OTAY MESA

Public Facilities Financing Plan and Facilities Benefit Assessment

Fiscal Year 2007

THE CITY OF SAN DIEGO

CITY PLANNING & COMMUNITY INVESTMENT DEPARTMENT
Facilities Financing

October 18, 2006

RESOLUTION NUMBER R- 302040

DATE OF FINAL PASSAGE NOV 22 2006

RESOLUTION OF THE COUNCIL OF THE CITY OF SAN DIEGO APPROVING THE OTAY MESA PUBLIC FACILITIES FINANCING PLAN AND FACILITIES BENEFIT ASSESSMENT.

BE IT RESOLVED, by the Council of the City of San Diego, that it approves the document titled, "Otay Mesa Public Facilities Financing Plan and Facilities Benefit Assessment, Fiscal Year 2007," a copy of which is on file in the office of the City Clerk as Document No. RR- 302040.

BE IT FURTHER RESOLVED, that this activity is exempt from CEQA pursuant to State Guidelines Section 15060(c)(3).

APPROVED: MICHAEL J. AGUIRRE, City Attorney

By
David E. Miller
Deputy City Attorney

10/18/06
Or.Dept:Planning/Fac.Fin.
R-2007-444
MMS#3937
Comp: R-2007-445
R-2007-446
R-2007-447
R-2007-448

I hereby certify that the foregoing Resolution was passed by the Council of the City of San Diego, at this meeting of NOV 13 2006.

ELIZABETH S. MALAND
City Clerk

By
Deputy City Clerk

Approved: 11-22-06
(date)

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Mayor

Jerry Sanders

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This information will be made available in alternative formats upon request. To request a financing plan in an alternative format, call the City Planning and Community Investment Department, Facilities Financing Section, at (619) 533-3670.

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Introduction

Authority

This **financing plan** implements the annual adjustment to the Facilities Benefit Assessment (described in Section 61.2212 of the San Diego Municipal Code) for Otay Mesa.

Update of Financing Plan

Resolution No. R-299535 (adopted by City Council on August 3, 2004) implemented the Fiscal Year 2005 Otay Mesa Public Facilities Financing Plan. This report comprises the comprehensive update of the Financing Plan for Otay Mesa. Future updates are anticipated to occur on an annual basis or upon an update of the Otay Mesa Community Plan.

Scope of Report

The Fiscal Year 2007 Otay Mesa Financing Plan identifies the public facilities that will be needed over the next twenty-five years, during which the full development of the community is expected. This report also includes the revised **Facilities Benefit Assessment (FBA)** for Otay Mesa, as required by City Ordinance O-15318. The FBA is established to provide public facilities which will benefit the Otay Mesa community.

Summary of Changes

Community-wide Impacts

The following changes, which apply to the community, have been incorporated in all relevant portions of the financing plan:

1) Updated Development Schedule includes actual permits pulled through FY 2006 and revised estimates for fiscal years beyond 2006.

2) FY 2007 Facilities Benefit Assessment (FBA) rates have increased 52%.

Project-specific Impacts

The following changes apply to specific projects and have been incorporated in all relevant portions of the financing plan and Capital Improvement Program (CIP) project sheets. Only those changes affecting the Otay Mesa FBA are described below:

1) T-1.2 and T-1.3, Palm Avenue/I-805 Interchange Stage II and III. This project was previously listed in the financing plan in four phases. The total cost of the four phases was estimated at $15,227,727. The project is now listed in the financing plan in three stages with a total cost of $43,972,887, increasing $28,745,160 based upon changes in the scope of the project and updated cost estimates. Otay Mesa West contribution increases $8,890,982 from $5,406,536 to $14,297,518. Otay Mesa East contribution increases $14,504,759 from $8,821,191 to $23,325,950. Timing for the project is extended through FY 2006-2013.

2) T-2.3, Ocean View Hills Parkway – Phase III (South). Ocean View Hills Parkway is being constructed in three phases. Phase I and II are complete. The expenditures and appropriations for Phase I and II are included in the third and final phase of the project. The project costs for Phase III includes the total cost for all phases of Ocean View Hills Parkway, which has increased $2,430,621 from $13,167,616 to $15,598,237. Otay Mesa West contribution increases $1,046,554 from $3,045,484 to $4,092,038. Otay Mesa East contribution increases $2,802,240 from $2,740,424 to $5,542,664. Otay Mesa PDIF decreases $1,418,173 from $6,841,708 to $5,423,535. Timing for reimbursement of the project has been extended one year to FY 2007.

3) T-3.4, Dennery Road – Avenida De Las Vistas Connection. This project reflects a change in the title. $1,900,000 increase in estimated total project cost from $5,600,000 to $7,500,000 based upon updated estimates. Otay Mesa West contribution increases $1,900,000 from $5,600,000 to $7,500,000. Timing for the project is advanced two years FY 2015-2016.

4) T-4.3, Del Sol Boulevard – (Central). $4,450,000 increase in estimated total project cost from $2,050,000 to $6,500,000 based upon updated estimates. Otay Mesa West contribution increases $4,450,000 from $2,050,000 to $6,500,000. Timing for the project has been extended three years.

5) T-21.1, New Heritage Road (Otay Valley Road) – North. $800,000 increase in estimated total project cost from $5,500,000 to $6,300,000 based upon updated estimates. Otay Mesa West contribution increases

$304,000 from $2,090,000 to $2,394,000. Otay Mesa East contribution increases $496,000 from $3,410,000 to $3,906,000. Timing for the project has been extended three years to FY 2017-2021.

6) T-21.2, New Heritage Road (Otay Valley Road) – Bridge. $2,015,000 increase in estimated total project cost from $13,500,000 to $15,515,000 based upon updated estimates. Otay Mesa West contribution increases $766,000 from $5,130,000 to $5,896,000. Otay Mesa East contribution increases $1,249,000 from $8,370,000 to $9,619,000. Timing for the project has been extended to FY 2018-2020.

7) T-21.3, New Heritage Road (Otay Valley Road) – Central. $2,115,315 increase in estimated total project cost from $11,150,000 to $13,265,315 based upon updated estimates. Otay Mesa West contribution increases $451,814 from $3,819,000 to $4,270,814. Otay Mesa East contribution increases $695,732 from $6,231,000 to $6,926,732. Otay Mesa West PDIF contribution has decreased $329,876 from $418,000 to $88,124. Otay Mesa East PDIF has increased $143,000 from $682,000 to $825,000. Additionally, $392,124 in credits are identified; $205,248 from Otay Mesa West FBA and $186,876 from Otay Mesa West PDIF. Timing for the project has been extended two years to FY 2020.

8) T-21.6, New Heritage Road (South of Airway). $9,440,000 decrease in total project cost from $64,500,000 to $55,060,000 based upon updated estimates. Previous funding shown as "unidentified" will now be funded by the Otay Mesa East FBA since the funding is available FY 2019-FY 2027. Otay Mesa East contribution increases $23,400,000 from $18,000,000 to $41,400,000.

9) T-23, La Media Road. $1,519,000 increase in total project cost from $21,650,000 to $23,169,000 based upon updated estimates. Otay Mesa East contribution increases $119,000 from $1,700,000 to $1,819,000. Timing for the project has been advanced two years to FY 2008-2011.

10) T-29.1, T-29.2, T-29.3, and T-29.4, Southbound Truck Route (Phase I, II, III and IV). Project T-29, Southbound Truck Route, has been divided into four

phases which are identified in this update. $13,107,073 increase in the total project costs for all phases from $6,124,000 to $19,273,073. There is no additional cost to the FBA for this project.

11) T-50.2, Old Otay Mesa Road – West (Through Open Space). $450,000 increase in total project cost from $2,800,000 to $3,250,000 based upon updated estimates. Otay Mesa West contribution increases $450,000 from $2,800,000 to $3,250,000.

12) T-54, Airway Road – West. $4,025,000 increase in total project cost from $57,500,000 to $61,525,000 based upon updated estimates. Otay Mesa West contribution increases $548,108 from $12,046,000 to $12,594,108. Otay Mesa East contribution increases $894,280 from $19,654,000 to $20,548,280. The unfunded portion increases $951,612 from $2,500,000 to $3,451,612. Timing for the project has been advanced four years to FY 2012-2017.

13) T-80.2, State Route 905. $670,200 decrease in total project cost from $298,057,700 to $297,387,500 based upon updated estimates. Otay Mesa West contribution decreases $254,676 from $1,921,926 to $1,667,250. Otay Mesa East contribution decreases $415,524 from $3,135,774 to $2,720,250.

14) P-1, Ocean View Hills Neighborhood Park No. 1. $305,258 decrease in total project cost from $2,250,000 to $1,944,742 based upon updated estimates. Otay Mesa West PDIF contribution decreases from $2,250,000 to $1,944,742. This project is completed.

