THE BOARD OF SUPERVISORS OF THE COUNTY OF STANISLAUS
ACTION AGENDA SUMMARY

DEPT: Chief Executive Office

BOARD AGENDA # 10:00 a.m.

Urgent ☐ Routine ☒

AGENDA DATE April 22, 2008

CEO Concurs with Recommendation YES ☒ NO ☐
(Information Attached)

4/5 Vote Required YES ☐ NO ☒

SUBJECT:

Accept the Final Report on Master Development Exclusive Negotiation with PCCP West Park for the Crows Landing Air Facility and Determine Whether to Proceed with the West Park Alternative

STAFF RECOMMENDATIONS:

1. Accept the Quarter Four status report of exclusive negotiation with PCCP West Park as Master Developer candidate of the Crows Landing Air Facility;

2. Consider the project description and final presentation of master development proposed by PCCP West Park;

3. Consider and select options for proceeding with development of the Crows Landing Air Facility project, including:

-CONTINUED-

FISCAL IMPACT:

The County acquired a majority holding of the former Crows Landing Air Facility from the Federal government in late 2004. A funding source to support the ongoing planning and development process was established in 2006 through a three-year agricultural lease of 1,112 acres with Hollister-based grower, Pride of San Juan. The property will generate approximately $780,000 through the three-year agricultural lease agreement, which expires at the end of calendar year 2008. Staff is currently negotiating a one-year lease extension option with Pride of San Juan with a potential additional one-year extension, depending upon Board directed master development options. -CONTINUED-

BOARD ACTION AS FOLLOWS:

No. 2008-296

On motion of Supervisor Monteith, Seconded by Supervisor Grover
and approved by the following vote,
Ayes: Supervisors: O'Brien, Grover, Monteith, and Chairman Mayfield
Noes: Supervisors: DeMartini
Excused or Absent: Supervisors: None
Abstaining: Supervisor: None

1) X Approved as recommended
2) ____ Denied
3) ____ Approved as amended
4) ____ Other:

MOTION: Selected Option A for proceeding with development of the Crows Landing Air Facility project.

ATTEST: CHRISTINE FERRARO TALLMAN, Clerk

File No.

STAFF RECOMMENDATIONS Continued

(a) Approval of a Memorandum of Understanding (MOU) incorporating essential terms and conditions of a Disposition and Development Agreement with PCCP West Park to be formally adopted upon future adoption of a Redevelopment Plan on the County owned property; approval to proceed with negotiation of California Transportation Commission (CTC) Project Baseline Agreement consistent with CTC procedures and requirements; and approval to proceed with analysis and environmental review of the West Park proposal for future land use entitlement.

(b) Decline to proceed with the West Park proposal and direct staff to:
1. Reissue a new Request for Proposal (RFP), or;
2. Continue efforts to complete redevelopment planning, airport planning, General Plan and zoning changes, and associated environmental impact analysis on the County owned property.

FISCAL IMPACT Continued:

A contract to prepare the initial General Plan amendment, master planning process, airport layout plan and subsequent environmental impact analysis was awarded to ESA Airports in March 2006. The total contract amount ($499,740) was encumbered in the Crows Landing budget unit. The ESA contract was formally suspended in September 2006 following the completion of several key planning steps including a master development reuse scenario document. To date, the ESA team has been compensated $155,032.34 (31.5%) for work performed for the County.

Per Board approval at Quarter One, the County entered into a Pre-Development Agreement with the master developer candidate; the agreement required the developer to pay for all third-party consultant work and independent analysis required during the exclusive negotiation period. Through April 11, 2008 all third-party analysis invoiced to West Park as part of this exclusive negotiation have been paid, as confirmed by all third party consultants and consistent with the predevelopment agreement. County staff time associated with this negotiation process have been born by the several County departments that are participant to this process, as these costs have been anticipated and budgeted for the development of the County-owned property at the former Crows Landing Air Facility.

DISCUSSION:

Project Background: Exclusive Negotiation and Getting to Quarter Four
On September 26, 2006, the Board of Supervisors directed staff to issue a Request for Proposals (RFP) for a master developer for the Crows Landing Air Facility. The intention of the RFP was to solicit development proposals for the former air facility from private interests that would be consistent with the guiding principles outlined by the Crows Landing Steering Committee. Staff received two proposals, one from PCCP West Park, LLC (West Park) and another from Hillwood, a Ross Perot Company. A screening committee and the full Crows Landing Steering Committee reviewed each proposal.

Because only two firms responded, both of which were highly qualified, and because both had requested exclusivity, the Board of Supervisors invited each firm to provide an informational presentation on February 13, 2007. On February 27, 2007, the Board of Supervisors approved an exclusive negotiation with West Park.

Subsequently, at the Board of Supervisors meeting on March 6, 2007, the Chairman of the Board appointed Supervisor Monteith (District 4) and Supervisor DeMartini (District 5) as an Ad Hoc Committee to oversee the negotiation process. Staff members from the County Crows Landing Development Team (multiple County departments) and West Park (Developer planning team) have been working with the Ad Hoc Committee since its formation.

