SANTA FE

BOARD OF COUNTY COMMISSIONERS

STUDY SESSION

February 13, 2007

Virginia Vigil, Chairman
Jack Sullivan, Vice Chair
Michael Anaya [excused]
Paul Campos
Harry Montoya

SANTA FE COUNTY

SPECIAL MEETING

BOARD OF COUNTY COMMISSIONERS

February 13, 2007

This special meeting of the Santa Fe Board of County Commissioners was called to order at approximately 12:45 p.m. by Chair Virginia Vigil, in the Santa Fe County Commission Chambers, Santa Fe, New Mexico. Roll was called by County Clerk Valerie Espinoza and indicated the presence of a quorum as follows:

Members Present:
Commissioner Virginia Vigil, Chair
Commissioner Jack Sullivan, Vice Chairman
Commissioner Paul Campos
Commissioner Harry Montoya [1:05 arrival]

Members Absent:
Commissioner Mike Anaya

Staff Present:
Jack Kolkmeyer, Land Use Administrator
Judy McGowan, Planning Director
Beth Mills, Strategic Planner
Steve Ross, County Attorney
Roman Abeyta, County Manager
Teresa Martinez, Finance Director
Valerie Espinoza, County Clerk
Victor Montoya, County Treasurer
James Lujan, Public Works Director
Richard Martinez, Deputy Public Works Director
Shelley Cobau, Review Division Director
Joe Catanach, Technical Director
Victor Baca, Deputy County Assessor
Paul Olafson, PFMD
Penny Ellis-Green, Deputy Land Use Administrator
Stephen Wust, Water Resources Director
Vicki Lucero, Zoning Director
Rachel Brown, Assistant County Attorney
Doug Sayre, Utilities Director
Joseph Gutierrez, PFMD Director

Others Present:
Peter Franklin, Bond Counsel
Kevin Powers, Financial Advisor

CHAIR VIGIL: The purpose of this workshop is to discuss the public improvement district proposal for Turquoise Trail/Longford Homes, and to examine strategies for financing infrastructure in the growth management area.

1. **Existing Infrastructure Financing Options**
   - **Special Assessment Districts (SAD)**
   - **Public Improvement Districts (PID)**
   - **Tax Increment Development Districts (TIDD)**
   - **General Obligation Bonds/Gross Receipts Tax Revenue Bonds**
     [Exhibit 1: Information Packet]

CHAIR VIGIL: Before we do that, I'm going to hand the mike over to Jack Kolkmeyer. He can do the introductions and the facilitation of this meeting.

JACK KOLKMEYER (Land Use Administrator): Thank you, Commissioner. I'm going to go over just a couple of quick things. We're here until 2:30 and we have quite a few items that we need to go over. We appreciate the staff and all the other folks for attending this afternoon because this is really, we think an important next step in where we're going with not only growth management and infrastructure financing but also our strategic planning effort, and I think that by the time we get to 2:30 this afternoon you will see how all of these things relate. We want to keep plenty of time to have discussions as well as some of the presentations that are being made. We're getting started a little bit late so I'm going to keep my eye on the clock and I'll sort of be the timekeeper and facilitator as we move forward.

There will be a three-part discussion this afternoon. The first part will be a presentation and discussion by Peter Franklin and Kevin Powers about available financing mechanisms. We wanted to do this because we realized we just jumped right in to public improvement district or PIDs and that there's a lot of people on staff who aren't familiar with a PID or special assessment district. We just wanted to just kind of push things back and make sure that everybody understood what all these mechanisms are, how they operate and what they pertain to and how they might be used.

Secondly, Dr. Beth Mills, our strategic planner, and myself are going to run through a quick discussion on potential future growth areas and a couple of scenarios for how we might be looking at designated growth areas. Our discussion of that will include a talk on connections, infrastructure and services and how they relate to those areas, and then consequently of course back to how we fund them. We'll close out the afternoon with a very specific discussion on financing – a specific financing issue that is the Turquoise Trail PID so we can put that not only into a specific frame of reference as we've heard it a number of times already, but also to a larger policy discussion which we think is appropriate to the steps we're moving forward with.

So the objectives of this meeting are to put the potential use of PIDs into a broader context of growth management policy. Secondly, to understand the role of strategic planning in relation to growth management, and third, to begin to consider the fiscal arrangements, including the budget challenges and the need for such things as a capital improvements program. And fourth, to continue to consider appropriate organizational structures to achieve the growth management goals that we'll be talking about this afternoon.

I just want to start with a real quick introductory - a couple of introductory remarks so we're again, all on the same page about how we've gotten to this point today, because it really is about the evolution of our growth management strategies, which began in the 80s with our first general plan. In the 90s, we updated that general plan. In the course of that work we changed it to a growth management plan rather than a general plan because we were starting to become aware of the issues related to growth and financing and infrastructure and they evolved in the 90s.

From the growth management plan then we evolved specific area plans that included the Turquoise Trail Plan, of which the Turquoise Trail PID is a part of that overall concept. We also developed community plans and corridor plans. The work of the 90s and where we are today in our deliberations of certain cases and certain projects that come forward is that we have a different and new understanding of a lot of new planning and development issues, including the role of open space, affordable housing, healthcare, infrastructure needs, service requirements, and also the need to better understand development issues such as more subdivisions, the breakup of large ranches, and then consequently understanding those things, which really emanated from the work of the 80s and 90s, to very new things that have come forward to us that include economic development in terms of transportation issues.

So that's how we're going to wrap all this together this afternoon, understanding also that where we need to go next with all of this, in kind of the collective opinion of staff and things that we've heard from Commissioners at various meetings is the need to now finalize our strategic plan. What does that mean, exactly? Well, we think it involves four things at this point. It involved finely designating growth areas. Somehow coming to an understanding that we need to focus some of our time and energy on specific geography so that we know where these places are.

To begin to develop financing strategies for the development of infrastructure and the provision of services. We're not only just talking about infrastructure, but the rest of the services - police, fire and other core and essential services as they evolve. And third, the strategic planning effort helps to put growth and growth needs into a budgetary process in a different manner than we've thought about it before. So we want to make sure that where we get to this is understanding how this fits into the budgetary process.

And finally it suggests and frames a correct organization structure that we've been talking about for the past year or so. So having said that and those introductory remarks so everybody knows where we're going, I'd like to introduce Peter Franklin and Kevin Powers who will run us through the financing strategies.

PETER FRANKLIN (Bond Counsel): Thank you, Jack. Commissioners, staff members, good afternoon. Good afternoon, everybody else. What Jack Kolkmeyer asked that we do is take a look at the EPS Turquoise Trail – put public improvement district financing and other financing tools a available to the County in the context of the Turquoise Trail plan and particularly looking at EPS's implementation strategy for the Turquoise Trail. And so very briefly, what we've done is we've looked at the EPS study and one of the things that the EPS study does is propose a one or more public improvement district to finance regional infrastructure for the Turquoise Trail. And that raises very quickly a fundamental issue about the public improvement district process, which is under the PID statute the County can't impose a PID without the consent of the property owners. A PID is something that is requested by property owners, voted on by property owners and essentially approved by the County in response to that kind of request.

So one of the basic things we have tried to do is look at whether a PID and as far as that goes, some other special district financing tools and traditional County financing tools – how those make sense to finance necessary regional infrastructure in the Turquoise Trail as well as more subdivision-type infrastructure, and to try to offer a suggestion about how PIDs could be used, could be encouraged by the County to carry out that regional infrastructure financing purpose. And just to sort of jump ahead to the very end, what we're going to recommend is that the County develop a policy in which master planned communities, other large tracts within the Turquoise Trail are encouraged to use PID financing to finance their allocable share of regional infrastructure and to give some comments on how that might come about.

And so with that, Kevin is going to talk about some specifics about PIDs and how they relate to other types of financing available to the County.

KEVIN POWERS (Financial Advisor): And if you would direct your attention to the handout on page 3, we have outlined the various sources available to finance public infrastructure, specifically in the Turquoise Trail but more generally in all areas of the county. The first three items there, special assessment district, public improvement district, and tax increment financing are more user-specific user generated. They're districts that are formed in specific areas. They have similarities in that they benefit a particular area but they do so in different ways. The special assessment district and the public improvement district, those are the most similar types of tools. The special assessment district has been around for quite a while. It's been amended, it's been enhanced, and it still has a use. It's primarily effective in areas that have been partially developed with homes or businesses without the necessary or the proper infrastructure, so it's a good way to go back in and retrofit an area with better infrastructure.

Public improvement district on the other hand are designed primarily for undeveloped areas where you're putting the infrastructure in ahead of the development and we have more specific information in this handout that you can take with you and review it rather than go through all that page by page, we'll just try to abbreviate and if you have any specific questions we'll stand for them at the end.

Then we had the general obligation bonds and gross receipts tax revenue bonds, which are more countywide kinds of things, although we've seen counties and municipal governments over the years use these types of bonds for the purpose of providing infrastructure in the county, as recently passed bonds to provide road improvements throughout the county. And gross receipts tax bonds can also be used. We have an example in here of a hybrid kind of a situation where a local government can issue gross receipts tax bonds but actually use an assessment district-type process to actually make the debt service payment. And that's been used successfully in another community in the state that's developing rather rapidly.

So there are various ways to do this. I would just like to point to page 24. We did a matrix just to kind of outline some of the better or least desirable financing tools that could be used for different types of infrastructure. It's not a perfect matrix but it kind of gives you an idea of what would be the favored method and what would be the least favored or in some cases not applicable at all. So one being the best and five being the least favorite. So this can kind of give you an idea of how you might go about financing some of these different kinds of improvements.

With that I would turn it back over to Peter.

MR. FRANKLIN: One thing that we thought would be worth discussing since it's new and we expect the County before long will probably be hearing requests for it is tax increment financing. Tax increment financing was approved in last year's legislative session, and unlike either a PID or a special assessment district, what a tax increment district does is define a land area and establish a tax base line, either a property tax base line, whatever the state of development or use of the land is at the time the district is formed, or a gross receipts tax baseline, and then basically the project that is to be developed there and the gross receipts tax growth or property tax growth that's generated within the district, a portion of that can then be dedicated by whatever the source of the taxing authority is, either the county or the city or even the state to dedicate a portion of that growth in revenue as security to finance infrastructure to serve that area.

And so unlike a PID or an SAD, the property owners are not being taxed any amount beyond what they would otherwise be taxes. Rather the growth in revenues that are generate by the project being served goes to pay debt service on the bonds that finance that infrastructure. These things work well for commercial or mixed-use area. There probably is less potency to them for purely residential development because there really isn't any repeated gross receipts tax generation. It's really just an increase in property tax and property taxes go a lot of different places: the school district, the county, and so on. That's just one of the financing tools we discussed in the handout, and a possibility within the Turquoise Trail for some of the commercial and mixed-use area, in a way which the SAD or the PID wouldn't necessarily be as useful.

