Pacific Highlands Ranch

Public Facilities Financing Plan and Facilities Benefit Assessment Fiscal Year 2008

THE CITY OF SAN DIEGO

City Planning & Community Investment
Facilities Financing

September 12, 2007

RESOLUTION NUMBER R- 303042

DATE OF FINAL PASSAGE OCT 18 2007

A RESOLUTION OF THE COUNCIL OF THE CITY OF SAN DIEGO APPROVING THE PACIFIC HIGHLANDS RANCH 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, "Pacific Highlands Ranch Public Facilities Financing Plan and Facilities Benefit Assessment, Fiscal Year 2008," a copy of which is on file in the office of the City Clerk as Document No. RR- 303042.

BE IT FURTHER RESOLVED, that this activity is not subject to CEQA pursuant to State Guidelines Section 15060(c)(3).

APPROVED: MICHAEL J. AGUIRRE, City Attorney

By
Elizabeth C. Coleman
Deputy City Attorney

ECC:mm
09/24/07
Or.Dept:City Planning & Comm. Invest. Depart
R-2008-242
MMS# 5364

I hereby certify that the foregoing Resolution was passed by the Council of the City of San Diego, at this meeting of OCT 08 2007.

ELIZABETH S. MALAND
City Clerk

By Mary Zumaya
Deputy City Clerk

Approved: 10-18-07
(date)

JERRY SANDERS, Mayor

Vetoed: ____________
(date)

JERRY SANDERS, Mayor

Mayor

Jerry Sanders

City Council

Scott Peters, President, Council District 1
Kevin Faulconer, Council District 2
Toni Atkins, Council District 3
Tony Young, President Pro Tem, Council District 4
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Pacific Highlands Ranch Community Planning Group

At the time of this update, no planning group has formed for Pacific Highlands Ranch.

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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 Planning Department, Facilities Financing Section, at (619) 533-3670.

Introduction

Authority

This **financing plan** implements the improvement requirements set forth in the Pacific Highlands Ranch Subarea Plan, which was originally approved by the City Council on July 28, 1998 by Resolution R-290521 and amended on October 4, 2004 by Resolution R-299671.

On November 3, 1998, the voters of the City of San Diego passed Proposition M and subsequently approved a phase shift from the land designation of “Future Urbanizing” to “Planned Urbanizing”. However, a portion of Pacific Highlands Ranch did not seek to participate in the phase shift. This portion of the project, named **Del Mar Highlands Estates (DMHE)**, has a final map (FM 13818) that was approved in 1999.

Update to Financing Plan

On July 5, 2006, by Resolution R-301608, the City Council adopted the Fiscal Year 2006 Pacific Highlands Ranch Public Facilities Financing Plan. On November 20, 2006, by Resolution R-302097, the City Council adopted the amendment to the Fiscal Year 2006 Pacific Highlands Ranch Public Facilities Financing Plan. This report is an update of the Financing Plan for Pacific Highlands Ranch. Future updates are anticipated to occur on an annual basis.

Scope of Report

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

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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 Pacific Highlands Ranch community planning area. For more information on the area of benefit, see Areas of Benefit and Projected Land Uses beginning on page 5.

Methodology of the FBA

The methodology of the FBA is as follows:

1) An **FBA Assessment Numerical List** (Assessment List) is prepared for Pacific Highlands Ranch 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 page 225 for more information on the FBA 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 permitted development according to the FBA Assessment Schedule that is in effect at the time the permit is obtained. Owners/developers are not permitted to pay liens in advance of obtaining building permits for 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 interest bearing revenue account, and used within the area of benefit solely for those capital improvements and administrative costs identified in the Pacific Highlands Ranch Public Facilities Financing Plan.

Timing and Cost of Facilities

The public facilities projects to be financed by the Pacific Highlands Ranch FBA funds are shown in Table 9, beginning on page 33. 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 and sewer lines; neighborhood parks and recreation; police; fire; and libraries. Detailed descriptions of the facility projects, which are listed in Table 9, can be found on the project sheets beginning on page 39. 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 Tiers 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 Pacific Highlands Ranch 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. Figure 1, on page 9, shows the community boundary and locations of the Pacific Highlands Ranch Facilities Benefit Assessment Districts or areas of benefit.

A portion of Pacific Highlands Ranch, known as **Del Mar Highlands Estates**, did not seek to change its land designation from "Future Urbanizing" to "Planned Urbanizing". Property owners in Del Mar Highlands Estates are not subject to the Transportation Phasing Plan since they did not participate in the phase shift. For further explanation of the Transportation Phasing Plan refer to page 19. For a complete text of the Transportation Phasing plan refer to page 215 in the Appendix.

A separate area of benefit and Facilities Benefit Assessment category has been established for Del Mar Highlands Estates (DMHE) and is included in this Financing Plan. All property within Pacific Highlands Ranch with the exception of Del Mar Highlands Estates is included in Area of Benefit No. 1. Del Mar Highlands Estates makes up Area of Benefit No. 2. Both Areas of Benefit are shown in Figure 1, page 9.

