Capasso, Julia

From: Joel Diaz <jdgeneral@yahoo.com>
Sent: Thursday, April 21, 2016 3:27 PM
To: Capasso, Julia; Bonnie Boswell
Subject: Planning commission letter - please forward to the commissioners

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Dear Honorable Planning Commissioners:

I wanted to send a quick note regarding the recent Fiscal Analysis Reports for the Baylands - It appears these reports are intentionally drafted in such a way as to avoid clearly stating that the DSP is financially infeasible.

I would like to clarify for the record, that the DSP is in fact not feasible and is evidenced by information in the Memorandum. Please see the excerpts below from the Memorandum regarding Baylands Economic Feasibility Considerations.

The main test for determining feasibility is to see if the land sales revenue covers the horizontal costs- which it does not.

As such, the DSP and the 3 other plans are currently not feasible.

Also, the report ultimately suggests offsetting costs by $500 million to potentially be considered feasible. I can assure you that absent all of the long term expenses, and in consideration of the construction phasing, as well as the limitations of gross revenue for government bond financing purposes, there is no financial hope for the DSP or its variants.

In summation: The DSP does not meet the City Economic objectives nor environmental objectives. The Renewable Energy Alternative has been identified in the EIR as the superior alternative, and according to CEQA, is required to be approved absent any overriding considerations. Ironically, it seems that the RE alternative may now also be the best financial alternative as well.

It is unclear at this point how much the City has spent in time and money on this development application, both directly and indirectly, but it appears that it is finally time to deny the DSP because of its financial infeasibility.

Please see the excerpts below which confirm financial infeasibility.

“The developer will be measuring feasibility in terms of a return on its investment. Simply stated, under existing conventional market conditions, revenues must cover costs to motivate a developer to proceed with a project
in addressing the fundamental feasibility issues, it is our view that an appropriate approach for this case study is to address the following question: can revenues from land sales for sites with land use entitlements (i.e. approved specific plan and CEQA) cover the horizontal development cost (excluding land and predevelopment costs)...

...however, land sale revenues at today's values would not cover all costs, i.e. land, predevelopment and horizontal costs.

Achieving a threshold in which revenues from land sales cover horizontal development costs might be an acceptable minimum return to commence development only if the overall development program enables the property owner to recover all costs and earn a profit. Without the ultimate expectation that revenues will cover all costs and yield a profit, timing of proceeding would be delayed until market conditions support proceeding

As discussed above in the case study, horizontal development costs are a key driver in determining feasibility. As such, significant reductions in horizontal development costs could influence what might be considered a feasible development program. For, example if the horizontal development costs could be reduced from $1.1 billion to $600 million"

Sincerely,

Joel Diaz
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