MR. POWERS: Just to look at the PID in a little more detail, I spoke earlier about the fact that the PID is a good tool to use for a newly developing area, an area that basically has one owner of all the property within it. The PID compared to the old SAD process allows for a lot more infrastructure type projects. It's a much broader application. You can put in just about anything that's public infrastructure, as compared to the SAD that had some limitations on the types of improvements. And what we're seeing in the PIDs that are coming forward throughout the state, most of those PIDs are including infrastructure that's above and beyond what the standard or the norm for infrastructure is in those areas. So I would say it's more additions - open space, parks, landscaped areas - the kind of things that you wouldn't otherwise see in a development that had come before it.

So the characteristics of these areas is that the infrastructure is further along at the time the housing and businesses start to take shape, as opposed to where it may have been in the past, a certain amount of development had to occur before the infrastructure, the corrected infrastructure came in behind it. So that's the kind of thing that we're seeing. There's a number of forms that a public improvement district can take. It can be a special levy district or it can be a GO, a general obligation property tax district. We've seen a number of the special levies so far. We've only seen one property tax district. Really the type of development that's occurring within the district really dictates what the best method in terms of financing would be. I think for the most part the special levy seems to lend itself better to a more uniform residential kind of a district. So those are the kinds of things we've seen so far.

MR. FRANKLIN: Kevin, let me mention one thing which Kevin alluded to. One of the things a PID can do that an SAD cannot do, or would have a very difficult time doing is finance offsite improvements. And in the context of the Turquoise Trail, if one of the thing that the County is trying to do is enable individual master planned communities within the Turquoise Trail to finance a share of regional infrastructure, that's something a PID can do that an SAD in all likelihood cannot do. So that's one of the things we're going to come back to as we finish up here.

MR. POWERS: Thanks. On page 9 of the handout we have an overview of the PIDs and I'm not going to go through this line by line but I think that this document you can take home, read and absorb some of the information in it that I really don't think we have time to go through specifically. I guess just a couple of points that I'd like to make about SADs and PIDs, the formation and approval of a PID or an SAD is going to result in an increase in the - for lack of a better term - tax, that a property owner pays. They have a baseline property tax that they pay right now, a portion of which goes to the County, a portion goes to the City. If they're in the City, a portion goes to the school district and any other flood control or whatever there might be in the area. The formation of a PID or an SAD is going to increase the annual payment that a property owner makes in form of either a special levy or an increase in the tax.

That differs from the tax increment transaction where you're taking the tax that's in place at the current time and you apply that tax to a base that grows with the development. So there's really a fundamental difference in those two vehicles that I think needs to be the focus of attention in this discussion. So I just wanted to point that out.

MR. FRANKLIN: I think just to finish up here, we wanted to summarize, again, based on what Jack Kolkmeyer suggested would be helpful. We wanted to summarize what we think a method of addressing the needs identified in the Turquoise Trail plan implementation strategy would be and this is really probably the subject of several other – we would probably need to have additional discussion about this is what I'm trying to say. But just to give you a feel for what we think would be potentially workable is to within the Turquoise Trail develop a policy in which master plan approval would be conditioned on paying an allocable share of regional infrastructure costs to made PID financing, and in some cases tax increment district financing available to master plan developers within pre-established parameters.

Basically, we think just as the County's current PID policy establishes maximum overlap tax burden limits on how much each property owner, or the amount beyond which no property owner should have to pay annually. What we would suggest is trying to develop an overall policy for how much a PID established to pay an share of regional infrastructure costs would allocate to individual property owners. From there, one of the things I mentioned to Jack is that this will, in all likelihood, not cover the total amount of regional infrastructure that is going to be required in the Turquoise Trail. There's probably no way for the communities within that district to pay that entire cost.

So where that goes from there then is to the County's traditional financing methods – GO bonds, gross receipts tax bonds, in some cases utility revenue bonds – to look at how to cover that gap. But by having a policy which would basically enable communities to pay their allocable share, that gap should not be as great as it would otherwise be. That's what we've got for this part of the presentation.

MR. KOLKMEYER: Thank you Peter and Kevin. I'd like to acknowledge the presence of Commissioner Harry Montoya. Thanks for joining us. And Madam Chair, if I may, can we open this for discussion now amongst the staff and Commissioners?

COMMISSIONER SULLIVAN: I just have a quick question, Peter or whoever. On your summary page 9, it indicates that the operating mill levy cannot exceed three dollars per thousand. The PID that has been brought forward to the Commission now, your proposed mill levy is about $20 per thousand. So is there any upper limit on the mill levies in the statute and otherwise?

MR. FRANKLIN: Commissioner Sullivan, members and staff, the answer to your question is technical, which I'm sure you'll appreciate. A PID is not authorized to impose a property tax in excess of $3 per thousand. There is no limit on an operating special levy which is not based on assessed valuation. It's really based on an allocation of cost of providing the services.

MR. KOLKMEYER: Other questions? Judy McGowan.

JUDY MCGOWAN (Planning Director): This is a clarification. I want to be sure that all the options you're looking at here are capital costs plus maintenance and operation costs can be covered by all of these options. Is that what we're talking about? Because that's one of the big gaps the County has is the operation and maintenance.

MR. FRANKLIN: I'll address Judy's question first and then follow up on Commissioner Sullivan's. The PID can impose an operating levy. The tax increment financing district, I believe can impose an operating a levy of up to $5 per thousand. An SAD cannot impose an operating levy. You can't use GO bond proceeds unless you do what's called a working capital financing which we'd hate to have to get into right now. So those are the basic limitations.

Just a follow-up on Commissioner Sullivan's question, there are some limits. They're not stated as mill levy limits but the County has a limit of maximum overlapping burden not more than 1.99 percent of total build-out value. That's one cap. The PID statute has another limit which I think is so astronomical that it makes no sense to even think about. But I think the realistic limit is the County's policy that the total overlapping debt burden, including all PID levies for debt service, operations, all other county taxes, school district taxes, everything else, can't exceed 1.99 percent of build-out value.

MR. KOLKMEYER: Question from Victor Montoya, from the Finance Department.

VICTOR MONTOYA (County Treasurer): Actually the Treasurer. So Peter, my question deals with how long can you continue this PID for? In other words, is there ever an ending date? Because if it's going to be like Rancho Viejo, we have people that are paying it and some people that are not paying it. And I don't know if it's a PID or an SAD or whatever it is. But the point being here that the taxpayers talk about fairness and who pays for it and then how long you pay for it, and that to me is probably something that the taxpayers are really concerned about. And I have to wind up dealing with the anger and the frustration that they face.

MR. KOLKMEYER: Thank you, Victor.

MR. POWERS: In the case of an SAD or a PID, where the infrastructure is actually financed, bonds are issued to do that and the debt service is a finite period. It can't exceed 30 years. It could be less. So you pay the debt service for that period of time until the bonds are all paid off and then that goes away. Now, on a PID where let's say you had a debt financing and you had an operational levy, the operational levy would go on and on because that's money you're going to collect annually to fund the operations and maintenance of the district.

MR. FRANKLIN: Although to clarify, the length of time that it goes on, even for an operational levy, is up to the County in the development agreement that it negotiates with the developer for the PID.

MR. KOLKMEYER: Question from Commissioner Campos.

COMMISSIONER CAMPOS: The question is, let's say you have infrastructure, life is 20 or 30 or 40 years and your funding engine is 30 years and you have to recreate the road or the line, what happens then?

MR. POWERS: That's a little more difficult. I believe that would have to be – if the streets and the roads were dedicated to the County it would be then the County's responsibility. If you – and this couldn't be done with a PID but there are some cases around the state where private communities where the streets and the infrastructure are owned by that community and of course in that case then the community is responsible for putting money aside in reserve funds or doing some sort of an assessment at the time the needed improvements would have to be put in.

MR. FRANKLIN: Just a quick follow-up on that too. Commissioner, one of the reasons that we're looking at using PIDs to finance regional rather than very local infrastructure is because in that sense those improvements, certainly within the county make more sense to be dedicated to the County as opposed to the in-tract, the subdivision roads and streets and things like that. So it's true, what a PID does is finance the initial construction better, necessarily than the ongoing, forever operation and maintenance.

The other thing, just to address Treasurer Montoya's point is one of the things we're trying to really bear in mind here with this more regional approach and the idea of setting parameters in advance is that everyone within the Turquoise Trail would be part of the same program as opposed to a more piecemeal kind of thing that happened at least once here.

MR. POWERS: Something else I think probably bears mentioning is once the PID improvements are paid for and the structures are in, the value that's added to the County's tax roles will generate property tax revenue to the County general fund. Whether or not you have to do an analysis to determine whether the additional added value to the County's general fund was sufficient to cover the O&M long term, that would be another day's study session.

If you used tax increment financing where the increment that was generated by the development was actually used to finance the improvements, once those improvements were paid for, the increment then would revert back to the local governments that it otherwise would have gone to. So technically, after all the infrastructure was paid for, the bonds were retired and that infrastructure was worn out and needed to be replaced, those taxes would be going back to the counties and the cities and whomever – the school districts. Actually school districts aren't in tax increment, but it would be going back to those local governments that would be responsible for maintaining and improving that infrastructure over time.

COMMISSIONER CAMPOS: Which means that the County has to start planning, having a sinking fund or something, a dedication, an assessment as to whether this new tax would be sufficient to replace the infrastructure, or the O&M. It's a complex thing. It's not just, let's pass it now and forget about it. You've got to start planning today for twenty years or thirty years when the infrastructure needs to be replaced.

MR. KOLKMEYER: Question from Victor Baca.

VICTOR BACA (Deputy County Assessor): When this money is distributed back from the Treasurer to the PID, is that a formal organization and how is that formed?

MR. FRANKLIN: The PID itself is a creature of statute. The County Commission gives it the powers that it wants to give it that are available under the statute and can limit the powers to really only what's necessary to pay debt service on bonds.

Typically, if there's a bond issue the money goes to a trustee bank and the trustee bank pays debt service on the bonds.

MR. KOLKMEYER: Did you have an additional question, Victor?

MR. BACA: Just a follow-up. Who audits those funds? Who audits the funds as the Treasurer distributes to this corporation or whatever? Who would audit the funds to make sure that the bonds are being paid and there'd be other fees that are in there?

MR. KOLKMEYER: The question is who audits the funds.