Since 1999, Del Mar Highlands Estates has had an approved final map (FM 13818). The Del Mar Highlands Estates development does not gain its vehicular access from the transportation projects being financed by this FBA with only the following exceptions:

- El Camino Real Widening (Half Mile Dr. to San Dieguito Rd.); T-12.2
- El Camino Real Widening (San Dieguito Road to Via de la Valle); T-12.3
- Via de la Valle (Four Lanes); T-13

The developer of that portion of the project known as Del Mar Highlands Estates, pursuant to the conditions of the map, has an obligation to contribute funds toward the cost to construct these offsite facilities located in Subarea II. The improvement requirements are estimated to cost more than $1,790,000 and are reflected in the CIP project sheets T-12.2, T12.3, and T-13. This obligation equates to approximately $10,400 per dwelling unit. Pardee Homes issued Letters of Credit on July 22, 1999, which are on file with the City of San Diego totaling $1,790,407.

Because Del Mar Highlands Estates is paying for its access improvements separately, it will not be obligated to pay FBA fees for certain remaining roadway projects included in the FBA, through which it does not obtain access. Those projects include, but are not limited to:

- Del Mar Heights Road; T-3.1, T-3.2 and T-3.3
- Carmel Valley Road; T-4.1, T-4.2, T-4.3, and T-4.4
- Village Loop Road; T-6
- Traffic Signals; T-7
- Black Mountain Road; T-11.1 and T-11.2

With the exception of the transportation projects mentioned above, property owners developing residential units in Area of Benefit No. 2, Del Mar Highlands Estates, will be contributing their fair share to the cost of all other FBA-funded projects included in this financing plan. The fair share portion for development in Del Mar Highlands Estates is consistent with all other residential dwelling units in Pacific Highlands Ranch.

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 on page 7.

Projected Land Use

Residential

The anticipated residential development for Pacific Highlands Ranch is estimated at 5,182 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 Pacific Highlands Ranch is estimated to be 101.93 acres and consists of the village (commercial), institutional (private school), and an employment 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 the village (commercial), industrial, and employment center properties. 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.

Table 1 Inventory of Land Uses

As of June 30, 2007

Land Use	Actual	To Go	Total
Single-Family Residential Units	957	2,240	3,197
Multi-Family Residential Units	463	1,350	1,813
Del Mar Highlands Estates	161	11	172
Village Acres	0	34.0	34. 0
Employment Center Acres	0	19.01	19.01
Institutional Acres	48.92	0	48.92

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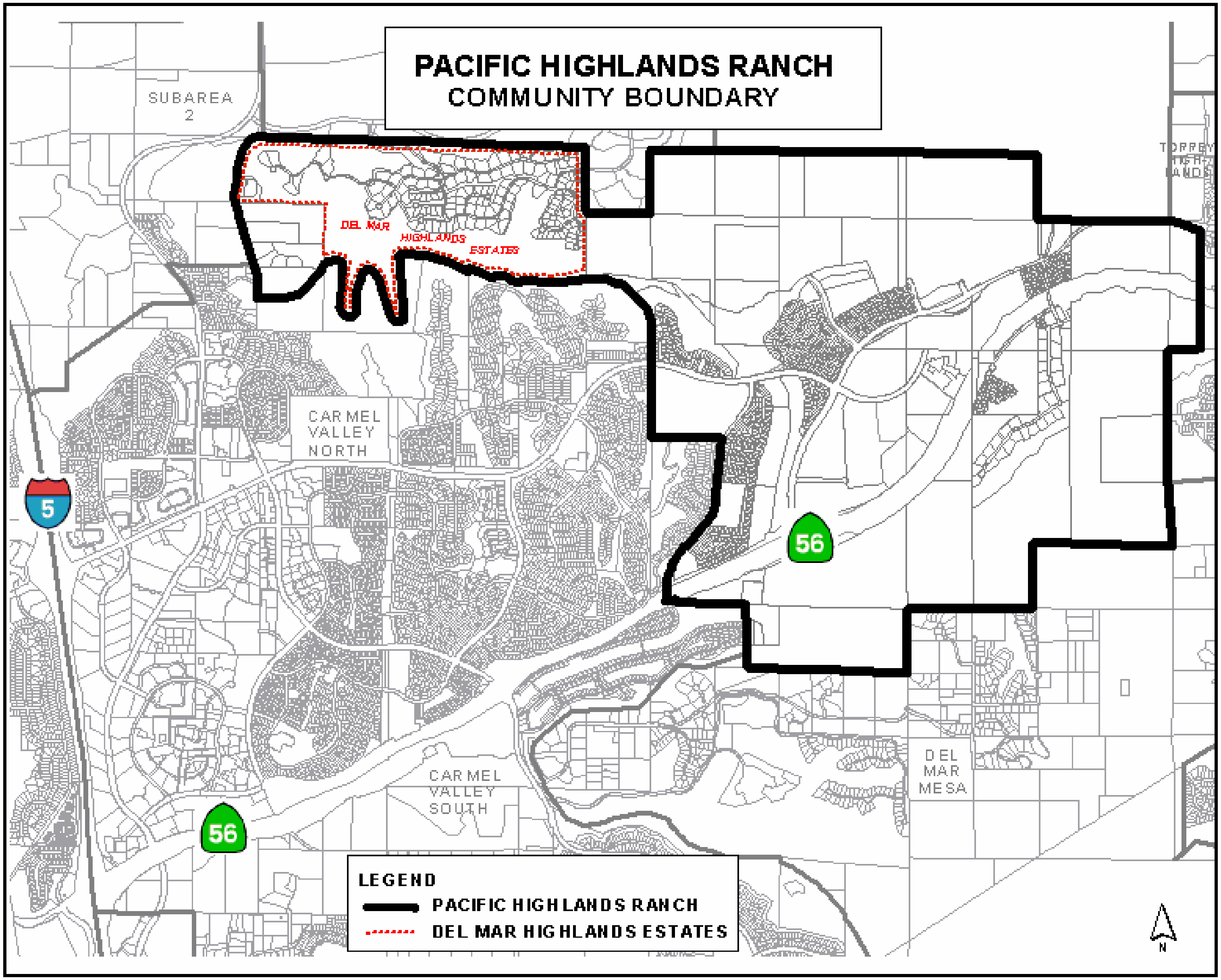
Figure 1 **Areas of Benefit**



