

Virginia Smith Trust (VST)

Development Project

Project Description

In 1995 the State of California sought out a location for a new UC Campus. The community of Merced was successful in that effort based principally on the “promise” of development of an integrated university community, development of programs to pay for scholarships for local high school and community college graduates, and that the community, and the Virginia Smith Trust (VST) in particular, would commit to developing a plan and implementation program that would result in a world class university campus and an adjacent university community to support and house university students and staff.

Since the selection of the site, the County of Merced, the City of Merced and the community have collaborated on the development and adoption of the University Community Plan (UCP), which was adopted in 2004. As part of that plan, “UCP North” and a “UCP South” areas were designated. The UCP North portion of the Plan Area is the VST property. That plan identified an ambitious collection of land uses, including a range of residential uses appropriate for UC staff and students, a mixed use commercial (“down-town”) center that would provide areas for restaurants, retail shops, personal services, entertainment that would be geared toward serving the needs of the university community population and the campus itself. The UCP plan was formally adopted and an EIR was certified for it in 2004. Actual development of the university community area was to be subject to the development and adoption of Specific Plans for each of the component areas. Since adoption of the UCP time, the campus population has grown from 1,500 students and staff to 10,980 students and staff, but the supporting housing and commercial areas have lagged behind.

In early 2019 VST started the implementation phase of the UCP North portion of the UCP by developing background information to update the environmental baseline. A draft community plan amendment application was submitted to the County of Merced in November 2019 that described development features and proposed land uses for the project site. The land uses in the application relied heavily on assumptions contained in the UC Merced Long Range Development Plan (LRDP) and the 2004 University Community Plan (UCP) prepared for the project site. Since that time, those assumptions have been critically reviewed and evaluated by independent third-party market feasibility analyses and are proposed to be substantially modified. While the essential physical elements have been preserved—commercial component, town center, and higher average densities—the quantities have been modified.

First, the UCP North portion of the project was originally “embedded” in the main campus per the UCP, but is now adjacent. Property boundaries have shifted over the last fifteen years as has the campus master plan. The University’s 2009 Long Range Development Plan (LRPD) and other documents have been modified that so that the VST property borders and abuts UCM, but is not and will not be surrounded by it. Now, the Town Center and R&D/office areas will need to be compatible with the 1- 3-story construction that is typical of master planned communities. It was also determined that multi-story vertical mixed uses in an

area like VST that is remote from Downtown Merced would not be feasible. Such uses would require unsubsidized structure parking, and were therefor considered to be infeasible at market rents in Merced. Several adjustments were also made to recognize the fact that the commercial portion of the VST project will now be ½ mile from the existing center of campus, and 1/3 mile from the 2020 UCM expansion. It is also about ¼ mile away from the limits of the UCM described in the most recent UCM LRDP, and there will likely a higher percentage of vehicle trips (although the total number of vehicle trips will be less than half of those originally projected in the 2004 UCP). An alternate alignment has been developed for Campus Parkway that substantially complies with UCM Lake Road separation criteria, recognizes the current termination point at Yosemite Avenue, and provides for a feasible transition from Campus Parkway at Yosemite Avenue to the Lake/Bellevue intersection. Finally, the land uses have been modified to most closely address and serve the UCM staff population.

The revised land plan and development profile, illustrated on Figure 1 and Table 1, respectively, substantially complies with UCP policies. The modifications to the project description include the following:

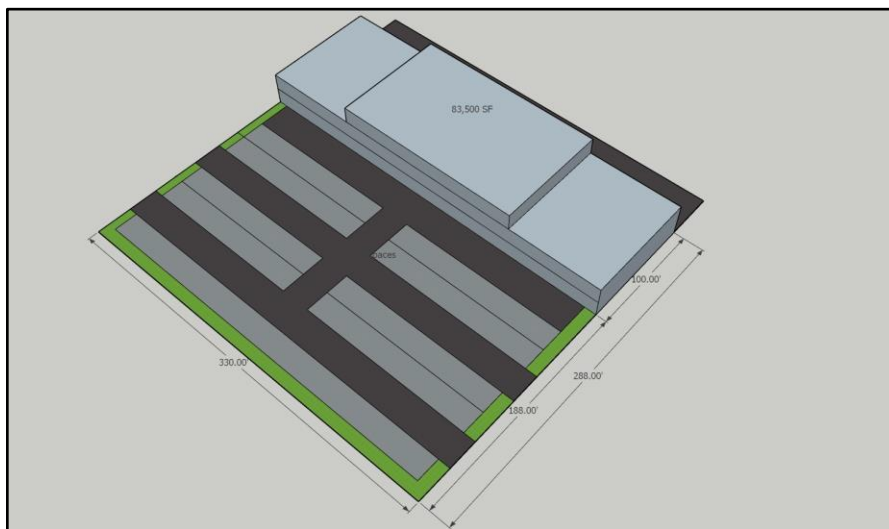
Business Park/Office Uses. The 2004 UCP assumed that the VST property, or the adjacent UC Land Company properties would accommodate up to 1.3 million square feet of office and “re- search and development” space. The growth in office space over the last 15 years has been relatively small, and office occupancies have only now recovered from their pre-Great Recession level of 2.6 million occupied square feet. It is therefore unrealistic to assume that large-scale office parks or a substantial amount of office space will be needed. A review of office space adjacent to UC San Diego, UC Berkeley, Stanford, UC Davis, UCLA and several other universities in California confirm that large scale office developments do not occur around universities. The LRDP and preliminary development plan projected over 1 million square feet for office uses. There does not appear to be any statistical backup for the LRDP projections, or for more hotels. The revised project description reserves an adequate amount of land adjacent to the Town Center to accommodate 275,000 square feet of office and/or hotel uses. Since a 95-room major brand hotel will need 40,000 to 50,000 square feet of building area, this amount of office space adequate for projected office demand and two branded hotels. To allow for future, unanticipated growth in this land use category, the adjacent multifamily properties will be allowed to “flex” to office uses.

