

RESOLUTION NO. 2009-341

Adopted by the Sacramento City Council

May 26, 2009

ADOPTING THE NORTH NATOMAS NEXUS STUDY AND FINANCING PLAN 2008 UPDATE AND AMENDING THE FORM OF THE NORTH NATOMAS DEVELOPMENT AGREEMENT

BACKGROUND

- A. On May 3, 1994, the City Council approved and adopted the North Natomas Community Plan by Resolution No. 94-259;
- B. On August 9, 1994, the City Council approved and adopted the North Natomas Financing Plan ("NNFP") by Resolution No. 94-495. The Financing Plan set forth the methods by which infrastructure required by the North Natomas Community Plan will be funded.
- C. In Resolution 94-495, the City Council acknowledged that the completion of additional studies and measures was required prior to implementation of the NNFP, including, without limitation, studies and measures which would refine the cost of necessary public infrastructure and the allocation of said cost among the various land uses within the NNFP Area.
- D. On August 9, 1994, the City Council also adopted Resolution No. 94-496, which directed City staff to: (1) conduct further analysis and studies relating to the NNFP; (2) conduct a nexus study to analyze the development impact fee program set forth in the NNFP, identify the cost of the required public infrastructure, and allocate those costs to the various land uses within the Community Plan area; and (3) follow specified guidelines for the preparation of a nexus study that would support the development impact fee program. The portion of the development impact fee program analyzed by the study relates to the Public Facilities Fee and Transit Fee.
- E. On October 31, 1995, the City Council approved the North Natomas Nexus Study ("Nexus Study") dated October 31, 1995, by Resolution No. 95-619, and established development impact fees for the North Natomas area by adoption of Ordinance No. 95-058 and Resolution No. 95-620. The development impact fees adopted included a Public Facilities Fee and Transit Fee.
- F. Review and revision of the Nexus Study and the development impact fees is legally appropriate and was contemplated by the City Council at the time of its approval of the Nexus Study and the impact fees. Section 1(e) of Resolution No. 95-619 provides: "The Nexus Study may be revised over time and under future

circumstances in order to achieve the purposes and policies of the North Natomas Community Plan and the NNFP.” Since 1994 the City Council has revised the NNFP in 1999, 2002, and 2005.

- G. In connection with the 2008 revision of the NNFP, the City undertook an update of the Nexus Study and Financing Plan, taking into account current development conditions within the North Natomas Community and NNFP area, as well as modifications to the financing programs and policies that are appropriate to the achievement of the purposes of the North Natomas Community Plan.
- H. To implement the modifications to the financing programs and policies, the North Natomas Development Agreement must be amended by adding a revised procedure for (1) adjusting the amount of the Public Facilities Fee and (2) changing the mix of public improvements financed by the fee.

BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE CITY COUNCIL RESOLVES AS FOLLOWS:

Section 1. Findings.

The City Council hereby finds as follows:

- (a) The recitals set forth above are true and correct and are incorporated herein by reference as findings.
- (b) The North Natomas Nexus Study and Financing Plan 2008 Update (the “Update”) sets forth a rational, fair, and equitable method by which the cost of necessary public infrastructure in the NNFP area is to be allocated to the various land uses.
- (c) The Update properly and reasonably allocates the burden of financing NNFP public infrastructure among development projects within the NNFP Area. The burden is allocated in a manner that achieves proper proportionality in light of those impacts that may reasonably be anticipated from those projects.
- (d) The Update (1) properly and reasonably identifies the purpose of the fees and their intended use; (2) establishes a reasonable relationship between the fee and the development on which the fee is imposed; (3) establishes a reasonable and rational relationship between the need for the public infrastructure and the type of development activity on which the fee is imposed; and (4) forms the basis for the further finding that the imposition of the fees described therein is necessary in order to protect the public health, safety, and welfare within the NNFP Area and the city.

- (e) The Nexus Study and Financing Plan may be revised over time under future circumstances in order to achieve the purposes and policies of the North Natomas Community Plan.
- (f) The findings, conclusions, and methodologies set forth in the Update are consistent with the North Natomas Community Plan.

Section 2. Adoption of Nexus Study and Financing Plan 2008 Update

The North Natomas Nexus Study and Financing Plan 2008 Update and other supporting data referred to in the Update are integral to the conclusions reached therein and are hereby approved and adopted. A copy of the North Natomas Nexus Study and Financing Plan 2008 Update shall remain on file with the City Clerk.

Section 3. Approval of New Fee-Adjustment Procedure

The City Council hereby approves the new procedure for adjusting development fees that is attached to this resolution as Exhibit E.

Section 4. Amendment of Resolution No. 94-494

The standard form of the North Natomas Development Agreement was approved on August 9, 1994, by Resolution No. 94-494 (the "1994 Resolution"). Section 2 of the 1994 Resolution provides, among other things, that "[n]o change to the form of agreement adopted by the [1994 Resolution] shall be made without specific advance approval by the City Council, which approval shall be in the form of an amendment to [the 1994 Resolution]."