On March 20, 2007, the Board of Supervisors indicated its support of short-haul and commuter rail transportation opportunities through the development of an inland port that would connect the Port of Oakland and the Crows Landing Air Facility development. This support took the form of a resolution, which identified plans for designating 150 acres of the former Crows Landing Air Facility for a future intermodal transportation facility. While the 150-acre size of the proposed inland port site seemed accurate, the size was later adjusted to 170+/- acres at the third quarter review based on subsequent studies.

Throughout Quarter One the Ad Hoc Committee developed a task delivery timeline, formalized the project boundary, and entered into a pre-development agreement whereby West Park agreed to be the responsible fiscal party for third-party project analysis costs. During quarter two the Ad Hoc grappled with land disposition issues (with the Board concurring with a long term lease strategy for land disposition), community outreach and preliminary project analysis.

In quarter three the Ad Hoc facilitated the discussion on land use alternatives based upon air facility safety zones and adjacent community input, monitored the development and final submission of the I Bond (Trade Corridor Infrastructure Funding – TCIF) application, and continued to meet with the developer team on preliminary analysis and public outreach.

During the final quarter, the Ad Hoc Committee reviewed preliminary fiscal analysis, Redevelopment Agency potential for tax increment, infrastructure probable cost estimates and third party short haul rail and inland port analysis.

QUARTER FOUR DELIVERABLES
The Ad Hoc Committee met three times during the fourth quarter. The first order of business was to recommend a time line modification to quarter four project deliverables to allow for a longer analysis window prior to final report to the full Board of Supervisors (see attachment 1A: exclusive negotiation timeline and 1B: quarter four adjusted).

Q4 Stated Deliverable	Delivery Status
▪ Identify Agency Processes required by proposed project: - Caltrans General Aviation - Union Pacific Railroad	ESA Airports and County staff prepared a process memorandum for the Ad Hoc dated February 11, 2008 outlining agency coordination to date and necessary next steps to developing an application for airport development. West Park provided two (2) status memorandums (per Q4 timeline) updating the Ad Hoc in committee session regarding talks with UP Railroad officials.
▪ Revise Short Haul Master Plan – Addendum Document	West Park addressed issues raised in Global Insight's first review of the Short Haul Rail Master Plan (August 2007). Global Insight also provided a final review of current analysis report on March 21, 2008.
▪ Complete Preliminary Fiscal Analysis	West Park (via Goodwin Consulting Group) provided a preliminary project fiscal analysis that included fiscal impact analysis, financial feasibility analysis and economic impact analysis.

Q4 Stated Deliverable (cont)	Delivery Status (cont)
▪ Finalize terms for Draft Disposition and Development Agreement (DDA) NOTE: Formal DDA approval to follow RDA adoption	County staff and developer candidate have developed deal points relating to lease agreement terms and conditions that have been incorporated into a deal point memorandum pending Board decision to proceed.
▪ Identify Project Phasing Plan	West Park has prepared a detailed project infrastructure phasing plan that identifies infrastructure phasing through Phase I – County owned property. Development phasing is discussed in the Memorandum of Understanding (MOU).
▪ Prepare Final Project Description	West Park team is prepared to make a formal presentation of project description and project proposal as part of this report out.

Throughout the yearlong exclusive negotiation process, progress has been consistent with the negotiated timeline and has aligned with project scope and intention with only minor scheduling delays.

PROJECT FEASIBILITY
Quarter four has been dedicated to detailed analysis of probable infrastructure costs, potential tax increment (Redevelopment Agency designation), review of preliminary fiscal and feasibility analysis provided by the developer candidate, and Disposition and Development Agreement (DDA) negotiation.

Infrastructure Probable Costs
Stantec (West Park engineering consultant) provided multiple scenario phase I infrastructure costs that include both onsite and offsite infrastructure requirements. These have been reviewed and revised per county input and direction.

West Park consists of approximately 4,800 acres proposed for development in two major phases. The first phase of development is the approximately 1,524 acre, County-owned, former Crows Landing Air Field; the second phase of development is the balance of the Project footprint. Estimated infrastructure construction costs are presented with respect to:

a) The two-phase development plan and;
b) The location of construction (i.e. on site: within the Project boundary (phases I and II), or off site: beyond the Project footprint).

Phase 1 estimated construction costs are also presented with further breakdown into four sub-phases. All estimated construction costs are based on recent bids for similar projects. Estimated costs for engineering and agency fees are also provided in this preliminary estimate. Infrastructure requirements presented in the cost estimates are developed based on the following:

- West Park Conceptual Land Use Plan (EDAW, Inc., 09-24-2007)
- Preliminary Traffic Circulation Master Plan (TJKM Transportation Consultants, 10-25-2007)
- Water System Master Plan (Stantec Consulting Inc., 11-08-2007)
- Storm Drainage Water Quality Master Plan (Stantec Consulting Inc., 11-08-2007)
- Treated Effluent Disposal/Sewer Master Plan (Stantec Consulting Inc., 11-08-2007)

The Engineer's Estimate includes earthwork and site preparation, which is necessary for the installation of all infrastructures but excludes site-specific grading work such as the preparation of individual building pads. The demolition of existing structures, where required for development, is also included in the estimate. General aviation facility improvement costs are also identified, as estimated by County staff and other consultants.

