Public Facilities Financing Plan

General

This report will put into place the Public Facilities Financing Plan (Financing Plan) and the Facilities Benefit Assessment (FBA) for development that will occur in the community plan area known as Black Mountain Ranch.

This Financing Plan has been prepared to ensure that all properties which have not yet developed will pay their fair share of the cost of funding the needed public facilities, even if the subject property has an approved tentative or final map detailing its development. In order to fulfill that requirement, this Financing Plan contains a development forecast and analysis, a Capital Improvement Program listing public facility needs and specific facilities benefit assessments.

Development Forecast and Analysis

Inventory

In the FY 2003 Plan, the anticipated residential development for Black Mountain Ranch was estimated at 5,400 dwelling units. This reflected the maximum number of dwelling units approved by the voters as part of the "phase shift" vote approved by the voters in November, 1998. The anticipated residential forecast has been maintained at 5,400 dwelling units with this update to the Financing Plan. Subsequent changes to the rate of anticipated buildout of residential development will be the subject of future annual updates to the Financing Plan.

In the FY 2003 Plan, the anticipated non-residential development for Black Mountain Ranch was budgeted with a 300 room hotel, two golf courses, 135,000 square feet of commercial/retail, 16 acres of institutional, and 450,000 square feet of employment center, and 65,000 square feet of office. With this update to the Financing Plan, these projections remain the same.

Annual Absorption Rate

After an initial start up period, the FY 2003 Plan anticipated an annual absorption rate that peaked at 600 residential dwelling units in FY 2003. This update to the Financing Plan anticipates that, residential development will occur with a sustained annual rate of 400-600 dwelling units per year with a peak annual rate of approximately 770 dwelling units in FY 2008. Figure 2 illustrates the differences in the cumulative absorption of residential development between the FY 2003 Plan and this update to the Financing Plan.

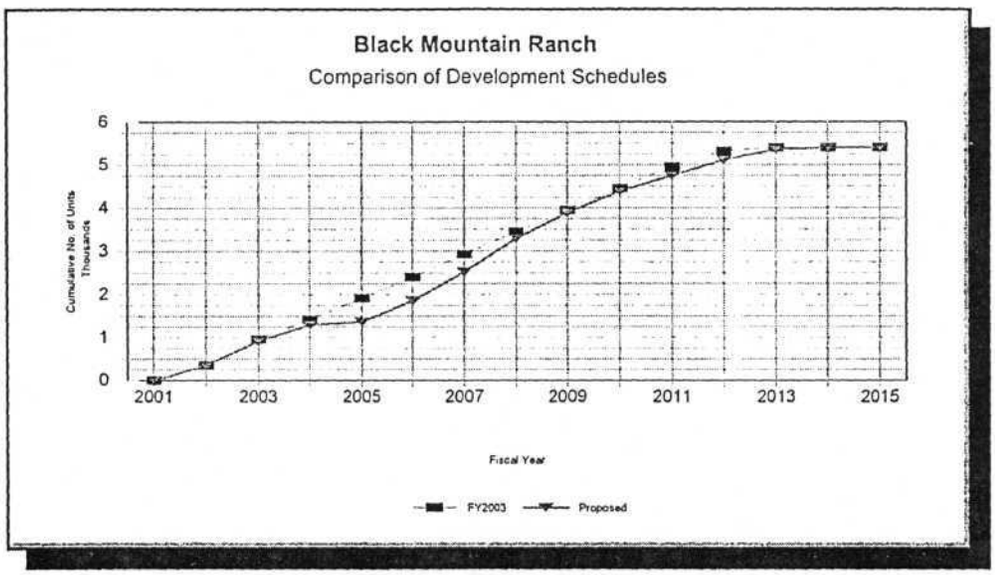

Figure 2 - Comparison of Cumulative Absorption of Residential Development

Population Factors

As part of the FY 2003 Plan, when determining the population-based public facilities requirements, the Public Facilities Financing Plan has utilized a population factor of 2.62 persons per household consistent with the Framework Plan for the North City Future Urbanizing Area. No change in this methodology is proposed as part of this update.