- (a) The City Council hereby amends the 1994 Resolution by revising the definition of "North Natomas Finance Plan" in the standard-form North Natomas Development Agreement, which is attached as Exhibit A to the 1994 Resolution, so that it reads as follows:

"North Natomas Finance Plan: the plan, as it may be amended from time to time, which establishes methods for financing required Infrastructure and public facilities through a combination of land transfers, dedications, contributions, fees, assessment districts, community facilities districts, and other measures. As to development fees, the North Natomas Finance Plan, as amended from time to time, will provide for adjustment of fee amounts in accordance with the principles set forth in the procedure attached hereto as Exhibit I and incorporated herein by reference."

The Exhibit I referred to in the amended definition is the new procedure for adjusting development fees that is attached to this resolution as Exhibit D.

- (b) The City Council hereby directs staff to offer the foregoing amendment to all landowners that are already parties to a North Natomas Development Agreement.
- (c) Except as amended by Subsection 4(a) above, the 1994 Resolution remains in full effect.

Table of Contents:

- Exhibit A: Total Public Facilities Fee and Changes (1 page)
- Exhibit B: Single Family Infrastructure Burden Comparison (1 page)
- Exhibit C: Office Infrastructure Burden Comparison (1 page)
- Exhibit D: Development Agreement Amendment Number 1 [12 pages (Amendment itself is 11 pages)]

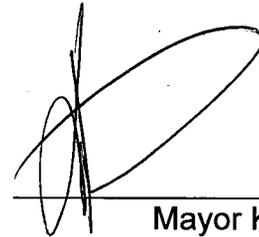
Adopted by the City of Sacramento City Council on May 26, 2009 by the following vote:

Ayes: Councilmembers Cohn, Fong, Hammond, McCarty, Pannell, Sheedy, Tretheway, Waters, and Mayor Johnson.

Noes: None.

Abstain: None.

Absent: None.



Mayor Kevin Johnson

Attest:


Shirley Concolino, City Clerk

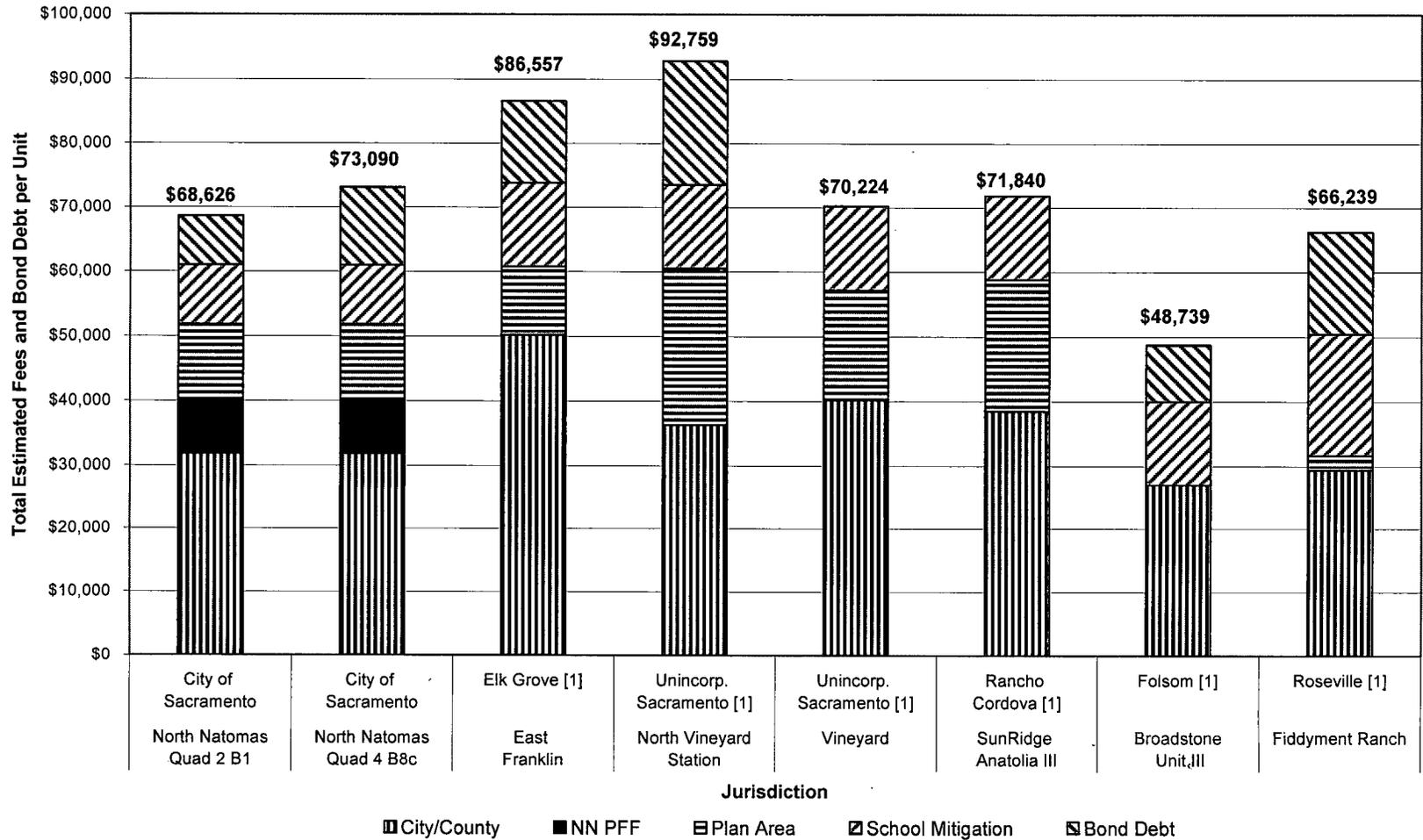
Exhibit A
North Natomas Nexus Study 2008 Update
Total Public Facilities Fee

