Black Mountain Ranch

Public Facilities Financing Plan and Facilities Benefit Assessment

Fiscal Year 2015

THE CITY OF SAN DIEGO

Facilities Financing
Planning Department
December 9, 2014

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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 Facilities Financing, at (619) 533-3670.

To view this document online, visit the Planning Department on the City of San Diego website at http://www.sandiego.gov/facilitiesfinancing/plans/index.shtml.

Introduction

Authority

The Fiscal Year 2015 Black Mountain Ranch Public Facilities Financing Plan (Financing Plan) implements the improvement requirements set forth in the Black Mountain Ranch Subarea Plan, which was originally approved by the City Council on July 28, 1998 by Resolution No. R-290525, and subsequently amended on May 9, 2009 by Resolution No. R-304918.

A Phase Shift from the future urbanizing planning designation to planned urbanizing was approved by the voters during Fiscal Year 1999. This community is also subject to the requirements of two development agreements:

- Second Amended and Restated Development Agreement Between The City of San Diego and Black Mountain Ranch Limited Partnership, Document No. O-18387, March 17, 1997.
- First Amendment to Second Amended and Restated Development Agreement Between The City of San Diego and Black Mountain Ranch Limited Partnership, Document No. O-19020, December 10, 2001.

Fourth Update to Financing Plan

On October 25, 2012, by Resolution R-307790, the City Council adopted the Fiscal Year 2013 Black Mountain Ranch Public Facilities Financing Plan. This report constitutes the fourth comprehensive update of the Public Facilities Financing Plan for the Black Mountain Ranch community. Future updates are anticipated to occur periodically.

Scope of Report

The Financing Plan is intended to implement the General Plan and the Black Mountain Ranch Subarea Plan (Subarea Plan) by identifying the major public facilities that will be needed to serve the community over the next 11 years during which the full community development is expected, and setting fees pursuant to Ordinance O-15318 and California Government Code 66000 et seq. (Mitigation Fee Act) to help mitigate the costs of the needed facilities.

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Facilities Benefit Assessment and Development Impact Fee

Fee 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 FBA is based upon the collective cost of each public facility needed to serve development in the community, and is equitably distributed over the area of benefit in the Black Mountain Ranch community. For more information on the area of benefit, see Areas of Benefit and Projected Land Uses beginning on page 5. The same methodology is used to calculate a Development Impact Fee (DIF) that is applicable to new development within the community that is not otherwise required to pay the FBA. The City has determined that there is a reasonable relationship between the amount of the FBA and DIF and the public facilities burdens posed by new development.

Methodology of the FBA

The methodology for determining the amount of the FBA/DIF is as follows:

1) An FBA **Assessment Roll** is prepared for Black Mountain Ranch where each remaining, unimproved parcel or approved map unit in the area of benefit is apportioned its share of the total cost of public facilities needed to serve new development according to the size and anticipated use of the property. Refer to Assessment Roll Description on page 9 for more information on the Assessment Roll.

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 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 must pay a fee that is determined by the type and size of the development permitted according to the FBA/DIF schedule that is in effect at the time the building permit is obtained. Owners/developers are not permitted to pay liens in advance of development. FBA/DIF are paid directly to the Development Services Department at the time of building permit issuance.

4) Fees are collected, placed into a separate City fund, and used within the area of benefit solely for those capital improvements and administrative costs identified in the Facilities Financing Plan.

Timing and Cost of Facilities

The public facilities projects anticipated to be financed by the Black Mountain Ranch FBA and DIF funds are shown in Table 9, beginning on page 29. 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, neighborhood parks and recreation, fire, libraries, water and sewer. Descriptions of the anticipated projects, which are listed in Table 9, can be found on the project sheets beginning on page 36. The FBA/DIF fund also covers the administrative costs associated with the development, implementation, and operation of the FBA and DIF.

Expenditures

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

1) **Direct payments** for facility costs, including administration of the FBA/DIF 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/DIF obligation pursuant to an approved reimbursement agreement.