15) P-2, Dennery Ranch Neighborhood Park No. 2. $4,252,000 increase in total project cost from $4,950,000 to $9,202,000 based upon updated estimates. Otay Mesa West contribution increases from $4,950,000 to $9,202,000. Timing for funding the project has been extended five years from FY 2005-2007 to FY 2009-2012 due to delays in the development schedule and revised population thresholds.

16) P-3, Robinhood Ridge Neighborhood Park No. 3. The project is completed.

17) P-4.1, Ocean View Hills Community Park. The title of the project reflects a name change. $770,000 increase in total project cost from $11,000,000 to $11,770,000 based upon updated estimates. Otay Mesa West contribution increases from $11,000,000 to $11,770,000. Timing for the project has been extended three years from FY 2003-2005 to FY 2006-2008 due to delays in the development schedule and revised population thresholds.

18) P-4.2, Ocean View Hills Community Park – Recreation Center. $3,017,000 increase in total project cost from $3,350,000 to $6,367,000 based upon updated estimates. Otay Mesa West contribution increases from $3,350,000 to $6,367,000. Timing for the project has been extended four years from FY 2010-2011 to FY 2013-2015 due to delays in the development schedule and revised population thresholds.

19) P-5, Riviera Del Sol Neighborhood Park. $19,908 decrease in total project cost from $3,569,908 to $3,550,000 based upon updated estimates. Otay Mesa West contribution decreases from $3,569,908 to $3,550,000. Timing for funding the project has been extended three years from FY 2004-2006 to FY 2007-2009 due to delays in the development schedule and revised population thresholds.

20) P-6, Hidden Trails Neighborhood Park. $255,600 increase in total project cost from $2,164,400 to $2,420,000 based upon updated estimates. Otay Mesa West contribution increases from $2,164,400 to $2,420,000. Timing for the project has been advanced from FY 2005-2016 to FY 2006-2010.

21) P-10, Beyer Community Park. The title of the project reflects a name change. $3,630,725 increase in total project cost from $9,156,275to $12,787,000 based upon updated estimates. Otay Mesa West contribution increases $4,477,450 from $3,800,550 to $8,278,000 based upon the service area formula used by the Park and Recreation Department (75% Otay Mesa and 25% San Ysidro). Timing for funding the project has been extended three years from FY 2019-2020 to FY 2022-2023 due to delays in the development schedule and revised population thresholds.

22) P-11.2, Recreation Center – South Site. $3,367,000 increase in total project cost from $3,000,000 to $6,367,000 based upon updated estimates. Otay Mesa West contribution increases from $3,000,000 to $6,367,000. Timing for funding the project has been extended five years from FY 2019-2020 to FY 2024-2025 due to delays in the development schedule and revised population thresholds.

23) P-12, Neighborhood Park No. 6 – South of SR-905. $2,600,000 increase in total project cost from $2,750,000 to $5,350,000 based upon updated estimates. Otay Mesa West contribution increases from $2,750,000 to $5,350,000. Timing for funding of the project has been extended three years from FY 2018-2020 to FY 2020-2023 due to delays in the development schedule and revised population thresholds.

24) P-20, Community Swimming Pool. $600,000 increase in total project cost from $4,000,000 to $4,600,000 based upon updated estimates. Otay Mesa West contribution increases from $2,720,000 to $3,128,000.

25) F-2, Fire Station No. 6. $4,765,200 increase in total project cost from $5,484,800 to $10,250,000 based upon updated estimates. Otay Mesa West contribution increases from $5,484,800 to $10,250,000. Portions of the funding for this project have been extended four years to FY 2010.

26) L-2.1, Branch Library. $8,995,000 increase in total project cost from $6,890,000 to $15,885,000 based upon updated estimates. Otay Mesa West contribution increases from $6,890,000 to $15,885,000. Timing for the project has been extended five years from FY 2007-2010 to FY 2010-2015 due to delays in the development schedule and revised population thresholds.

27) L-2.2, Branch Library expansion. $280,350 increase in total project cost from $1,924,650 to $2,205,000 based upon updated estimates. Otay Mesa West contribution increases from $1,924,650 to $2,205,000.

Facilities Benefit Assessment

FBA Procedure

City Ordinance No. O-15318 was adopted by the City Council on August 25, 1980 to establish the procedure for implementing a Facilities Benefit Assessment (FBA). The FBA provides funding for public facilities projects that serve a designated area, also known as the **Area of Benefit**. The dollar amount of the assessment is based upon the collective cost of each public facility, and is equitably distributed over the Area of Benefit in the Otay Mesa community planning area. For more information on an Area of Benefit, see Areas of Benefit and Projected Land Uses beginning on page 9.

Methodology of the FBA

The methodology of the FBA is as follows:

1) An FBA **Assessment Numerical List** (Assessment List) is prepared for Otay Mesa where each remaining, unimproved parcel or approved map unit in the Area of Benefit is apportioned its share of the total assessment according to the size and anticipated use of the property. Refer to Assessment Listing Description on page 249 for more information on the Assessment Numerical List.

2) Liens are placed on the undeveloped or under-developed portions of the assessed parcels and final map properties within the Area of Benefit. The liens are filed without a specific assessment amount since the owner or developer is responsible to pay only the assessment that applies to the type and amount of development that actually occurs.

3) At the time of Building Permit issuance, the owner of the parcel being developed is assessed a fee that is determined by the type and size of the development permitted according to the FBA assessment schedule that is in effect at the time the permit is pulled. Owners/developers are not permitted to pay liens in advance of development. FBA fees are paid directly to the Development Services Department at the time of building permit issuance.

4) Fees are collected, placed into a City revenue account, and used within the Area of Benefit solely for those capital improvements and administrative costs identified in the Otay Mesa Public Facilities Financing Plan.

Timing and Cost of Facilities

The public facilities projects to be financed by the Otay Mesa FBA funds and other sources are shown in Table 11, Otay Mesa Public Facilities Projects, beginning on page 39. Included in the table are:

- Project title
- Fiscal year in which construction of the project is expected
- Estimated project costs
- Funding sources.

Project categories include transportation improvements; water utilities; drainage; parks and recreation; police; fire; and libraries. Detailed descriptions of the projects which are listed in Table 11 can be found on the project sheets beginning on page 49. The FBA also funds the administrative costs associated with the development, implementation, and operation of the FBA program.

Expenditures

The following are three types of expenditures that may be applied against the FBA fund:

1) **Direct payments** for facility costs, including administration of the FBA fund;
2) **Credits** to developers for facilities provided in accordance with Section 61.2213 of the FBA Ordinance; and
3) **Cash reimbursement** to developers for providing facilities exceeding the cost of their FBA obligation pursuant to an approved reimbursement agreement.

Therefore, whether a developer or the FBA fund provides a facility, direct payments, credits, or cash reimbursements are all treated as an expense to the FBA fund.

Areas of Benefit and Projected Land Uses

Two Areas of Benefit

The City Council initiates proceedings for the designation of an Area of Benefit by adopting a **Resolution of Intention**. The undeveloped land areas that are within the community boundary of Otay Mesa are known as the Area of Benefit. A Facilities Benefit Assessment is applied to the residential, non-residential, and various other land use combinations of undeveloped property.

The community of Otay Mesa is divided into two subareas. The Otay Mesa West Subarea consists of mostly residential and commercial development and is located in the western portion of the community. The Otay Mesa East Subarea consists of commercial and industrial development, the City's Brown Field Airport, and is located in the eastern portion of the community, generally east of Heritage Road. Figure 1, on page 11, shows the community boundary and locations of the Otay Mesa Facilities Benefit Assessment Areas or Areas of Benefit.