Retail/Mixed Use. It is unlikely (and probably undesirable) that the VST property would serve any more than the retail needs of the residences of the VST property, the existing and future staff and students at UCM, and the northern half (3,550 dwelling units) of the Hunt/UCP South property. In the short term, it is not considered prudent to assume a significant amount of demand from future UCM uses or the UCP South property. Based on federal consumer expenditure data, sales productivity data from the International Council of Shopping Centers, and on the proposed land plan, there will be a need for up to 279,500 square feet of shopping center retail uses, and up to 300,000 square feet of “Town Center” mixed commercial uses. In the near term (Phase 1) the total amount needed is 125,500 square feet. This is equivalent to an 8-10 acre of shopping center. The proposed land plan includes 862,500 square feet for general retail, mixed use, and a community commercial site to serve the VST residences, existing and future UCM onsite students and staff, and north half of Hunt/UCP North; the market demand derived from the UCP North and UC uses is estimated to be 922,000 square feet. This indicates an approximate equilibrium of “onsite” supply and demand.

In order to provide commercial goods and services within a distance considered to be “walk-able” and “bikeable” (according to the National Association of City Transportation Officials (NACTO), and LEED’s Neighborhood Development Guidelines), there are two smaller (50,000 square feet) shopping centers shown on each end of the development. The neighborhood center in Phase 1 is located at Virginia Smith Parkway and Campus Parkway and is intended to attract a small grocery, convenience shopping needs and a gas station, and would serve the commuting students and staff at UCM, as well as the surrounding neighborhood. The neighborhood center on the eastern end of the project would be more convenience and neighborhood oriented. The “Town Center/Main Street” area in Phase 1C is centered in the development and along the approximate mid-point of the entire UCP Community area. It is unlikely that this area will develop at once. It is also questionable whether the 108 second-story residential units assumed to be in the Town Center are feasible, as this format for residential uses is not proven for Central Valley communities, unless they are heavily subsidized and/or dedicated to a niche housing type. Finally, there is a Community Commercial shopping center along Cardella adjacent to UCP South that would serve VST and the northern half of UCP South.

Assumed Scale and Massing. The current UCP Policy LU 5.8 specifies a minimum Floor Area Ratio (FAR) of 1.5 in the Town Center. This is considered impractical and unachievable given the reconfiguration and uncoupling of the VST/UCP properties with UCM. This level of development intensity would require structure parking (as it does in Downtown Merced), or a parking ratio that would be inadequate to serve the commercial uses. It is assumed for planning purposes that parking in the Town Center would be provided at a rate of 1 space per 500 square feet in the Town Center, 65% of that specified for shopping centers and more vehicle oriented commercial formats. The maximum development density that could be achieved at a 2 spaces/1,000 SF (1 space per 500 SF) and without structure parking would be an FAR of 0.875 FAR, as shown in the illustration below:

Maximum FAR in Town Center



This kind of retail format has its own challenges with market acceptance and tenant stability. These kinds of projects can be successful when there is an adjacent daytime institutional anchor such as a major health care facility, City Hall, County Building, etc. In this case, the VST Town Center would be a non-anchored retail strip. Commercial rents in Merced also are not high enough to support upper story construction, and as noted earlier, the market for office uses that can logically go on upper floors is weak at this location. The VST Specific Plan entitlements will include a request to change UCP LU 5.8 to have a minimum FAR of 0.75, and will a parking requirement of 1 space per 500 square feet.

Schools/Public Uses. The project site is split by the Weaver and Merced City School districts. According to the projections in the table below, Phase 1 residential development will result in the generation of 342 K-6 students and 431 K-8 students. At full buildout, there will be approximately 860 K-6 and 1,100 K-8 students. There is insufficient need for an elementary school in Phase 1, but certainly by Phase 2A or 2B one will be justified, and a 12-15-acre elementary school site is shown in Phase 2B. A 15-acre elementary school is shown in subphase 1E in the Weaver School District portion of the Project.

Park Area. Previous versions of the land plan have assumed that there would be significant open space and parks area on the project site early in the development of the project. Under the revised project description, parks are developed along with neighborhoods and as on-site demand warrants. The UCP park requirement would be met by three principal park types: 1) pocket/neighborhood parks ranging in size from 0.25 acres to 1.25 acres. Such parks would be spaced (when combined with the community parks), so that all residential units are within 450 feet of any park space; 2) three “community” parks ranging in size from 6.0 acres to 6.5 acres each that would provide for organized sports facilities, court games, community gardens, dog parks, etc.; and, 3) an east-west and a north-south linear park system. The east-west linear park system would run along the south side of Virginia Smith Parkway (the midline of the property), and this facility would serve as an organizing element for the community, and would provide drainage area with bioswales. The north-south linear park would run along the latitudinal midline of the property just each of the Fairchild Canal. In addition to providing significant passive open space, these linear parks would include par courses, pocket parks for adjoining developments, bicycle trail head facilities, and other recreational assets. In total, there would be 61.4 acres of recreational parks, equal to 4.98 acres per 1,000 persons using the population factors in Section 17.44.080 of the County Zoning Ordinance. This is at the 5 acres/1,000 standard in UCP Policy LU 9.4.