Land Use	2008 Current Fee Rate	2008 Proposed Fee Rate	2008 Percent Increase
RESIDENTIAL [2]	<u>Fee per Unit</u>	<u>Fee per Unit</u>	
<i>Single-Family Detached/Attached</i>			
Rural Estates [3]	See Note [3]	See Note [3]	
Lot Size > 5,000 Sq. Ft.	\$6,812	\$8,466	24.3%
Lot Size 3,250 - 5,000 Sq. Ft. [4]	\$5,975	\$7,155	19.8%
Lot Size < 3,250 Sq. Ft.	\$5,136	\$5,845	13.8%
Age-Restricted	\$5,723	\$6,744	17.8%
<i>Multifamily (>2 attached units)</i>			
8-12 units per acre	\$5,136	\$5,845	13.8%
12 - 18 units per acre [5]	\$4,408	\$5,087	15.4%
> 18 units per acre	\$3,680	\$4,330	17.7%
Age-Restrict. Apartments	\$2,295	\$2,822	23.0%
Age-Restrict. Congregate Care	\$1,053	\$1,379	31.0%
NONRESIDENTIAL	<u>Fee per Net Acre</u>	<u>Fee per Net Acre</u>	
Convenience Commercial	\$209,901	\$238,272	13.5%
Community Commercial	\$121,069	\$140,361	15.9%
Village Commercial	\$168,261	\$192,376	14.3%
Transit Commercial	\$169,405	\$194,636	14.9%
Highway Commercial	\$122,702	\$141,161	15.0%
Regional Commercial	\$109,670	\$127,541	16.3%
EC Commercial	\$121,069	\$140,361	15.9%
EC 30 - Office	\$63,117	\$75,669	19.9%
EC 40 - Office	\$80,182	\$95,765	19.4%
EC 50 - Office/Hospital	\$93,512	\$110,918	18.6%
EC 65 - Office	\$116,203	\$136,519	17.5%
EC 80 - Office	\$137,064	\$160,944	17.4%
Lt. Industrial w/ < 20% Office	\$37,649	\$49,752	32.1%
Lt. Ind. w/ 20% - 50% Office [6]	\$45,290	\$57,527	27.0%
Age-Restricted Convalescent Care/Skilled Nursing	\$39,009	\$49,563	27.1%
Arena [7]	See Note [7]	See Note [7]	
Stadium	\$113,808	\$129,458	13.8%
Average Increase			15.0%

- [1] Includes 3.0% administrative allowance.
- [2] Residential fees are charged on a per unit basis. However, North Natomas Public Facilities Fees are allocated on a net acre basis assuming target densities.
- [3] Currently, no land is designated as Rural Estates in the Finance Plan Area. In the event that such a land use is approved for development, the fee program will be updated to include a fee for Rural Estates.
- [4] SFR - 3,250-5,000 sq. ft = 50% Low-Density and 50% Medium-Density.
- [5] MFR 12-18 dwelling units/acre = 50% Medium-Density and 50% High-Density.
- [6] Modified Light industrial PFF equals 1.35 times Road portion of PFF for Light Industrial plus 70% of the non-Road PFF for Light industrial and 30% of the non-Road PFF for EC-30.
- [7] Arena site is already developed. The City of Sacramento and Arco Arena owners have an agreement regarding PFF and Transit Fees and deferred payments.