The location and extent of the Area of Benefit is determined by referencing the County Assessor parcel maps, current tentative subdivision maps, and from information supplied by affected property owners. This information, along with land use designations and assessment payment history, provides the data for the Inventory of Land Use Table shown below in Table 1:

Table 1 Inventory of Land Uses

Actual through June 30, 2006

Land Use (West)	Actual	To Go	Total
Single-Family Residential Units	2,655	1,645	4,300
Multi-Family Residential Units	1,106	6,084	7,190
Commercial Acres	63	103	166
Industrial Acres	3	0	3

Land Use (East)	Actual	To Go	Total
Commercial Acres	24	166	190
Industrial Acres	887	2,028	2,915
OIC (I-100) Industrial Acres	195	2	197
OIC (I-300) Business Acres	16	22	38
OIC (I-400) Commercial Acres	11	50	61

Projected Land Use

Residential

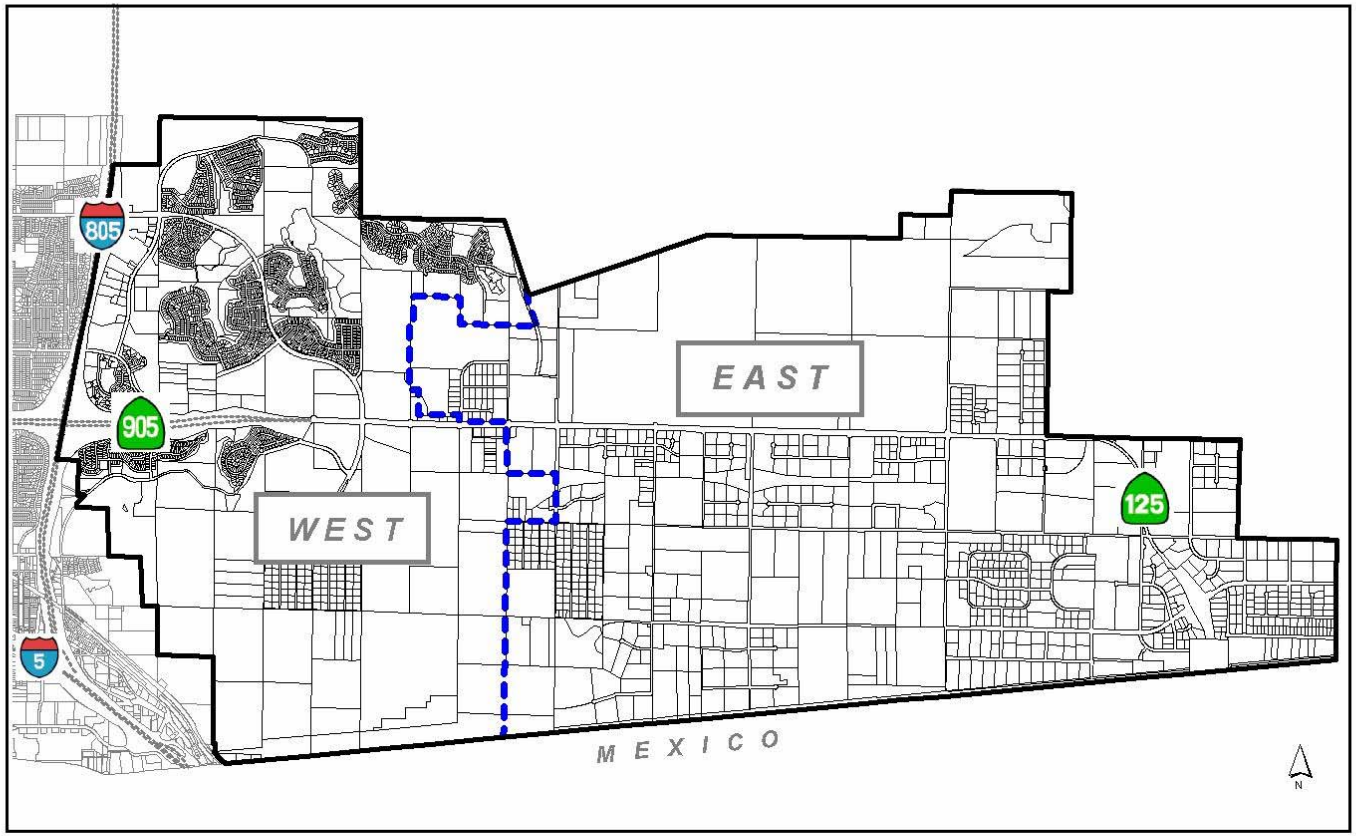
The anticipated residential development for Otay Mesa is estimated at 11,490 dwelling units. A list of the types and amount of planned residential development can be found in Table 1.

Non-residential

The anticipated non-residential development for Otay Mesa is estimated to be 3,570 acres and consists of commercial, industrial, and the Otay International Center. A list of the types and amount of planned non-residential development can be found in Table 1.

Currently, FBA fees are expected to be paid on a gross acre basis for non-residential development. In the event that a landowner desires to proceed with development of a portion of the landowner's property, based on a phased development program, which is subject to a lien for the total amount of FBA as provided in Section 61.2210 of the Municipal Code, the landowner may obtain building permits for the development phase after paying a portion of the FBA and making provision for payment of the remainder of the FBA to the satisfaction of the Mayor.

Figure 1 Areas of Benefit



Boundary Map
Otay Mesa Facilities Benefit Assessment District
City of San Diego

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Assessments

Assessment Methodology

EDU Ratios

An **Equivalent Dwelling Unit** or **EDU** ratio has been established for the purpose of spreading the cost of public facilities between the different land use classifications. Equivalent Dwelling Unit ratios have been calculated for each category of facility to be constructed under the FBA because the relationship between land use and the degree of benefit from different public facilities can vary substantially. The single-family dwelling unit (SFDU) is the foundation for all other EDU ratios. Other land use classifications are assigned an EDU ratio per dwelling unit or acre, proportionate to the respective benefit.

A complete description of the background used to determine the relative levels of benefit from each public facility, and the corresponding equivalent dwelling unit ratios, was originally presented in the Otay Mesa Public Facilities Financing Plan of 1986.

Table 2 provides the EDU ratios used to prepare the Otay Mesa Facilities Benefit Assessment.

Table 2 EDU Ratios

CATEGORY	SFDU	MFDU	CAC	IAC	OIC I-300
TRANSPORTATON	1.0	0.7	40	10	30
PARKS	1.0	0.7	0	0	0
POLICE/FIRE	1.0	0.7	9	6	8
LIBRARY	1.0	0.7	0	0	0
WATER/SEWER	1.0	0.7	0	0	0

SFDU	Single Family Dwelling Unit
MFDU	Multi-family Dwelling Unit
CAC	Commercial Acre
IAC	Industrial Acre
OIC I-300	Otay International Center Acre (Business)

NEDU Factors

The **Net Equivalent Dwelling Unit** (**NEDU**) factor is used to determine the assessment value for each type of land use designation in Otay Mesa. The Single Family Dwelling Unit is the basis for all land use categories in the West Subarea of Otay Mesa while the Commercial Acre is the basis for each land use category in the East Subarea. There are no changes to the NEDU factors used in this update. Table 3 provides the NEDU factors for Otay Mesa East and West Subareas.

Table 3 NEDU Factors

Land Use (West)	NEDU Factor
Single-Family Residential Units	1.00
Multi-Family Residential Units	0.70
Commercial Acres	5.75
Industrial Acres	2.00

Land Use (East)	NEDU Factor
Commercial Acres	1.00
Industrial Acres	0.33
OIC (I-100) Industrial Acres	0.33
OIC (I-300) Business Acres	0.97
OIC (I-400) Commercial Acres	1.29

For more information about the calculation of assessment rates for Otay Mesa refer to Determination of Assessment Rates on page 15.

Assessment Numerical List Description

For each undeveloped map portion or parcel in the Area of Benefit, the Assessment Numerical List includes:

- Parcel number
- Name and address of the owner (according to the County Assessor's records)
- Number of dwelling units or non-residential acres to be developed (according to the highest and "best use" scenario)
- Assessment amount for each parcel.

Identification numbers in the Assessment List may be non-sequential as a result of some parcels having been omitted after assessments are paid, as ownership changes, or as parcels are subdivided. Information on ownership is listed according to the County Assessor's records at the time the Assessment List is prepared, as shown on the last equalized Assessment List, or as otherwise known to the City Clerk; or by any other means which the City Council finds reasonably calculated to apprise affected landowners (Section 61.2205). The current Assessment Listing is shown in the Appendix of this financing plan and begins on page 249. A legend, or key, for understanding the Assessment Listing is included.

A **Resolution of Designation**, when adopted by the City Council, imposes the Facilities Benefit Assessment in the form of a lien that is placed upon the undeveloped or under-developed portions of the County Assessor parcels and final map properties within the Area of Benefit. The assessments are based upon the type and size of forecasted land use of the highest and "best use" scenario.

The maps, plats, and summary of the Assessment List, all of which define the Area of Benefit, will be delivered to the County Recorder for official recording once the updated Public Facilities Financing Plan is approved by the City Council. Collection of the FBA is to occur at the time of building permit issuance at the Development Services Department.

Determination of Assessment Rates

Assessments are calculated and levied against each undeveloped or under-developed parcel based upon the type and size of development, which is expected to occur within the Area of Benefit. The amount of the Facilities Benefit Assessment (FBA) is determined by using the following information:

- Development schedule (in dwelling units and acres)
- Composite EDU ratios for each land use designation
- Schedule of facility expenditures (in FY 2007 dollars) to be financed with monies from the FBA fund

- Interest rate of 2% (applied to the fund balance) in FY 2007-2009; 4% in years beyond FY 2009
- Inflation rate of 7% for FY 2007-2009; 4% in years beyond FY 2009 (to determine the future costs of facilities)
- At the end of each fiscal year (June 30th), unpaid assessments are increased by the inflation factor.