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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.

Table 2 provides the EDU ratios used to prepare the Pacific Highlands Ranch Facilities Benefit Assessment.

Table 2 EDU Ratios

CATEGORY	SFDU	MFDU	DMHE	VAC	INSTAC	ECAC
TRANSPORTATON	1.0	0.7	0	11.25	4.0	7.5
PARKS	1.0	0.7	1.0	0	0	0
POLICE/FIRE	1.0	0.7	1.0	6	6	9
LIBRARY	1.0	0.7	1.0	0	0	0
WATER/SEWER	1.0	0.7	1.0	17.9	17.9	17.9
FREEWAY	1.0	0.7	1.0	11.25	4.0	7.5

SFDU	Single Family Dwelling Unit
MFDU	Multi-family Dwelling Unit
DMHE	Del Mar Highlands Estate
VAC	Village Acres
INSTAC	Institutional Acres
ECAC	Employment Center Acres

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 (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 225. 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 (FY 2008 dollars) to be financed with monies from the FBA fund
- Annual interest rate of 3% (applied to the fund balance) in FY 2008, 2009, and 2010; 4% during years beyond FY 2010
- Annual inflation rate of 7% for FY 2008, 2009 and 2010; 5% during years beyond FY 2010 (to anticipate the future costs of facilities that will be constructed)
- At the beginning of each fiscal year (July 1st), 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 3 lists the FY 2008 Facilities Benefit Assessment base deposit rate for Pacific Highlands Ranch.

Table 3 FY 2008 Assessment Rate

LAND USE	ASSESSMENT per UNIT/ACRE in FY 2008 DOLLARS
SINGLE FAMILY UNITS	$69,118
MULTI-FAMILY UNITS	$48,384
DEL MAR HIGHLAND ESTATES	$47,002
VILLAGE ACRES	$557,652
INSTITUTIONAL ACRES	$198,273
EMPLOYMENT CENTER ACRES	$371,765

Automatic Annual Increases

Facilities Benefit Assessments are evaluated annually and adjusted accordingly to reflect the current economic conditions. In FY 2009 and 2010, the proposed increase reflects an inflation factor of 7%, while the proposed assessments for years beyond FY 2010 reflect a 5% annual increase. 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 1st). 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 Pacific Highlands Ranch FBA Schedule in Table 4, page 14, shows the projected rate of assessment for each category of land use during each year of community development. For example, the assessment for a single-family dwelling unit developed during FY 2008 is

$69,118. For the same period, each multi-family unit is to be assessed $48,384, while each Del Mar Highlands Estate is assessed $47,002. The commercial or village assessment is $557,652 per acre, while each institutional acre is $198,273. Finally, in FY 2008, the employment center assessment is $371,765 per acre.

Table 4 Facilities Benefit Assessment Schedule

FISCAL YEAR	$/ SFDU	$/ MFDU	$/ DMHE	$/ VAC	$/ INSTAC	$/ ECAC
2008	$69,118	$48,384	$47,002	$557,652	$198,273	$371,765
2009	$73,956	$51,771	$50,292	$596,686	$212,151	$397,787
2010	$79,133	$55,395	$53,812	$638,454	$227,002	$425,632
2011	$83,090	$58,165	$56,503	$670,380	$238,353	$446,916
2012	$87,245	$61,074	$59,328	$703,903	$250,272	$469,264
2013	$91,607	$64,127	$62,295	$739,096	$262,785	$492,726
2014	$96,187	$67,333	$65,409	$776,048	$275,924	$517,360
2015	$100,996	$70,700	$68,679	$814,848	$289,719	$543,227
2016	$106,046	$74,235	$72,114	$855,592	$304,205	$570,389
2017	$111,348	$77,946	$75,719	$898,369	$319,415	$598,907
2018	$116,915	$81,843	$79,505	$943,284	$335,384	$628,850
2019	$122,761	$85,936	$83,480	$990,450	$352,154	$660,294
2020	$128,899	$90,233	$87,654	$1,039,972	$369,762	$693,308
2021	$135,344	$94,744	$92,037	$1,091,971	$388,250	$727,974

Cash Flow Analysis

The Pacific Highlands Ranch Cash Flow, Table 7, page 17, presents an analysis of the Pacific Highlands Ranch FBA. For each fiscal year during the development of the community, the cash flow 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 during FY 2007, 2008 and 2009, then 4% thereafter.