**Exhibit B
Infrastructure Burden Comparison for Single-Family Development
(2,200-Sq. Ft. Unit, 5 Units per Acre)**

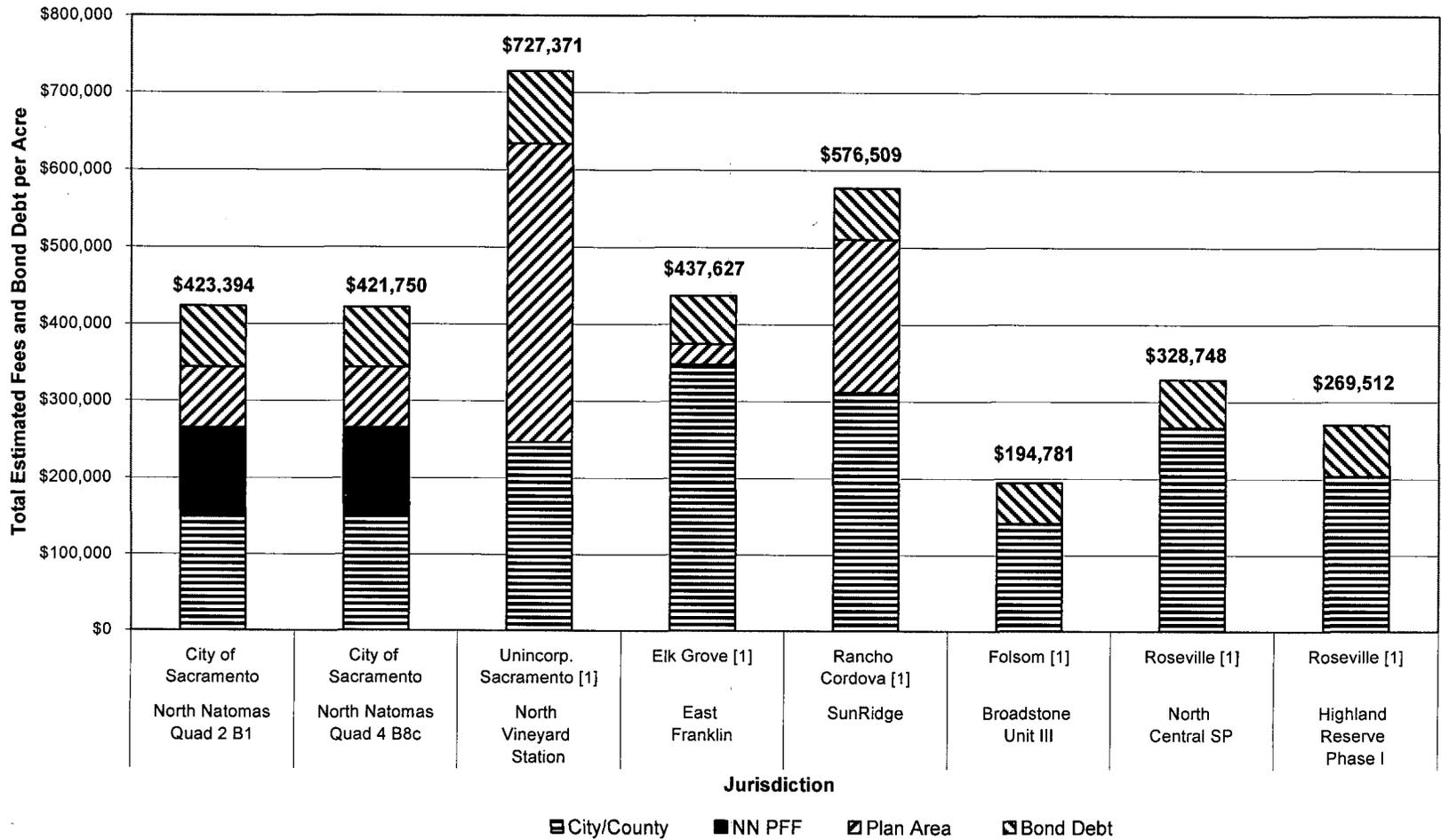
Single-Family
Development



[1] All competitive fee comparisons are as of January 2008.

**Exhibit C
Infrastructure Burden Comparison for Office Building
74,923 Sq. Ft. building and 5 Acre Site**

Office Building



[1] Fee comparison is as of January 2008.

EXHIBIT D

Following this page, 11 pages

No fee required, as recording benefits the City of Sacramento, a government entity (Gov. Code, §§ 6103 & 27383).

Recording requested by, and when recorded return to C

City Clerk
City of Sacramento
915 "I" Street (Historic City Hall)
Sacramento, CA 95814

SPACE ABOVE THIS LINE FOR RECORDER'S USE ONLY

First Amendment to City Agreement No. XXXX-XXX North Natomas Development Agreement

This amendatory agreement, dated _____, 20___, for purposes of identification, is between the **City of Sacramento**, a California municipal corporation (the "City"); and [Landowner's name], a [Landowner's status, e.g., California corporation] (the ALandowner@).

Background

- A. The City and the Landowner are parties to a North Natomas Development Agreement that is dated _____, ____; designated as City Agreement No. ____ - ____; and recorded in the Official Records of Sacramento County at Page ____ of Book ____ (the "Original Agreement").
- B. Under the Original Agreement, the Landowner agrees to participate in, and to faithfully and timely comply with, the North Natomas Finance Plan as it is amended from time to time (the "Finance Plan").
- C. On May 26, 2009, the Sacramento City Council approved the *North Natomas Nexus Study and Financing Plan 2008 Update*, which among other things establishes a new procedure for adjusting the amount of the Public Facilities Fee established by Sacramento City Code section 18.24.050. By entering into this amendatory agreement, the parties incorporate the new procedure into the Original Agreement.

With these background facts in mind, the City and the Landowner agree as follows:

1. **Amendment to Definition of "North Natomas Finance Plan."** The definition of "North Natomas Finance Plan" in article I of the Original Agreement is amended to read as follows in its entirety:

North Natomas Finance Plan: the plan, as it may be amended from time to time, that establishes methods for financing Infrastructure through a combination of land transfers, dedications, contributions, fees, assessment districts, community facilities districts, and other measures. As to the Public Facilities Fee, the North Natomas Finance Plan, as amended from time to time, will provide for adjusting the amount of the Public Facilities Fee in accordance with the principles set forth in the procedure attached hereto as **Exhibit I** and incorporated herein by reference.