Residential Mix and Quantity. The market for residencies on the VST property will be most significantly influenced by the UCM employees themselves. The UCP therefore directs that housing in the UCP areas reflect a range of choices appropriate for the socio-economic mix of UCM employees, including an emphasis on houses that address the need for “executive” and “move up” market segments appropriate to UCM

management staff. It is assumed for the purpose of programming the project, that the demand for a custom home on a 1-acre lot will be met by the numerous such developments that already exist in the vicinity of UCM. However, based solely on the regular pay of UCM employees reported for 2018, there is an estimated demand for up to 550 houses on larger lots (15,000-25,000 square foot lots, and 8,000-12,000 square foot lots) to accommodate homes in the \$500,000+ price ranges. There are 650 UCM employees that fit into this housing type price range, and there are 534 units planned to serve this need.

There is an obvious demand for off-campus student apartments and family apartments (but it assumed not for offsite student dormitory style housing). Assuming that the VST project could capture 50% of the student housing not provided on campus, there is an immediate need for approximately 500 student apartments in 2018, and growing to 925-950 units by 2030 (that is, assuming 4 student “beds” per 2 bed- room/2 bath, 1,000 square foot apartment). There is a quantitatively equal demand for family apartment rentals. There is also a demand for some newer “cluster” housing product types. Younger families, Millennials just entering the housing market, and “empty nesters” are eschewing homes with large yards, and are opting for single family detached homes on smaller lots, and for single family attached homes. Three types of single family detached “cluster” housing are included in the VST project: 1) alley-loaded 5,000 SF lots with common drives and yards; 2) a 5,000 square foot lot 4-pack cluster with a common driveway; and, 3) R-2 3,000-3,500 square foot lots in an 8-pack, 6-pack or 4-pack configuration serviced by a common driveway and with shared front yard areas. The latter products are often known as “Bungalow Courts” and/or “Pocket Cottages”. The table below shows the planned quantity of each type of unit, and the correlation of those numbers to UCM employees.

Overall, there are 2,559 units proposed for Phase 1 and 1,358 units proposed for Phase 2 for a total of 3,917 units at buildout. With the proposed product mix, average density per gross residential acre is 16.2 units per acres; average multifamily density (R3/R4/Town Center) is 25.5 dwelling units per gross multifamily acre; and, average single family (R-1/R-2) density is 6.1 units per gross acre. These densities meet or exceed the minimum densities in UCP Policy LU 7.11.

Circulation and Transportation

Bikeways. The circulation system proposed for VST makes a significant effort to accommodate bikes. This seems appropriate given the typical mode choice for students and some faculty. The UC is currently served by two Class II lanes on Lake Road, and by a two-way Class I path adjacent to Lake Road, meaning two northbound and southbound bike lanes. Per National Association of City Transportation Officials (NACTO) guidelines, the capacity of a single bike lane is 2,000 to 2,500 bikes/hour, so that these bike facilities on Lake Road have a directional traffic capacity of 4,000 to 5,000 trips per hour northbound and 4,000 trips per hour southbound. Current trips on these facilities are not known, but will be assessed in the Specific Plan. Assuming the long-range buildout of the campus to 15,000 students as stated in the 2020 LRDP there will be 7,500 students living off campus, and an assumed 25% mode choice for bikes (some studies put this fraction as low as 10%), commute trips to the UC from off campus locations would be 2,500 to 3,250 in the PM and AM peak hours. (Previous traffic studies have estimated the vehicle trip generation rate for UCP properties at approximately 75 percent of the ITE standard rate, with the remaining 25 percent of the trips to transit, ped and bikes. Assuming a 25 percent bike mode therefore assumes the highest percentage that is consistent with the trip generation assumptions.) There could likely an equal number of trips throughout the day for on-campus residents who may go to off-campus commercial and service destinations. If 50% of these on-campus residents would bike (because of the proximity of the locations), there would be another 5,000 to 6,250 bike trips that are spread throughout the day. If spread equally over a 12-hour day, this would result in 850 to 1,100 bike trips per hour between the UCP and UCM. Using the NACTO bike lane capacities, there would need to be 2.39 northbound lanes and 2.39 southbound lanes, as shown in the table below.

One significant change is the usage of a Class IV bike lane rather than the Class I bike paths adjacent to Campus Parkway “Class IV” bike lanes are proposed. These are new bike facilities which are essentially a protected on-street bike lane. Avid cyclists and commuting cyclists will choose to ride the road with cars rather than compete with or be delayed by recreational rides on Class I bike paths. Their destinations are like autos and they seek the most direct route to their destinations. All of the current designated roadways include “shoulders” that will be used by such cyclists instead of the Class I off-street paths. The current state of the art is to use these shoulders and provide a physical separation or barrier for safety purposes. Some cities have adopted a standard to elevate these bike lanes to sidewalk level and to locate them between the curb and gutter and a 7-foot landscape area. A version of this type of a Class IV bike lane proposed for VST is illustrated below:



Roadways. A number of factors will change the roadways that are needed for full buildout of the VST site and the UCP Community Plan Area in general. First, UCM has scaled back its enrollment projections in the most recent version of its Long-Range Development Plan (LRDP) and it now considers enrollment above the 2030-projected level of 15,000 students to be “speculative” and unlikely. Earlier planning documents and plans have assumed “full buildout” of 25,000 students, which may be achieved in some very long-term horizon, but there is no longer an official estimate. The 2020 LRDP has also dropped references to any offsite land uses. Previous VST land plans have attempted to conform with the projections in the 2009 LRDP and UCP which contained significant (and unrealistic) estimates of the amount of office, retail and “R&D” uses. The UCP assumed some 3.3 million square feet of commercial space on the UCP North/VST property; it is projected that we will only 15 percent of that amount, as shown in the Table above.