An individual developer will pay an assessment to the FBA fund, based upon the number of units, or acres developed in a particular year. Pursuant to the terms of a reimbursement agreement with the City, a developer may be issued credits against an assessment for expenditures related to providing facilities in lieu of paying a Facilities Benefit Assessment. An approved reimbursement agreement with the City may also entitle a developer to cash from the FBA fund.

An **assessment rate** is calculated to provide sufficient money to meet the scheduled, direct payments for facilities provided by the FBA fund. The base deposit rate also considers the timing of credits and reimbursements to be paid to developers for FBA funded facilities. Table 4 lists the FY 2007 Facilities Benefit Assessment base deposit rate for Otay Mesa.

Table 4 FY 2007 Assessment Rate

LAND USE	ASSESSMENT per UNIT/ACRE in FY 2007	
	WEST	EAST
SINGLE FAMILY UNITS	$20,687	–
MULTI-FAMILY UNITS	$14,481	–
COMMERCIAL ACRES	$118,954	$124,970
INDUSTRIAL ACRES	$41,374	$41,240
OIC I-100 ACRES (INDUSTRIAL)	–	$41,240
OIC I-300 ACRES (BUSINESS)	–	$121,218
OIC I-400 ACRES (COMMERCIAL)	–	$161,211

Automatic Annual Increase

Facilities Benefit Assessments are evaluated annually and adjusted accordingly to reflect the current economic conditions. In year FY 2008, the proposed increase reflects an inflation factor of 7%, while the proposed assessments in years beyond FY 2009 reflect a 4% increase per year. An **inflation factor** is used to provide automatic annual increases in the assessment rate and will be effective at the beginning of each fiscal year (July 1 through June 30). The automatic increase provision is effective only until such time as the next annual adjustment is authorized by the City Council. Thereafter, the subsequent Council-approved annual adjustment will prevail.

Assessments are calculated and levied against each undeveloped or under-developed parcel based upon the type and size of development, which is expected to occur within the Area of Benefit. The Otay Mesa Proposed FBA Schedule in Table 6, page 20, shows the projected rate of assessment for each category of land use during each year of community development.

Interim Use

In 1994, the City Council adopted a policy to assess Development Impact Fees (DIFs) for interim uses of land development in Otay Mesa. Interim uses are considered to be those which are not considered to be permanent in nature, are regulated by the issuance of either a Conditional Use Permit (CUP) or an Otay Mesa Development District Permit (OMDD), and have a finite life span which is usually identified in the permit. Permanent uses are considered to be those uses which extend 15 (fifteen) years or longer. The Facilities Benefit Assessment will continue to utilize the same procedures as were established in 1994. Table 5 provides the guidelines for interim use and describes how the FBA is calculated for interim uses.

Table 5 Interim Use Fees

IMPACT FEE SCHEDULE Interim, Short Term Land Uses for Otay Mesa		
Land Use Category	**Fee**	**Notes**
1. Auto Wrecking and Dismantling Yards	50% of Industrial Fee	The Proration Rule shall apply.
2. Truck Parking and/or Storage	30% of Industrial Fee	The Proration Rule shall apply.
3. Other Interim, Short Term Uses requiring discretionary permit approval.	% of Industrial Fee as determined by Traffic Study	a. An Equivelancy Factor, described below, must be calculated for land uses that fit into this category. b. The Proration Rule shall apply.

Proration Rule

The fee amount to be collected shall be prorated by the percentage calculated by dividing the number of years in which the use has been approved by 15 {e.g. a land use approved for a period of three (3) years shall pay 20% of the industrial fee (3/15 = 20%)}.

Equivalence Factor

Industrial Land Uses generate 100 trips per acre. Since most of the public facilities projects in the East Subarea of the Otay Mesa community are in the transportation category, a traffic study acceptable to the City Engineer shall be prepared which identifies the expected number of trips per acre for the proposed interim, short term land use. This factor shall then be divided by 100, the Industrial Land Use's trip generation rate, to calculate the appropriate percentage.

Case by Case Exceptions

Any applicant whose proposed interim, short term land use fits into land use categories 1 or 2 of Table 5, Interim Use Fees, may petition the Director of the Development Services Department to evaluate, on a case by case basis, the actual impacts created by the proposed project. At a minimum, a traffic study, acceptable to the City Engineer, shall be prepared which identifies the expected number of trips per acre for the proposed project. The resultant number of trips per acre shall then be divided by 100, the Industrial Land Use's trip generation rate, to establish an equivalency percentage. This percentage shall then be multiplied by the current Industrial Fee amount to establish the impact fee for the project. The Director of the Development Services Department at his/her discretion may consider other factors in conjunction with the above calculation in order to arrive at a revised equivalence factor for the proposed project.

Existing Permitted Uses

The Interim Use Guidelines do not apply to existing, permitted uses. They apply to the above uses only to the extent that new permits are sought for new uses or renewed permits are sought wherein the use is being expanded or enlarged such that additional impacts to the community can be ascertained. In the case of renewed permits, case by case studies will be used instead of the Equivalence Factor.

Cashflow Analysis

Analysis for each of the two Otay Mesa FBAs is presented in Tables 9.1 and 9.2 on pages 22 and 23, the Otay Mesa Cashflows. For each fiscal year during the development of the community, the cashflow shows the difference between anticipated FBA revenues (including earned interest) and the expected capital improvement expenditures. Interest earnings are compounded for cash on hand and based on an estimated 2% annual return in FY 2007-2009, then 4% for FY 2010 and beyond.

The City of San Diego considers historic data while predicting the effect of inflation on construction projects. The Los Angeles/San Diego **Construction Cost Index (CCI)** and the **Consumer Price Index (CPI)** for San Diego are the two indices used by the City while conducting a cash flow analysis. The historical information associated with the Los Angeles/San Diego Construction Cost Index and the Consumer Price Index for San Diego is shown in Tables 7 and 8 on page 21.

Since needed facilities are directly related to the community's growth rate, construction schedules of facilities are contingent upon the actual development within the community. Therefore, any slowdown in community development will require a modification to facility schedules and a new cash flow will be prepared.

Table 6 Facilities Benefit Assessment Schedule

WEST SUBAREA				
FISCAL YEAR	**$/ SFDU**	**$/ MFDU**	**$/ CAC**	**$/ IAC**
2007	$20,687	$14,481	$118,954	$41,374
2008	$22,135	$15,495	$127,281	$44,270
2009	$23,684	$16,579	$136,188	$47,368
2010	$24,631	$17,242	$141,633	$49,262
2011	$25,616	$17,932	$147,297	$51,232
2012	$26,641	$18,649	$153,191	$53,282
2013	$27,707	$19,396	$159,321	$55,414
2014	$28,815	$20,171	$165,692	$57,630
2015	$29,968	$20,978	$172,322	$59,936
2016	$31,167	$21,818	$179,216	$62,334
2017	$32,414	$22,691	$186,387	$64,828

EAST SUBAREA					
FISCAL YEAR	**$/ CAC**	**$/ IAC**	**$/ OIC I-100**	**$/ OIC I-300**	**$/ OIC I-400**
2007	$124,970	$41,240	$41,240	$121,218	$161,211
2008	$133,718	$44,127	$44,127	$129,704	$172,496
2009	$143,078	$47,216	$47,216	$138,783	$184,571
2010	$148,801	$49,104	$49,104	$144,334	$191,953
2011	$154,753	$51,068	$51,068	$150,107	$199,631
2012	$160,943	$53,111	$53,111	$156,111	$207,616
2013	$167,381	$55,236	$55,236	$162,356	$215,921
2014	$174,076	$57,445	$57,445	$168,850	$224,558
2015	$181,039	$59,743	$59,743	$175,604	$233,540
2016	$188,281	$62,133	$62,133	$182,629	$242,882
2017	$195,812	$64,618	$64,618	$189,934	$252,597

Table 7 Los Angeles/San Diego Construction Cost Index

As reported by *Engineering News Record*

YEAR	CCI	% CHANGE/YEAR
1995	6517	0.65%
1996	6522	0.08%
1997	6571	0.75%
1998	6673	1.55%
1999	6832	2.38%
2000	7056	3.28%
2001	7073	0.24%
2002	7440	5.19%
2003	7572	1.77%
2004	7735	2.15%
2005	8234	6.45%