2. **Addition of New Exhibit I.** The procedure for adjusting the Public Facilities Fee that is attached to this amendatory agreement as an exhibit is hereby added to, and made part of, the Original Agreement as Exhibit I.
3. **All Other Terms Remain in Force.** Except as amended by sections 1 and 2 above, all terms and conditions of the Original Agreement remain in full force.
4. **Effective Date.** This amendatory agreement takes effect on the effective date of the ordinance that approves it (Gov. Code, § 65868; Sacramento City Code, §§ 18.16.120 & 18.16.130).
5. **Recording.** Either party may record this amendatory agreement with the Sacramento County Clerk/Recorder.
6. **Counterparts.** The parties may execute this amendatory agreement in counterparts, each of which will be considered an original, but all of which will constitute the same agreement.
7. **Entire Agreement.** This amendatory agreement sets forth the parties' entire understanding regarding the matters set forth above. It supersedes all prior or contemporaneous agreements, representations, and negotiations regarding those matters (whether written, oral, express, or implied) and may be modified only by another written agreement signed by all parties. This amendatory agreement will control if any conflict arises between it and the Original Agreement.

City of Sacramento

[Landowner's Name]

By: _____
 John Dangberg, Assistant City
 Manager, for Ray Kerridge, City
 Manager
 Date: _____, 20__

By: _____
 [Name]
 [Title]
 Date: _____, 20__

Approved as to Form
 City Attorney

By: _____
 Senior Deputy City Attorney

[Attach Certificate of Acknowledgment – Civil Code § 1189]

EXHIBIT I

Procedure for Adjusting the Public Facilities Fee and Revising the Inventory of Remaining Infrastructure to be Financed by that Fee

When amending the North Natomas Finance Plan, the City shall set the amount of the Public Facilities Fee (subsection A.1 in Sacramento City Code section 18.24.050) in accordance with the following procedure by using the estimated cost of the remaining facilities to be financed:

1. Definitions.

- (a) "Agreement" means the development agreement to which this Exhibit I is attached.
- (b) "Aggregate Costs" means the aggregate PFF Shares of PFF Facilities remaining to be completed, calculated using the then-current year's cost estimate, plus the cost to pay the administrative component of the PFF as specified in the Finance Plan.
- (c) "CalTrans Index" means the Quarterly California Highway Construction Cost Index (Price Index for Selected Highway Construction Items) published by the California Department of Transportation, Division of Engineering Services – Office Engineer.
- (d) "CEQA Mitigation Measure" means a requirement proposed, in accordance with the California Environmental Quality Act, to eliminate or substantially lessen the significant effects on the environment from the City's approval of a project on the Property.
- (e) "Effective Date of this Exhibit" means the effective date of the amendatory agreement that adds this Exhibit I to the Agreement.
- (f) "ENR Index" means the Engineering News Record Construction Cost Index for San Francisco.
- (g) "Finance Plan" means the North Natomas Finance Plan, as amended.
- (h) "Non-PFF Sources" means any funding for a Schedule One or Schedule Two Facility other than PFF funding. It includes but is not limited to federal funding, state funding, regional funding, grants, gifts, contributions, fees, reimbursements, the City's general fund, the City's Major Street Construction Tax, private funds, payments from the Greenbriar area, and payments from the Panhandle area upon annexation to the City. It does not include conditions of approval or CEQA Mitigation Measures imposed on any project the Landowner proposes for the Property, except as otherwise provided in section 7(b).
- (i) "Funding Requirement" means the amount of the PFF that must be generated from remaining development so that the City will have adequate funding to construct the PFF Facilities remaining to be completed and to administer the PFF program. It is calculated as follows: *first*, calculate the Aggregate Costs; *second*, from the Aggregate Costs, subtract both the PFF revenues then available to complete the uncompleted PFF Facilities (including any

interest earned on those PFF revenues) and the amount of any reduction under section 9; and *third*, add the amount of outstanding PFF credits.

- (j) "PFF" means the Public Facilities Fee established by subsection A.1 of Sacramento City Code section 18.24.050, as amended.
- (k) "PFF Funding Obligation" means the maximum funding obligation of the PFF in a given year, determined in accordance with subsection 5 below.
- (l) "PFF Share" means the portion of a PFF Facility's cost that is funded, in whole or part, by the PFF.
- (m) "Property" means the real property identified in Exhibit A to the Agreement.
- (n) "Schedule One" means the list of public improvements and segments of public improvements that is attached to, and made part of, this Exhibit I.
- (o) "Schedule One Facility" means a public improvement or segment of a public improvement that is listed on Schedule One.
- (p) "Schedule Two" means the list of public improvements and segments of public improvements that is attached to, and made part of, this Exhibit I.
- (q) "Schedule Two Facility" means a public improvement or segment of a public improvement that is listed on Schedule Two.
- (r) "Schedule Three" means the diagram of the "Boot" area that is attached to, and made part of, this Exhibit I.
- (s) "Scope" means the location or physical description, or both, of a Schedule One Facility or a Schedule Two Facility, but not the PFF funding set forth for the facility in Schedule One or Schedule Two (the actual PFF funding for a facility or portion of a facility may be higher or lower than the dollar amount set forth in Schedule One or Schedule Two).
- (t) "Transportation Facilities" means all public improvements and segments of public improvements listed in Schedule One other than the police substation, second fire station, library, freeway landscaping, and community center.
- (u) "2008 Update" means the North Natomas Nexus Study and Financing Plan 2008 Update that the Sacramento City Council approved on May 26, 2009, by adopting Resolution No. 2009-XXX.