The change in land uses will have a significant impact on the need for roadways to support the land uses, and for intersection controls like signals and roundabouts, both onsite and offsite. The UCP EIR projected total trip generation for UCP North at approximately 89,500 ADT, with 25,800 of those trips affecting roadways and intersections outside of the UCP planning area boundary. The projections under the revised land plan total 42,800 ADT vehicle trips, with 19,300 of those projected to occur outside of the UCP plan area, as shown in the table below. Various VST collector and arterial roadways are projected to have traffic levels between 2,500 ADT and 8,500 ADT, levels that can easily be served by roadways with two through traffic lanes. UCM has also projected that its impact on Campus Parkway will in the range of 500 ADT (using the 50 peak hour trip quoted in the 2020 LRDP traffic study). Since the fundamental purpose of Campus Parkway is to funnel UCM and UCP traffic to Highway 99, and the VST project site is at the end of the line, it is possible that a four-lane facility is not necessary, especially with the 90 percent reduction in the amount of commercial space assumed in the UCP. This will be evaluated in the Project.

Campus Parkway Alignment; Lake Road/UCM Interface. Considerable effort has gone into designing the continuation of Campus Parkway north of Yosemite to Bellevue Road. The alignment in the land plan meets UCM’s separation criteria from Lake Road, and provides for the eventual termination of Lake Road into Campus Parkway in a safe and efficient way. It also provides for the connection of Campus Parkway to the 4-lane Lake Road segment south of Bellevue that is required according to the 2020 LRDP EIR. This alignment recognizes that it is unrealistic to expect that a roundabout would be developed at Lake/Bellevue (as shown on some previous plans), given the entry improvements that have been made by UCM, and topographical restrictions.

Community Benefits Proposal

Development of the Project has long been recognized as community benefit in itself. As envisioned when the State committed to place the University in Merced, development of the VST property will provide a robust and vibrant mixed-use community with bike trails that are integrated with UC's, a mix of commercial uses to serve the residents and UC staff's daily shopping needs, a mixed use Town Center similar to UCLA's Westwood Village, a range of housing types from estate lots to smaller lot single family detached "cluster" units, townhomes, and apartments for families and students. The project will include park and recreation space that are integrated into each neighborhood, sports facilities, a public elementary school and a charter "university" school. The VST project would also include financial mechanisms to ensure that needed infrastructure and services are provided and maintained. The features planned for the VST project site meet and exceed the requirements of the University Community Plan adopted in 2004.

There are also physical and environment benefits of the project. Developing the UCP properties as planned will reduce vehicle miles travelled (VMT) in a community, which is recognized by the local air district and State as the single most impactful strategy to reduce greenhouse gas emissions. Locating UC staff and students closer to the UC will improve air quality and reduce impacts on the city and county streets and intersections. It will also result in a mode shift to more active forms of transportation from private passenger vehicles. At present enrollment and onsite employment levels, development of VST will reduce existing VMT by 8.9 million miles per year at the buildout of Phase 1.

The development of the VST property will result in a 30-fold increase the scholarships available for local youth. All of the net revenue from the development of the project will go into the Smith Trust for scholarship. By current estimates, development of the VST property will create a permanent educational endowment of \$80-\$100 million, enabling VST to increase its annual scholarship allocations from \$150,000 per year to \$5,000,000 per year. At this increased level, the Smith Trust could provide scholarships to students throughout the county, rather than limiting them to graduates of Merced High Schools. As described below, the project will also include the establishment of a Community Educational Enhancement Fund to fund scholarships countywide which are not now eligible under the Smith Trust, and to provide funding for MCOE's countywide Foundation programs. These programs include the Science, Technology, Engineering and Mathematics (STEM) program, the Camp Green Meadows program, performing arts program, and funding for MCOE's "University" charter schools.

The development of the Virginia Smith Trust property will obviously result in significant community benefits in the form of a significant increase in the Smith Trust Scholarship fund(s), support for the University and significant environmental benefits. Those benefits are certainly enough to capture the imagination and support of the public and regulators. However, there are additional layers of community benefits that are included in the project. These relate to affordable housing, providing incentives to workers on the UC Campus to cement the economic relationship between the VST and UC properties, providing features that reduce environmental impacts, and providing ongoing funding for services and programs that further MCOE's mission.

Affordable Housing/UC Incentives

In the larger scheme, the housing stock in Merced is adequate and affordable. Prices are still somewhat depressed from over-supply and the effects to the Great Recession. Apartments provide an affordable alternative to home ownership. However, it is still believed that programs should be provided to create workforce housing, increase the supply of housing available to UC employees and students, and provide preferences and incentives for individuals who work on campus at UC Merced. There should also be owner-occupancy restrictions in the single-family detached units to eliminate or substantially reduce the potential for converting single family neighborhoods to tracts of investor-owned rental for students (Isla Vista), and a special Workforce Housing Incentive Program should be established (basically a first time homebuyers program) which will provide deed-restricted units for workforce housing eligible households (households earning 121-160% of the Area Median income). This workforce housing program seeks to target the Project to all UC employees, reduce the influence of investors in the limitation of housing choice and availability, provide a down payment assistance program for Workforce Income families, and provide a certain number of units that will be deed-restricted. Finally, VST and its builders will team up with affordable housing providers to provide lots for “sweat equity” self-help housing. The elements of the program are as follows:

1. Local Preference (“UC Workers First”). The UC and University Community Plan areas have been planned as an integrated unit for the last 25 years. The hope has always been that the UCP properties, including VST, would provide the residential and commercial support for UC’s students and staff. It is known that many of the UC’s staff live outside of the community and students are being accommodated inside the City at other locations. These commute trips result in an estimated 17.7 million vehicle miles (VMT) traveled each year by students and staff using passenger cars to and from the university. If VST can capture 35 percent of the current students, and 50% of the current staff, all vehicle trips will be shortened, and there will be a significant shift to non-vehicle modes of transportation resulting in a VMT reduction of approximately 9 million miles per year.