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

Area of Benefit and Projected Land Uses

Area 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 Black Mountain Ranch are known as the area of benefit. An FBA is applied to the residential, non-residential, and various other land use combinations of undeveloped property. Figure 1, on page 7, shows the community boundary and locations of the Black Mountain Ranch Facilities Benefit Assessment Districts or area 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 FBA payment history, provides the data for the Inventory of Land Uses table shown on page 6.

Projected Land Use

Residential

The anticipated remaining residential development for Black Mountain Ranch is estimated at 2,126 dwelling units. A list of the types and amount of planned residential development can be found in Table 1 on page 6.

Non-residential

The anticipated remaining non-residential development for Black Mountain Ranch is projected to be 225,000 square feet of commercial uses, 515,000 square feet of employment/office uses, and 13.2 acres of institutional uses. A list of the types and amount of anticipated non-residential development can also be found in Table 1 on page 6.

FBA and DIF are to be paid on a per acre basis for nonresidential 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. Payment of FBA/DIF is required prior to issuance of building permits.

Table 1 Inventory of Land Uses

As of June 30, 2014

Land Use	Actual	Anticipated	Total
Single-Family Residential Units	2,434	1,061	3,495
Multi-Family Residential Units	840	565	1,405
Senior Housing Units	0	500	500
Commercial/Retail [1]	16,000	225,000	241,000
Institutional Acres [2]	2.8	13.2	16.0
Employment/Office	0	515,000	515,000
Hotel Rooms	0	300	300
Golf Course	1	0	1

[1] 16,000 square feet of the Commercial/Retail uses are located at the South Village Town Center. Pursuant to the Black Mountain Ranch Subarea Plan, the remaining 225,000 square feet of the Commercial/Retail development will be located in the North Village Town Center.

[2] Institutional land uses include projects such as churches, day care centers, assisted living, and other similar uses.