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 5 and 6 on page 15.

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 5 Los Angeles/San Diego Construction Cost Index

As reported March 2007 by *Engineering News Record*

YEAR	CCI	% CHANGE/YEAR
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%
2006	8552	3.86%
2007	8873	3.75%

Table 6 San Diego Consumer Price Index

Reported June 2007

YEAR	CPI	% CHANGE/YEAR
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%
2006	226.7	3.85%
2007	231.9	2.29%

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Table 7 Pacific Highlands Ranch Cashflow

FY	SFDU	MFDU	DMHE	VAC	INSTAC	ECAC	$/SFDU	$/MFDU	$/DMHE	$/VAC	$/INSTAC	$/ECAC	FBA $ PLUS INTEREST	PLANNED CIP $ EXPENSES	NET BALANCE	FY
PRIOR	815	463	153	0	48.92	0							$31,534,747	$9,920,837	$21,613,910	**PRIOR**
2007	141	0	8	0	0	0	$66,460	$46,524	$45,194	$536,207	$190,648	$357,468	$10,806,040	$15,978,270	$16,441,680	**2007**
2008	57	0	7	0	0	0	$69,118	$48,384	$47,002	$557,652	$198,273	$371,765	$4,529,461	$20,017,351	$953,789	**2008**
2009	79	0	4	12	0	0	$73,956	$51,771	$50,292	$596,686	$212,151	$397,787	$13,253,298	$11,834,200	$2,372,888	**2009**
2010	78	0	0	0	0	0	$79,133	$55,395	$53,812	$638,454	$227,002	$425,632	$6,225,070	$7,440,705	$1,157,252	**2010**
2011	95	0	0	0	0	0	$83,090	$58,165	$56,503	$670,380	$238,353	$446,916	$7,987,336	$5,541,888	$3,602,700	**2011**
2012	95	0	0	0	0	0	$87,245	$61,074	$59,328	$703,903	$250,273	$469,264	$8,491,856	$5,386,661	$6,707,895	**2012**
2013	104	0	0	0	0	0	$91,607	$64,127	$62,295	$739,096	$262,785	$492,726	$9,672,353	$15,815,812	$564,436	**2013**
2014	100	294	0	0	0	0	$96,187	$67,333	$65,409	$776,048	$275,924	$517,361	$29,492,020	$26,683,869	$3,372,587	**2014**
2015	150	150	0	10	0	11	$100,996	$70,700	$68,679	$814,848	$289,719	$543,227	$40,277,123	$26,753,713	$16,895,997	**2015**
2016	250	150	0	8	0	5	$106,046	$74,235	$72,114	$855,592	$304,205	$570,389	$48,286,193	$34,335,245	$30,846,945	**2016**
2017	250	150	0	4	0	3.01	$111,348	$77,946	$75,719	$898,369	$319,415	$598,907	$46,913,113	$7,834,563	$69,925,495	**2017**
2018	250	150	0	0	0	0	$116,915	$81,843	$79,505	$943,284	$335,384	$628,850	$45,154,881	$270,646	$114,809,730	**2018**
2019	250	150	0	0	0	0	$122,761	$85,936	$83,480	$990,450	$352,154	$660,294	$49,084,893	$284,179	$163,610,444	**2019**
2020	250	150	0	0	0	0	$128,899	$90,233	$87,654	$1,039,972	$369,762	$693,308	$53,107,066	$8,884,486	$207,833,024	**2020**
2021	232	156	0	0	0	0	$135,344	$94,744	$92,037	$1,091,971	$388,250	$727,974	$55,493,657	$313,307	$263,013,375	**2021**
TOTAL	**3,197**	**1,813**	**172**	**34**	**48.92**	**19.01**							**$460,309,107**	**$197,295,732**	**$263,013,375**	**TOTAL**

Note:
1) Values are rounded to the nearest dollar.
2) Annual inflation rate is 7% for FY 2008-2010, then 5% thereafter.
3) Annual interest rate is 3% for FY 2008-2010, then 4% thereafter.

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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.