Approximately 64 miles of roadways are identified for construction or improvement in the Engineer's Estimate. This figure includes existing roads within the Project boundary, some of which will be realigned. Two bridge crossings over the California Aqueduct and six bridge crossings over the Delta-Mendota Canal are also planned for construction or improvement, as are two freeway interchanges. Most roadways within the community of Crows Landing will be resurfaced after installation of new utilities. 20 decorative West Park entry monuments and landscaping, 15 traffic signals, traffic signs, and pavement striping are also provided for in the roadway estimates. (See attachment 2 for entry monument examples)

Water System
The West Park Water Treatment Plant (WTP) has been proposed by the developer to be constructed in the Project's northwest corner. The WTP and associated storage capacity are sufficient to supply all potable water needs of both the Project and the

community of Crows Landing. Because of elevation changes across the water system, two pressure zones are required. The lower portions of the water system are protected by four pressure reducing valve systems. These costs, plus over 30 miles of water transmission and distribution piping throughout the Project and the community of Crows Landing are accounted for in the estimate. Additionally, a full water distribution system, including residential service lateral stubs and residential connectivity, are included in the Phase 1 portion of Project development consistent with the Board's stated priority to provide water and sewer infrastructure to the adjacent community of Crows Landing.

Sanitary Sewer System
The West Park Wastewater Treatment Plan (WWTP) has been developer proposed near the Project's northeast corner, in a naturally occurring low portion of the site.[1] The WWTP is sized to accommodate sewer flows from both the Project and the community of Crows Landing. Because of existing land elevations and the Delta-Mendota Canal (DMC), sewer service is collected in four major service areas. The largest service area, east of the DMC within the Project boundary, flows entirely by gravity to the WWTP. Two service areas west of the DMC are each collected by gravity flow; independently pumped across the DMC, then flow by gravity to the WWTP. The fourth service area is the community of Crows Landing, which is planned to benefit from the installation of a full collection and conveyance system, including residential service stubs. Sewer flows within Crows Landing are to be collected by gravity and then pumped to the easternmost portion of the Project area, where they again flow by gravity to the WWTP. All of these costs, including the WWTP, over 35 miles of sewer pipe, 3 pump stations, and all manholes and connections are reflected in the Engineer's Estimate.

Also included in the estimate are two options for treated WWTP effluent disposal:

- Pipeline conveyance and connection to the City of Patterson WWTP
- Pipeline conveyance and connection to the City of Modesto WWTP

Storm Drainage System
Two large storm water quality treatment and detention basins are proposed for construction within West Park. One basin is located near each of the two northern corners of the Project. The northwest basin is in the phase II development area and the northeast basin runs parallel to the proposed inland port on County owned phase I. Storm water runoff from the northern portion of the Project west of the DMC is to flow to a pump station near the DMC and then be pumped up to the northwest basin. Storm

[1] The County has clearly stated that this is a last option location and has required that a serious off site remedy or regional municipal partnership be explored.

water from the balance of the Project site (including phase I) will flow to the northeast basin, with the southern portion of the Project west of the DMC being pumped across the DMC. Construction costs for both basins, 3 pump stations, over 40 miles of storm drainage piping, outfall structure, and all manholes and connections are presented in the Engineer's Estimate.

The Preliminary Engineer's Opinion of Probable Construction Costs does not include inland port infrastructure or rail improvements.

Redevelopment and Tax Increment Analysis

Due to the Redevelopment component anticipated on the County owned property, staff contracted with Bay Area Economics (BAE) to develop several Tax Increment (TI) projections to assist with assessing potential infrastructure investments within the County owned project area.

These projections explore a range of possible development outcomes over a 35-year period that is assumed to begin generating TI as early as year 2011. All tax increment (other than 20% housing set aside) generated by the Redevelopment designation can only be used on infrastructure and improvements on the Redevelopment site with very limited exception.

The TI projection scenarios range from an aggressive scenario that assumes the industrial/distribution land uses in "Phase 1" could be developed and fully absorbed over a 10-year time frame and other land uses would be absorbed over a 20-year time frame, to a more conservative scenario that assumes that full absorption of the Phase 1 project would require 35 years. There is also a mid-range scenario that assumes a 20-year build out period for all land uses. This range of absorption scenarios is meant to acknowledge that, for a project of this magnitude, it is not practical to prepare an accurate forecast of absorption. A project of this size and type is without precedent in Stanislaus County, and there are also indications that changes in the regional, national, and global economies may create shifts in demand that could translate to new opportunities for business growth in the area that are not reflected in historic trends or current projections.