There are obvious benefits to in making sure that UC students and staff are significant elements of the VST project. Realizing the VMT reduction benefits will require incentives to lure existing staff and students to the site. Incentives will be established to provide priority for existing UC staff and students as follows:

- a. Each development phase of VST is to maintain the interest list and shall separate and prioritize names of local employees based on interest in product type.
- b. When product becomes available, usually 270-360 days prior to certificate of occupancy (assuming a 180-day construction period), the builder shall notify those UC staff of the opportunity to purchase a residence starting with the “top of the list.” Those individuals shall have approximately 60 days to get pre-qualified to purchase the residence and to provide the builder with proof that the individual is a UC employee (i.e. paycheck or bonafide offer of employment from a local employer.)
- c. If an individual fails to get pre-qualified or fails to provide the builder with proof of UC employment within the time periods above, then the builder may remove or put that name at the end of the interest list.

d. UC staff and employees shall be provided with an incentive package worth \$5,000, including reductions off base price, option allowances, free bikes for transportation, allowance for closing costs, allowance for upgrades, or similar incentives at the discretion of the builder. This incentive would apply to all UC staff regardless of income.

2. Owner-Occupancy Restrictions. Establishing a stable and desirable neighborhood for UC staff will require some segmentation and separation of the student rentals and the ownership units. Builders will agree, with exceptions that are stipulated in the Development Agreement, to include restrictions in the purchase agreement and Covenants Conditions and Restrictions (CC&Rs) for the single family detached units (R-1 and R-2) to restrict these units for owner-occupancy only for the first five years after sale. In the case of units with Accessory Dwelling Units (ADUs), the Principal Dwelling or the ADU will need to be occupied by the property owner. The final form of these agreements will be determined at the time of development of the first final map, and will provide for appropriate monitoring and enforcement.

3. Workforce Housing Incentive Program (WHIP). The project will provide deed restricted units, to families in the Workforce Housing category, defined as household incomes of 121% to 160% of Area Median Income (AMI). This program would require that eligible households have incomes no greater than 160% of the then-current Area Median Income (AMI) and are income-certified by the local Housing Authority. Prices would be limited to no more than that required to achieve an Index of Affordability (“Index”) of 31 percent (cost of housing including mortgage principal, mortgage interest, taxes and insurance divided by 140% of AMI). The maximum purchase price would be equal to 5.65 times (140% of 4.05 multiplier) the median income for each household size. These units would have to be occupied by an income qualifying Workforce Housing household for a minimum of ten (10) years, with preference to UC staff if legally permitted.

4. Down Payment Assistance Program. The project would provide a matching down payment assistance (DPA) of five percent of the purchase price up to \$5,000 as a “silent second” on the initial sale of the five percent of the R-1 and R-2 homes. These units would have to be occupied by a UC staff earning less than Countywide “Moderate Income Limit” for Merced County (currently at \$77,750 or less per year per family), as determined by State HCD. These units would be occupied by a household for a minimum of ten (10) years; if resold within this ten-year period, the units would need to be sold to another income qualifying Workforce Housing buyer and the 10-year deed restriction would reset to 10 more years with the new buyer of the home. The DPA loan would be repaid upon sale of the unit or refinancing, and the proceeds would be placed in a revolving loan fund to assist future workforce, moderate, or lower income home buyers in the VST project. Unlike a reduction in price that would be captured by a future seller at the end of the affordability term, this assistance would continue throughout the life of the funds to assist buyers in the development.

5. Self Help Housing. Self-help housing projects are very common in the Central Valley. In contrast to other affordable housing programs, the homes are built under the mutual self-help method of construction where each family is required to contribute a minimum of 40 hours a week working on all the homes for a period of 9 to 12 months. Family hours can be provided by the owners-to-be, any household member 16 years of age or older and approved helpers. Together, families pour foundations, frame homes, install electrical wiring, hang doors and windows and even lay tile and paint. These labor hours,

or “sweat equity”, are used as the down payment on their new home, reducing costs for a new home they could otherwise not afford. The project sponsor assists each applicant/builder with securing the loans needed to build their home. Special financing from the U.S. Department of Agriculture and the State of California makes these homes affordable.

Participants choose from standard floor plans. As it could be applied to the VST project, these floor plans would be established by a master builder with the same basic specifications and finish qualities of market rate homes that are constructed by a builder for the balance of the development. The participating families not only work on their own home, but everyone works on every house in the building group and no one moves in until all houses are completed, creating a community bond. Self Help Enterprises, a local non-profit housing provider is currently developing a self-help project in Planada.

There are two product types that would adapt well to this model: the R-2 cluster and the R-1-5 cluster units. Both have “shared” front yards and share driveways that would be compatible with the way the self help housing is constructed. It is possible that a project could focus on and give priority to staff at UC. Qualifying families and participants must have good credit status, stable income from employment and other sources of income, income that does not exceed eligibility guidelines, ability and willingness to meet the labor requirement, and be a permanent resident and a U.S. citizen. These programs are normally focused on the “Lower Income” category, meaning they would focus on families with incomes between \$32,500 and \$42,500 per year.

