From: **Diane Nygaard** <dnygaard3@gmail.com>
Date: Thu, Mar 17, 2022 at 10:51 AM
Subject: Comments on SMHCP Economic Analysis
To: Robert Dmohowski <RDmohowski@oceansideca.org>

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Hi Rob

I very much appreciate that this was released as a draft so that people would be able to comment on it in ways that hopefully will result in a better report- and one people will feel is credible.

It felt like the focus was  the impact on the few large landowners who would  greatly benefit from the windfall of upzoning their properties.   It needs to look at impacts on the little guys- and the broader community.  Maybe it is too much for this one study- but if not not, then when does that get built into the process?.

Three areas of comments:

**Big Picture issues that have not been addressed**

The analysis focussed on a sample parcel. but what are the broader implications for the community?  A few critical ones that have not been addressed:

- What impact does this have on all land values in SMH, and the entire city?

This looked at a parcel that is getting more development.  What about the folks who are keeping their land as is, or sending development rights.  What happens to their  land values and what does that do to city- wide tax base?

- What is the impact on long term economic sustainability?

I believe sustainability requires  improving our jobs/housing ratio.  The pegboard is not the baseline- existing conditions are the baseline.  How many housing units and jobs does this area produce? How do these scenarios impact those ratios- both in SMH and in the city as a whole ?  The EDE identified ag as one of our key economic sectors.   Certainly adding housing and reducing jobs is not without consequences to our sustainability.

-What impact does this kind of development in SMH have on the ability to focus growth in the transportation corridors as has been assumed for the entire city?

Of course this kind of sprawl development will increase VMT.  Since we set such a ridiculously high threshold for VMT analysis and by design any development under the new guidelines would be consistent with the GP. It  is possible none of these new cluster developments will  require mitigation.  Yet all of that cumulative GHG gets added to our community baseline. One of the major reasons to grow smart is to reduce the need to drive. There is only so much demand for housing at each price point.  If Oceanside builds the opposite of smart growth, with hundreds of houses in SMH,  won't' that overall reduce the demand for smart growth housing and disincentivize what the city is trying to do- grow smart?

**TDR Program Design**

The major  conclusion about TDR is very troubling  "it could be feasible."  That of course means the opposite is also true- "It could not be feasible."  A whole lot is riding on that concept so either it is likely to provide real value, with a reasonable risk or not.  But given that conclusion there needs to be a whole lot more work to detail out the TDR program., assess those risks and make sure the program is designed to minimize any unintended consequences.

Our research has not found one example, not one, where a TDR program designed to "save farmland" sent rights from one piece of farmland to another.    Frankly there is no trust that our city can take a completely unproven concept and make it work here.  We have no history of allocating sufficient staff resources.  Look at the CAP- a report sitting on a shelf.   This program  will not happen by itself.  Look at the studies that have been done of other TDR programs- and findings that most fail.  One of the key challenges those studies identify is the administrative burden it takes to effectively manage them.

So if there are any examples of this working somewhere, find them and learn from them and make sure you at least start out with something that could work.

Managing those risks means figuring out how this can be done incrementally given the huge infrastructure expansion.    Can anyone who qualifies be the first receiver parcel ? What if they are at the end of a long sewer line expansion?  Who fronts those costs until the other development such an expansion will encourage actually comes on-line?  What controls need to be inplace for a reasonable plan of expansion that balances those costs and risks?. Of course it makes sense to not require existing landowners to hook up to a new sewer system if they do not want to.  But really how will that work over time?   What if lines are expanded and there is not sufficient use to justify the costs?

**Specific Questions/Comments on the Draft Report**

- need further details that support the conclusion that ag easement is "prohibitively expensive"  . What is the differential impact to sellers of keeping their land as is or sending their units to a  receiver to build the units- or to defer them permanently without transferring?  In other words for selling through a TDR or selling through an ag easement  with no development of those rights. In theory it seems to me the value of those units is the same.  But the analysis seems to imply they would not get 100% of the value through TDR- yet assumed they would b get 100% through an ag easement which made that option infeasible.  Can't the city establish a basis for valuation that equalizes these two? Or require that the buyer pays a fair price? (Which even at 50% of the value makes TDR infeasible!!!)  Is there any difference to the seller and if so, why?

-  comparison between overall land values across the county to OS SMH land values needs to be validated.  Have Oceanside housing and ag land prices varied in the same way as the county overall?

- how valid an indicator of future land value trends is past performance and how variable is that?

- why is scenario # 4 the only one using TDR? We need to see difference of TDR for 1 acre and 2.5 acre/du.

- Neither # 3 or 4 mirrors the SMHCP Vision- #3 has no TDR and # 4 has different du/acre- or are we misunderstanding something?

- # 4 has a range of 25-50% of value paid to sender.  What is the actual experience of such sales in a TDR program in CA that was successful?  What justification is there for the range  of 25-50% that was assumed?   What is the actual experience of valuation of such payments in other TDR programs?  There needs to be some real world validation of what range is reasonable.

- County PACE program sales prices are not a valid base of comparison .,.PACE progam administrator indicated the basis for these ranges- and Oceanside would be on the high end- not in the middle.  Furthermore these costs cover several years with no adjustments for land valuations during the time period.

- For ag easement program need actual valuation of the easement plus the remaining land value to the seller.  Ag easement cost  is just the difference between the land with no development, but potential to develop and land with no future potential to develop.  Presumably the land value is reduced, but they have a one-time upfront payment that offsets that.  Does their land appreciate differently over time because it no longer has development rights?  At some point  it seems that might make it even more valuable.

- The ag easement valuation needs to include reduction in property taxes for the seller.  The rule of thumb is a 10% reduction in those taxes. PACE program is working to get that be routinely approved as part of establishing the easement so each property owner does not have to apply for a reduction.  This seems to be one key difference between TDR and  ag easement programs that was not mentioned.  Or do sellers of TRDs also get such a tax break? That whole issue was not mentioned.

- What was the "specified" time frame- 2035?

- Unclear why # 3 and 4 both have 60 acres of ag  land preserved.  Isn't there ag land preserved on the sender parcel also?   In which case it would seem that #4 would preserve more ag land.

- What is likely range of variability of land value differential between ag land and residential land over time?

-- What impact does increasing the number of "clusters" have on these numbers? Surely there is diminishing value as the number of clusters increase and demand declines.

- What is market demand for homes at the assumed sales point of  $ 1.487.4- $ 744k  ? The high cost of homes under #1 is a key reason why  there is 0 probability SMH would develop into the"'pegboard."

Whatever ends up finally approved we all want a program that supports the long term economic sustainability of our community.

Thank you for considering our comments.

Diane Nygaard