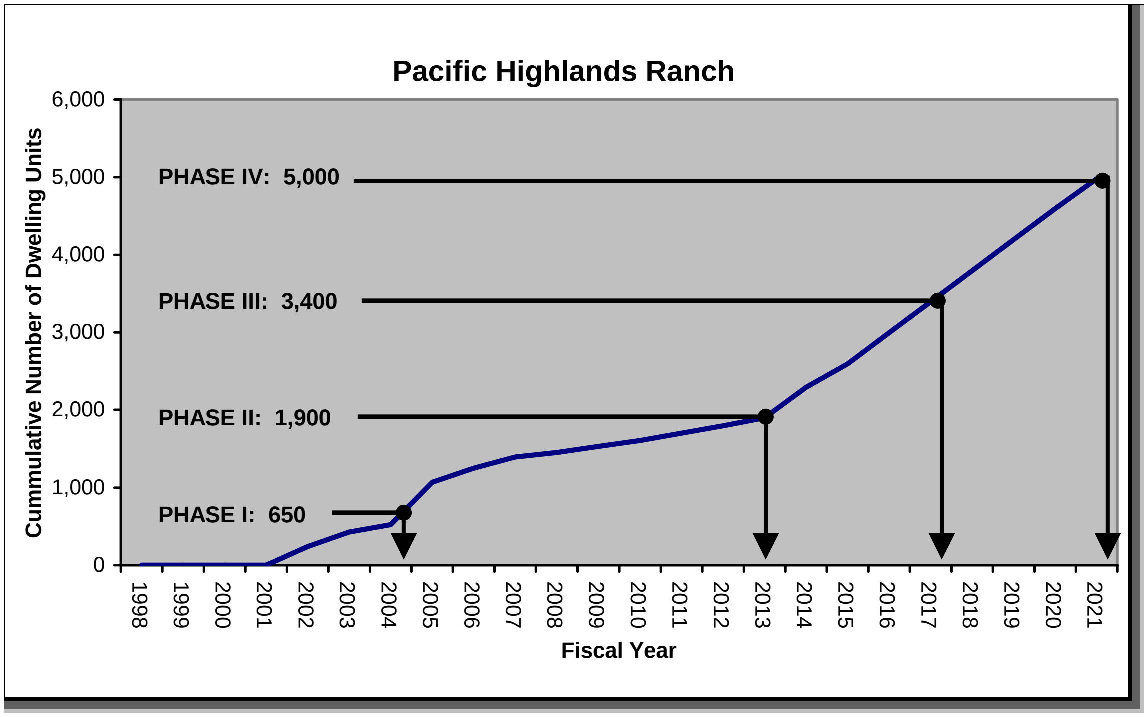
This report will update the Public Facilities Financing Plan (Financing Plan) and the Facilities Benefit Assessment (FBA) for the development that is planned to occur in the community planning area known as Pacific Highlands Ranch.

Transportation Phasing Plan

Pacific Highlands Ranch is being developed in conjunction with an adopted Transportation Phasing Plan. The **Transportation Phasing Plan,** shown in the Appendix on page 215, provides a complete list of the required transportation projects. For a more detailed description of the scope of work, estimated timing as to when construction will occur, and anticipated sources of funding for each of the projects in the Transportation Phasing Plan, refer to the Capital Improvement Project sheets beginning on page 39. The Transportation Phasing Plan limits the issuance of building permits in Pacific Highlands Ranch until the listed improvements have been constructed. The limitations of the Transportation Phasing Plan are established in the form of threshold conditions, which must be met before development in Pacific Highlands Ranch is allowed to continue. Chart 1, on page 20, illustrates the timing of the four thresholds based upon the current development schedule.

At the time of this update, the most significant transportation improvement to impact the development forecast is the construction of the I-5/SR-56 Freeway Connectors, project T-1.5. The Transportation Phasing Plan requires Phase Two development of Pacific Highlands Ranch to be held at 1,900 dwelling units (within the phase shift area) until the I-5/SR-56 Freeway Connector project is constructed. According to the latest development schedule projections, the Pacific Highlands Ranch community should reach 1,900 units during fiscal year 2013. A pause in the development of Pacific Highlands Ranch is not expected, but may occur if the 1,900 dwelling unit threshold is reached prior to the completion of the I-5/SR-56 Freeway Connectors.

Chart 1 Transportation Phasing Plan Threshold Projections



Development Forecast and Analysis

The development projection for Pacific Highlands Ranch 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, an economic recession, and issues involving the thresholds of the Transportation Phasing Plan could slow or halt the development rate of Pacific Highlands Ranch. Conversely, a period of robust business expansion could significantly increase the rate of development. Indications are that the remaining development of Pacific Highlands Ranch will take place over a fourteen-year period.

The current development schedule assumes that the required I-5/SR-56 Freeway Connector project will not be provided by the time the 1,900 dwelling unit threshold is reached. A brief pause in the development is assumed in the projected development schedule presented in Table 8 on page 21. Future updates of this financing plan may extend the period of paused development as the timing for the completion of the project is re-evaluated.

In the development schedule, the number of units developed within a year refers to those applications having been issued building permits during the July-to-June fiscal year. Therefore, the development shown in FY 2006 refers to those units for which building permits were issued, with fees paid, between July 1, 2005 and June 30, 2006. Development in Pacific Highlands Ranch is projected to reach

1,900 dwelling units by the end of Fiscal Year 2013 as indicated in the table by the line (▬▬▬).

Since needed facilities are directly related to the community growth rate, construction schedules for 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.

Table 8 Pacific Highlands Ranch Development Schedule

FISCAL YEAR	SFDU	MFDU	DMHE	UNITS TO DATE (1)	VAC	INSTAC	ECAC
PRIOR	816	463	153	1,432		48.92	
2007(2)	141	0	8	1,581			
2008	57	0	7	1,645			
2009	79	0	4	1,728	12		
2010	78	0		1,806	0		
2011	95	0		1,901	0		
2012	95	0		1,996	0		
2013	104	0		2,100	0		
2014	100	294		2,494	0		
2015	150	150		2,794	10		11
2016	250	150		3,194	8		5
2017	250	150		3,594	4		3.01
2018	250	150		3,994			
2019	250	150		4,394			
2020	250	150		4,794			
2021	232	156		5,182			
TOTAL	**3,197**	**1,813**	**172**	**5,182**	**34**	**48.92**	**19.01**
ACTUAL:	956	463	163	1,582	0	48.92	0
TO GO:	**2,241**	**1,350**	**9**	**3,600**	**34**	**0**	**19.01**

(1) This is a community-wide development schedule and includes dwelling units outside of the phase shift area.