Table 8 San Diego Consumer Price Index

YEAR	CPI	% CHANGE/YEAR
1995	156.3	1.30%
1996	159.8	2.24%
1997	163.7	2.44%
1998	166.0	1.41%
1999	171.7	3.43%
2000	179.8	4.72%
2001	190.1	5.73%
2002	195.7	2.95%
2003	203.8	4.14%
2004	211.4	3.73%
2005	218.3	3.26%

Table 9.1 Otay Mesa Cash Flow (West)

FY	SFDU	MFDU	CAC	IAC	$/SFDU	$/MFDU	$/CAC	$/IAC	DEPOSIT $ PLUS INTEREST	PLANNED CIP $ EXPENSES	NET BALANCE
PRIOR	2,655	1,106	63	3					$23,963,719	$8,020,727	$15,942,992
2007	69	642	5	0	$20,687	$14,481	$118,954	$41,374	$11,651,421	$10,119,755	$17,474,658
2008	0	108	5	0	$22,135	$15,495	$127,281	$44,270	$2,520,474	$16,373,001	$3,622,132
2009	90	468	5	0	$23,684	$16,579	$136,188	$47,368	$10,621,821	$12,817,105	$1,426,847
2010	200	575	5	0	$24,631	$17,242	$141,633	$49,262	$15,635,198	$14,096,594	$2,965,452
2011	200	550	5	0	$25,616	$17,932	$147,297	$51,232	$15,973,438	$9,154,827	$9,784,063
2012	200	400	5	0	$26,641	$18,649	$153,191	$53,282	$13,954,231	$13,293,773	$10,444,521
2013	250	400	5	0	$27,707	$19,396	$159,321	$55,414	$15,856,095	$17,862,684	$8,437,932
2014	250	395	5	0	$28,815	$20,171	$165,692	$57,630	$16,384,421	$13,811,059	$11,011,295
2015	250	300	5	0	$29,968	$20,978	$172,322	$59,936	$15,091,742	$14,653,234	$11,449,803
2016	136	250	5	0	$31,167	$21,818	$179,216	$62,334	$10,998,034	$13,280,770	$9,167,067
2017	0	250	5	0	$32,414	$22,691	$186,387	$64,828	$6,963,570	$7,177,895	$8,952,742
2018	0	250	5	0	$33,711	$23,599	$193,845	$67,422	$7,230,903	$6,857,121	$9,326,525
2019	0	250	5	0	$35,059	$24,542	$201,596	$70,118	$7,512,818	$7,516,135	$9,323,208
2020	0	250	5	0	$36,461	$25,524	$209,658	$72,922	$7,886,148	$3,419,291	$13,790,065
2021	0	250	5	0	$37,919	$26,544	$218,042	$75,838	$8,397,893	$1,997,994	$20,189,964
2022	0	250	5	0	$39,436	$27,606	$226,765	$78,872	$8,823,359	$9,417,333	$19,595,991
2023	0	250	5	0	$41,013	$28,710	$235,833	$82,026	$8,973,122	$17,117,737	$11,451,376
2024	0	246	5	0	$42,654	$29,859	$245,269	$85,308	$9,077,601	$6,406,324	$14,122,653
2025	0	0	5	0	$44,360	$31,053	$255,079	$88,720	$1,710,630	$8,041,411	$7,791,872
2026	0	0	5	0	$46,134	$32,295	$265,280	$92,268	$1,576,283	$4,571,810	$4,796,345
2027	0	0	3	0	$47,979	$33,586	$275,889	$95,958	$965,322	$115,968	$5,645,699
2028	0	0	0	0	$49,898	$34,930	$286,923	$99,796	$226,880	$60,303	$5,812,276
2029	0	0	0	0	$51,894	$36,327	$298,401	$103,788	$233,562	$62,715	$5,983,122
2030	0	0	0	0	$53,970	$37,780	$310,338	$107,940	$240,414	$65,224	$6,158,312
2031	0	0	0	0	$56,129	$39,292	$322,753	$112,258	$247,439	$67,833	$6,337,918
2032	0	0	0	0	$58,374	$40,863	$335,662	$116,748	$254,641	$70,546	$6,522,012
TOTAL	**4,300**	**7,190**	**166**	**3**							**$6,522,012**

Note:

1) Values are rounded to the nearest dollar.
2) Annual inflation rate is 7% for FY 2007-2009; 4% FY 2010 and beyond.
3) Annual interest rate is 2% for FY 2007-2009; 4% FY 2010 and beyond.

Table 9.2 Otay Mesa Cash Flow (East)

FY	CAC	IAC	I100 OIC	I300 OIC	I400 OIC	$/CAC	$/IAC	$/I100 OIC	$/I300 OIC	$/I400 OIC	DEPOSIT $ PLUS INTEREST	PLANNED CIP $ EXPENSES	NET BALANCE	FY
PRIOR	24	887	195	16	11						$11,830,527	$5,487,290	$6,343,237	**PRIOR**
2007	5.5	76	2	3	3	$124,970	$41,240	$41,240	$121,218	$161,211	$4,854,899	$6,783,132	$4,415,005	**2007**
2008	6	75	0	3	3	$133,718	$44,127	$44,127	$129,704	$172,496	$5,077,851	$7,950,774	$1,542,082	**2008**
2009	7	75	0	3	3	$143,078	$47,216	$47,216	$138,783	$184,571	$5,583,419	$1,551,340	$5,574,161	**2009**
2010	7	75	0	3	3	$148,801	$49,104	$49,104	$144,334	$191,953	$6,068,843	$214,325	$11,428,679	**2010**
2011	8	75	0	3	3	$154,753	$51,068	$51,068	$150,107	$199,631	$6,655,870	$2,276,658	$15,807,890	**2011**
2012	8	75	0	3	3	$160,943	$53,111	$53,111	$156,111	$207,616	$6,991,976	$6,797,669	$16,002,198	**2012**
2013	7	87.2	0	2	3	$167,381	$55,236	$55,236	$162,356	$215,921	$7,346,998	$19,971,310	$3,377,887	**2013**
2014	7	90	0	2	3	$174,076	$57,445	$57,445	$168,850	$224,558	$7,530,716	$6,867,223	$4,041,379	**2014**
2015	7	90	0	0	3	$181,039	$59,743	$59,743	$175,604	$233,540	$7,494,708	$8,011,111	$3,524,976	**2015**
2016	7	95	0	0	3	$188,281	$62,133	$62,133	$182,629	$242,882	$8,084,011	$8,331,555	$3,277,432	**2016**
2017	7	100	0	0	3	$195,812	$64,618	$64,618	$189,934	$252,597	$8,808,231	$4,312,876	$7,772,788	**2017**
2018	7	100	0	0	3	$203,644	$67,203	$67,203	$197,531	$262,701	$9,295,268	$6,567,085	$10,500,970	**2018**
2019	7	100	0	0	3	$211,790	$69,891	$69,891	$205,432	$273,209	$9,791,198	$5,506,183	$14,785,985	**2019**
2020	6.5	100	0	0	3	$220,262	$72,686	$72,686	$213,650	$284,138	$10,070,422	$13,535,165	$11,321,242	**2020**
2021	6	100	0	0	3	$229,072	$75,594	$75,594	$222,195	$295,503	$10,238,289	$11,791,829	$9,767,702	**2021**
2022	6	100	0	0	3	$238,235	$78,618	$78,618	$231,083	$307,323	$10,641,249	$8,540,415	$11,868,536	**2022**
2023	6	100	0	0	2	$247,764	$81,762	$81,762	$240,326	$319,616	$10,795,466	$6,800,306	$15,863,696	**2023**
2024	6	100	0	0	0	$257,675	$85,033	$85,033	$249,940	$332,401	$10,656,998	$11,711,593	$14,809,102	**2024**
2025	6	100	0	0	0	$267,982	$88,434	$88,434	$259,937	$345,697	$11,015,004	$12,180,057	$13,644,049	**2025**
2026	6	100	0	0	0	$278,701	$91,971	$91,971	$270,334	$359,524	$11,384,567	$12,667,259	$12,361,356	**2026**
2027	6	100	0	0	0	$289,849	$95,650	$95,650	$281,148	$373,905	$11,766,096	$13,173,950	$10,953,502	**2027**
2028	6	65	0	0	0	$301,443	$99,476	$99,476	$292,394	$388,861	$8,717,139	$8,273,611	$11,397,030	**2028**
2029	5	50	0	0	0	$313,501	$103,455	$103,455	$304,090	$404,416	$7,226,124	$5,468,785	$13,154,370	**2029**
2030	5	0	0	0	0	$326,041	$107,594	$107,594	$316,253	$420,593	$2,064,841	$6,470,225	$8,748,986	**2030**
2031	5	0	0	0	0	$339,083	$111,897	$111,897	$328,904	$437,417	$2,107,947	$488,398	$10,368,535	**2031**
2032	6	0	0	0	0	$352,646	$116,373	$116,373	$342,060	$454,913	$2,491,387	$507,934	$12,351,989	**2032**
TOTAL	**190**	**2,915**	**197**	**38**	**61**								**$12,351,989**	**TOTAL**

Note:

1) Values are rounded to the nearest dollar.
2) Annual inflation rate is 7% for FY 2007-2009; 4% FY 2010 and beyond.
3) Annual interest rate is 2% for FY 2007-2009; 4% FY 2010 and beyond.