MR. POWERS: It would be treated just like any other governmental entity. The PID would hire an independent auditor. The auditor would audit the books and then it would be turned into the state auditor, reviewed, so it's the same safeguards that are in place for other local governments. In addition to that, the existence of the bond trustee in there is another additional safeguard where those funds are held by the trustee for the benefit of the bondholders.

MR. KOLKMEYER: Thank you. I want to move on a little bit. Are there any more questions? I also understand that we want to make some time towards the end of the meeting to have Longford/Turquoise Trail folks address some of the issues that have come up. We'll take one more question and then we'll proceed. We will come back to this by the end of the meeting. Is there another question? Doug Sayre.

DOUG SAYRE (Utilities Director): The question is are all entities within the district subject to this tax benefit or imposed? Or are certain entities exempt, such as schools, churches, tribal entity property?

MR. FRANKLIN: For a PID, the land has to be owned in such a way that it would be subject to property tax. So for example, the federal government could not be subject to that tax. A state entity could not be subject to that tax. A tribal entity, I assume, could not be subject to that tax. I'm less clear on non-profit and church entities. I haven't come across that so I don't really know the answer to that. I could try to find out.

MR. KOLKMEYER: Thank you Peter and Kevin. Madam Chair, if I may continue with the agenda. Next we'd like to turn to a discussion about some of the thinking that's transpired among staff already about potential designated growth areas and a short discussion on connections that we need to look out as we have that continuing discussion. I'd like to turn this portion of the meeting over to Dr. Beth Mills.

2. Directed Growth Management

BETH MILLS (Strategic Planner): Thanks, Jack. Good afternoon, everyone. Thanks for coming to participate and listen. I think we can make a lot of headway in this sort of format. I wanted to update a little bit about the strategic plan and to try to tie what we're hearing today to some of the challenges we have ahead of us in terms of the growth management portion of the strategic plan. We want to begin by explaining a little bit about the approach, what I'm thinking of and trying to take with the work in terms of directed growth management, and that is accepting the fact that we're growing and to not discouraging the growth. In other words not philosophically coming from a place of trying to limit the growth necessarily, but more from the point of view of trying to direct it.

The other end of the spectrum from limiting the growth would be just letting the market run willy-nilly wherever it wanted to and not paying attention to where that is. So this is sort of a middle position of how to direct growth, and it's a strategic planning tool that you've probably heard about from other planners if you listen to them. It's one of the things we talk about. As a strategic planning tool it addresses two important things, the timing and the phasing of development. So it tries to get a hold on when and how fast development happens. Tricky in that way.

But the recommendations that you can come up with taking this approach are only meaningful when they're tied to implementation through an identified funding mechanism and hence the reason I wanted to look at this a little bit today because unless we can figure out how to fund this infrastructure and keep it maintained, what's the point of all this planning talk? So that's what I think we're struggling with. So today, not to scare us to put us at each other's throats or whatever, I wanted to just as scenarios, just as a way of thinking about these challenges, look at these two areas up here that are outlined in bright red as potential growth management areas.

Now, don't think I'm talking about growth throughout that area. What I'm talking about is directed growth management within these areas that are quite close to Santa Fe and have been growing, as we all know, in recent years. So thinking of these as growth management areas, within the boundaries there's land that should be prioritized for development and phased, and there's land that should be conserved. So it's not just looking at a growth picture but it's looking at a management picture. So just for this afternoon I wanted to focus the discussion on future infrastructure in these two areas I've outlined in red. I'll go to the southern one where we were looking before, which includes the Turquoise Trail, and we'll look a little more closely at what's here.

It's a little confusing about the labeling but for those of us that are used to looking at this picture it's a little easier. I'll try to orient you. Here's the Community College and here's the Institute of American Indian Arts. This blue background is the area that is currently part of the County water service area that's already been designated that way. Here of course is Eldorado, and this color shows that it has its own independent water system, similarly up there at Sunlit Hills with their own water system. So we have this gap in between what is currently designated as the County water service area, but the Turquoise Trail extends all the way out to the railroad tracks and then we have these two community systems.

This is the area of Longford Homes. We have the State Land Office area where the County economic development, where the business park is and the jail. So hopefully you have a sense of where you are. The blue lines are the existing County water lines and the orange areas are areas that are serviced by the City. We're not really clearly seeing that yet here. This orange is a City water line. In this half of the Turquoise Trail we have a mishmash of water service agreements and roads that have been built or in some cases are being planned to be built and an area under development is what you see.

So I wanted to just basically bring your attention to the disconnection that this picture shows about water delivery and about roads. We all know making those connections are difficult. I'm going to just turn this on. Again this picture is a little scary with these red lines that come in, but I'm going to let Jack talk a little bit about the idea of these proposed connectors throughout this larger growth management area and what that might mean.

And the other area I wanted to look at and sort of walk you through is northwest of the city in the county. Again, sort of objectively, you see a lot of disconnection and a lot of rapid development. Again, the blue, the County water system, the blue lines, the County water lines. The yellow being city. These areas, for those of you who are grappling with annexation, this hashed line, the City thinks that's a future service area. The County perhaps might consider it a future service area if it were to expand the utility because of the proximity of what we've already got and the infrastructure that's already here. Importantly, I think this is pretty amazing. You see this sort of jugular. This is the line coming out of the Buckman wellfield that's feeding the city and running of course through the Las Campanas area, just to give you a little sense geographically of who is serving what here.

The suggestion would be for us to really consider carefully where we want the County water service areas to be in the future and what makes sense in terms of funding the infrastructure, and in terms of where we want to direct our growth. Again, there are problems in this area with connections and a lack of connections. The red lines you see here are major roads that need to be built that would help circulation in this area.

So what I wanted to leave you with was the questions about the roads and the County water and in terms of the roads, where do we need to make the road connections and who will build these connections, and how will they be funded? And in terms of County water, where should the County water utility provide service and why? What are the priorities and the phasing? And how will this service coordinated with directed growth management.

So having raised all those questions, Jack, I'll let you proceed.

3. Scenarios for transportation connections and services in the growth management area and questions of funding

MR. KOLKMEYER: Thank you, Beth. [inaudible] Can we go back to the Turquoise Trail, the other growth area map? Beth mentioned several times disconnects or disconnections in her little presentation and if one assumes that disconnects are one of the reasons that we have trouble understanding some of our development issues then the answer, part of the answer to that becomes how do we reconnect or how do we make connections in ways that perhaps we haven't thought about?

For those of us who have been thinking about and dealing with the Turquoise Trail since it started – we started doing the planning for that during the mid to late 90s, there's a number of very interesting scenarios that we could play out here that we think would be interesting for us to consider and discuss as we think about financing mechanisms because not only is what we listen to Peter and Kevin and your questions pertaining to the Turquoise Trail, maybe we're even looking at a bigger area. Maybe we're even looking at an area that needs to connect differently from the original assumptions we made about the Turquoise Trail.

So I just want to run through some thinking that has transpired as we've talked about strategic planning because to move from how we thought about the Turquoise Trail thinking of our growth management plan, we're probably moving into a whole new way of thinking about future growth areas that are directly related to strategic planning because what happens then is we need a different level of cooperation and understanding among the departments of the County – Public Works, Water, Land Use, Finance – than we had before.

So let me just go over a thought here. This is the Turquoise Trail as it exists right now. Now, we've put in a lot of work, almost six to eight years worth of work, trying to devise the Turquoise Trail and what it meant based on a couple of really important principles. One is the acquisition of open space and affordable housing. Those were immediately written into those plans and ordinances and it even involves some of that now that it goes from the 15 percent that we had in the Turquoise Trail to 30 percent in the new arrangement we've had with recent affordable housing. The other thing is that we wanted to try to focus centered villages and places around which we could have the [inaudible] concept come into play. Of course we already know that to get a level of non-residential into these village centers requires time, a whole different approach to marketing and thinking, so we're assuming that we're lagging behind or one might assume, well, this isn't really working.

But in fact, we're now well over a million square feet of non-residential space in the Turquoise Trail that happened to locate itself there in those areas which are more amenable to people accessing them, or the institutional uses of the Turquoise Trail, AIAI and some other elements that are in there. But if we were to turn that thinking around a little bit and say, well, if we wanted to stimulate that, if we wanted to make things work in a better way for the community, what might we do? Because this idea of connections is extremely important because three types of connections tend to drive everything: the location of roads, water and wastewater. Then there's all kinds of other connections: open space, institutional uses such as schools, services, if we're going to extend and open up new areas there are police, fire issues. There's a lot of other connections that we don't normally think about in the same way that we do with roads, sewer and water.

Employment areas in Oshara, Rancho Viejo, Turquoise Trail, State Land Office, as they start to continue to come forward to us, how are they going to work if we don't make them accessible to larger areas of the county. For example, this large population area over here in Eldorado. So you need to start thinking then again in terms of well, how do we connect things or are we just assuming that the Turquoise Trail, based on the location of village centers is it going to take care of the connections in the ways that we need them? We've grappled for years with the need to connect Eldorado to other parts of the county, particularly the Turquoise Trail. When we worked in Eldorado doing the Simpson Ranch plan and also developing the Turquoise Trail plan there was quite a bit of debate. There's lots of folks from Eldorado that attended those meetings. They wanted a shortcut to the city up Richards Avenue.

When these two little connectors were suggested as roads which in the future we might do that the discussion kind of reversed itself and the residents of Eldorado said, well, we don't want a whole lot of people coming into our neighborhood, but we want to be able to go through other neighborhoods to get to other areas. So that brings up an incredible and very complex discussion about what are the right connections and when do you make them? So if we are to see these areas open up, and let's say for example a high school were to locate in there it would make terrific sense for us to be able to locate a connection to Eldorado somewhere, and also, because of the population in the Eldorado area, which is about 8500 people, to open up economic areas of the Turquoise Trail to Eldorado.

Now the issue becomes, if we want to do that before we have had a village center here or here or here, which is the way that we're looking at this evolving, if we wanted to open that up earlier, who would pay for the road? Who would pay for those connections? That's all Rancho Viejo. It doesn't seem that that in this case would be served for Rancho Viejo to have to pay for the infrastructure to connect to things that might in fact improve the balance of some of the things that need to occur in the rest of the Turquoise Trail. If we did that, if we were to open up this area, then it also begs the question to this population over here, why we wouldn't we want to open up this area as well?

We've had numerous discussions as we developed the Turquoise Trail and did the road planning for this area that a connection to the area of Nine-Mile would be appropriate, because what happens? If you want to go to the Turquoise Trail from Eldorado you've got to go all the way around. So some of our connections are making sense right now and if we're to move forward and to try to put this into a perspective of how to make the infrastructure work in the best advantage for the needs of the County and we're still once again confronted with the problems of what connections do we make, how do we make them, and where do they go? The issues of timing and phasing again.

