



The City of San Diego

Staff Report

DATE ISSUED: February 23, 2024
TO: City Council
FROM: Economic Development Department
SUBJECT: Exploration of an Enhanced Infrastructure Financing District or similar alternative funding mechanism and Midway Rising Quarterly Update

Primary Contact: Christina Bibler Phone: (619) 236-6421
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Council District(s): 2

OVERVIEW:

On September 13, 2022, the City Council selected Midway Rising as the successful respondent to the Midway Notice of Availability and authorized staff to negotiate and enter into an Exclusive Negotiating Agreement for the redevelopment of a 48.5-acre city-owned site in the Midway District of Council District 2.

As part of its action, the City Council requested that City staff, at a minimum provide the City Council with quarterly information updates to include progress made to date, completion of milestones, anticipated next steps and to receive additional input.

Since the last quarterly update to City Council in January 2024, Midway Rising continues to move forward in both site development solutions and the negotiation. In their response package to the City, Midway Rising proposed the creation of an Enhanced Infrastructure Financing District (EIFD), a mechanism to capture future increases in property tax revenues to help fund public infrastructure improvements necessary for the site's redevelopment. The Economic Development and Finance departments collaboratively would like to investigate available funding mechanisms further and recommend that City Council approve a resolution to explore an EIFD and/or similar alternative funding mechanisms for this site and potential partnerships with other affected taxing entities.

PROPOSED ACTIONS:

That the City Council adopts a Resolution to:

1. Approve Exploration of an Enhanced Infrastructure Financing District or similar alternative funding mechanism for the redevelopment of the City-owned real property located at 3220, 3240, 3250 and 3500 Sports Arena Boulevard (Midway Site).

DISCUSSION OF ITEM:

On September 13, 2022, the City Council selected Midway Rising as the successful respondent to the Midway Notice of Availability and authorized staff to negotiate and enter into an Exclusive Negotiating Agreement for the redevelopment of a 48.5 acre city-owned site in the Midway District of Council District 2.

As part of its action, the City Council requested that City staff, at a minimum provide the City Council with quarterly information updates to include progress made to date, completion of milestones, anticipated next steps and to receive additional input.

Since the last quarterly update to City Council in January 2024, Midway Rising continues to move forward in both site development solutions and the negotiations. A draft specific plan was submitted to the City in October 2023 for review and the City provided comments back to the Midway Rising team in January. The Midway Rising project currently contemplates the development of 4,250 residential dwelling units, 2,000 are affordable units, a 16,000 seat entertainment arena, up to 145,000 retail/commercial square footage and acres of parks/public space. In their response package to the City, Midway Rising proposed the creation of an Enhanced Infrastructure Financing District (EIFD) to generate a mechanism to capture future increases in tax revenues to help fund public infrastructure improvements necessary for the site's redevelopment. The Economic Development and Finance departments collaboratively would like to investigate funding mechanisms further and recommend that City Council approve a resolution to explore an EIFD and/or similar alternative funding mechanisms for this site and potential partnerships with other affected taxing entities.

Enhanced Infrastructure Financing District

An Enhanced Infrastructure Financing District (EIFD) is a tax increment financing (TIF) district, that captures future tax growth within a defined geographic boundary, to fund improvements within that District. The assessed value and corresponding property tax revenues at time of formation is used as a base level revenue, and with the growth of revenue over future years, some or all of the growth (tax increment revenue) can be earmarked to fund improvements in the designated area, and to pay back bonds issued against the anticipated increment from the EIFD.

This is the funding mechanism that was identified by Midway Rising as the most appropriate to fund improvements at the Sports Arena redevelopment site due to its revenue potential, long term flexibility, avoidance of increases in general taxes, predictability, and potential for revenue support from other affected taxing entities (excluding school districts).

The City of San Diego currently has one established EIFD in the Otay Mesa community, authorized by Resolution R-311204 of the Council of the City of San Diego, adopted June 30, 2017. The purpose of the Otay Mesa EIFD is to provide dedicated, supplemental revenues to address a portion of the funding gap originally identified in the Fiscal Year 2014 Otay Mesa Public Facilities Financing Plan (PFFP). The Otay Mesa EIFD is governed by the Public Financing Authority, which is chaired by Councilmember Vivian Moreno. Other serving members include Councilmember Joe LaCava, Councilmember Kent Lee, and two

public members. A separate Public Financing Authority would be established for Midway Rising as part of the district formation process if there is substantial support to move forward to form an EIFD.

Examples of public improvements that an EIFD can fund include, but are not limited to:

- Highways
- Interchanges
- Ramps and bridges
- Transit facilities
- Sewage treatment and water reclamation plans
- Flood control levees and dams
- Childcare facilities
- Libraries
- Parks
- Brownfield restoration and other environmental mitigation;
- and projects that implement a sustainable community's strategy

It is staff's recommendation to explore an EIFD, its potential to generate sufficient revenue for the Midway Rising site, and the associated fiscal impacts to the City.

City of San Diego Strategic Plan:

Create Homes for All of Us: San Diegans benefit from a diversity of different housing types, with homes that are affordable to everyone in all communities.

Protect and Enrich Every Neighborhood: San Diegans in all communities are connected to neighborhood assets that anchor community life, foster interaction, and promote well-being.

Advancing Mobility and Infrastructure: San Diegans travel on high-quality infrastructure that creates safe and comfortable spaces for people to walk, roll, ride, or drive.

Champion Sustainability: The City of San Diego provides a built environment that best sustains our natural environment and public health.

Foster Regional Prosperity: San Diego residents and businesses are supported by a strong local economy, with well-paying jobs, economic activity, and opportunities in every community.

Fiscal Considerations:

No fiscal considerations for this action.

Charter Section 225 Disclosure of Business Interests:

N/A

Environmental Impact:

This activity is not a project as defined by the California Environmental Quality Act Section 21065 and State CEQA Guidelines Sections 15378(b)(4), as it involves the creation of government funding mechanisms or other government fiscal activities which do not involve any commitment to any specific project which may result in a potentially significant physical impact on the environment; and 15378(b)(5) as it is an organizational or administrative activity of government that will not result in direct or indirect physical changes in the environment. Therefore, this activity is not subject to CEQA pursuant to State CEQA Guidelines Section 15060(c)(3).

Climate Action Plan Implementation:

There is not a connection to the CAP for this action.

Equal Opportunity Contracting Information (if applicable):

N/A

Previous Council and/or Committee Actions:

Selection of Midway Rising and Authorization to negotiate and enter into an Exclusive Negotiating Agreement with Midway Rising: City Council - September 13, 2022, Land Use & Housing – September 8, 2022

Shortlist to Hometown SD, Midway Rising, Midway Village +: City Council – May 23, 2022, Land Use and Housing – April 21, 2022

Declaration of Surplus Property and Development Condition: City Council – September 21, 2021 and August 3, 2021, Land Use and Housing – July 23, 2021

Quarterly Updates to City Council – December 12, 2022; March 07, 2023; June 20, 2023; October 2, 2023; January 21, 2024

Planning Commission Action: N/A

Key Stakeholders and Community Outreach Efforts:
N/A

Christina Bibler

Economic Development Director

Attachments: A– Location Map

Casey Smith

Deputy Chief Operating Officer