly 40 years of experience in creating livable neighborhoods in the Treasure Valley and beyond. Ted Johnson and partners established Skyline in 1967. In 1992 Tucker Johnson joined the family company and later became partner to Ted Johnson.

Through the years the company has grown with the local economy and shown notable resilience amid changing market conditions. Sales of Skyline's lots have always kept pace with or exceeded the pace of sales of similar product in the Valley. The longevity of the company is evidence of the success of the principals' business model, which has proven profitable within the local market, regardless of the ebb and flow of the economic tide.

Over the last 38 years Skyline has developed well over 5,000 home sites—a significant number by local, historic standards. It is estimated that over 15,000 residents live in neighborhoods created by Skyline. Over that past decade, Skyline has consistently increased sales volumes and revenues, which exceeded \$11,000,000 in 2005. While specific financial information of this privately held company and its principals is confidential, Skyline and its principals have substantial and sufficient financial capabilities to see development of The Cliffs through to completion.

Skyline enjoys strong relationships with several local, regional, and national financial institutions. Its proven record of meeting all financial obligations in a timely manner is well regarded within the banking industry. Skyline has never had a bond or surety redeemed.

Skyline intends to finance the essential infrastructure and public facilities in The Cliffs through a combination of debt and equity. The company is committed to ensuring the successful development of The Cliffs by preparing feasible financing plans that respond to public and private objectives and make creative use of available financing mechanisms. This commitment includes customary financial assurances to appropriate service providers with each phase of development. In addition, all applicable development fees will be paid to the appropriate agency as each phase progresses.