Population at Buildout

Based upon a utilization of the population factors discussed above, full community development of the Black Mountain Ranch Subarea remains the same as before and has been calculated at 14,148. The graph provided as Figure 3 illustrates both the previous rate of population growth, as reflected in the FY 2003 Plan, together with the proposed rate of population growth that is set forth as part of this update.

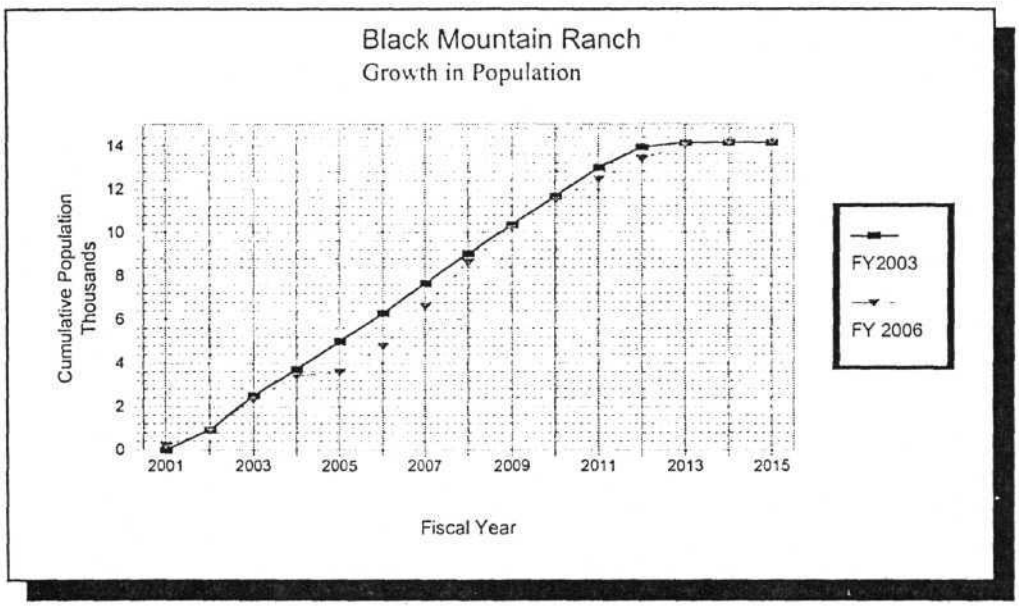

Figure 3 - Growth in Population

Annual Review

It should be noted that development projections are based on the best estimates of the property owners, developers and City Staff as to how they see the future land market. Obviously, certain economic events could preclude development from taking place as forecasted. High interest rates, higher land and housing prices, an economic recession or, conversely, a period of robust business expansion could all significantly change the rate of development in Black Mountain Ranch, as well as for all of the San Diego area. The forecast included in the Financing Plan assumes a sustained absorption rate of residential housing units at approximately 400-600 dwelling units per year. To ensure that this program maintains its viability, an "Annual Review" of the Financing Plan will be performed and recommended actions, in response to the actual activity of development, will be presented to the City Council. The Annual Review is required as part of the FBA Ordinance in the Municipal Code. The Annual Review will include, but not necessarily be limited to, the evaluation of the following factors:

1. Rate and Amount of Development
2. A comparative analysis of City approvals of Discretionary Permit Applications during the past fiscal year with the previously budgeted rate of development.

3. Cost of all facilities, including unpaid reimbursement agreements
4. Rate of inflation
5 Interest rates
6. An evaluation of each Capital Improvement Project to determine which project(s) shall be constructed in the next fiscal year, as well as for the remainder of the life of the Financing Plan.