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Public Facilities Financing Plan

Purpose

The **Public Facilities Financing Plan** is prepared to ensure that all owners of undeveloped property will pay their fair share of the funding required to finance the community's needed public facilities. The financing plan applies to all property owners seeking to develop property, even if the subject property has an approved tentative or final map detailing its development. The Public Facilities Financing Plan includes the following:

- Development forecast and analysis
- Capital Improvement Program
- Fee schedule for a Facilities Benefit Assessment.

This report will update the Public Facilities Financing Plan (Financing Plan) and the Facilities Benefit Assessment (FBA) for the development that is planned to occur in the community planning area known as Otay Mesa.

Development Forecast and Analysis

The development projection for Otay Mesa is based upon the best estimates of the existing property owners, their land use consultants, and City staff. Certain economic factors could adversely affect these development projections. Higher interest rates, higher land and housing prices, and economic recession could slow or halt the development rate of Otay Mesa. Conversely, a period of robust business expansion could significantly increase the rate of development. Indications are that the remaining development of Otay Mesa will take place over a twenty-five year period.

The projected schedule of development for Otay Mesa is presented in Tables 10.1 and 10.2, on pages 26 and 27. In these tables, the number of units developed within a year refers to those applications having building permits issued (paid) during the July-to-June fiscal year. Therefore, the number of units developed in 2006 refers to those for which permits were issued, with fees paid, between July 1, 2005 and June 30, 2006. The number of units shown as developed in FY 2007 is based upon projections of developers and City staff.

Since needed facilities are directly related to the community's growth rate, construction schedules of facilities are contingent upon the actual development within the community. Therefore, any slowdown in the rate of community development will require a modification of the schedule for providing needed public facilities such as parks and libraries.

Table 10.1 Development Schedule (West)

FISCAL YEAR	SFDU	MFDU	UNITS TO DATE	CAC	IAC
PRIOR	2,655	1,106	3,761	63	3
2007*	69	642	4,472	5	0
2008	0	108	4,580	5	0
2009	90	468	5,138	5	0
2010	200	575	5,913	5	0
2011	200	550	6,663	5	0
2012	200	400	7,263	5	0
2013	250	400	7,913	5	0
2014	250	395	8,558	5	0
2015	250	300	9,108	5	0
2016	136	250	9,494	5	0
2017	0	250	9,744	5	0
2018	0	250	9,994	5	0
2019	0	250	10,244	5	0
2020	0	250	10,494	5	0
2021	0	250	10,744	5	0
2022	0	250	10,994	5	0
2023	0	250	11,244	5	0
2024	0	246	11,490	5	0
2025	0	0	11,490	5	0
2026	0	0	11,490	5	0
2027	0	0	11,490	3	0
2028	0	0	11,490	0	0
2029	0	0	11,490	0	0
TOTAL	**4,300**	**7,190**	**11,490**	**166**	**3**
ACTUAL:	**2,655**	**1,106**	**3,761**	**63**	**3**
TO GO:	**1,645**	**6,084**	**7,729**	**103**	**0**

* Development figures shown for FY 2007 and beyond are based upon projections.

Table 10.2 Development Schedule (East)

FISCAL YEAR	CAC	IAC	OIC I-100	OIC I-300	OIC I-400
PRIOR	24	887	195	16	11
2007*	5.5	76	2	3	3
2008	6	75	0	3	3
2009	7	75	0	3	3
2010	7	75	0	3	3
2011	8	75	0	3	3
2012	8	75	0	3	3
2013	7	87.2	0	2	3
2014	7	90	0	2	3
2015	7	90	0	0	3
2016	7	95	0	0	3
2017	7	100	0	0	3
2018	7	100	0	0	3
2019	7	100	0	0	3
2020	6.5	100	0	0	3
2021	6	100	0	0	3
2022	6	100	0	0	3
2023	6	100	0	0	2
2024	6	100	0	0	0
2025	6	100	0	0	0
2026	6	100	0	0	0
2027	6	100	0	0	0
2028	6	65	0	0	0
2029	5	50	0	0	0
2030	5	0	0	0	0
2031	5	0	0	0	0
2032	6	0	0	0	0
2033	0	0	0	0	0
2034	0	0	0	0	0
2035	0	0	0	0	0
TOTAL	**190**	**2,915**	**197**	**38**	**61**
ACTUAL*:	**24**	**887**	**195**	**16**	**11**
TO GO:	**166**	**2,028**	**2**	**22**	**50**

* Development figures shown for FY 2007 and beyond are based upon projections.

Residential

The anticipated residential development for Otay Mesa is estimated at 11,490 dwelling units. The planned residential development remains the same in this update. A list of the types and amount of planned residential development can be found in Table 1 on page 9.

Non-residential

The anticipated non-residential development for Otay Mesa is estimated to be 3,570 acres. A list of the types and amount of planned non-residential development can be found in Table 1 on page 9.

Annual Absorption Rate

Based upon recent development history and revised estimates from developers, the annual absorption rate, per year, has been modified significantly for the residential development. This change is due to a slowing in the rate at which developers expect to permit new homes during FY 2005-2009. The absorption rate for residential development is expected to increase after FY 2009.

At this time, few changes to absorption rate of the non-residential development are expected.

Charts 2.1 and 2.2, Comparison of Absorption Rates illustrates the changes in the projected absorption. A list of the types and amount of the planned residential development can be found in Table 1 on page 9.

Chart 2.1 Comparison of Absorption Rates (Residential)

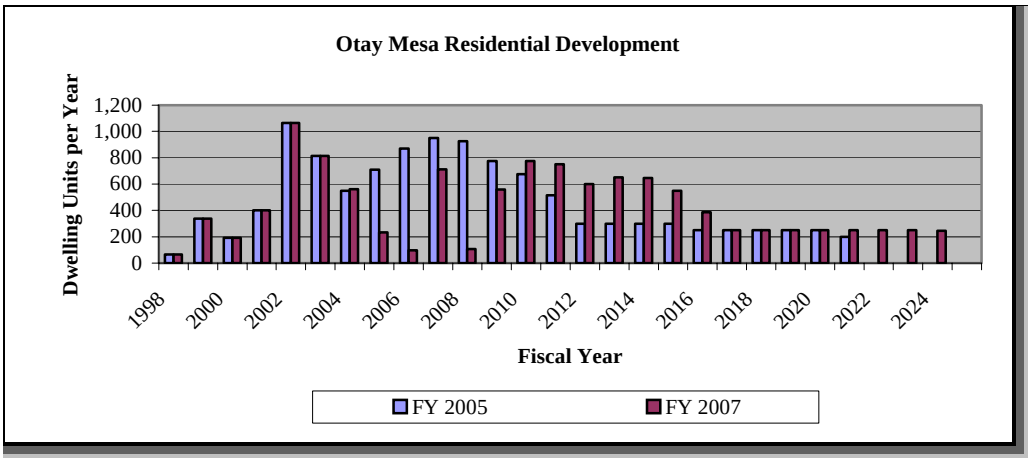
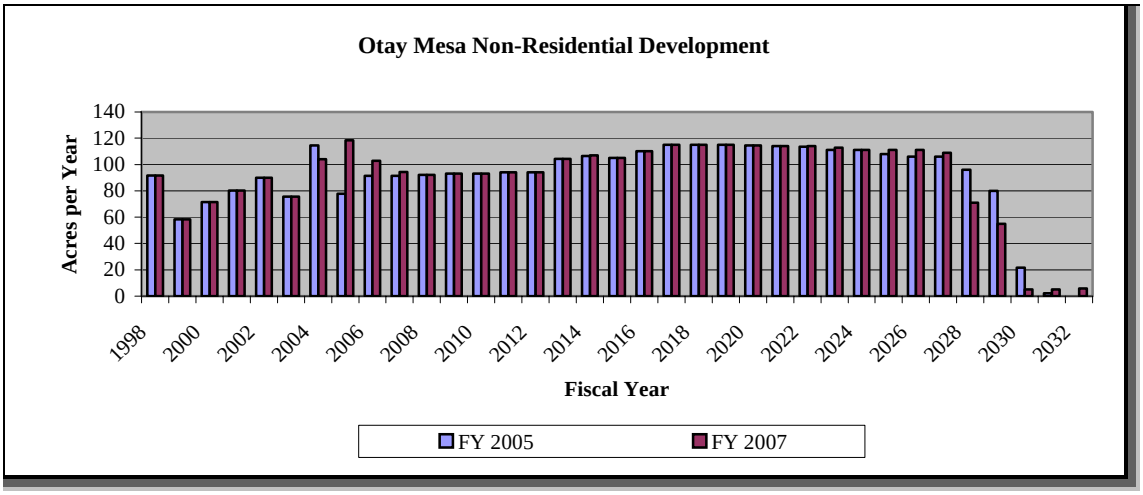