We also think this is probably a little challenge for what the strategic plan needs to do. If we pick these two areas and focus on the two areas that Beth has laid out, the northern growth area and the southern central growth area, a lot of questions start to come up about how do we deal with the phasing, the timing of the development in those areas and then also how we deal with the financing of those. We wanted to just lay this out as kind of the beginnings of the scenarios that we have begun to develop. All the staff here has been working for the last several months as part of the strategic planning process and show you where we are with that and emphasize the importance of how difficult it is to connect things.

Are there any questions on this information? I'd open the floor if I may, Madam Chair, for questions. Judy McGowan.

MS. MCGOWAN: This is more of a statement than a question, because I'm looking at this map, going, ah, yeah, I remember that. This is a really good explanation of how your road planning would have been done in the eighties. Two county planners and a city planner stood over a table with a mylar map of the five-mile area, and that zipatone tape, that plastic tape that came with dots or dashes or whatever, and we did those connections. And then put it directly on the books, not in these locations exactly, but we just said okay, where are we going to need connections eventually and pasted the tape across the map with no regard for future development plans and no regard for topography.

But that plan, in fact is still in effect and was always intended to be rectified with the Community College road plan. It provides for a connection from Vista Grande all the way over to 14, from Compadres and Azul North through that area that is now the Turquoise Trail. And I believe a connection from Nine-Mile all the way over to 14 also. So this is not a new idea. It's just thinking about when should we do them, who's going to pay for them, which are the right ones to do first?

MR. KOLKMEYER: Thank you, Judy, and I think that again emphasizes the importance and the needs again. Now is the time, really, for us to rethink this again and it's the same question. Commissioner Montoya, you had another question?

COMMISSIONER MONTOYA: You've identified these two areas as growth management areas. What about other areas that aren't a part of this?

MR. KOLKMEYER: That's a good question because of course the whole county needs to be taken into consideration. But the sense and the feeling that we've gotten throughout the initial discussions of strategic planning is the most pressure for us to evolve system, particularly road systems, water systems and wastewater systems, tends to be in the urban EZ area. And so that's where the majority of this is, either in there or in proximity to that area right there. Up north we have a different scenario but we still have growth areas, but we've been able to, we think, understand some of that and come up with different mechanisms because of community planning, which is still an outgrowth of the growth management area. So for example, the Pojoaque Valley – you've been to the last meeting we had up there about the discussion of commercial development, which is really intense and very different than it is here.

Down south, in the area of Edgewood, initially in the growth management plan we had three new community areas like the Community College designated early on in that planning effort, one of them was in fact the northern area that we looked at earlier, the Turquoise Trail area, and then an area directly east of Edgewood in the basin area down there that would also create a larger district area. The struggle between – it's different when we're dealing with traditional communities. Some of them are large, like the Pojoaque Valley, for example. We think we can accommodate a number of the growth issues in areas like Pojoaque. But when we get into some of these larger areas that have been – that their presence has been charted mostly by subdivisions, and the thinking as it's evolving amongst us right now is those are areas we need to wrap our arms around and create larger districts or larger areas where we can apply some standards, some financing mechanisms, some thinking that we haven't had before.

So we've been looking at all parts of the county, but in terms of these elected growth areas where we really have to come to grips with the systems, it's these two and then we have other mechanisms for some of the other areas.

COMMISSIONER MONTOYA: So if you're not in any of these two designated areas then you're not likely going to get an approval on land development permits or subdivisions?

MR. KOLKMEYER: No, we're not suggesting that this be a growth/no-growth situation. We're suggesting though that where we want to have a different approach to density, for example. Where we want more density, that the option or the opportunity again comes around the same way it did in the Turquoise Trail. We didn't want the density just to be spread out in 2.5-acre lots all over that area, so we changed the mechanism to cluster. So we have higher densities in the areas that are clustered because then that also helps us to focus roads, water and wastewater systems to those clusters. Development could continue in the way that it has in the traditional communities, and then according to the hydrologic zoning and density rules that we have, unless we would choose to change those.

Any other questions?

MS. MILLS: Commissioner Montoya, I wanted to answer your question a little more fully. The strategic plan looks at and has an emphasis on the metro areas of Espanola, Santa Fe and Edgewood, and makes recommendations about things beyond infrastructure, such as satellite offices and the interaction between those metro areas and the immediate surrounding county areas, so it's not silent on that.

The reason we looked at this today was because of the struggle about – we wanted to have some good examples of the struggle about funding infrastructure and the idea that these mechanisms can apply in other parts of the county too. I didn't want to mislead by showing just these two areas but they seemed the best ones to look at because of – particularly my concern would be County utility and the water service areas and water allocation, as we begin to look at production wells and the service area and how best to plan for that. So not that we were ignoring the metro areas around Espanola or Edgewood, but just to really focus in the short period of time on these funding mechanisms and on the utility was where I wanted to go. Thank you.

MR. KOLKMEYER: If there are no further questions then Madam Chair, I'd like to move on to the next agenda item if I may.

4. The Turquoise Trail PID in context

MR. KOLKMEYER: Mr. Powers and Mr. Franklin will lead off with information and discussion about specifically now what we're going to see and give a little bit more information on what the funding mechanisms are, what some of the challenges about connections are, and to have a discussion about the Turquoise Trail PID, where it fits into this picture now. And I'd like if we could do this discussion for the next 20 minutes, if that's enough time for you guys and then we'll allow Longford a change to approach the group and then we'll close out with questions and answers if we may.

CHAIR VIGIL: Thanks, Peter. Even if it can be done within 20 minutes I think Longford will do the presentation after yours and then subsequent to that we do have some property owners that would like to address us. So if we can time frame a presentation and questions to get everything by 2:30.

MR. KOLKMEYER: Thank you, Commissioner.

MR. FRANKLIN: Madam Chair, Commissioners and everyone else, I actually think you'll be very pleased. At least what I have to say about Turquoise Trail will take about two minutes. I think at this point, Turquoise Trail has submitted an application under an existing County PID policy and what we've been talking about today really relates to developing new policies within the Turquoise Trail and utilizing PIDs really to pay first and foremost for a regional infrastructure. This is not in my understanding really what Turquoise Trail has proposed and neither under the PID Statute nor under the County's existing policy were they really obligated to propose something like that.

So as I see it, the alternatives regarding Turquoise Trail really boil down to determining if their proposed PID could be either interpreted now or revised in such a way that it would serve the goal of financing a portion of the regional infrastructure ultimately necessary to serve that project, and if not, basically the County is still faced with taking action on Turquoise Trail's proposal under the current County policy and we can come back to what that decision should take into account just to be very summary about it, I think what that decision would be based on under the County's current policy is whether the benefit to individual property owners and to the County as the overseeing local government justifies the amount of special levy that Turquoise Trail is proposing to impose within that district. That was probably less than two minutes.

CHAIR VIGIL: Peter, does that regional project have to be identified at the time of the agreement is entered into or can a fund be created for regional project purposes through this PID? And perhaps if that regional project is an identifiable – at the onset of entering into the agreement perhaps down the line it could be and that fund would be the way to fund it.

MR. FRANKLIN: Madam Chair, it would be possible to create a fund, a PID-based fund to pay a portion of regional infrastructure costs that aren't yet identified. It would not be feasible, generally, to issue bonds against PID revenues to fund improvements that haven't been identified at the time the bonds are issued.

CHAIR VIGIL: Do the bonds have to be issued at the time that the PID is created? [Mr. Franklin indicated no.] Okay. Thank you.

MR. KOLKMEYER: Any other questions or comments on this? Then if I may, Madam Chair, the Longford group, if you have anything you'd like to add at this point, I'd like to turn the microphone over to you, and then to the members from the public.

KARL SOMMER: Thank you, members of the Commission, staff, members of the public, my name is Karl Sommer and I'm an attorney here in Santa Fe. I represent Longford Homes and I have with me today Mr. John Murtaugh, who is the sole proprietor of the company and he'd like to say a few words, but I'd like to make a few introductory remarks. Also with us is Tracy Murphy with whom you're familiar. She's been with us throughout the process and really moved it along, and Tom Robinson who is in-house counsel for Longford Homes, and you all have heard from him at the last meeting. We're here to answer any questions that you might have of a technical nature or of any nature with respect to the requests that we've made.

First and foremost I think that Longford Homes' application complies fully with the County's policy. All of the standards for submittals and all of the standards for performance inside of your policy have been complied with, and I do not believe we have heard from anybody at staff or otherwise that our application isn't complete and doesn't otherwise comply with your policies with respect to the standards it must meet. If there is some question about that we certainly would address that.

Second of all, I think that this issue has gone on for an extremely long time and what we are anxious to do is to move it along to a decision point. And what has come up I think central to this is the idea that the developer here, who is Longford Homes, is somehow being subsidized in a way that places the burden of development on homeowners. And the characterization that there is some sort of subsidy for the developer and that that subsidy is coming from the homeowners in the form of a tax and those taxes are funds that would not otherwise be paid. I think that that characterization is fundamentally flawed and we can address that specifically, and I'd like to do that at the end.

But Mr. Murtaugh is here and I think that he can address specifically some of the questions and point to the underlying motivations related to the request for a PID, why it's important in this particular district, and also why it's important in Santa Fe County for development in the future in any event. So, Mr. Murtaugh.

JOHN MURTAUGH: Thank you. I don't know if there are handouts here. I have about ten copies. First of all, after reading several articles by one of the County Commissioners, Mr. Sullivan, I realize we did not do a very good job in further explaining what we as developers can and can't do and what criteria we have to work under. This is basically – I'm handing out kind of a short pro forma of the challenges we have as developers. *[Exhibit 2]* And what we have are the challenges of the market, the challenges of all the rules of affordable housing and other things, and I'll walk through it quickly with you. And then afterwards of course you decide whether we can have a PID be created or not, but these are challenges I have as a developer coming forward. Hopefully, it might help some of the thoughts of what happens in the portion of the world I'm in right now, where you have to react to banks, react to the free market, react to other things outside of the world that you might face everyday during the County hearings.

On the right-hand side, basically, is what I have to deal with. Right now, as you say in the home building business, if no one sells, no one eats. At the end of the day I can only react to what the market will actually sell the homes for. You can see on the right-hand side, a market price. We're also required within the affordable housing to actually build the same houses as affordable as in the real market. We picked three different plans that are very close to both the free market and affordable homes on the left-hand side. The plan C120A is one of our condos. We offer it for $185,000. Under the affordable housing regulations we have to sell it for $91,000. So basically, it's about $94,000 below market. So five percent of my homes have to be sold for $94,000.