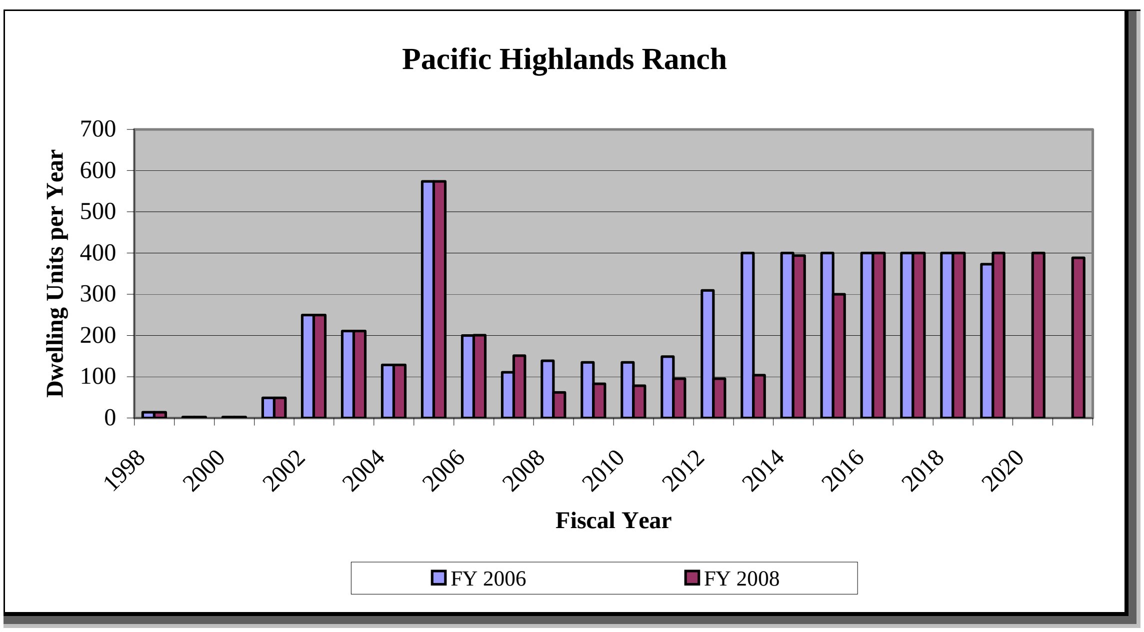
(2) Development figures are based upon estimates for FY 2007 and beyond.

Residential
The anticipated residential development for Pacific Highlands Ranch is estimated at 5,182 dwelling units. A list of the types and amount of all planned residential development can be found in Table 1 on page 7.

Non-residential
In the FY 2006 Financing Plan, the anticipated non-residential development for Pacific Highlands Ranch was estimated to be 102 acres. A list of the types and amount of all planned non-residential development can be found in Table 1, page 7.

Annual Absorption Rate
In the FY 2006 financing plan, projected residential development was expected to have peaked at 574 dwelling units per year during FY 2005. A secondary peak of 400 dwelling units per year is expected after the transportation phasing plan requirements have been met. Below, Chart 2 illustrates how the anticipated annual absorption rate for residential development in Pacific Highlands Ranch has changed from the FY 2006 plan to this update in FY 2008. A list of the types and amount of the planned residential development can be found in Table 1, page 7.