Future Public Facility Needs

Public facilities are required in a number of project categories in order to serve the Black Mountain Ranch community. These categories include: (i) transportation, (ii) parks and recreation, (iii) fire protection, (iv) library, (v) water, and (vi) sewer, as more fully described in the Financing Plan. The projects are summarized in Table 7. They are also described in the Capital Improvements Program (CIP) project sheets which follow Table 7. The current development schedules are illustrated in Table 1 and the timing associated with individual projects is illustrated in Table 7 and on the corresponding CIP project sheets.

Updated Costs

This update includes an analysis by each of the sponsoring City Departments regarding the project costs for each of the public facility projects. The cost estimate for each public facility project has been reviewed and updated to take into account: the effects of any inflation, the results of competitive bidding on similar projects, and modifications, if any, in the overall scope of the project.

Financing Strategy

General Plan and City Council Policy provide that the primary responsibility for providing needed public facilities in Planned Urbanizing Areas rests with the developers. Of the needed public facilities, the major portion will be constructed as a part of the subdivision process by developers. Public facilities projects that benefit a population larger that the local/adjacent development can be financed by the following alternative methods:

1. Facilities Benefit Assessment (FBA) - This method of financing spreads costs fairly and equally and follows the procedures specified in City Council Ordinance O-15318, as adopted on August 25, 1980. However, FBAs result in liens being levied on each undeveloped parcel of property located within the Area of Benefit. While these liens ensure that assessments will be collected on each parcel as development occurs, the liens must be renewed annually with each update to the Financing Plan and must be released following payment of the FBAs.

2. Development Impact Fee (DIF) - This method of financing is similar to that of an FBA in that the costs are spread fairly and equally. Unlike an FBA, a Development Impact Fee does not create a lien on the property benefitting from the collection of fees.

3. Assessment Districts - Special assessment district financing, such as Municipal Improvement Acts of 1913/1915, may be used as a supplementary or alternative method of financing some 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 for a particular public facilities project in advance of the projected development activity. However, such districts create a long term encumbrance of the benefitting property requiring that the funds be paid back 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.

4. Community Facilities District (CFD) - State legislation, such as the Mello-Roos Act of 1982, has been enacted for providing methods of financing public facilities in new and developing areas. The formation of such Community Facility Districts may be initiated by owner/developer petition. Mello-Roos districts also require the approval of a majority of the property owners in order to establish the district, as clarified by Council Policy 800-03.

5. Developer Construction - With approval of the City Council, developers may elect to construct some public facility projects in lieu of, or for a credit against, paying a Facilities Benefit Assessment. Facility Costs in excess of the FBA obligation may be reimbursed to the developer from the FBA fund, subject to the availability of funds, pursuant to the terms of a reimbursement agreement approved by the City Council.

6. Reimbursement Financing for Water and Sewer Facilities - This method of financing is outlined in Council Policy 400-7 and is commonly used when the first developer/subdivider in an area is required to construct necessary water and sewer facilities for the entire area, oversizing as required to serve subsequently developed lands. These agreements are administered by the Development Services Department and approved by the City Council. Reimbursement to the first developer/subdivider can occur over as long as a twenty year period or until all of the subsequently developed lands have participated in the reimbursement, whichever occurs first.

7. State/Federal Funding. Certain public facilities may be determined to benefit a regional area which is larger than the Community Planning area. As such, these projects may appropriately be funded by either the State or Federal Government or by a combination of the two. For example, the first phase State Route SR-56 (project no. T-58) has been shown in this Financing Plan as being funded by such sources.

8. Cost Reimbursement District. This reimbursement method provides an opportunity for an individual developer/subdivider who has been directed to construct public improvements that are more than that required to support its individual property/development to be reimbursed by other properties benefitting from said improvements. Said reimbursement is secured by a lien on the benefitting properties with the lien due and payable only upon recordation of a final map or issuance of a building permit, whichever occurs first.

9. 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 performance obligations being accepted by the developer. These obligations may include the turnkey construction of one or more public improvements that might otherwise be funded by an FBA or DIF.