Chart 2.2 Comparison of Absorption Rates (Non-Residential)



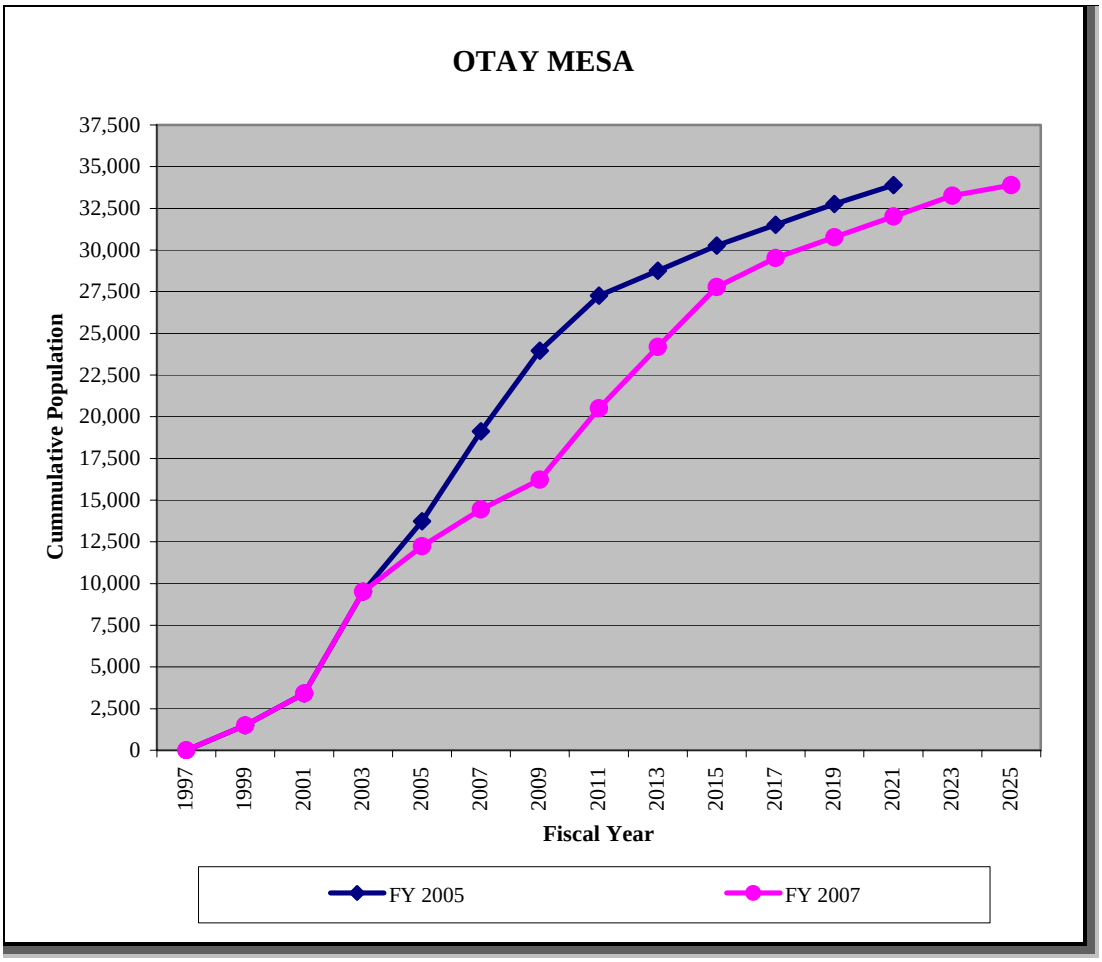
Population Estimates

Previous editions of the Otay Mesa Financing Plan have based population estimates on a factor of 3.7 persons per household for single family dwelling units and 2.5 persons for multi-family dwelling unit. These factors are consistent with the Municipal Code, Section 102.0406.005. No change to this methodology is proposed as part of this update. The population of Otay Mesa, at full community development, is projected to be 33,885 based upon the current Otay Mesa Community Plan.

This update includes a significant modification to the absorption rate of the residential development during FY 2005-2009. The impact of that modification is a reduction in the projected population growth rate. Where previously it was thought that Otay Mesa would reach a population threshold of 25,000 in FY 2010, projections now indicate a 25,000 population in approximately FY 2014. As a result, certain population based projects have been reprogrammed in this update.

On page 30, Chart 3 illustrates a comparison of the projected population growth rate of the FY 2005 Plan and this FY 2007 update to the Public Facilities Financing Plan.

Chart 3 Projected Population Growths



Capital Improvement Program

Future Public Facility Needs

In order to better serve the Otay Mesa community, public facilities are needed in a number of project categories. Those categories include:

- Transportation
- Parks and Recreation
- Police
- Fire
- Library
- Water Utilities
- Drainage

Project locations are depicted in Figure 2 on pages 45-47, while project information is summarized in Table 11 beginning on page 39. Detailed project descriptions can be found in the Capital Improvement Program (CIP) sheets beginning on page 49. The timing associated with individual projects is also summarized in Table 11 and on the corresponding CIP project sheets. Refer to Tables 10.1 and 10.2 on pages 26 and 27 for the current development schedules for the community.

The timing of needed facilities is directly related to the community's growth rate; therefore construction schedules of facilities are contingent upon actual development within the community. Any slowdown in community's development will require a modification to the schedule by which needed facilities are planned.

Fee Schedule for Facilities Benefit Assessments

Annual Review

The FBA Ordinance in the Municipal Code (Section 61.2212) provides for an annual adjustment of Facilities Benefit Assessments. The annual review may reflect changes to any of the following:

- Rate and amount of planned development
- Actual or estimated cost of public facilities projects
- Scope of the public facilities projects
- Inflation rates
- Interest rates
- Comparative analysis of discretionary permits approved by the City

Updated Project Costs

This update includes an analysis, by each of the sponsoring City departments, of the project costs for each public facility project. The costs estimates shown in this update have been revised and consider the following:

- Leadership in Energy and Environmental Design (LEED) "Silver Level" standards
- Impact of inflation
- Competitive bids on similar projects
- Modifications, if any, to the overall scope of the project.

Fee Schedule

The Otay Mesa Proposed FBA Schedule in Table 6, page 20, shows the rate of assessment for each category of land use during each year of community development. The FY 2007 Assessment Schedule includes an increase of 52% over the current rate due to increased project costs and the impact of inflation.

Financing Strategy

For Planned Urbanizing Areas, the Progress Guide and General Plan requires that public facilities and services, including the water supply and distribution system, sanitary sewer system, drainage facilities, fire protection, schools, streets, parks, and open space be available at the time of development and be of sufficient capacity to serve the proposed development and its residents. According to Council Policy 600-28 such improvements will be furnished and financed by the developer. As such, the developers will provide a majority of the needed public facilities for Otay Mesa as a part of the subdivision process. Public facility projects that benefit a population larger than the local/adjacent development may be financed by using the following alternative methods:

Facilities Benefit Assessment (FBA)

This method of financing fairly and equitably spreads costs while following the procedures specified in City Council Ordinance O-15318, as adopted on August 25, 1980. A Facilities Benefit Assessment results in a lien being levied on each parcel of property located within the Area of Benefit. The liens ensure that assessments will be collected on each parcel as development occurs and will be renewed annually with each update to the Financing Plan. The liens will be released following payment of the FBA.

For the current, approved schedule of Facilities Benefit Assessments by fiscal year, refer to Table 6 on page 20.

Development Impact Fee (DIF)

Within urbanized communities, which are near full development, Development Impact Fees (DIFs) are collected to mitigate the impact of new development through provision of a portion of the financing needed for identified public facilities and to maintain existing levels of service for that community.