Further, there are two sets of projections for each of the three different absorption scenarios, including "baseline" property values and "reduced" property values. The "baseline" set of projections assumes that buildings developed in Phase 1 will achieve assessed values that are equal to the developer's current expectations. The "reduced" set of projections assumes that assessed values will be 20% below the developer's current expectations for the Business Park land use and 30% below the developer's current expectations for all other land uses. This range of possibilities is meant to test for the possibility that over time, market conditions may dictate a range of market results due to general real estate market conditions.

	Present Values (with Inland Port)	
	Property Value	
Absorption Period	Developer Base	Reduced Values
10/20-Years	$73.511,213	$55,140,454
20-Years	$59,173,289	$45,103,908
35-Years	$40,157,173	$31.343,931

Using the different assumptions regarding absorption period (10/20-year, 20-year, and 35-year) and property values (baseline and reduced), BAE was able to prepare six different sets of projections of potential TI generation over a 35-year period. Utilizing the 35-year projections for each of the six scenarios, BAE then calculated a net present value (NPV) for each, so that it is possible to compare the NPV of each of the scenarios, as expressed in 2008 dollars. BAE then summarized the NPV estimates in a 3 x 2 matrix that illustrates the range of possible TI generation for the project over a 35-year time horizon. The range of TI net present values are $73.5 million at the high end (assuming 10/20-year absorption and baseline property values) to $31.3 million at the low end (assuming 35-year absorption and reduced property values).

BAE also prepared a second matrix that estimates the NPV of the projected TI flows for the same scenarios; however, the development associated with the inland port is eliminated from the land use assumptions. In this matrix, the potential NPVs are $65.2 million at the high end (10/20-year absorption and baseline property values) to $23.1 million at the low end (35-year absorption and reduced values).

	Present Values (without Inland Port)	
	Property Value	
Absorption Period	Developer Base	Reduced Values
10/20-Years	$65,239,345	$46,868,586
20-Years	$50,901,421	$36,832,039
35-Years	$31,885,304	$23,072,063

The matrix results demonstrate that there is a strong likelihood that the proposed West Park Phase 1 development could generate substantial TI revenues to help offset infrastructure costs and other community development expenditure needs in the area, over a 35-year time frame. However, the actual amount of TI revenues will be affected by a number of factors, including overall prevailing economic conditions and the West Park project's individual competitiveness and performance in capturing a share of regional business growth, which will affect absorption rates. Overall real estate market conditions, the specific types of tenants that West Park attracts, and the type and value of buildings that are constructed for their use will also affect TI revenues. It is therefore important to understand the potential variability in TI revenues.

Development plans that rely upon use of a portion of the TI revenues for specific purposes must be flexible in the event that TI revenues exceed or fall short of projected levels. While the same caution applies to any project that faces development risk, it is particularly prudent with a project of this size. Even as plans are developed in more detail, recent economic events illustrate how quickly expectations about the economic performance of real estate development projects can change, and it is important that the County structure Redevelopment projects to be sensitive to changing market conditions. Similarly, staff recommends that the Board structure its involvement in any project proposal so that if the development performs especially well, the County will share equitably in any windfalls.

Preliminary Fiscal Analysis / Feasibility Analysis
The Preliminary Fiscal Analysis and Feasibility Analysis studies presented by the developer candidate are consistent with industry standard practice, use generally reasonable assumptions, and produce conclusions that are consistent with professional expectations, based on review and audit by third party consultant Bay Area Economics.

There continues to be a need for some additional documentation and refinement of key assumptions used in these preliminary reports; however, this is to be expected at this conceptual level of project planning.

At this point in time, the three analyses provide some key pieces of information that are useful to incorporate into the decision-making process for the West Park project, including:

1. While the project has the potential to generate fiscal surpluses for the County General Fund over the long-term, the fiscal analysis projects a slight deficit by completion of Phase 1 ($200,000). The deficit is generated in part due to modifications made to remedy certain service level deficiencies, for example, the County's current Sheriff staffing ratio of .85 officers per 1,000 residents is increased in this analysis to the desired service standard of 1.35 officers per 1,000 residents, which increases the cost to provide that service proportionately.

Similarly, road maintenance costs countywide are significantly under-funded, but this analysis reflects a higher attendant cost to properly maintain the streets without exacerbating the deferred maintenance problem. The project developer (in early phase 1 development stages) will need to address this nominal operational deficit although proposed project phasing recommendations may serve to further minimize or eliminate this issue entirely.

2. Fire protection has been identified as a deficit area in the fiscal analysis and as a critical Phase I support issue, it is important to begin the dialogue with the developer and the fire district early in next steps to address a viable plan to provide appropriate service levels. Should the Board decide to proceed forward with this proposal an appropriate developer based resolution to this issue has been proposed as part of the Memorandum of Understanding (MOU) and primary Disposition and Development Agreement (DDA) that identifies early and detailed mitigation mechanisms that would be integrated into the project planning.