The next plan is the 825 plan. We sell them on the free market for $232,000. By the same affordable housing laws we have to sell it for $142,000, a difference of $90,000. The 645 plan, the third one, we sell for $249,000. By ordinance, we have to sell it for $171,000, a difference of $78,000. So overall, there's an average $87,000 price differential between the free market and what we're going to sell it for. We're building 77 homes in the community, the differential is $6.7 million. So just to bring the affordable housing 15 percent to market, it's basically a difference between the market and affordable housing is $6.7 million difference in sales price. Divide that price over the other 435 homes is an additional $15,514 that the other homeowners have to actually pay to make sure that the 77 homes are built.

So it's not a tax per se but it's just the cost of affordable housing. It's costs someone something, so the other homeowners are actually paying $15,000 more a house to pay for the overall $6.7 million in additional money. They have to pay overall to meet the requirements to build those homes.

On the right-hand side on the average revenue I have for the free market homes is $249,000. [inaudible] sells from $185,000 up to the maximum amount of $310,000. In other words we have to work with the City of Santa Fe so I can't sell a home over $310,605. That's our cap. So no way can we raise above that price. So besides being the world of trying to figure out where to get the $6.7 million from, I also have a cap of $310,000; I can't get above that price. Overall, $249,000, the other cap I have is that my two main competitors is BT Homes and Centex, they're at or below that price right now, so I could just raise the price $20,000, I can't sell a house. I have two competitors out there who are selling at or below those prices. In my world I have to react to the market and the market right now says that if I sell at more than that I'll sell less per month. It might sound obvious, but in the world I'm in I can't raise the price $10,000. No one would buy the house.

Below that is my construction costs [inaudible] all the way through. The sales commissions, land development, the actual credits to get the water, $4,000 a unit, gross receipts tax, overhead. So basically, before the affordable homes, I'm basically making about six percent. Then affordable housing costs I'm down to basically making break-even. You say, why do you do it, John? Why do you go out there and build [inaudible] When I first bought the homes I knew of the affordable housing requirements. I knew of the PID. I knew what the market was. Last year we were [inaudible] an average of ten sales a month with most of the homebuyers knowing there was a PID involved, there was an association involved, and with that, I was capable of actually selling eight to ten homes a month. [inaudible] to date. We closed homes out there. We've already sold about ten affordable homes. We have five people living in homes now, the affordable homes. Basically it's working right now in the current environment, but only if I actually get my PID reimbursement. Without the PID reimbursement, I'm breaking even.

You say, what's wrong with that? I have banks I have to deal with also. This job will be about $110 million. I'm borrowing about $85 million from the banks. If I say to the bank, guess what, I'm averaging [inaudible] A house profit, I don't get the bank financing necessary to build the project. If I raise the price of the homes by the $18,000, $20,000, it will happen, but rather than being a five-year job, it will be a ten-year project. And over ten years you'll get those affordable homes over ten years instead of over five years. I've been building homes at Longford for 15 years. Before the 15 years, before that, I've built thousands of affordable homes and most of my homes I built in Albuquerque and Las Vegas. They've been affordable homes, first time homebuyer. In Albuquerque I've built over 3,000 homes when I was 15 years in Albuquerque. That was affordable housing. Maybe not legal affordable housing, but first time homebuyers. So I know what it takes to build those homes. I'm an expert in that field. So I'm trying to show you in your world when you say affordable housing, there is a cost to somebody. When you say cost [inaudible] for water, there is a cost to someone. And in the world of having a cap on the sales price, everything else, under the current scenario, basically without the PID I'll be breaking even. So I have to go back in, react differently. [inaudible] myself, otherwise my wife loses her house. At the end of the day when you guys vote a certain way, you might lose some votes, if it goes a certain way I can lose a house over it.

So based on that, the personal guarantees of myself and my wife, signed personal guarantees to build these homes right now. If it doesn't work, I lose my house. So either you vote for the PID, I can make it work. If you say no to the PID I would have to figure out a way to raise the price $20,000 a house and then delay the project by seven years, which means you delay the affordable housing by seven years, or find alternate financing that might be a private PID versus a public PID.

In the world I'm in my homeowners eventually have more say in the PID that's actually controlled by the County because then you can actually control the reserves, you control the maintenance after I'm gone. In a private PID, I could do it myself, basically it's the HOA, and even though HOAs try they don't have the same force that a public PID has. The public PID you have the taxing revenues, you have the power to lien, the power to collect, the power to maintain. HOA doesn't have the same strength. I can do it that way, but I much prefer for the safety of the homeowner to actually have it under the control to resolve it appropriately.

So outside all the other myths where the developer is making millions of dollars out here, it's not that way. The free market doesn't allow the developer to make millions of dollars. There's competitors out there to make sure the margin stays at six percent. You look at the top 50 homebuilders in the market, they average about 6.5 percent profit margins. With the PID, I'm doing the industry average. Nobody out there makes nets of 30 percent. There's too many competitors out there.

That's just a quick overview after I heard several rumors and read articles about the 130 percent income tax increase on the homebuilders and everything else, I wanted to show all of you what the world is of homebuilders. I know that several people requested a couple months ago to have an audit. I have no problem opening my books. If someone here wants to learn about the homebuilding, I have no problem sitting down with someone for 12 hours show them what our costs are, show how real they are, show what the market is. So at least someone on the Council, someone on the Commission would see what a homebuilder can do, what a homebuilder can't do.

By constantly passing laws and not knowing what the rest of the market conditions are, you might be actually in all good intention, creating an environment where you can't build affordable housing. And without a PID right now, I'm breaking even. I can't get an $80 million loan saying I'm making $5 a house. It doesn't happen that way. There's a real world out there beyond this council where you can pass laws all you want but if the market won't accept it and if the banks won't allow it, those homes won't be built. That's just quick overview. Any questions of the numbers at all? Thank you.

MR. KOLKMEYER: Thank you, John. Madam Chair, you said that there's members from the community that wanted to be heard as well. Shall we do that next? Okay, is there anyone else from the community that wanted to come forward and make a comment? Please state your name for us if you don't mind.

KAREN FRANCISCO: My name is Karen Francisco, and I am one of the homeowners who purchased a home out in Longford Subdivision, and from what I gathered from, I believe it was Peter Franklin – I'm not sure who it was that said that part of the process is that the County cannot approve the PID without the consent of property owners. And from what I understood when I first started looking into buying this home, they did mention the PID to us, however, they did not have a lot of information. They couldn't answer a lot of my questions that I had. I did go to the statutes and try to look them up and try to understand them myself, and I did understand that the homeowners that this would affect would have the option to vote on it. So with that understanding, thinking, okay, once the homeowners all gather in and have this option to vote on it we'll see – we'll get some information and see how we go. My husband and I decided to go ahead and purchase the home anyway.

Well, it wasn't until the day before closing that I received notice from the office saying that I would have to sign a power of attorney giving Longford Homes power to sign on my behalf for my approval. That – it seems like they were not informing homeowners prior to the day they had to close that this was coming up. Unfortunately a lot of people don't understand what a power of attorney is. They signed it hesitantly under duress, not knowing what really it was, but was told you cannot close on your house unless you sign this power of attorney.

Some people such as my husband and myself had already put $15,000 cash into this home that would be non-refundable. So at that point we had no choice but to sign the power of attorney to close on our home. We had already sold out other home. We didn't have a home at this time, and we would have lost $15,000 had we not signed this power of attorney. So I just wanted to let the Commissioners know that homebuyers or people who are interested in looking into the purchasing of these homes, are being told there is a PID. However, a lot of people don't understand what it is and then they're not being told about having to sign over power of attorney until this whole process is approved. They're not understanding the whole process.

So I would just like you all to know that, and you can take that into consideration. We as homeowners would really like you all to consider the pros and cons and the benefits to the homeowners there. We really appreciate your taking your time to weigh this out and see what are the benefits and what are not. $2,115 a year for 30 years is a lot of money, and I understand it takes a lot to build a home. However, that is $60,000 average over 30 years for a decrease in price of let's say $20,000 on our homes. So that's what I wanted to address and let you all know that the homeowners are concerned and don't really have a whole lot of information because nobody could really answer a whole lot of questions. And that was one of the reasons why I am here today, is to try to get a little more information and try to get a little more understanding about what this is all about.

MR. KOLKMEYER: Thank you. Any other questions or comments? Commissioner Sullivan.

COMMISSIONER SULLIVAN: Madam Chair, Karen, in addition to that $2,000 cost that you mentioned, were there any other costs that you're obligated to pay? Does that take care of the maintenance and everything?

MS. FRANCISCO: No, it does not. That is just, I believe to take care of the – I think it's like the general obligation bond, if I'm understanding correctly, but there will also be an additional special levy for the operations and maintenance agreement and the paperwork that they have given us indicates that that is a fluctuating – that fluctuates with absolutely no cap for an indefinite amount of time. And when we first signed our purchase agreement back in May 2006, it was one amount and again, the day before we closed, it was brought to our attention it has already raised an additional $45 a month. So it has already fluctuated prior to us even closing on our home and that will, in my opinion continue to fluctuate for an indefinite amount of time for operations and maintenance, I believe, of the PID. That's my understanding.

MR. KOLKMEYER: Thank you. Any additional questions or comments? Shelley?

SHELLEY COBAU: I'm Shelley Cobau with the Development Review Division. I have three questions, some relating to the first part of our discussion, the second and the third part. Regarding the first part where we have identified numerous different funding mechanisms, I believe each one of the funding mechanisms would require either a regular election or a special election, unless we had a certain percentage of the property owners involved. So I think it's important for the County to consider the cost of conducting a special election when we look at the big picture on these because I know a special election can be costly to a community. I just wanted to interject that.

I would also like to point out that when we're identifying infrastructure, I think it's really important not only to consider new infrastructure needs but also aging infrastructure. We have a lot of small areas that are subdividing based on family transfer land divisions that don't have adequate roadways. They don't have adequate drainage crossings. There's much aging infrastructure that we need to consider, not only just new infrastructure and funding mechanism for the aging infrastructure as well.

I'm wondering if through the granting of a PID for the Turquoise Trail if that would preclude further funding, if we identified that other infrastructure was needed in that area, if there was a PID in place that that would preclude, like drainage infrastructure if it became an imminent need, if that would preclude our obtaining other funds for that. And also I'm wondering about the resale impact on people who have a special assessment or a special levy on their homes. If any consideration or any studies have been done to reflect how that affects the resale value of the home.