Assessment Districts

Special assessment district financing, such as the Municipal Improvement Acts of 1913/1915, may be used as a supplementary or alternative method of financing

facilities such as streets, sidewalks, sewers, water lines, storm drains, and lighting facilities. Assessment districts are beneficial in that they provide all of the funding needed for a particular public facility project in advance of the projected development activity. However, assessment districts also create a long-term encumbrance of the benefiting property and require that the funds be repaid over an extended period of time. Assessment districts also require the approval of a majority of the property owners in order to establish the district.

Community Facility District (CFD)

State legislation, such as the Mello-Roos Act of 1982, has been enacted to provide a method of financing public facilities in new and developing areas. A Mello-Roos is also known as a Community Facility District (CFD). The formation of such Community Facility Districts may be initiated by owner/developer petition. Mello-Roos districts also require approval by a two-thirds majority of the property owners in order to establish the district, as clarified by Council Policy 800-3.

Developer Construction

New development either constructs required facilities as a condition of subdivision or provides funds for its fair share of the costs of such facilities, with construction being performed by the City. Typically, these funds are collected through the Facilities Benefit Assessment Program or through the Development Impact Fee program.

As an alternative to the Facilities Benefit Assessment or Development Impact Fee Programs it may be feasible for developers to construct one or more of the needed public facilities in a turnkey basis. Under this arrangement, developers typically are compensated, either by cash or credit against Facilities Benefit Assessments due, for the work performed pursuant to the conditions in a Council approved reimbursement agreement (Council Policy 800-12).

Reimbursement Financing

This method of financing is outlined in Council Policy 400-7. It is commonly used when the first developer/sub-divider in an area is required to construct the necessary water and sewer facilities for an entire developing area, over sizing when required, to serve subsequent development. These agreements are approved by the City Council. Reimbursement to the first developer/sub-divider can occur over a period of time as long as 20 years or until all of the subsequently developed lands have participated in the reimbursement, whichever occurs first.

Reimbursement financing is being used to help provide a number of projects in the Otay Mesa community including the following:

- T-2.2, Ocean View Hills Parkway – Phase II (Central)
- T-2.3, Ocean View Hills Parkway – Phase III (South)
- T-21.3, New Heritage Road (Otay Valley Road) - Central
- P-1, Ocean View Hills Neighborhood Park

- P-2, Dennery Ranch Neighborhood
- P-3, Robinhood Ridge Neighborhood Park
- P-5, Rivera Del Sol Neighborhood Park

State/Federal Funding

Certain public facilities may be determined to benefit a regional area that is larger than the community planning area. Such projects may be appropriately funded by either the State, Federal Government, or by a combination of the two. The widening of Otay Mesa Road -Temporary 905 (project T-20.1), for example, has been shown in this financing plan as having State funding.

Cost Reimbursement District (CRD)

Occasionally, a developer/sub-divider is directed to construct public improvements that are more than that which is required to support its individual property/development. A **Cost Reimbursement District (CRD)** provides a mechanism by which the developer/sub-divider may be reimbursed by benefiting development which proceeds within 20 years of formation of the CRD. Reimbursement is secured by a lien on the benefiting properties with the lien due and payable only upon recordation of a final map or issuance of a building permit, whichever occurs first.

Development Agreement

This method permits a developer to enter into an agreement with the City of San Diego where certain rights of development are extended to the developer in exchange for certain extraordinary benefits given to the City.

General Assumptions and Conditions

In connection with the application of the above methods of financing, the following general assumptions and conditions will be applied:

1. Except for those projects that are identified as FBA funded, developers will be required to provide facilities that are normally provided within the subdivision process as a condition of tentative subdivision map approval. These projects include but are not limited to traffic signals (except as noted), local roads, and the dedication or preservation of Open Space located within the proposed development(s). A Mello-Roos 1913/1915 Act, or other type of reimbursement district, however, may fund such projects if the project(s) and applicant(s) qualify for this type of project financing.

2. Commercial and industrial land will be assessed FBAs for infrastructure (including transportation), police, fire, and utility facilities. However, developers of commercial and industrial land will not be assessed for park and recreation or library facilities since those facilities primarily serve the residential component of the Otay Mesa community. In the future, if a basis is developed for charging non-residential development for the cost of

park and recreation and library facilities, their fair share can be evaluated at that time.

3. Annual reviews may be performed to evaluate performance of the program and to consider the continuing commitments related to the completion of needed facilities. Project costs and assessments shall be evaluated for all portions of the program.

4. The developer, or permittee, shall pay the FBA as a condition of obtaining building permits.

5. A developer, or group of developers, may propose to build or improve an FBA funded facility that is identified in the Capital Improvements Program. Upon City Council approval, the developer(s) may enter into an agreement to provide the facility in lieu of, or as credit against the payment of FBA fees, provided that adequate funds are available in the FBA fund. The amount and timing of the credit being sought by the developer(s) must coincide with the expenditure of funds depicted on the CIP sheet for the respective project. Should the approved, final cost of the facility exceed the amount of credit being sought by the developer(s), the developer(s) may be reimbursed from the FBA fund for the difference, subject to the approved reimbursement agreement and the availability of funds. If two developers are entitled to cash reimbursement during the same fiscal year, then the first agreement to be approved by the City Council shall take precedence over subsequent agreements approved by the City Council.

6. As FBA assessments are collected, they shall be placed in a City fund that provides interest earnings for the benefit of Otay Mesa.

7. At the time of building permit issuance, an FBA credit will be provided in the amount of any "Park Fees" collected pursuant to Sections 96.0403 of the San Diego Municipal Code (adopted by Council Resolution R-261231 on July 23, 1984) because the FBAs shown in this financing plan provide for 100% funding of the acquisition and improvement costs addressed in the above referenced Municipal Code section.

8. The Development Schedule, shown in Tables 10.1 and 10.2 on pages 26 and 27, is an estimated schedule and is based on the latest information available at the time this financing plan was adopted. Future approvals and/or modifications of precise plans and/or discretionary permit applications may either increase or decrease the extent of development proposed within Otay Mesa.

9. Most public facilities identified in the financing plan are either "population based" or "transportation based". The estimated year(s) in which funds are budgeted for a given project should not be considered as a binding commitment that the project would actually be constructed in that

year. With each annual update, actual permit activity and corresponding population projections, coupled with additional traffic study information obtained since the last update, will be evaluated to determine the most appropriate year in which to budget the need for each remaining project. As such, the budgeted year for a given project is subject to change with each update to the financing plan.

10. It has been assumed that a large majority of the cost necessary to construct SR-905 and SR-125 will be provided from funds other than the FBA, e.g. TRANSNET, State or Federal (ISTEA) Highway funds, and/or toll road funds, etc.

11. For projects that require land acquisition in this financing plan, property value estimates assume that the property is graded, in finished pad condition, and "ready to accept" for the project for which it is intended (i.e. the value of raw land plus the cost of improvements/environmental mitigation.). The actual price paid for land within Otay Mesa will be based upon either a price established through direct negotiations between the affected owner(s) and relevant public agency or by fair market value, as determined by an appraisal that will be prepared in accordance with standard City policy.

12. It has been assumed that all costs for open space acquisition will be provided from funds other than the FBA, i.e. subdivision requirement, off-site mitigation for a particular project, etc.

13. It is expected that all right-of-way for the major roads within the community are to be acquired via the subdivision process at no cost to the FBA. If right-of-way must be acquired by the FBA by way of eminent domain, a cost reimbursement district, with the beneficiary being the Otay Mesa FBA, will be processed to recover the cost of the right-of-way at such time as the property adjacent to the roadway frontage develops.

14. FBA fees shall be paid by all categories of private development, including affordable housing projects.

15. This financing plan identifies a number of public facility projects as being funded by the FBA. However, it is understood that, during the development of Otay Mesa, alternative funding sources may be proposed in lieu of FBA funding, such as developer funds or Mello-Roos Community Facility District financing.

Developer Advance

It is anticipated that a number of the projects, which have been identified as being FBA-funded, are to be constructed by developers in Otay Mesa. Subject to the terms of a reimbursement agreement, a developer may actually start construction of a project before there are sufficient FBA funds available to provide either cash reimbursement or credit against the developer's obligation to pay FBA fees. In

other words, the "need" for the project may occur before there are FBA funds available to cover the cost of the project. Additionally, a developer may have accumulated credits from one or more other FBA-funded projects such that the developer is unable to use credits as fast as they have been earned. In these cases, the CIP project sheets will show the fiscal year in which it is anticipated that the developer will advance the cost of the project, also known as a **Developer Advance** (DEV. ADVANCE).

The project sheets indicate the fiscal year in which it is anticipated that funds will be available to reimburse or when the developer would take credits against their obligation to pay FBA fees. Subject to the availability of funds, the year(s) in which reimbursement or credit for the Developer Advance occurs may be accelerated to the fiscal year in which the Developer Advance is extended.

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