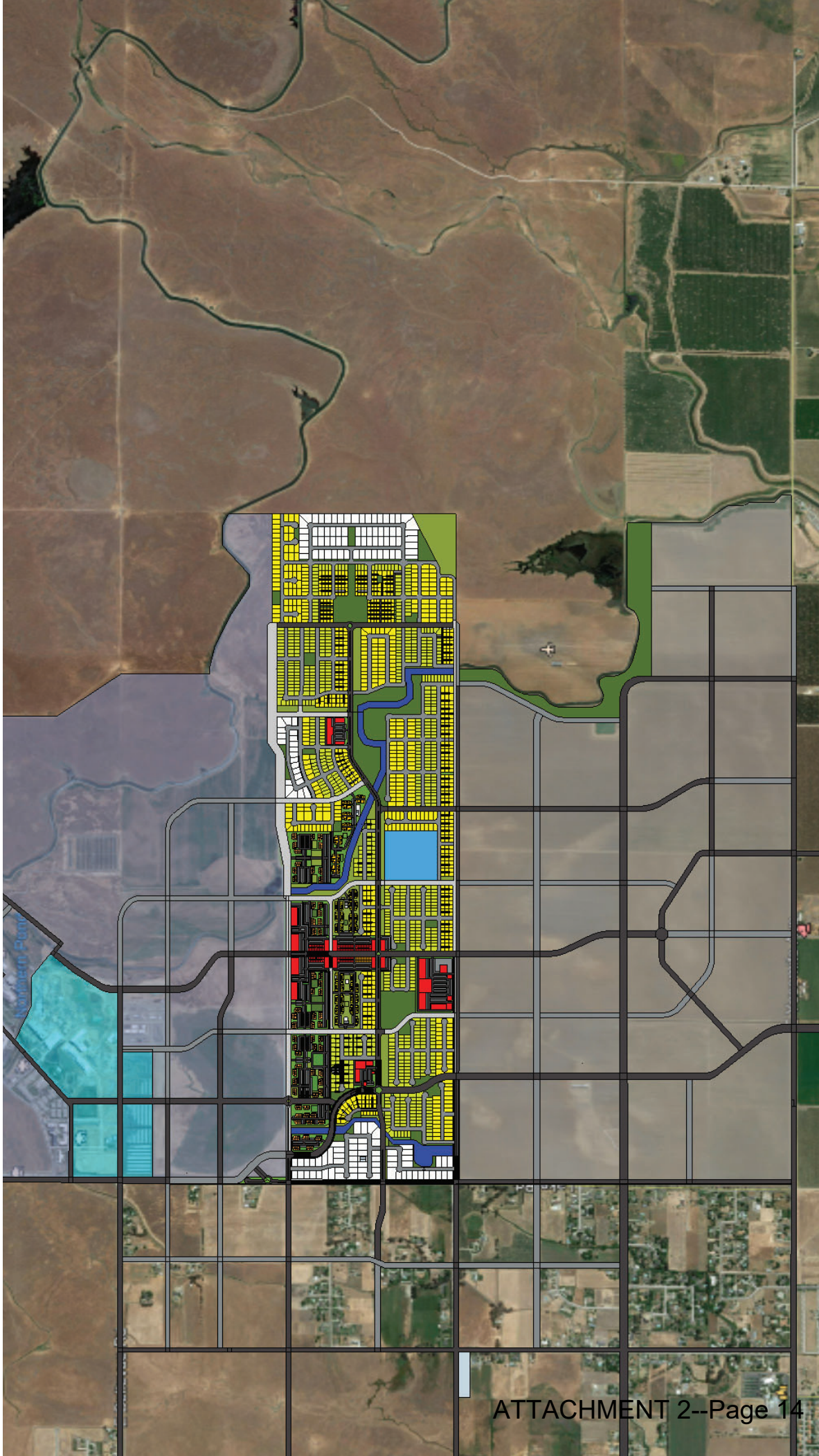
Community Foundation Contribution

The proceeds from the sale of the property will establish a significant financial scholarship fund to assist college students from Merced. Professional educators know that success in high school, and subsequently in college, is determined by many factors that occur well before a child enters high school, including the availability of cultural enrichment programs, offerings for science, technology, engineering and math, exposure to the “outside world”, field trips to broaden students experience and expectations, and other factors. These activities, however, do not qualify for funding under the provisions of the Smith Trust. However, ongoing funding for improvements, services and programs that address this can be funded from a “Community Foundation” that has funding from a contribution from the sale and re-sale of properties in the project.

One example of this approach is the Clovis Community Foundation that was established by Wathen Castanos Homes. Wathen Castanos established a “Community Benefit Fee” in each of its subdivisions equal to 1/10th of 1% of the sales prices of every home sold or resold. The funds generated by the Community Benefit Fee are intended to create a perpetual source of income to benefit the community. The proceeds are distributed by the Foundation’s Board of Directors to the most deserving quality of life projects to enhance recreation, arts, and culture in the community. In almost every instance the money provided by the Foundation must be matched by the grantee. This ensures that the impact of the Community Benefit Fee is twice as impactful. In short, this program is a way for the builders and subsequent home buyers to reinvest in Clovis by “giving something back by paying it forward.” It has created a program that “keeps on giving” well after the completion of the project.

In the spirit of the original intent of the trust to support educational success, VST could set up a Community Educational Enhancement Fee that would levy a percentage or fixed fee on property sales and resales (including residential and commercial property) equal to 0.25% of the sales price, or a fixed fee per unit (say \$750 for each residential unit or \$1,000 an acre for commercial property). This fee could fund scholarships which are not now eligible under the Smith Trust, provide funding for MCE Foundation's STEM program, MCE Foundation's Camp Green Meadows program, performing arts program, or even some portion of the funding for the MCOE "University" charter schools that are planned for the VST site. A community foundation could be set up exclusively for this purpose or an existing one, like the Merced County Education Foundation, could be used. If an existing foundation is used, there would be a sub-account setup to receive and expend the funds in a manner consistent with the intent of the program. A projected cash flow for a program with a 0.25% contribution rate is shown below. As is shown, the program could generate \$150,000-\$300,000 in the initial years, and increasing to \$500,000 to \$600,000 per year in the final years of the project's buildout. Representatives from Wathen Castanos and the Clovis Community Foundation are available to inform VST about organizational, legal and administrative features to set up the Community Benefit Fee.