Chart 2 Comparisons of Absorption Rates

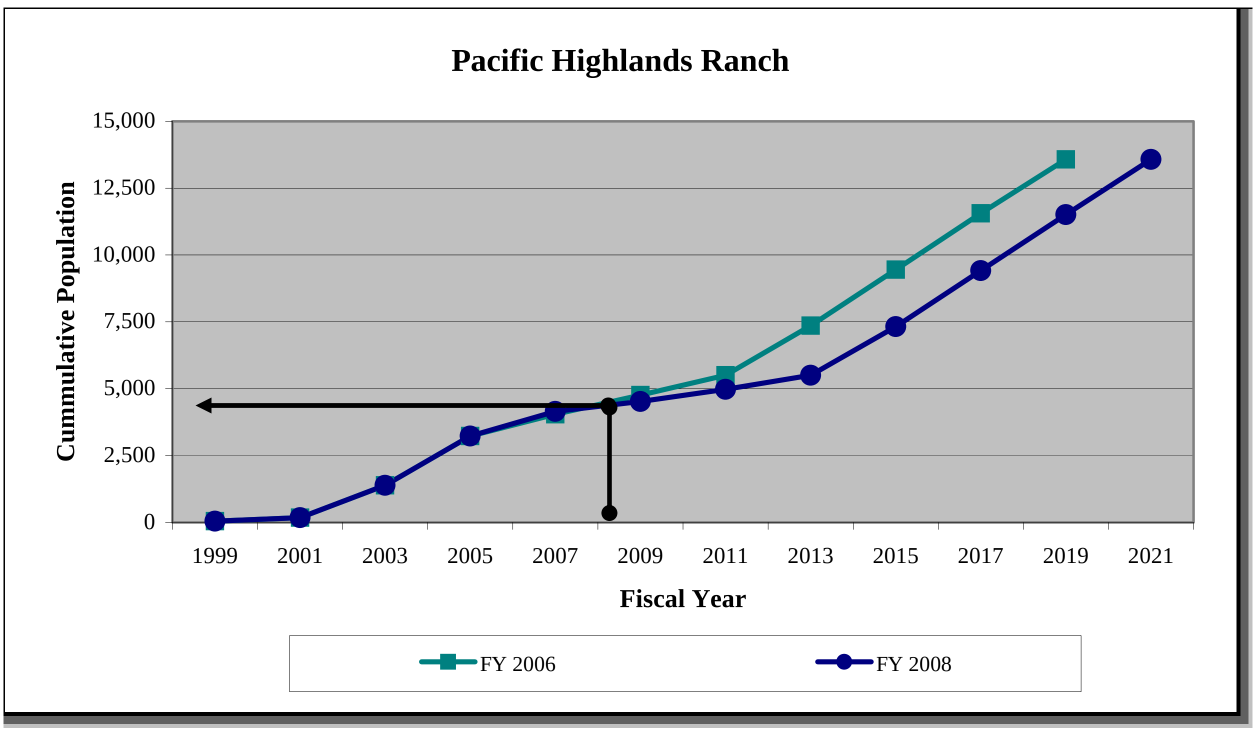


Population Estimates
Previous editions of the Pacific Highlands Ranch Financing Plan based population estimates on a factor of 2.62 persons per household. This factor is consistent with the Framework Plan for the North City Future Urbanizing Area. No change to this methodology is proposed as part of this update.

Using the population factor described above, the population of Pacific Highlands Ranch, at build out, is projected to be 13,577. Below, Chart 3 illustrates a comparison of the projected population growth rate of the FY 2006 and this FY 2008 update to the Public Facilities Financing Plan.

The 1,900 dwelling unit threshold of the Transportation Phasing Plan is expected to impact the development schedule and the projected population growth rate of Pacific Highlands Ranch. At the time of this update it is expected that Pacific Highlands Ranch will hold at a population of 5,500 people until the I-5/SR-56 Freeway Connector project is constructed. The period of time in which the Transportation Phasing Plan holds development in Pacific Highlands Ranch may change with future updates of this financing plan.

Chart 3 Projected Population Growths



Capital Improvement Program

Future Public Facility Needs

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

- Transportation
- Parks and Recreation
- Police

- Fire
- Library
- Water/Sewer Lines (Utilities)

Project locations are depicted in Figure 2 on page 37 and summarized in Table 9 on page 33. Detailed project descriptions can be found in the Capital Improvement Program (CIP) sheets beginning on page 39. The timing associated with individual projects is also summarized in Table 9 and on the corresponding CIP project sheets. Refer to Table 8 on page 21 for the current development schedule for Pacific Highlands Ranch.

Construction schedules of facilities are contingent upon actual development within the community because needed facilities are directly related to the community's growth rate. Therefore, any slowdown in community development will require a modification to the schedule by which needed facilities are planned. The 1,900 dwelling unit threshold associated with the Transportation Phasing Plan is expected to be reached prior to the completion of the I-5/SR-56 Freeway Connector project, therefore the timing for certain population-based facilities will be impacted. The timing for those projects may be adjusted in future updates as the estimated timing for the completion of the I-5/SR-56 Freeway Connector project is closely monitored.

Changes to Capital Improvement Project List

The following new project has been added to the Pacific Highlands Ranch Public Facilities Financing Plan for FY 2008:

T-1.8, SR-56 Community Bicycle Connectors

Since the approval of the Fiscal Year 2006 financing plan, projects T-3.1, T-3.2, and T-3.3 have been combined into one project:

T-3, Del Mar Heights Road (4-6 Lanes).

These and other significant changes to the Capital Improvement Project list are described below:

T-1.2B <u>State Route 56 - Expansion to 6 Lanes</u>. $22,800,000 increase in total cost of this project. There is no change to the Pacific Highlands Ranch contribution of $11,546,000.

T-1.5 <u>I-5/SR-56 Freeway Connectors</u>. $3,600,000 increase in the total cost of this project. There is no change to the Pacific Highlands Ranch contribution of $7,000,000.

T-1.7 <u>SR-56 Bike Interchanges</u>. $1,427,000 increase in the total cost of this project. There is no change to the Pacific Highlands Ranch contribution of $530,400.

T-1.8 SR-56 Community Bicycle Connectors. A new project with total cost of $345,100. Pacific Highlands Ranch share for this project is $140,100.

T-3 Del Mar Heights Road (4-6 Lanes). The three phases of this project (T-3.1, T-3.2, and T-3.3) have been combined into one project. $2,039,000 increase in total project cost from $8,661,000 to $10,700,000. $2,039,000 increase in the Pacific Highlands Ranch contribution from $8,661,000 to $10,700,000.

T-4.2 Carmel Valley Road (4-6 Lanes South of Pacific Highlands Ranch Parkway). $13,000 decrease in total project cost from $6,213,000 to $6,200,000. $13,000 decrease in the Pacific Highlands Ranch contribution from $6,213,000 to $6,200,000.