2. Annual PFF Adjustment for Schedule One Facilities.

(a) Each July 1, the City shall adjust the PFF in accordance with the difference between—

- (1) the Funding Requirement for the then-current year; and
- (2) the funding that would be available, after deducting revenue on hand (which includes interest and any reductions under section 9) and adding outstanding PFF credits, if the then-existing PFF were applied to remaining development.

In other words, the City shall adjust the PFF in accordance with the difference between the then-current year's cost estimate and an amount calculated by applying the then-existing PFF to remaining development.

(b) Example of an annual PFF adjustment for Schedule One Facilities:

As of April 1, 2010	Percentage Cost Changes		
	+3.257%	-6.000%	+6.000%
Costs Comparison			
Remaining Costs from April 1, 2009, Estimate	200,000,000	200,000,000	200,000,000
Aggregate Costs and Administration	206,514,000	188,000,000	212,000,000
	+3.257%	-6.000%	+6.000%
Funding Requirement Calculation			
Aggregate Costs and Administration	206,514,000	188,000,000	212,000,000
Less Cash on Hand April 1, 2010	-30,000,000	-30,000,000	-30,000,000
Plus Credits Outstanding April 1, 2010	25,000,000	25,000,000	25,000,000
2010 Funding Requirement	201,514,000	183,000,000	207,000,000
Existing Fee Calculation			
Revenue From Remaining Development Using 2009 Fees	200,000,000	200,000,000	200,000,000
Less Cash on Hand April 1, 2010	-30,000,000	-30,000,000	-30,000,000
Plus Credits Outstanding April 1, 2010	25,000,000	25,000,000	25,000,000
Resources Based on 2009 Fees	195,000,000	195,000,000	195,000,000
Fee Change Effective July 1, 2010			
Resources Based on 2009 Fees	195,000,000	195,000,000	195,000,000
2010 Funding Requirement	201,514,000	183,000,000	207,000,000
Fee Change \$	+6,514,000	-12,000,000	+12,000,000
Fee Change %	+3.341%	-6.154%	+6.154%

(c) Unless the City determines that prevailing market conditions do not justify doing so (e.g., if development is lacking or the remaining development is limited), at least once every three years the City shall perform a comprehensive review and nexus study for the PFF, using the cost-adjustment procedures in subsections 3 and 4 to reallocate costs to remaining undeveloped land uses in accordance with Finance Plan policies and principles.

3. **Procedure for Adjusting Costs of Uncompleted Transportation Facilities.** The City shall use the following procedure to adjust the PFF Shares for all uncompleted Transportation Facilities:

(a) *Method of Adjustment.* Each year, the City shall determine the cost adjustment for uncompleted Transportation Facilities using either the Benchmark Change determined under subsection 3(b) or the percentage change in the index selected under subsection 3(c). If, for the year in question, the difference between the Benchmark Change and the percentage change in the selected index is five or more percentage points, then the City shall use the Benchmark Change to adjust costs for uncompleted Transportation Facilities. Otherwise, the City shall adjust costs for those facilities using the percentage change in the selected index.

(b) *Determination of Benchmark Change.* The City shall follow the following steps to determine the "Benchmark Change" for each year:

(1) *Step 1.* Before April 1, have a third-party professional engineering consultant who is under contract to the City estimate the cost to construct all uncompleted Transportation Facilities. The cost estimate will anticipate cost changes to the next July 1.

(2) *Step 2.* Determine the "Benchmark Estimate" of the cost to construct all uncompleted Transportation Facilities by adding an estimated contingency to the cost estimate from Step 1. The estimated contingency may not exceed 26% of the cost estimate.

(3) *Step 3.* Divide the Benchmark Estimate from Step 2 by the previous year's adjusted cost estimate for uncompleted Transportation Facilities (which was determined in accordance with this section 3) and express the resulting quotient as a decimal.

Illustration: If, for example, the Benchmark Estimate from Step 2 is \$206,514,000 and the previous year's cost estimate for uncompleted Transportation Facilities is \$188,275,000, then the resulting quotient (to nine decimal places) is 1.094258842 (i.e., $\$206,514,000 \div \$188,275,000 = 1.094258842$).

(4) *Step 4.* Subtract 1.0 from the resulting quotient in Step 3.

Illustration: If, for example, the quotient from Step 3 is 1.094258842, then subtracting 1.0 from that quotient yields a difference of 0.094258842 (i.e., $1.094258842 - 1.0 = 0.094258842$).

(5) *Step 5.* Express the difference from Step 4 as a percentage by multiplying it by 100 and adding a percentage sign, and then round the percentage to the nearest thousandth. This rounded percentage is the Benchmark Change for the year.

Illustration: If, for example, the difference from Step 4 is 0.094258842, then multiplying that difference by 100 and rounding the product to the nearest thousandth yields a Benchmark Change of 9.426%.