3. The financial feasibility analysis suggests that the anticipated infrastructure cost burdens are manageable, assuming some level of public participation, such as use of

Mello-Roos Community Facilities District financing, and use of Redevelopment property tax increment tax allocation bonds to underwrite a portion of infrastructure costs. As the project details are refined, the County should focus on ensuring that the public/private partnership aspects of the West Park project involve appropriate sharing of risks and rewards among the parties. For example, if the County chooses to sponsor issuance of Mello-Roos CFD bonds that encumber County property, the County must be comfortable that the increase in the value of its asset (the land, as improved) will be adequate to balance the risk that is assumed by placing the debt obligation on the leasehold interest the developer is obtaining. Additionally, the County should expect to see either financial returns or substantial public or economic development benefits associated with the investment of RDA tax increment funds into the phase I development project.

Short Haul Rail Review

The Trade Corridor Infrastructure Funding (TCIF) program is a partnership between the California Transportation Commission (CTC) and local agencies (transportation agencies, councils of government, and ports) to reduce goods movement congestion along California's trade corridors. The application guidelines were approved to form (CTC, November 27, 2007), and the CTC full board made project recommendations on April 10, 2008.

At the April 10 CTC Commission hearing the Short Haul Rail/Inland Port at Crows Landing project was program approved by unanimous vote. This approval earmarks or programs $22.4 million of State grant matching dollars (one for one ratio) with a $22.4 million dollar private developer secured commitment for the Crows Landing short haul rail project. The actual allocation process will occur in September 2008 as Project Baseline Agreements (PBA) are finalized between the CTC and all 78 applicant projects programmed on April 10.

The major components of the project baseline agreement include project scope, benefits, delivery schedule, and a project budget and funding plan. County staff has met with the candidate developer team and a PBA completion strategy and timetable have been discussed pending Board direction.

Third Party Rail Analysis: Global Insight Report

The Short Haul rail project component was reviewed by Global Insight USA, a third-party consultant. Global Insight (GI) reviewed the preliminary short haul rail master plan document along with the Municipal Transportation Commission (MTC) issues memo dated September 10, 2007, and all West Park responses. In addition, GI met with the West Park team on November 19 in Sacramento.

The Global Insight initial review was presented in a two-tiered analysis:

1. A technical review of the methodologies used in the master plan – including the commercial opportunities via shipper interest survey and cost analysis;
2. A professional review of potential for commercial opportunity including import and export markets, seasonality of trade, and empty container handling.

Global Insight recommended that the Short Haul Rail Master Plan be amended to include further discussion on:

- Shipper Survey
- Cost Analysis
- Congestion Inflator
- Logistics and Inventory Costs
- Railroad Operating Issues
- Drayage Operations
- Truck Diversion Analysis
- Seasonal Exports
- Empty Containers

Global Insight responded to each of these issues individually providing additional clarification and direction for future analysis.

Issue	**Response Summary**
Shipper Survey	GI concluded that current shipper survey data is not conclusive. GI recommends additional and on-going shipper survey with potential focus group dialogue.
Cost Analysis	GI recognizes the preliminary nature of the project and recommends a sensitivity analysis to be included in subsequent review to allow for uncertain cost elements.
Congestion Inflator	GI agrees in principle with truck congestion inflator approach to induce diversions to the short haul rail operation. In subsequent phases of research GI suggests further research to enhance this basic approach.

Issue (cont)	**Response Summary (cont)**
Logistics and Inventory Cost	Logistics and inventory costs do not represent a decisive factor in predicting mode diversions. GI suggests that subsequent analyses explore the issue in more detail.
Railroad Operating Issues	For the next phase of analysis GI recommends securing a rail expert to help facilitate continued progress in multi-party rail negotiations.
Drayage Operations	West Park has indicated preliminary partnerships with local drayage operators. GI recognizes at this point in the project planning and development that these informal commitments should be sufficient. Next steps will require relationships to become more formalized with specific service and cost proposal data.
Truck Diversion Analysis	GI concludes current truck diversion methodology employed by WP provides a reasonable approach for planning level estimates. GI further recommends that a more rigorous model be utilized (one that provides both price and service elasticities) be initiated at the start of the EIR process.
Seasonal Exports	GI agrees that this issue has been appropriately handled at this early stage of developing a new service.
Empty Containers	GI identifies the closed loop system whereby container empties and loads are cycled in and out of the Crows Landing operation. GI concludes that a more detailed analysis is not justified at this point.