T-4.3 Carmel Valley Road (Pacific Highlands Ranch Parkway to Lopelia Meadows Place). $1,700,000 decrease in total project cost from $9,100,000 to $7,400,000. $1,700,000 decrease in the Pacific Highlands Ranch contribution from $9,100,000 to $7,400,000.

T-4.4 Carmel Valley Road (Lopelia Meadows Place to Via Abertura). $1,200,000 increase in total project cost from $7,500,000 to $8,700,000. $1,200,000 increase in the Pacific Highlands Ranch contribution from $7,500,000 to $8,700,000.

T-6.1 Village Center Loop Road (Carmel Valley Road east to Lin property line). $452,800 decrease in total project cost from $3,332,800 to $2,880,000. $452,800 decrease in the Pacific Highlands Ranch contribution from $3,332,800 to $2,880,000.

T-6.2 Village Center Loop Road (Lin property line east to Carmel Valley Road). $1,000,000 increase in total project cost from $1,000,000 to $2,000,000. $1,000,000 increase in the Pacific Highlands Ranch contribution from $1,000,000 to $2,000,000.

T-8 Transit Center. $200,000 decrease in total project cost from $1,600,000 to $1,400,000. $200,000 decrease in the Pacific Highlands Ranch contribution from $1,600,000 to $1,400,000.

T-9 Park-N-Ride. $800,000 increase in total project cost from $1,300,000 to $2,100,000. $800,000 increase in the Pacific Highlands Ranch contribution from $1,300,000 to $2,100,000.

P-1 Gonzales Canyon Neighborhood Park – Acquisition and Development. $300,000 decrease in total project cost from $6,100,000 to $5,800,000. $300,000 decrease in the Pacific Highlands Ranch contribution from $6,100,000 to $5,800,000.

P-2 McGonigle Canyon Neighborhood Park – Acquisition and Development. $300,000 decrease in total project cost from $6,100,000 to $5,800,000.

$300,000 decrease in the Pacific Highlands Ranch contribution from $6,100,000 to $5,800,000.

P-3.3 Black Mountain Ranch Community Park – Swimming Pool. $1,839,000 increase in total project cost from $4,161,000 to $6,000,000. $688,000 increase in the Pacific Highlands Ranch contribution from $1,566,000 to $2,244,000.

P-10.1 Pacific Highlands Ranch Hiking and Biking Trails. $2,778,200 increase in total project cost from $2,296,800 to $5,075,000. $2,778,200 increase in the Pacific Highlands Ranch contribution from $2,296,800 to $5,075,000.

F-1 Fire Station 47 – Pacific Highlands Ranch. $1,259,800 increase in total project cost from $8,995,200 to $10,255,000. $1,009,800 increase in the Pacific Highlands Ranch contribution from $7,214,200 to $8,224,000.

L-1 Branch Library and Village Green. $1,790,168 increase in total project cost from $12,786,832 to $14,577,000. $673,034 increase in the Pacific Highlands Ranch contribution from $4,778,966 to $5,452,000.

U-3 Del Mar Heights Pipeline Relocation. $201,000 increase in total project cost from $5,949,000 to $6,150,000. $201,000 increase in the Pacific Highlands Ranch contribution from $5,949,000 to $6,150,000.

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 City approved discretionary permits.

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:

- 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 Pacific Highlands Ranch FBA Schedule in Table 4, page 14, shows the rate of assessment for each category of land use during each year of community development. The FY 2008 assessment schedule is the same as projected in the FY 2006 financing plan and includes an inflationary increase of 7% over the current rate due to increased project costs and the impact of inflation. For example, the assessment for a single-family dwelling unit developed during FY 2008 is $69,118. For the same period, each multi-family unit is to be assessed $48,384, while each Del Mar Highlands Estate is assessed $47,002. The commercial or village assessment is $557,652 per acre, while each institutional acre is $198,273. Finally, in FY 2008, the employment center assessment is $371,765 per acre.

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 Pacific Highlands Ranch 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 4 on page 14.

Development Impact Fee (DIF)

Within urbanized communities, which are near full community development, Development Impact Fees (DIF) 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. Council has previously directed that Development Impact Fees, equal to the current FBA assessments, are appropriate for all properties in future urbanizing communities that have never been assessed or otherwise agreed to pay Facilities Benefit Assessments.

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 on a turn-key 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 for Water and Sewer Facilities

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. 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.

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 first phase of State Route 56 (project T-1.1), 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, industrial, and institutional 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 Pacific Highlands Ranch 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 Pacific Highlands Ranch.

7. The Development Schedule, shown in Table 8 on page 21, 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 Pacific Highlands Ranch.

8. 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.

9. Only those roadways that have been designed as a four-lane facility or larger have been considered in this financing plan as being funded by the FBA. All other roadways located within Pacific Highlands Ranch will be the responsibility of the developer/sub-divider and are not reflected in the FBA calculations.

10. It has been assumed that a large majority of the cost necessary to complete SR-56 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 Pacific Highlands Ranch 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 Pacific Highlands Ranch 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 Pacific Highlands Ranch, 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 Pacific Highlands Ranch. 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.