Figure 1
VST Land Plan



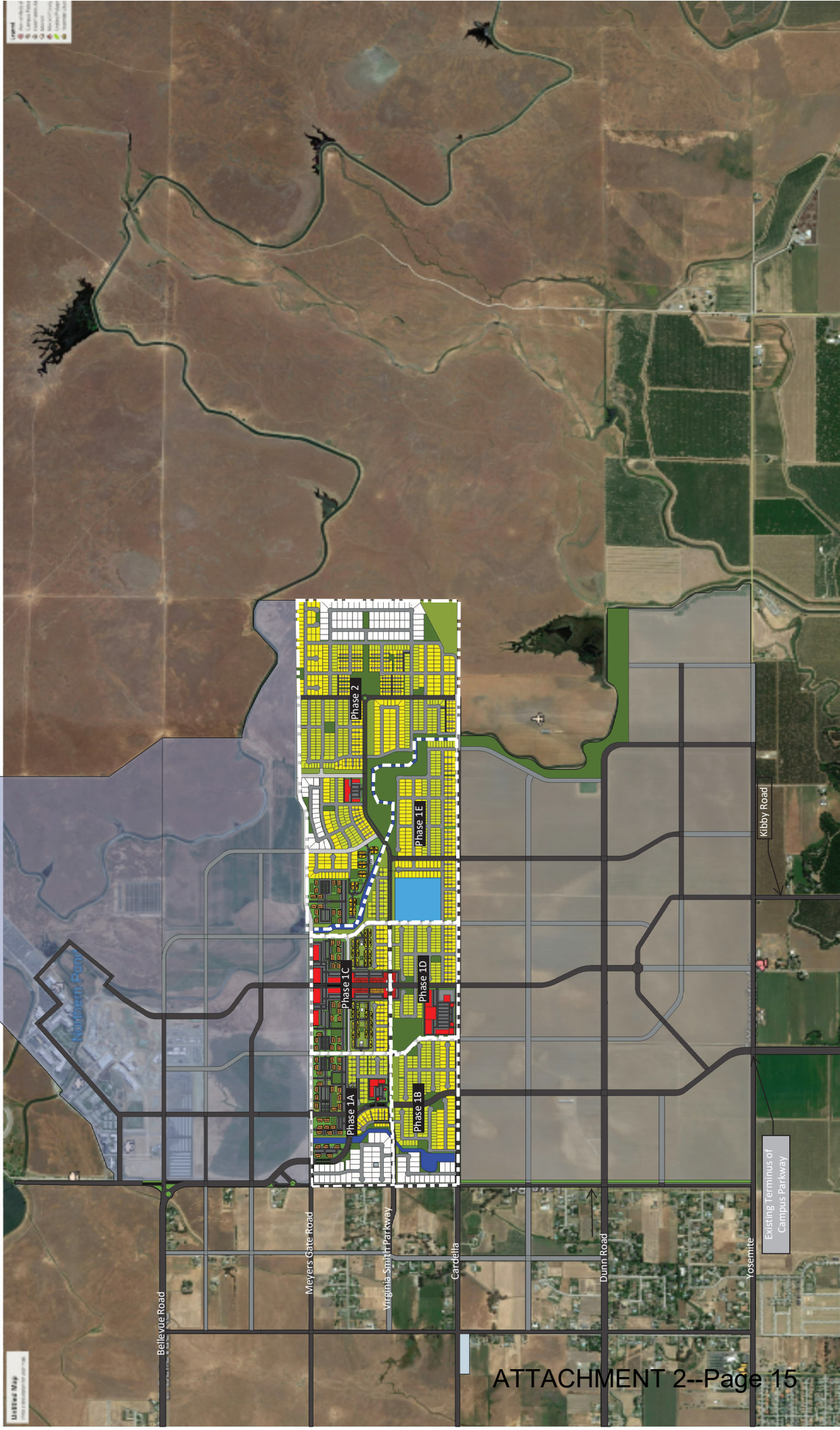


Table 1
VST Land Plan Data

Phase 1												
	1A	1B	1C	1D	1E	Total	Arres	Share of Housing				
Residential (Units)												
R-1 Low (12,500)	44	21				65	26.00	2.5%				
R-1 Low-Medium (7000)		49			85	134	31.53	5.2%				
R-1 Medium (5000)		161		145	101	407	67.83	15.9%				
R-1 Medium (5000, Cluster/Alley)	68					68	10.88	2.7%				
R-2 (Cluster)	36		66	24	135	261	29.83	10.2%				
R-3 For Sale			160			160	9.70	6.3%				
R-3 For Rent			204			204		8.0%				
R-4 Student (60%)	418		274			692	24.71	27.0%				
R-4 Market (40%)	278		182			460	16.43	18.0%				
Town Center Mixed Use			108			108	-	4.2%				
Subtotal-Residential Units	844	231	994	169	321	2,559	216.91	100.0%				
Market Rate SF	956,150	525,000	1,037,850	328,400	651,750	3,499,150						
Population	2,702	739	2,615	541	1,027	6,597						
	26.01	7.71	24.77	8.78	8.25	20.51						
Average Net Density												
Average Gross Density	24.10	5.31	23.27	6.39	6.69	18.73						
Average SF Density (R1/R2)	5.74	5.31	8.75	6.39	6.69	6.29						
Average MF Density (R3, R4, TC)	28.00		24.30			25.89						
Commercial (Bldg SF)								FAR				
Retail Mixed (Main Street/Town Center)			275,000	32,500		307,500	12.28	0.57				
Hotel/Office			275,000			275,000	7.62	0.83				
NC/Retail	50,000					50,000	3.63	0.32				
Community Commercial				175,000		175,000	11.90	0.34				
Subtotal-Commercial	50,000	-	550,000	207,500	-	807,500	35.43	0.52				
Public and Institutional (Acres)												
Parks						-						
Linear Park	0.88	3.66		1.25	5.25	11.04	5.79					
Pristine Park	1.60		1.90			3.50	3.50					
Pond Park	1.75	3.87		7.55	8.15	21.32	21.32					
Subtotal-Parks	4.23	7.53	1.90	8.80	13.40	35.86	30.61					
LP Area for Drainage/LID @	0.22	0.92	-	0.31	1.31	2.76						
Recreation Area for School @	-	-	-	-	2.23	2.23						
Area for Recreation												
Park Area/1,000	4.01	6.62	1.90	8.49	14.32	35.33						
	1.48	8.95	0.73	15.69	13.94	5.36						
Backbone Roads	10.58	6.52	12.92	6.17	6.17	42.36	42.36					
Water	1.50	4.20				5.70	5.70					
Ponding Basin						-	-					
WWTP						-	-					
Other/Misc						-	-					
Schools					14.89	14.89	14.89					
Subtotal-Other	12.08	10.72	12.92	6.17	21.06		62.95					
Total							345.90					
	Estimated Value											