In addition to the specific issues identified in the table above, the Global Insight report also reviewed and subsequently modified the West Park cost model that depicts the process flow to and from the Port of Oakland to Crows Landing, incorporating daily container quantities, train configuration requirements, cost of using rail, local dray costs, pricing to provide incentive (to switch from truck to rail mode), and miscellaneous revenues (including storage fees, gate charges). See Attachment 3: Global Insight Report and Cost Model – page 11

Global Insight modified the West Park Cost Model by adding three factors used to adjust the model for inflation namely a Rail Cost Adjustment Factor forecast, the Truck Cost Inflation Factor forecast, and a Producer Price Index forecast. The rail and the truck inflation adjustments are derived from Global Insight's proprietary forecast models, which project that over the period of analysis (due to expected increases in driver wages, fuel costs, and insurance costs) the rate of inflation for trucks will be higher than that of rail. The application of inflation adjustment factors to the West Park cost model increased both the truck and rail operation costs levels higher than was previously projected in the original cost model. Conversely, Global Insight also increased the projected revenues in accordance with a Producer Price Index inflator, to reflect the historical inability of carriers to recoup the full costs of increased operating expenses.

Global Insight also modified the West Park model assumption that shippers would be willing to pay 90 percent of the comparative total truck cost to dray containers to/from the Port of Oakland by short haul rail. The original West Park model had this increasing to 95 percent in 2016 and to cost parity (100 percent) in 2021 as the West Park Inland Port becomes more prominent, and service frequency is increased.

Historically rail intermodal prices across all levels of service, and across all regions, have been at an average of 85 percent of direct truckload costs. Even taking into account the increasing cost of fuel and labor, Global Insight projects that this trend is not likely to change significantly in the near term. Global Insight maintains that shippers are generally not willing to pay in excess of 85 percent of total truck cost to dray containers to/from the Port of Oakland.

Even with these significant cost model adjustments the cost model spreadsheet suggests a nominal early program subsidy with some reoccurring subsidy in years seven through ten that account for south valley rail alternative start ups. There appears to be a potential for significant short haul profitability in the later years of development.

The Global Insight review concludes by suggesting that the short haul rail/inland port model at Crows Landing is worth exploring further, noting by example the successes of the Logistics Park Chicago/Global Trans Park at the former Joliet Arsenal in Illinois as a rail intermodal-centric industrial park and a milestone in military base conversion.

General Aviation Process and Considerations
County staff met with members of the California Department of Transportation (Caltrans), Division of Aeronautics during Quarter Two and Quarter Three of the exclusive negotiating period. The Caltrans Division of Aeronautics will serve as the lead permitting authority for the State of California in determining whether aviation can resume at the former Crows Landing Airfield.

The Division of Aeronautics is responsible for evaluating all necessary plans and application documents required to re-open the airfield as a General Aviation Airport. Application materials include:

- Caltrans' Airport Site Approval Permit Application;
- A preliminary Airport Layout Plan (ALP) in accordance with appropriate design criteria set forth by the Federal Aviation Administration (FAA);
- Local agency approvals and CEQA Compliance;
- Documentation of airport ownership; and
- FAA Airspace Determination.

Should Caltrans approve the application, the County would be eligible to apply for state funds for airport development. Based upon the agency coordination conducted during the Quarter 2 and Quarter 3 of the County's exclusive negotiation period with West Park, the following efforts should be initiated:

- *Airport Layout Plan Development.* The County should initiate work on the ALP as soon as possible. Special considerations include the identification of the airport property and boundary and ensuring access to aviation facilities within the overall project site.

- *Master Plan Development.* Upon conclusion of the exclusive negotiation period, the County should consider preparation of an Airport Master Plan. Concurrent development of the ALP and Master Plan would likely prove more cost effective than pursuing a separate master plan later in the airport development process.

- *Airport Land Use Compatibility Plan (ALUCP) Revision.* Upon completion of the ALP, the County should begin to revise its ALUCP to include the new airport. The ALUCP should build upon the preliminary compatibility strategies used to identify acceptable land uses during the exclusive negotiation period.

- *Continue Federal Coordination (FAA).* Caltrans approval would allow the County to operate an airport at Crows Landing, but the airport would not be eligible for federal funding, as it would not be included in FAA's National Program for Integrated Airport Systems (NPIAS). Inclusion in the NPIAS will require a separate, federal approval process. Further coordination would help to determine federal agency goals and the likelihood of future funding support.

Disposition and Development Agreement/Ground Leases: Major Deal Points and Process

The County and Redevelopment Agency are in the process of adopting a redevelopment plan for the Crows Landing Air Facility. In addition, the County will be transferring the Crows Landing Air Facility property to the Redevelopment Agency. These actions are anticipated to occur later this year. Once these actions occur, the Redevelopment Agency will have the appropriate legal authority to enter into agreements, such as a Disposition and Development Agreement (DDA) (which would serve as the master agreement pursuant to which the Agency would enter into 99 year leases with West Park for lease of the Crows Landing Air Facility property excluding 260 acres for the general aviation airport and 5 acres for a public safety facility) and leases for the Crows Landing Air Facility property.

At the present time the Board of Supervisors and the RDA Board of Directors may enter into a non-binding Memorandum of Understanding which sets forth the primary terms that would be included in the DDA and the associated leases. The terms discussed in this report are the result of extensive discussions between the County's negotiating team and West Park representatives.