I lived in Las Vegas, Nevada for six years where the PID and the limited special assessment districts are prevalent there and I know that in Las Vegas it did have some impact on the resale and it was not necessarily a positive impact.

MR. KOLKMEYER: Karen.

MS. FRANCISCO: I actually have one more question. What I want to know is are the amounts that we pay on the special tax or special levy, is this going to be tax-deductible to the homeowners? I anyone can answer that for me.

MR. FRANKLIN: As Kevin just whispered, you should talk to your tax advisor. But the portion of a special levy for debt service which represents payment of principal on a bond issue is deductible. And the way – this is all theoretical with respect to Turquoise Trail, certainly, but the way the debt is structured, you may have level debt service. You may have a structure where you're paying a lot of interest up front and then principal later on, but there has to be an allocation made between the principal being paid down and the interest. That's probably too technical, but a portion of it is.

MR. KOLKMEYER: Does that answer your question for the moment? Any other questions?

MR. FRANKLIN: It would be split out on your tax bill which portion is principal and which portion is interest.

MR. MONTOYA: I guess in reviewing the document here from RBC, if you look on page 8, I just want to point this out, it says here in the last paragraph, it says Many developers opt for establishing a PID so they can sell their homes at a lower price. Prior to the sale of the homes, they are the only voters in the PID and thus have the power to create the district for future property owners. So basically to me, future property owners are the people that are going to be paying for the infrastructure. And I guess the concern I have is once the bonds are paid off, is the County going to be liable for continuing an increase to update the infrastructure going forward. And if that's the case, will the mill rate or whatever rate the PID has been using, will that be in effect for ongoing future costs from the time the bonds are retired? I look at this not only on behalf of the taxpayer but on behalf of myself because if I wanted, say, to move over to the PID district, I would be facing these same things.

But ultimately, as the tax collector these are impacts that I guess I have to be concerned about at some point in time.

MR. KOLKMEYER: Kevin, did you want to answer this 15-part question.

MR. POWERS: I'll have a bad memory but I'll try. The statement that the original owner has the ability to establish, that is based on this fact that if they own all the property they have all the votes, so basically they can do that. The bonds that are issued have a definitive payment schedule and they are paid off over, let's assume a 30-year period. So if you owned the house from the start and you own it for 30 years you will have paid everything for that bond. If you own it for five years and sell it you're going to have to pay five years' worth and then the next person will pay the other 25. At the end of the bond that mill levy or that special levy that's being used to pay that debt service goes away and the only thing you have then is regular County property taxes being collected on that piece of property.

[inaudible question from Mr. Montoya]

MR. POWERS: That's what would have to cover it. Now, whether it does cover it is another issue. Whether or not the County mill rate that's on there after that 30-year period, whether that's sufficient to cover all the O&M requirements of that district or that area, at that point in time the streets are probably in need of repaving or sealing or something of that nature. Curb and gutter, those kinds of things need to be updated and so those things would be the responsibility of the County, because keep in mind that any PID has to be – the improvements that are put in have to be public improvements and dedicated to the local government of that area. So if it's the City or the County, it would be dedicated to the City or the County.

[inaudible question from Mr. Montoya]

MR. POWERS: No.

MR. KOLKMEYER: Thank you. Any additional questions?

MR. FRANKLIN: I'd like to just elaborate briefly on something Kevin just said. While it is true that while the developer owns all the land it's the developer applying for the PID, I think disclosure to future property owners is required by the statute, it's required by the County's policy. A power of attorney to consent to the PID really to be effective needs to say what the potential property owner responsibility in terms of the dollar amount to be paid. It needs to say something that's informative about that as well. So while it's true the developer can apply for it, both state law and County policy require meaningful disclosure and I understand from Ms. Francisco's comment that these things are not that easy to decipher and that's something I think everyone involved – developer and County – have responsibility to make sure it's disclosed as simply as possible.

MR. KOLKMEYER: Thank you, Peter, and I believe I saw one other hand up out here. Could you please identify yourself for us?

PAUL YARRIN: My name is Paul Yarrin and I would just like to address the Commissioners today with regard to this PID and in addition to what Ms. Francisco said, as homeowners we are concerned with the disclosure of the PID. It is something that we weren't completely onboard with or even had a good understanding of. When you talk about affordability of homes, Longford has made some homes very affordable for some homeowners, very few, and for others like us, we're paying a higher price of the home. We also have a higher mill levy on our homes because we're paying more, and then we're also carrying more of the PID.

So in return it's kind of – we're paying a little bit more to carry some of the affordability for some of these other homeowners and I really kind of struggle with that, and not only that, but when you look at comparing communities with such as Rancho Viejo, from what I understand, Rancho Viejo's PID was far less than what Longford has proposed. I'm not sure that Longford is needing so much more of a PID to accomplish what Rancho Viejo was able to accomplish in theirs. I appreciate your consideration in this. We would really like to – we understand Longford needs to recoup their expenses. That's great. That's fine. Have them build them into the cost of the homes. Let it be the true price, the true cost of the homes for the homeowners to pay so they know exactly up front how much this home is costing them.

For example, my house cost me $280,000. I'm paying $60,000 in a PID over thirty years, the true cost of my home is $340,000. That wasn't what was advertised to me, and I think there's a disconnect there. So I appreciate your consideration in this and we'll see what happens.

MR. KOLKMEYER: Thank you. On behalf of County staff I'd like to thank you all for being us, and Commissioners, Montoya, Sullivan, Campos and Vigil for extending their BCC day. And with that, I'd like to turn the meeting back to Chair Vigil for conclusion and adjournment. Thank you.

CHAIR VIGIL: If there are no further questions – Commissioner Campos.

COMMISSIONER CAMPOS: One last question for Peter. There's going to be some administration costs to the County every time there's a PID. Does the County get reimbursed out of the PID money or does it just have to self-finance through its general fund?

MR. FRANKLIN: Commissioner Campos, the application costs are covered by the developer. The administration costs are covered as part of the PID levy. The County's current policy is that the PIDs have to be self-sustaining and not at net cost to the County. It means that if the County is paying money to administer the PID the PID owes that money back to the County.

CHAIR VIGIL: Further questions? Judy.

MS. MCGOWAN: Another clarification, not a question, sorry, Commissioner Vigil. I just want to make sure that we all understand because a lot of these numbers about the affordable housing program – this development came in under the City's HOP program and that's where the cap on sales price comes from and the toilet retrofit costs come from. It's not related to the current affordable housing programs at all. They got caught in that.

MR. KOLKMEYER: Thank you, Judy. Back to you, Madam Chair.

CHAIR VIGIL: And I do believe we will be making a decision on this PID in a future meeting so it should be aptly advertised and it should be a public hearing, and at that point in time hopefully we'll have sufficient time to absorb all the information we've received today.

ADJOURNMENT

Chair Vigil declared this study session was adjourned at approximately 2:27 p.m.

Approved by:

Virginia Vigil

Board of County Commissioners
Virginia Vigil, Chair

Respectfully submitted:

Karen Farrell

Karen Farrell, Wordswork
227 E. Palace Avenue
Santa Fe, NM 87501

ATTEST TO:

Valerie Espinoza

VALERIE ESPINOZA
SANTA FE COUNTY CLERK

Santa Fe County, New Mexico

Infrastructure Financing Alternatives and Integration into Community College District Plan

February 2007

Modrall Sperling

RBC Capital Markets

Introduction

RBC Capital Markets

- ~ Economic and Planning Systems ("EPS") Study includes recommendations for addressing infrastructure needs of the Community College District ("CCD") through both public and private financing methods:

  - ➢ County or regional public improvement district ("PID") financing, operation and maintenance of regional infrastructure– primary roads, water/sewer, regional parks, open space and public safety facilities
  - ➢ Homeowner Association (or collective association of homeowner groups) responsibility for local systems (i.e. in-tract streets, curb/gutter, water and sewer lines)

- ~ The purpose of the presentation is to evaluate legal and practical feasibility of public and special district financing tools available under New Mexico law to implement the EPS Study recommendations.

Financing Mechanisms

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1. Special Assessment Districts
2. Public Improvement Districts
3. Tax Increment Financing
4. General Obligation Bonds
5. Gross Receipts Tax Revenue Bonds

Special Assessment Districts

Special Assessment Districts

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Creation of a Special Assessment District (SAD):

- ~ State Law permits creation of an assessment district to provide street paving, drainage improvements, sidewalks, dry utilities and water and sewer improvements; not suitable for more regional infrastructure (parks, recreation facilities, regional roads)
- ~ Each property within SAD is assessed a portion for improvement costs
- ~ Assessment revenue can secure bonds issued by County
- ~ Assessment is billed separately from property tax billing

A District can be created under two methods

- ~ Provisional Order,
  - ~ Governing Body creates it on its own motion following engineering report.
  - ~ Motion is made to create the District.
  - ~ Public hearings are scheduled to describe area to be improved, costs and solicit comments.
- ~ Petition Method,
  - ~ Group of property owners petition Governing Body to create District. Hearings are scheduled to describe costs to residents following engineering report.

Special Assessment Districts Continued

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Sale of Special Assessment District Bonds

- Street Improvement Bonds can be additionally secured by gasoline tax revenue or other tax revenue received by the County (subordinate lien until outstanding district bonds are retired)
- Sidewalk Improvement Bonds - Same as above
- Drainage Improvement Bonds - Same as above
- Water/Sewer Improvement Bonds can be additionally secured by water and sewer system net revenues.

Bondholders security is a lien against the benefited property equal to general property tax and superior to mortgage liens except VA & FHA.

Cost to Property Owner

- Prepay - a property owner may prepare his entire assessment. He will have an opportunity prior to bonds being sold.
- Twenty Year Payoff - a property owner has an opportunity to finance the assessment over 20 years. Payments will be due in 40 equal semi-annual payments plus interest at a rate slightly above the bond interest rate. The remaining balance may be paid off at any time during the 20-year period without penalty.

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Public Improvement Districts

Public Improvement Districts

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Public Improvement District

~ The Act allows any county or city to establish a PID which allows for the financing of all types of public services and facilities. Basically, it allows communities to raise funds for improvements to infrastructure (such as streets, sewers, storm drains and offsites).

~ In order to establish a PID, it must be approved by three-fourths majority of the property owners within the district. At the close of the legal proceedings, an established PID has all the legal privileges of a legally sanctioned governmental body.

~ District special levy or district property tax in included in the property tax bill.

~ Special levy/district property tax revenues can secure PID bonds, can also pay for operation and maintenance.

How are PIDs Used?

