

Draft Memorandum

TO: Century Communities

FROM: James Edison

DATE: November 30, 2022

SUBJECT: East Garrison Town Center Tax Increment Analysis

OVERVIEW

Willdan has been engaged by Century Communities to evaluate the impact on the tax increment generated by East Garrison under current approvals and a proposed modification of the approved plan for the Town Center. On a regular basis the County has calculated the expected tax increment to be generated at East Garrison to ensure it will be sufficient to meet the requirements of its agreement with the developer (the Disposition and Development Agreement, or “DDA”). The developer of East Garrison has proposed an alternative development scenario, and this memo evaluates the amount of tax revenue generated by this alternative. This analysis builds on the County DDA analysis to compare the revenue generated under current entitlements to the revenue generated by the proposed development alternative. The key consideration is whether the revenue generated by the proposed alternative is equal to or greater than the revenue generated under existing entitlements, which will ensure maintenance of sufficient revenue.

The approved East Garrison Specific Plan included 1,400 residential units, plus 70 potential ADUs, much of which has already been constructed, and requires a minimum of 34,000 SF of commercial/retail/civic uses. As indicated in the East Garrison Specific Plan, the town center area was purposely designed with a flexible zoning overlay in order to be responsive to market demand and “assimilate changes in response to prevailing market conditions”. A total of 40 residential apartments/condos and 49 live/work type units were also anticipated within the town center.

Additionally, the East Garrison Town Center was originally planned to be a regional destination to be associated with the East Garrison Arts District. The Arts District is planned for up to 70,000 SF of affordable artists spaces within 24 rehabilitated historic buildings along with 65 affordable newly constructed live/work units. To date, none of the Arts District has been initiated.

Table 1 details the results of this analysis. As shown on Table 1, the tax increment generated under the proposed development alternative is greater than the tax increment generated by development under existing entitlements. Table 1 calculates two increment amounts, the total new incremental ad valorem property tax revenue generated, and the amount available (increment) to fund County DDA obligations, which is net of set asides and other deductions.

Table 1
Increment Calculator Comparison
East Garrison TI Calculation

Alternative	Buildout Increment (1)	DDA Increment (1)
Existing Entitlement	\$8,178,465	\$4,141,453
Proposed Final Phase	\$8,699,703	\$4,470,876

(1) as of FY 2026-27

Sources: County of Monterey, Willdan

Willdan, 2022

ANALYSIS

Willdan has prepared an estimate of the tax increment generated under a proposed alternative development for the remainder of East Garrison. In connection with a recent audit of the Disposition and Development Agreement (DDA) for East Garrison the County has prepared an estimate of tax increment under current entitlements. Willdan has expanded on this analysis to estimate the increment under the development alternative.

East Garrison consists of single family and multifamily residential units (market rate and affordable) along with parks, open spaces, trails and a yet to be developed town center and arts district. Phases 1 and 2 of the East Garrison Specific Plan have been constructed, and Century Communities is proposing to modify the plan for the town center to bolster the long-term viability of the retail component of the town center and better support the two affordable housing projects yet to be constructed. Prior to starting the final phase, Century Communities reached out to Willdan to determine impact of the proposed alternative scenario on the tax increment generated by the project.



Table 2, below, details the remaining units left to be constructed under existing entitlements and under the proposed alternative.¹ As shown in Table 2, 23 fewer units are proposed under the alternative as compared to the existing plan.

Table 2
Incremental Development
East Garrison TI Analysis

Remaining Development	Existing Entitlement	Proposed Final Phase
Medium Density Residential	0	0
High Density Residential (condo/apt)	154	0
Liberty Townhomes	35	0
Town Center Lofts	46	0
Live/Work	40	0
Rowhouse/Townhouse MF	0	104
30x55 lots	0	82
30x70 lots	0	66
Total Units	275	252

Source: Urban Design Associates, Century Communities

Willdan, 2022

¹ This does not include low and very low affordable units, which are not expected to pay property tax and therefore will not contribute tax increment revenue.



Table 3 details the pricing of the proposed units under existing entitlements and the proposed alternative. As shown on Table 3, the proposed alternative is a reduction in the number of units but an increase in the pricing, reflecting a shift to small lot single family homes as the affordable units are moved closer to the Town Center to encourage density and a sense of place. The overall total assessed value is higher, along with the mean unit value.

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Table 3
Valuation Calculation
East Garrison TI Analysis

Units	sf/dsc	Valuation (1)	Incremental Additional Units	
			Existing Entitlement	Proposed Final Phase
High Density Residential (condo/apt)		\$490,530	154	75,541,606
Liberty Townhomes		\$236,076	35	8,262,660
Town Center Lofts		\$550,000	46	25,300,000
Live/Work		\$566,034	40	22,641,355
Rowhouse/Townhouse MF	1700	739,990		25 18,499,750
	1900	766,990		26 19,941,740
	aff 1330	240,000		33 7,920,000
	wf 1700	430,000		<u>20</u> 8,600,000
				104 528,476
30x55 lots	1900	851,990		27 23,003,730
	2100	883,990		27 23,867,730
	2225	902,990		<u>28</u> 25,283,720
				82 879,941
30x70 lots	1437	818,990		20 16,379,800
	1649	852,990		20 17,059,800
	1866	886,990		20 17,739,800
	wf 1437	525,000		<u>6</u> 3,150,000
				66 823,173
Total Units			275	131,745,621
				\$479,075
			252	181,446,070
				\$720,024

(1) Market rate valuation based on Century Communities analysis. Affordable valuation based on rough estimates subject to further analysis and underwriting.

Source: Century Communities, Willdan

Willdan, 2022

As previously noted, the County has prepared a tax increment analysis to estimate the increment that will be generated at East Garrison at buildout. Willdan has used this same analysis, with the units proposed in the proposed scenario, to calculate the projected tax increment.



Conclusion

Based on our review and analysis of the current and proposed development scenarios at East Garrison, the tax increment to be generated by the project will be higher under the proposed scenario than under the current entitlements, as summarized in Table 1 above.

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