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 being FBA funded, developers will be required to provide facilities normally provided within the Subdivision Process as a condition of tentative subdivision map approval, including, but not limited to, traffic signals (except as noted), local roads, and the dedication or preservation of Open Space located within the proposed development(s). Such projects, however, may be funded by a Mello-Roos, 1913/15 Act, or other type of Reimbursement District, if the project(s) and the applicant(s) qualify for this type of project financing.

2. Commercial and industrial land will be assessed for infrastructure, including transportation, police, utilities and fire facilities through an FBA. However, they have not been assessed for park and recreation facilities nor are they assessed for library facilities, as these facilities primarily serve the residential component of the Black Mountain Ranch community. Should a basis be developed for charging these costs to non-residential development in the future, their prorata share of the cost of these facilities can be evaluated at that time.

3. Annual reviews, as required by the FBA Ordinance, will be performed to evaluate performance of the program and to re-assess the on-going commitments pertaining to the completion of needed facilities. Costs and assessments shall be evaluated for all remaining portions of the program.

4. The FBA shall be paid by the Developer or permittee as a condition of issuance of Building Permits.

5. Pursuant to Section 61.2213 of the Municipal Code, a developer, or group of developers, can propose to build or improve a specific facility identified in the Capital Improvements Program as being funded by the FBA and, upon City Council approval, enter into an agreement to provide the facility in lieu of, or as credit against payment of FBAs, provided adequate funding is available. 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 for the difference from the FBA fund, subject to the availability of funds. Subject to the terms of the reimbursement agreement, should two developers be entitled to cash reimbursement during the same fiscal year, the first agreement to be approved by the City Council shall take precedence over subsequent agreements approved by the City Council.

6. The FBAs collected shall be placed in a City fund providing interest earnings for the benefit of Black Mountain Ranch.

7. The Development Schedule, as depicted in Table 1, 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 Black Mountain Ranch (subject to the current dwelling unit limitation of 5,400 units).

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

9. Only those roadways that have been designed as four-lane facility or larger have been considered in this Financing Plan as being funded by the FBA. All other roadways located within Black Mountain Ranch will be the responsibility of the developer/subdivider and are not reflected in the FBA calculations.

10. It has been assumed that the large majority of the cost necessary to construct 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. FBA funding has been identified as backup funding for the widening of SR-56 from four lanes to six lanes, should these other sources of funding not be obtained at the time the improvements are required.

11. For this Financing Plan, all projects that require land acquisition include a cost for the value of the property. Land values are based on the property being graded, in finish pad condition and ready to accept the project for which it is intended (i.e. the value of raw land plus the cost of grading and drainage improvements + environmental mitigation = property value). The actual price paid for land within Black Mountain Ranch, however, will be based on either a price established through direct negotiations between the affected property owner(s) and relevant public agency or by fair market value, as determined by an appraisal which will be prepared in accordance with standard City policy. Hence, the actual price paid for land within Black Mountain Ranch may be at an amount other than that budgeted for this purpose. Consequently, some land may be acquired for a higher price while other land could be acquired for less. Future annual updates will reflect any changes in this value, as appraisals are prepared for properties located in this area. As such, nothing in this Financing Plan should be construed that the City has pre-approved the value of the land to be acquired.

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. 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 Black Mountain 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. FBAs shall be paid by all categories of private development, including affordable housing projects.

15. The reimbursable expenses that a developer, who enters into an agreement with the City to build or improve a specific facility identified in the Capital Improvements Program as being funded by the FBA may include, but not limited to, any right-of-way acquired through negotiation and/or condemnation by either developer or the City, environmental

mitigation costs related specifically to the project, construction costs for all public improvements including, but not limited to roadway improvements, grading and storm drain facilities located within the right-of-way, landscaping, traffic control devices and signs, design services, engineering, professional services, appraisal costs, environmental reports, soils testing, legal services, surveying, project administration, construction management and supervision, insurance premiums, bonds, and all other fees and charges, including, but not limited to, permit fees, inspection fees, etc. The specifics of what is to be credited and/or reimbursed shall be as set forth in the reimbursement agreement.