New development requires infrastructure (such as streets, major arterials, water systems sewers, storm drains). Local governments are also forced to require developers to put in the necessary regional offsite infrastructure for new home developments. The developer then adds the cost of this infrastructure to the price of each new home. The homebuyer pays more for the home, therefore increasing the amount of the mortgage.

Many developers opt for establishing a PID so they can sell the homes at a lower price. Prior to the sale of the homes, they are the only "voters" in the PID and thus have the power to create the district for future property owners. The PID has the power to issue tax-exempt bonds to pay for the infrastructure. The cost is then passed on to the homeowner in the form of annual special levies.

Financing Options Available

1. General Obligation Bonds: Ad valorem taxes
2. Revenue Bonds: User fees and charges
3. Special Levy Bonds: Special levy imposed
4. Municipal/State/Federal contribution
5. Private contributions
6. Other funds available to the District

Public Improvement Districts Overview

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Overview of PID

- ✓ Improvements financed may directly or indirectly benefit the District
- ✓ Formed upon petition of 25% of the real property by assessed valuation in the District
- ✓ Development Agreement required between property owner or developer and District or City/County
- ✓ General Plan for District is required to be filed by the developer with the City/County
- ✓ Legislation does not change or diminish powers of local government
- ✓ Public hearing required prior to calling election or forming District
- ✓ Election required to create District (unless 100% of owners petition). Extraordinary majority required is 75%
- ✓ Five member Board of Directors
- ✓ Elections required for 1) appointment of Directors of the District; 2) approval of General Obligation Bonds; and 3) approval of property tax
- ✓ Operating mill levy cannot exceed $3.00 per $1,000 assessed valuation unless approved via election at a higher level within three years of formation
- ✓ Dissolution of the District occurs when 1) improvements are completed; 2) no debt of the District is outstanding; and 3) all Development Agreements are satisfied

Types of Projects PIDs can Fund

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Types of PID Projects

- Water and Sewerage
- Flood Control and Drainage
- Highways, Streets and Parking
- Non-vehicular Trails
- Recreational Facilities
- Pedestrian Malls
- Library/Educational/Cultural Facilities
- Cable/Telecommunications Lines
- Water Rights Acquisition
- Public Buildings
- Traffic Control
- School Sites and Facilities
- Equipment, Vehicles, Furnishings
- Landscaping
- Natural Gas Facilities
- Electrical Generation Facilities
- Inspection & Construction Management

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Tax Increment Financing

Tax Increment Financing

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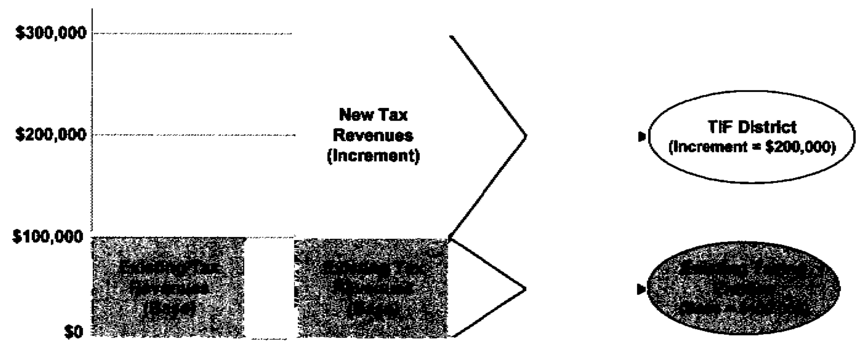
Tax Increment Financing (TIF) is a method to finance real estate or economic development costs utilizing the additional tax revenues generated by the project. Traditionally, TIF has been used for urban renewal or redevelopment. Its use has spread in some states to include a broader range of economic development applications including:

- Financing public infrastructure including streets, water, sewer, sidewalks, and similar improvements.
- Building housing for low and moderate income families.
- Providing economic development incentives to new or expanding business or industry.
- Financing environmental remediation and cleanup.

TIF utilizes the additional taxes paid as a result of development in a district to pay for part of the project related development costs. The laws vary from state to state on the type of taxes (real property, tangible property, gross receipts or sales, utility, etc.) and the eligible taxing entities (municipality, county, school district, state, or special districts) used to fund TIF districts. Each eligible taxing entity continues to receive its current level of taxes (the base). Any increase in taxes resulting from the new development (tax increment) flows to the TIF district for funding eligible costs as shown.



State laws also vary on the designation of qualifying areas and types of investments approved for TIF usage. TIF proceeds are typically used to reimburse a developer for eligible project costs or retire indebtedness incurred to cover those costs. Some states also allow local communities to use TIF revenues to provide economic development incentives to a business or industry such as: acquisition of land, new facilities, infrastructure improvements, production machinery, or utility improvements.

Legislation will be introduced in 2006 to provide a new mechanism for the creation of Economic Development TIF districts in New Mexico. The legislation will be modeled on the New Mexico Public Improvement District (PID) legislation and will based on some elements of the existing New Mexico Metropolitan Redevelopment Act and 2005 Senate Bill 845.

General Obligation Bonds

General Obligation Bonds

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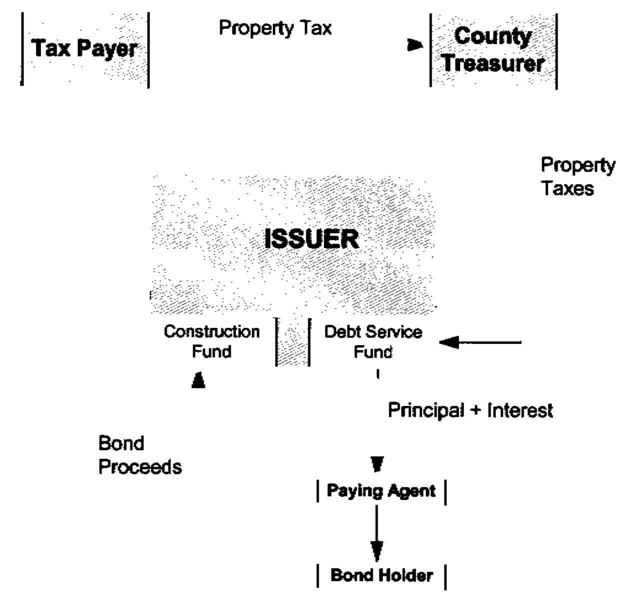
- Bonds may not be issued and sold until a majority of voters voting in a regular or special election approve issuance of such bonds.

- The Bonds will be general obligation debt of the County. The basic source of payment of the principal and interest on the Bonds (the "debt service") is the proceeds of a levy of an ad valorem tax unlimited as to amount or rate, on all property in the Municipality subject to ad valorem taxes. The tax levy is to be sufficient in amount to pay, as it becomes due, the debt service on the Bonds.

- The amount of bonds issued for general purposes (other than water and sewer purposes) is limited to 4% of the County's total assessed valuation. The local government may issue an unlimited amount of G/O bonds for water and sewer purposes.



Flow of Funds

Eligible Purposes

General Obligation bonds may be issued pursuant to Article 9 of the Constitution and 4-49-1, NMSA, 1978 for the following purposes:

(1) Remodeling and making additions to necessary public buildings

(2) Remodeling and making additions for water, sewer or sanitary landfill systems

(3) Remodeling and making additional to airports

The definition of necessary public buildings pursuant to Article 9 of the Constitution 4-46-6, NMSA, 1978 for the following purposes:

(1) Courthouses, jails, bridges hospital, public libraries, facilities for the holding of county fairs, cultural facilities, juvenile detention homes, athletic facilities, parking structures, administrative facilities, facilities for housing equipment, repairing equipment and services equipment and sewerage facilities

Assessed Valuation and Bonding Capacity

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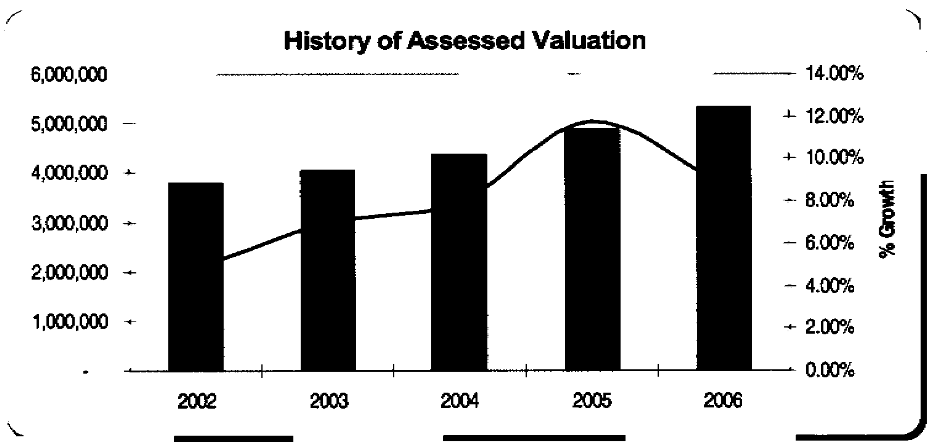
	2002	2003	2004	2005	2006
Residential	$2,724,893,846	$2,940,472,255	$3,228,093,487	$3,637,538,336	$4,034,418,956
Non-Residential	1,064,989,150	1,112,770,939	1,146,501,218	1,249,803,143	1,280,341,460
	$3,789,882,996	$4,053,243,194	$4,374,594,705	$4,887,341,479	$5,314,760,416
% Growth	**4.78%**	**6.95%**	**7.93%**	**11.72%**	**8.75%**



2006 Assessed Valuation	$5,314,760,416
Bonding Capacity	212,590,417
G/O Debt Outstanding	74,938,998
Remaining Capacity	$137,651,419

Tax Rates

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RESIDENTIAL TAX RATES - Per $1,000 Assessed Valuation

Within 20 Mill Limit for General Purposes

	2006	2005	2004	2003	2002
State of New Mexico	$0.000	$0.000	$0.000	$0.000	$0.000
Santa Fe County	4.450	4.452	4.617	4.690	4.788
City of Santa Fe	1.033	0.440	0.459	0.464	0.468
Santa Fe Schools	0.114	0.114	0.119	0.121	0.124
Total	$5.597	$5.006	$5.195	$5.275	$5.380

Over 20 Mill Limit - Interest, Principal, Judgment, etc.