(c) *Selection of Index.* Each year, the City shall adjust the cost of the Transportation Facilities remaining to be completed by using either the percentage change in the ENR Index or the percentage change in the CalTrans Index, according to the following criteria:

- (1) If both indexes are positive on March 1 of the year in question, then the City shall adjust the cost of the remaining Transportation Facilities using the index with the greater percentage change.
- (2) If the change in one index is positive and the change in the other is negative on March 1 of the year in question, then the City shall adjust the cost of the remaining Transportation Facilities using the index with the positive change.
- (3) If the change for both indexes is negative on March 1 of the year in question, then the City shall adjust the cost of the remaining Transportation Facilities using the index with the negative change that is closer to zero.
- (4) *Measurement of Percentage Change in an Index.*
 - (A) The percentage change in the ENR Index is the year-over-year change as of each March.
 - (B) The percentage change in the CalTrans Index is the change between the 12-quarter average through quarter 1 of the then-current year and the 12-quarter average through quarter 1 of the prior year.

(d) *Precision.* The City shall carry out all calculations to three decimal places.

(e) *Sample Cost Adjustments for Uncompleted Transportation Facilities:*

Sample #1

Benchmark change of + 4.000%
ENR Index change of + 2.000%
CalTrans Index change of + 3.100%
Adjustment: plus 3.100%

Sample #3

Benchmark change of - 4.000%
ENR Index change of - 0.500%
CalTrans Index change of - 1.000%
Adjustment: minus 0.500%

Sample #5

Benchmark change of +6.000%
ENR Index change of +1.000%
CalTrans Index change of -1.000%
Adjustment: plus 6.000%

Sample #2

Benchmark change of + 4.500%
ENR Index change of + 1.000%
CalTrans Index change of - 1.000%
Adjustment: plus 1.000%

Sample #4

Benchmark change of - 5.000%
ENR change of + 0.500%
Cal Trans Index change of + 0.000%
Adjustment: minus 5.000%

Sample #6

Benchmark change of +6.000%
ENR change of +3.500%
CalTrans Index change of +7.000%
Adjustment: plus 7.000%

4. **Cost Adjustment for Police Substation, Second Fire Station, Library, Freeway Landscaping, and Community Center.** The PFF Shares of the police substation, second fire station, library, freeway landscaping, and community center listed in Schedule One will not exceed the amounts established in the 2008 Update, except as follows: the City shall adjust the PFF Shares for the police substation, second fire station, library, freeway landscaping, and community center by using only the positive change in the ENR Index from March to March, effective each July 1. If, however, there are two consecutive years of decreases in the ENR Index, then, beginning with the second year of the decrease, the City shall decrease the PFF Shares for the police substation, second fire station, library, freeway landscaping, and community center by an amount equal to the decrease in the ENR Index for that second year.
5. **Annual Determination of the PFF Funding Obligation.** The Finance Plan shows for each Schedule One Facility not just its estimated cost but also its PFF Share. Each year, after adjusting costs in accordance with sections 2 through 4 above, the City shall determine the aggregate PFF share for all PFF Facilities, and that aggregate amount will be the PFF Funding Obligation for that year.
6. **Reduction of PFF Shares.**
 - (a) The City may reduce the PFF Share of a Schedule One Facility only if one of the following events occurs:
 - (1) The PFF Share of the estimated cost to construct the facility, as set forth in Schedule One, decreases as a result of the procedure in subsection 3 or 4.
 - (2) The PFF Share of the actual cost to construct the facility is less than the PFF Share set forth for the facility in Schedule One, adjusted in accordance with the procedure in subsection 3 or 4.
 - (3) The City secures and appropriates, from Non-PFF Sources, funding to replace all or part of the facility's PFF Share.
 - (b) If the City reduces a PFF Share in accordance with subsection 6(a)(1) or 6(a)(2), then the City may use the reduced portion only to decrease the Funding Requirement.
 - (c) If the City reduces a PFF Share in accordance with subsection 6(a)(3) and the reduction does not result from payments the City receives from the Greenbriar area or the Panhandle area, then the City shall use the reduced portion of the PFF Share as follows:
 - (1) First, if there is an actual cost overrun on a completed Schedule One Facility when the PFF share is reduced, then the City shall use the reduced portion of the PFF share to reduce the cost overrun on that facility.
 - (2) Second, if a Schedule One Facility is under construction when the PFF share is reduced and the City anticipates that the actual cost to construct that facility will exceed the facility's PFF Share shown on Schedule One (as the PFF Share has been adjusted from

year to year), then the City shall use the reduced portion of the PFF share to reduce the anticipated cost overrun on that facility.

(3) Third, if there are no actual or anticipated cost overruns on a Schedule One Facility when the PFF Share is reduced, then the City may use the reduced portion of the PFF Share either—

(A) to fund or to increase the Scope of Schedule One or Schedule Two Facilities; or

(B) to reduce the Funding Requirement.

(d) The City shall determine the reduced amount of a PFF Share in accordance with subsection 3 or 4 above, as appropriate.

7. Funding for Schedule Two Facilities.

(a) Except as provided in subsection 7(b), the only funding available for Schedule Two Facilities is—

(1) PFF funding available under subsection 6(c)(3)(A);

(2) funding from Non-PFF Sources; and

(3) fee revenues available under subsections 8(a) and 8(b).