The Memorandum of Understanding attached includes as an attachments the proposed development and infrastructure phasing for the project, a draft DDA and draft rental and default provisions that will be included in the ground leases. The draft DDA and lease terms set forth in the DDA are not binding on the parties until formal adoption of the DDA and lease but the parties have agreed, subject to approval of the MOU by the Board of Supervisors and the RDA Board of Directors, that the final DDA and lease provisions presented to the Redevelopment Agency will be in substantially the form that they are presented in the MOU.

A. Disposition and Development Agreement.

To implement the transaction between the Redevelopment Agency and West Park, following adoption of the Redevelopment Plan for the Crows Landing Air Facility, West Park and the Redevelopment Agency will enter into a DDA and a series of Ground

Lease Agreements ("Ground Leases"). The DDA will specify West Park's obligations to develop the County-Owned Property, and the Redevelopment Agency's obligation to lease the County-Owned Property to West Park. West Park's obligations associated with development the property are set forth in the draft DDA and shown on the Phasing Step diagrams attached to the MOU. In summary, West Park, by itself or with its development partners and tenants must build within specified timeframes (1) the inland port, (2) a fire station, (3) sewer, wastewater and water improvements to community of Crows Landing, (4) user ready infrastructure for entire County-owned property and (5) a minimum of 1,000,000 square feet of industrial, distribution or business park on the County-Owned Property. In addition, West Park must also pay $1,500,000.00 towards General Aviation airport improvements. A default of the obligations included in the DDA will constitute a default of all of the ground leases except when the obligations set forth in the DDA for a particular ground lease have been fully satisfied.

The Ground Leases will be between the Redevelopment Agency and West Park as landlord and tenant, respectively. West Park or an assignee approved by the County will remain the master landlord throughout the term of the lease.

B. Lease of the Crows Landing Naval Air Facility ("County-Owned Property").

1. Lease. The Redevelopment Agency will lease portions of the 1524-acre County-Owned Property to West Park pursuant to a series of ground lease agreements, which may ultimately be 8-10 separate ground leases. The 170-acre inland port property will be subject to one 99 year lease. The remaining property will be subject to one 99 year master lease that may be amended during the term of the lease to separate out approximately 8 or 9 approximately 90 to 100 acre lease parcels. The final terms of the leases will generally be the same with the exception of the inland port property lease which will contain a rent provision that differs in form from the other leases and provisions specific to the operation of the inland port.

The leases will have a 99-year term. The DDA and the leases will contain default provisions (as shown in the MOU attachments), which provide the Redevelopment Agency with specified rights to terminate the DDA and the leases. For example, West Park would be in default under the lease terms if West Park fails to sub-lease or develop (at a minimum density of sixty percent (60%) percent of the allowed floor area ratio) seventy percent (70%) of the leaseable property for business park, commercial or industrial purposes by no later than December 31, 2045.

In addition, the leases will contain a provision that specifies that if after 30 years more than fifty percent (50%) of the leaseable property remains undeveloped with buildings

West Park will agree, upon written request by RDA to execute an amendment to this Lease pursuant to which the undeveloped property will revert back to Landlord the specific ground leases will be terminated. The Agency would receive the undeveloped property subject to any sub-leases, encumbrances or obligations of West Park.

The leases will include a commencement date of January 1, 2010, provided that no litigation or other challenges cause a delay in West Park receiving its land use entitlements. The DDA includes a provision that will allow for delay in the commencement of the leases up to a maximum of seven years if there is a legal challenge to the project and up to a maximum of three years in the event of a referendum or an event beyond the reasonable control of West Park. In addition, the DDA also allows the County to continue to lease the property for agricultural uses for a minimum of three years and up to the same seven year time period if there is a legal challenge to the project.

During the term of the lease, West Park may only use the County-Owned Property for industrial, business park or commercial purposes, including the Inland Port, and for related infrastructure such as streets, detention ponds, and public facilities. Accordingly, West Park will be allowed to sub-lease portions of the County-Owned Property for such purposes and pursuant to the same terms and conditions under the DDA and Ground Lease. West Park or a successor approved by the County will serve as the master lessor for the duration of the lease.

2. Rent. West Park will pay rent to the Redevelopment Agency in an amount equal to the fair market rental value ("FMV") of the County-Owned Property at agriculture use. The initial annual rent will be $272,250 for the non inland port property and $42,500 per year for the inland port property. The base rent will increase annually by an amount equal to the annual percentage increase of the Producer Price Index ("PPI"). In addition to the base rent, West Park will pay the Redevelopment Agency a percentage rent based on gross rental revenues (excluding common area maintenance costs) generated on the non inland port property as follows:

Lease Years 16-40: 20%
Lease Years 41-70 40%
Lease Years 71-99 60%

West Park will also pay participation rent for inland port property. The participation rent will commence January 1, 2020 and will be set at $6.00 per container transported by rail into and from inland port. This amount will adjusted annually based on the Rail PPI. The final DDA and ground lease will also specify terms related to transport of, storage and assessment of participation rent on empty containers including whether and under what conditions empty containers transported into and from the inland port by rail will be subject to the Participation Rent.