	2006	2005	2004	2003	2002
State of New Mexico	$1.291	$1.234	$1.028	$1.520	$1.123
Santa Fe County	1.697	1.867	1.007	1.386	0.572
Santa Fe Community College	2.220	4.046	3.221	3.264	3.318
City of Santa Fe	0.000	0.000	0.000	0.000	0.000
Santa Fe Schools	6.885	6.908	7.043	7.367	7.454
Total	$12.093	$14.055	$12.299	$13.537	$12.467

Total Levy

	2006	2005	2004	2003	2002
State of New Mexico	$1.291	$1.234	$1.028	$1.520	$1.123
Santa Fe County	6.147	6.319	5.624	6.076	5.360
Santa Fe Community College	2.220	4.046	3.221	3.264	3.318
City of Santa Fe	1.033	0.440	0.459	0.464	0.468
Santa Fe Schools	6.999	7.022	7.162	7.488	7.578
Total Residential in City of Santa Fe	**$17.690**	**$19.061**	**$17.494**	**$18.812**	**$17.847**
Total Non-Residential in City of Santa Fe	**$26.442**	**$25.831**	**$24.648**	**$25.428**	**$23.883**
Total Residential in Unincorporated County	**$16.567**	**$18.621**	**$17.035**	**$18.348**	**$17.379**
Total Non-Residential in Unincorporated County	**$24.541**	**$24.547**	**$23.382**	**$24.136**	**$22.615**

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Comparable Property Tax Rates

	Santa Fe	Albuquerque	Rio Rancho	Las Cruces	Farmington	Roswell
Total Residential in City	$17.690	$37.263	$29.257	$26.985	$23.310	$26.338

	Santa Fe	Bernalillo	Sandoval	Dona Ana	San Juan	Chaves
Total Residential in Unincorporated County	$16.567	$26.275	$21.293	$21.051	$21.799	$18.834

Gross Receipts Tax Revenue Bonds

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Receipts Tax Revenue Bonds

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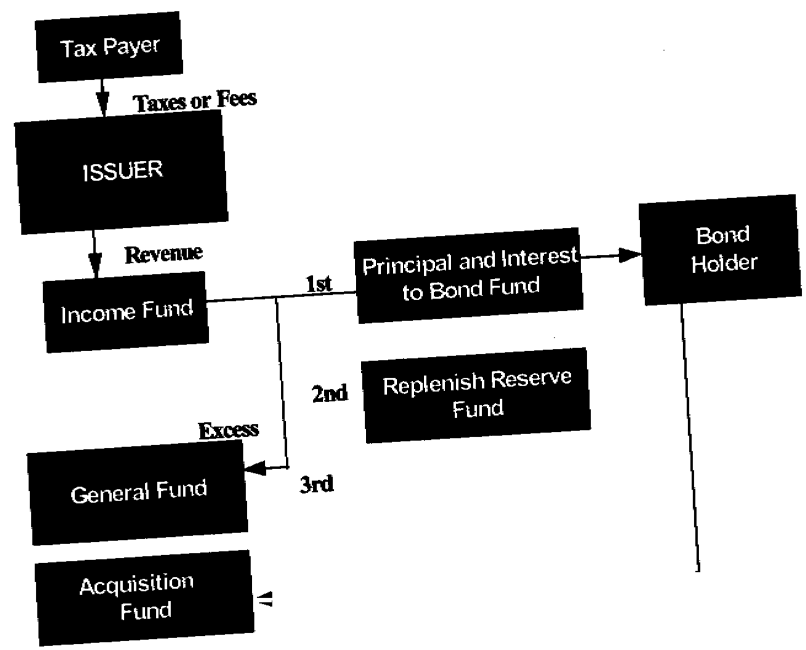
- A county may pledge any or all of the gross receipts tax revenue received by the county pursuant to Section 7-20E, NMSA 1978 to the payment of the interest on and principal of the tax revenue bonds
- Bonds can be sold at public or private sale, at, above or below par and at a net effective interest rate not to exceed 12%. Should the net effective interest rate exceed 12%, the governing body can request it be approved by the State Board of Finance prior to delivery of bonds. Current interest rates are in the 4.5-5% range.
- The debt capacity is determined by the amount of revenue available for debt service, covenants contained in previous Ordinances authorizing issuance of Gross Receipts Tax Revenue Bonds and bond market conditions.



Gross Receipts Tax Issued by County to be Repaid by Developer

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- Special levy or special district taxing process in place prior to start of improvement process
- County issues bonds payable from gross receipts taxes
- Developer/property owners pay special levies or district property taxes to reimburse County for debt service payments over a predetermined schedule
- Public infrastructure improvements are eligible for financing

Gross Receipts Tax Imposed vs. Authorized

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Type of Tax & Purpose	Total Taxing Authority	NMSA Reference	Percentage Imposed	FY/06 Revenue	Unused Authority	Potential Add'l Revenue (4)
	Local Option Taxes--as of January 1, 2007					
1. County GRT [(1)]	0.3750%	7-20E-9, 7-20E-10 & 7-20E-11	0.3750%	$ 13,349,341	0.0000%	$ -
2. County 1/16th GRT [(1)]	0.0625%	7-20 E-19	0.0625%	2,224,890	0.0000%	-
3. County Correctional Facility GRT [(1), (4)]	0.1250%	7-20F-3	0.1250%	4,449,780	0.0000%	-
4. County Infrastructure GRT [(2)]	0.1250%	7-20E-19	0.1250%	826,176	0.0000%	-
5 County Capital Outlay GRT [(1)]	0.2500%	7-20E-21	0.2500%	8,899,560	0.0000%	-
6. County Environmental Services GRT [(2)]	0.1250%	7-20E-17	0.1250%	826,176	0.0000%	-
7. County Fire Protection GRT [(2)]	0.2500%	7-20E-15 & 7-20E-16	0.2500%	1,652,353	0.0000%	-
8. County Emergency Comm. & Medical GRT [(1)]	0.2500%	7-20E-22	0.0000%	-	0.2500%	8,899,560
9. County Healthcare GRT [(1)]	0.0625%	7-20E-18	0.0000%	-	0.0625%	2,224,890
10 County Local Hospital GRT [(1)]	0.5000%	7-20C	0.0000%	-	0.5000%	17,799,121
Total Local Option GRT	2.1250%		1.3125%	$32,226,276	0.8125%	$28,923,5[illegible]
Special County Hospital GRT [(3), (1)]	0.1250%	7-20E-13 & 7-20E-14	0.0000%	-	0.1250%	4,449,780
County Emergency GRT [(3) (1)]	0.3750%	7-20E-12	0.0000%	-	0.3750%	13,349,341
County Hospital Emergency GRT [(3), (1)]	0.2500%	7-20E-12.1	0.0000%	-	0.2500%	8,899,560
County Educational GRT [(3) (1)]	0.5000%	7-20E-20	0.0000%	-	0.5000%	17,799,121

1) County-wide estimated taxable gross receipts for FY2006 is $3,559,824,150
2) Unincorporated taxable gross receipts for FY2006 is $660,941,040
3) Requires amendment to State Legislation

Financing Considerations

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1. Are proposed infrastructure improvements of general benefit to all residents of the county?

2. What is general obligation bond election success rate?

3. What is existing property tax burden on residents, considering overlapping jurisdictions, e.g., county, school district, hospital?

4. What is current rate structure of water/sewer utility? Will current rates support bonds?

5. What is the current gross receipts tax rate? Will the community support an increase in gross receipts tax rates?

6. How would existing rate payers perceive extending/improving the system, i.e., willingness to pay higher rates to support bonds for new development?

7. Is it feasible for new rate payers (new development) to pay for needed improvements possibly via SAD bonds of Public Improvement District (PID)?

8. Does the project comply with federal law restrictions to qualify for tax exempt financing?

9. Is the Project listed as a project financible under New Mexico law?

Matching a Project to a Financing Source

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	Special Assessment District	Public Improvement District	Tax Increment Financing	General Obligation Bonds	Gross Receipt Tax Revenue Bonds
Arterial Streets	2	1	4	1	3
Community Center	5	1	2	2	3
Community Parks	5	1	2	3	4
County Roads	3	2	4	1	3
Fire Station	5	1	3	2	4
Flood Control	4	2	4	1	3
Open Space	5	1	4	2	3
Public Safety	5	2	3	1	3
Regional Parks	5	1	2	2	3
Residential Streets	2	1	2	4	4
Retail Center	5	3	1	5	5
School Sites	5	1	4	2	3
Water and Wastewater	3	2	3	1	4

1	2	3	4	5
Best		Neutral		Worst

Recommendations

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~ Conditional Master Plan approval within CCD on paying allocable share of costs of regional infrastructure

- ➢ Allocation should be based on cost of providing regional infrastructure needed to serve the particular master planned community, based on size, mix of uses, location and other specifics

~ Offer formation of PID and TIF encompassing entire master planned community as method of paying allocable share of regional infrastructure costs

- ➢ Establish maximum special levy amounts permitted for each classification of property in PIDs
- ➢ Establish gross receipts tax and ad valorem tax dedication limits for TIFs
- ➢ Require that PIDs and TIFs fund regional infrastructure costs as first priority; in-tract infrastructure as lower priority
- ➢ Establish policy with respect to ownership, operation and maintenance of regional vs. in-tract infrastructure:
  - ➢ regional to be County responsibility
  - ➢ in-tract to be PID or TIF responsibility

~ Determine extent of County's ability to finance regional infrastructure beyond the financing capacity of master plan community PID of TIF

EXHIBIT 2

TURQUOISE TRAIL

	TOTAL PER HOUSE	% OF REVENUE
REVENUE	**249,500**	**100.00%**
DIRECT CONSTRUCTION	97,300	39.00%
INDIRECT CONSTRUCTION	8,900	3.57%
SALES & MARKETING	5,800	2.32%
FINANCE COSTS	13,900	5.57%
SALES COMMISSIONS	7,361	2.95%
LAND AND DEVELOPMENT	72,500	29.06%
TOILET RETROFIT CREDITS	4,000	1.60%
GROSS RECEIPTS TAX	7,707	3.09%
DIVISION AND CORPORATE OH	16,218	6.50%
TOTAL COSTS	**233,686**	**93.66%**
AFFORDABLE HOUSING COSTS	**15,514**	**6.22%**
NET COSTS	**249,200**	**99.88%**
PROFIT	**300**	**0.12%**
PID REIMBURSEMENT	**15,766**	**6.32%**
NET PROFIT	**16,066**	**6.44%**

	MARKET PRICE	AFFORDABLE PRICE	DIFFERENCE
PLAN C120A	185,990	91,930	94,060
825-2XA	232,990	142,500	90,490
645-XA	249,990	171,600	78,390

AVG DIFFERENCE IN SALES PRICE		87,647
77	AFFORDABLE HOMES TOTAL AFFORDABLE COSTS	6,748,793
435	MARKET HOMES AFFORDABLE HOUSING COSTS PER MARKET HOME	15,514

SFC CLERK RECORDED 03/27/2007

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