Phase 2											
	2A	2B	2C	2D	Total Units	Acres	Share of Housing				
Residential (Units)											
R-1 Low (12,500)	21		70		91	36.40	6.7%				
R-1 Low-Medium (7000)	54	56	114		224	52.71	16.5%				
R-1 Medium (5000)	58	174	64		296	49.33	21.8%				
R-1 Medium (5000, Cluster/Alley)			13		13	2.08	1.0%				
R-2 (Cluster)	30	97	103		230	26.29	16.9%				
R-3 For Sale	84				84	5.09	6.2%				
R-3 For Rent	84				84		6.2%				
R-4 Student (60%)				202	202	7.21	14.9%				
R-4 Market (40%)				134	134	4.79	9.9%				
Town Center Mixed Use					-	-	0.0%				
Subtotal-Residential Units	331	327	364	336	1,358	183.90	100.0%				
Market Rate SF	586,550	657,200	858,500	302,350	2,404,600						
Population	858	1,046	1,165	1,076	4,145						
	12.73	8.42	7.06	30.00	14.44						
Average Net Density											
Average Gross Density	11.07	6.52	5.57	28.00	12.69						
Average SF Density (R1/R2)	3.61	6.52	5.57		5.91						
Average MF Density (R3, R4, TC)				28.00	24.17						
Commercial (Bldg SF)							FAR				
Retail Mixed (Main Street/Town Center)					-						
Hotel/Office					-						
NC/Retail	54,500				54,500	3.62	0.35				
Community Commercial					-						
Subtotal-Commercial	54,500	-	-	-	54,500	3.62	0.35				
Public and Institutional (Acres)											
Parks											
Linear Park	2.21	5.25			7.46	7.46					
Pristine Park	0.50			1.56	2.06	2.06					
Pleasant Park	7.17	4.68	10.51		22.36	22.36					
Subtotal-Parks	9.88	9.93	10.51	1.56	31.88	31.88					
LP Area for Drainage/LID @	0.55	1.31	-	-	1.87						
Recreation Area for School @	-	-	-	-	-						
Area for Recreation	9.32	8.62	10.51	1.56	30.01						
Park Area/1,000	10.87	8.24	9.02	1.45	7.24						
Backbone Roads	15.60	11.86				27.46					
Walls	5.28	4.56				9.84					
Ponding Basin						-					
WWTP						-					
Other/Misc						7.50					
Schools						-					
Subtotal-Other	20.88	16.42	-	-		44.80					
Total						264.19					
Estimated Value											

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Total						
	Unit Size	Density/Gross Acre	Density/Net Acre	PPH (Per 17,44,080)	Total	Acres
Share						
Residential (Units)						
	R-1 Low (12,500)	3,250	2.50	3.48	3.20	156
	R-1 Low-Medium (7000)	2,750	4.25	6.22	3.20	358
	R-1 Medium (5000)	2,000	6.00	8.71	3.20	703
	R-1 Medium (5000, Cluster/Alley)	1,900	6.25	8.71	3.20	81
	R-2 (Cluster)	1,600	8.75	9.17	3.20	491
	R-3 For Sale	1,400	16.50	18.00	2.00	244
	R-3 For Rent	1,050	16.50	18.00	2.00	288
	R-4 Student (60%)	850	28.00	30.00	4.00	894
	R-4 Market (40%)	975	28.00	30.00	2.00	594
	Town Center Mixed Use	775	35.00	35.00	2.00	108
	Subtotal-Residential Units				3,917	400.81
	Market Rate SF				5,903,750	
	Population				10,742	
	Average Net Density				18.41	
	Average Gross Density				16.63	
	Average SF Density (R1/R2)				6.11	
	Average MF Density (R3, R4, TC)				25.48	
	Commercial (Bldg SF)					FAR
	Retail Mixed (Main Street/Town Center)				307,500	12.28
	Hotel/Office				275,000	7.62
	NC/Retail				104,500	7.25
	Community Commercial				175,000	11.90
	Subtotal-Commercial				862,000	39.05
	Public and Institutional (Acres)					
	Park					
	Linear Park					13.25
	Pleasant Park					5.56
	Pleasant Park					43.68
	Subtotal-Parks				67.74	62.49
	LP Area for Drainage/LID @			25.0%	4.63	
	Recreation Area for School @			15.0%	2.23	
	Area for Recreation				65.34	
	Park Area/1,000				6.08	
	Backbone Roads					69.82
	Walls					15.54
	Ponding Basin					-
	WWTP					-
	Other/Misc					7.50
	Schools					14.89
	Subtotal-Other					107.75
	Total					610.09
	Estimated Value					654.09