Consideration in Lieu of Assessment

The Hotel and Golf Course developments, including 60,000 square feet of commercial/retail[1], have participated in the funding of certain public facilities improvements identified in the Financing Plan as being FBA-funded improvements. These public facilities improvements, which include, but are not limited to, Camino del Sur, Carmel Valley Road, San Dieguito Road and Black Mountain Road, were required and programmed for construction in the first years of development of Black Mountain Ranch, in advance of the Hotel and Golf Course developments. Pursuant to Section 61.2213 of the Municipal Code, the City may accept public facilities improvements as consideration in lieu of the Facilities Benefit Assessments required by the Financing Plan. In addition, pursuant to Section 61.2210 of the Municipal Code, the City may accept payment of FBAs "...upon issuance of building permits(s) or at such time as the Capital Improvement Program for the Area of Benefit in which the assessed land is located calls for the commencement of construction of the Public Facilities Project." Consequently, the FY 2003 Plan determined that these developments have satisfied their respective FBA obligations in the years shown in Tables 1 and 4 because of their participation in the above listed projects, even though one or more of these developments may not actually obtain building permits until some time in the future. Upon satisfaction of their respective FBA obligations, a cessation of lien was recorded against said property. At such time as these projects do receive building permits, no FBAs will be required unless there has been an increase in the intensity of use or a change in land use. Should that situation occur, the respective development shall only be required to pay the FBA assessment then in effect at the time of building permit issuance on the incremental increase in land use, as measured in EDUs.

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[1] 60,000 square feet of commercial/retail is to be located at the Resort Hotel Complex or the South Village Town Center. Should all 60,000 square feet not be constructed at these two sites, then the balance may be constructed elsewhere within the Black Mountain Ranch community.

Cross Funding Between Communities

Developers of Black Mountain Ranch, Phase I (Santaluz), and Fairbanks Highlands have constructed a number of public facilities projects identified in the FY 2003 Plan as being partially the responsibility of the Torrey Highlands FBA. In an effort to simplify the "cross-funding" between Black Mountain Ranch and Torrey Highlands, the Financing Plan was revised to identify 100% FBA funding for a few projects in return for Torrey Highlands providing 100% FBA funding of a few others. After adjustment, the net funding obligation of both communities remained the same.

Developer Advance

There are a number of projects that have been identified as being FBA-funded that are anticipated to be constructed by developers in Black Mountain Ranch. Subject to the terms of a reimbursement agreement, a developer may actually start construction of a project before there are FBA funds available to provide either a cash reimbursement or credit against the developer's obligation to pay FBAs. In other words, the "need" for the project may occur before there are FBA funds available to cover the costs of the project. In addition, a developer may have accumulated credits from one or more other FBA-funded projects such that he is unable to use credits as fast as he has earned them. In such cases, the CIP sheet for a given project will show the fiscal year in which it is anticipated that the developer will advance the cost of the project as a "Developer Advance" ("DEV.ADVANCE") and reimbursement in the fiscal years in which it is anticipated that funds would be available or when it is anticipated that the developer would take credits against his obligation to pay FBAs. Subject to the actual availability of funds, the year(s) in which reimbursement or credit for the Developer Advance is shown may be accelerated to the fiscal year in which the Developer Advance is extended. On some CIP project sheets, a developer is identified as being the party who will provide the Developer Advance. During the course of development of the Black Mountain Ranch community, the developer who actually constructs a given project may turn out to be different from the developer identified on the CIP project sheet. It is understood that by being named on the CIP project sheet, a developer is in no way obligated to actually construct that particular project. A developer's obligation to construct a project is determined not by being named in this financing plan but, rather, by the terms of a development agreement, map condition, reimbursement agreement or other such similar document.