(b) If, when approving a project on the Property, the City requires the construction or funding of a Schedule Two Facility, in whole or part, as a CEQA Mitigation Measure or a condition of approval, then the City shall timely construct or fund that facility at no cost to the Landowner, subject to the following: the City may require, as a CEQA Mitigation Measure or a condition of approval, that the Landowner construct or fund the overcrossing for Snowy Egret Way described in Schedule Two if—

(1) the Property consists of one or more of Sacramento County APNs 225-0070-059, 225-0070-060, 225-0070-063, 225-0070-067, and 225-0070-076; and

(2) the mitigated negative declaration, the environmental impact report, or any other relevant environmental document prepared for the Landowner's project proposes the construction or funding of the Snowy Egret Way as mitigation for the traffic impacts that will result from approval of the project

8. Funding from Greenbriar and the Panhandle.

(a) When the City begins to receive development-impact fees collected under the Panhandle Finance Plan to offset the cost of PFF-funded facilities that benefit the Panhandle area, the

City may use those fees to fund or to increase the Scope of Schedule One Facilities and Schedule Two Facilities.

- (b) When the City begins to receive development-impact fees collected under the Greenbriar Finance Plan to offset the cost of PFF-funded facilities that benefit the Greenbriar area, the City may use those fees to fund or to increase the Scope of Schedule One Facilities and Schedule Two Facilities.

9. Reduction of Funding Requirement.

- (a) The City, in its discretion, may reduce the Funding Requirement in accordance with subsection 6(c)(3)(B).
- (b) If the land-use designation for Sacramento County APN 225-0070-059, 225-0070-060, 225-0070-063, or 225-0070-067 (each, an “Arco Arena Parcel”) is changed to allow uses different from the uses permitted for the Arco Arena Parcel under the North Natomas Community Plan as it existed on the effective date of the Agreement, then each year the City shall reduce the Funding Requirement by an amount equal to the increased portion of PFF that the City collects from the affected Arco Arena Parcel.

10. Scope of Schedule One and Schedule Two Facilities. The Scope of each Schedule One Facility is as described in Schedule One and the Finance Plan. The City may not revise the Scope except as provided in subsections 10(a), 10(b), and 10(c), or as required to comply with federal or state law. With respect to freeway overcrossings (unless sufficient PFF funding has been allocated already), the physical appearance, design enhancements, and landscaping must be substantially comparable to the freeway overcrossings and freeway interchanges at Truxel Road and Interstate 80, Arena Boulevard and Interstate 5, and Del Paso Road and Interstate 5 as they existed on the Effective Date of this Exhibit. With respect to other public roadways and streets, the scope must be based on the City’s street-design standards that apply to the roadway or street under the Agreement.

- (a) The City may increase the Scope of a Schedule One Facility in accordance with subsections 6(c)(3)(A), 8(a), and 8(b).
- (b) The City may increase the Scope of a Schedule Two Facility in accordance with subsections 6(c)(3)(A), 7(a), 8(a), and 8(b).
- (c) If the City receives development-impact fees collected under the Panhandle Finance Plan to offset the cost of PFF-funded facilities that benefit the Panhandle area, or if the City receives development-impact fees collected under the Greenbriar Finance Plan to offset the cost of PFF-funded facilities that benefit the Greenbriar area, then the City may use those fees and any other Non-PFF Sources to fund in full a change in the Scope of a Schedule One Facility or a Schedule Two Facility.

11. Adequate Funding for Schedule One Facilities. The City may not cite, as a reason for increasing the amount of the PFF Funding Obligation, the loss of potential funding from Non-PFF Sources identified in the 2008 Update.

12. Change in PFF Share for West El Camino/Interstate 80 Interchange Improvements. The PFF Share for the West El Camino/Interstate 80 Interchange Improvements (the “Interchange Improvements”) was determined to be 9% based upon an assumption in the City’s traffic study that the area of Natomas commonly known as the “Boot,” as shown on Schedule Three, would be developed with urban uses. If all urban development in the Boot ever becomes permanently prohibited by law, such as by the recording of perpetual open-space or conservation easements, then the following will apply notwithstanding anything to the contrary in this Exhibit I:

- (a) The City shall increase the entire Finance Plan area’s share of the Interchange Improvements from 9% to 37% of the cost of the interchange as determined by the consultant under subsection 3(b), above.
- (b) The City shall adjust the PFF Share for the Interchange Improvements to reflect the increase to 37%, taking into account the development that has already taken place in the entire Finance Plan area, so that remaining development in the Finance Plan area pays only its fair share of the entire Finance Plan area’s new 37% share of the cost of the Interchange Improvements.
- (c) To illustrate the adjustment described in subsections 12(a) and 12(b), the following example shows how the adjustment would be calculated if urban development becomes permanently prohibited in the Boot when the Finance Plan area is 60% built out:

		Current Finance Plan Share Scenario	Revised Finance Plan Share Scenario (if Development of the Boot is Prohibited)	
a	Interchange Cost	\$22,465,000	\$22,465,000	
b	Finance Plan Fair Share	9%	37%	
c	PFF Allocated Share of Cost	\$2,021,850	\$8,312,050	(a*b)
d	Base Share	\$2,021,850	\$2,021,850	
e	Incremental Share	N/A	\$6,290,200	(c-d)
f	% Development Remaining	N/A	40%	
g	Incremental Adjusted Share	N/A	\$2,516,080	(e*f)
h	PFF Funding Obligation	\$2,021,850	\$4,537,930	(d+g)