This lease will be triple-net to the Redevelopment Agency, meaning that West Park is responsible for all expenses, fees, taxes and any other costs related to the County-Owned Property.

C. Development of the County-Owned Property.

1. Inland Port. West Park or its development partner will design, develop, construct and pay for an inland port that can load and unload containers transported by freight trains. The inland port will be operated and managed by a third-party. The DDA will include a provision for the formation of a committee of County, Agency and Developer representatives who will oversee the selection of the third party operator.

2. Infrastructure Improvements. West Park will design, obtain permits, construct and pay for all infrastructure improvements that serve the inland port, the development of the County-Owned Property, Airport Facility and the Community of Crows Landing. The timing for these actions is set forth in the Step phasing diagrams attached to the MOU. All infrastructure related to wastewater, sewer and potable water will be adequately sized to serve the Community of Crows Landing. The final DDA will provide that 80 percent of the net tax increment revenue collected (excluding the mandatory 20 affordable funds) will be made available to West Park for use on infrastructure costs for the County-Owned Property.

3. Private Improvements. West Park will develop or manage the development of privately-owned improvements on the County-Owned Property. West Park will be allowed to sub-lease the County-Owned Property for commercial, industrial and business park development as contemplated in the project description. The DDA and ground leases will prohibit West Park from using the County-Owned Property for residential purposes (with very limited exceptions, such as living quarters for a fire station).

D. General Liability and Insurances Provisions for the DDA and leases.

1. Environmental. West Park may not allow the transportation of hazardous materials, medical waste or solid municipal waste ("Restricted Materials") to the Inland Port. Accordingly, West Park may not allow the storage or use of any Restricted Materials on the County-Owned Property, unless the Restricted Materials are directly

related to the ongoing businesses and uses contemplated by the DDA and Ground Lease. West Park will indemnify and defend the Redevelopment Agency and County against any legal or other claims related to the Restricted Materials. In addition, West Park must provide for adequate financial assurance that the County-Owned Property will be remediated, as necessary resulting from operations by West Park or its tenants, and must provide evidence of pollution liability insurance.

2. Insurance. For each segment of construction of the County-Owned Property, West must maintain or require the following types of insurance: (i) minimum $5,000,000 of General Commercial Liability Insurance, (ii) minimum $2,000,000 of Automobile Liability Insurance, (iii) builder's all-risk insurance on a replacement cost basis, (iv) pollution liability insurance described above, (v) worker's compensation insurance, and (vi) any special insurance for the Inland Port operations, munitions on the County-Owned Property and airport uses.

3. Indemnification. West Park will indemnify the Redevelopment Agency and County and hold the Redevelopment Agency and County harmless from all claims related to the development of the County-Owned Property, the DDA and the ground leases.

Conclusions: Exclusive Negotiation Wrap Up
The Stanislaus County – PCCP West Park exclusive negotiation started in February 2007. It has been one of the most high profile development projects in recent Stanislaus County history with interests for and against the project commenting with regularity.

Throughout this transparent process, the County team and the development group have worked very hard to maintain a high degree of communication between each other and the community with major emphasis on westside residents.

In spite of the prevailing controversy, the level of professionalism has remained very high in large part due to the leadership of the Board appointed Ad Hoc Committee (Supervisors DeMartini and Monteith), the Cities of Patterson and Newman, and a commitment of County staff from multiple disciplines and departments.

Should the Board of Supervisors move to accept this final quarterly project report and more importantly determine to proceed with the West Park project proposal, a Memorandum of Understanding (MOU) will act to confirm the major elements and deal points in advance of a formal Disposition and Development Agreement (DDA), that would be approved upon designation of the County owned property as a Redevelopment Area later this year.

POLICY ISSUE:

The Board should consider the information and analysis obtained through the exclusive negotiation with PCCP West Park for the Crows Landing Air Facility and determine whether the West Park alternative is consistent with the Board's priority of ensuring a strong local economy through industrial/business park development and job creation objectives for the communities of Stanislaus County.

STAFFING:

Staff from the Chief Executive Office along with staff from Planning and Community Development, Redevelopment, Public Works, Department of Environmental Resources, and County Counsel (County Crows Landing development team) will continue to provide on-going project support.

Attachments:
- Exclusive Negotiation time line / Quarter Four timetable **(view attachment)**
- Monument Entrance Options **(view attachment)**
- Global Insight Short Haul Rail/Inland Port Review **(view attachment)**
- Memorandum of Understanding **(view attachment)**
  (Includes draft DDA terms and rental and default lease terms, phasing)

ATTACHMENTS AVAILABLE FROM YOUR CLERK