AREA OF BENEFIT

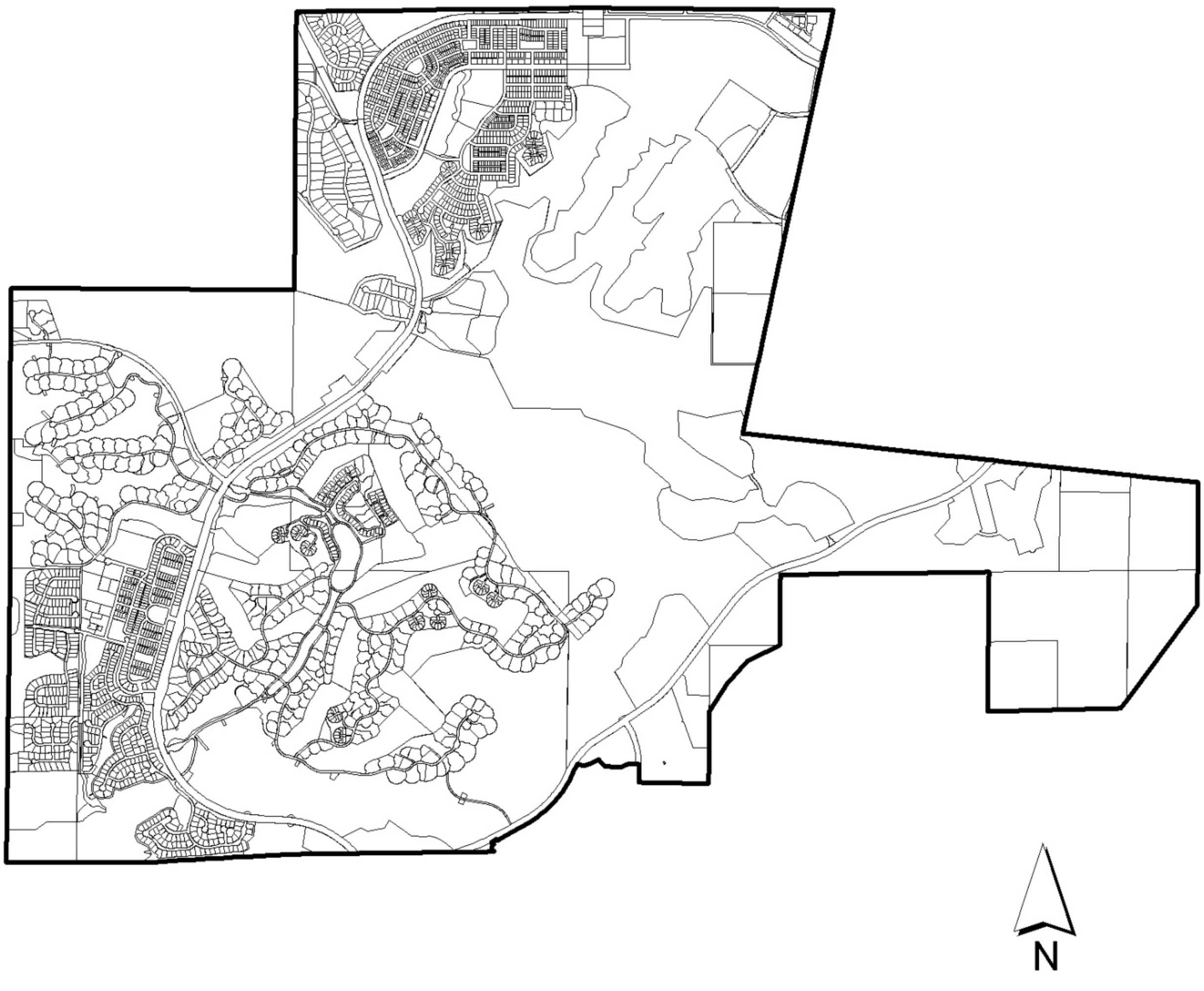

Figure 1

BLACK MOUNTAIN RANCH FACILITIES BENEFIT ASSESSMENT

San Diego, County of San Diego, and State of California

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Assessments

Assessment Methodology – EDU Ratios

An **Equivalent Dwelling Unit (EDU)** ratio has been established for the purpose of appropriately allocating the cost of public facilities between the different land use classifications. EDU ratios have been calculated for each category of facility to be funded by the FBA/DIF because the relationship between land use and the degree of benefit from different public facilities can vary substantially depending on land use. 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 impacts.

Table 2 provides the EDU ratios used to prepare the Black Mountain Ranch FBA/DIF.

Table 2 EDU Ratios

CATEGORY	Transportation	Parks	Fire	Library	Water	Sewer
Single-Family	1.0	1.0	1.0	1.0	1.0	1.0
Multi-Family	0.7	0.7	0.7	0.7	0.7	0.7
Senior Housing	0.4	0.36	0.36	0.36	0.36	0.36
Commercial (per 1,000 S.F.)	0.4	0.0	0.4	0.0	0.8	0.8
Institutional (per acre)	4.0	0.0	4.0	0.0	8.9	8.9
Employ/Office (per 1,000 S.F.)	0.2	0.0	0.4	0.0	1.14	1.14
Hotel (per room)	0.56	0.0	0.5	0.0	1.25	1.25
Golf Course	50	0.0	20.0	0.0	50.0	50.0

Assessment Roll Description

For each undeveloped map portion or parcel in the Area of Benefit, the Assessment Roll 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)
- Anticipated assessment amount for each parcel.

Identification numbers in the Assessment Roll 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 Roll is prepared, as shown on the last equalized Assessment Roll, 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 Roll is shown in the Appendix of this Financing Plan and begins on page 175.

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 Roll, all of which define the area of benefit, will be delivered to the County Recorder for official recording once the updated Facilities Financing Plan is approved by the City Council. Collection of the FBA/DIF is to occur at the time of building permit issuance at the Development Services Department.

Fee Deferral Program

On October 21, 2014, the San Diego City Council approved Ordinance O-20419, which allows for the deferral of the payment of FBA and DIF for up to two years after building permits are issued for a project. To defer the payment of FBA/DIF, the applicant must enter into a fee deferral agreement with the City, which is subsequently recorded against the property. The applicant must pay an administrative fee to process a fee deferral agreement. The FBA or DIF can be deferred for a maximum of two years, or until request for final inspection, whichever occurs first. The final inspection may not be scheduled until the applicable FBA or DIF is paid.

FBA/DIF fees, including all inflationary rate increases due, shall be as set forth in the fee schedule in effect when the fee deferral agreement is executed by the City, or the fees approved by the City Council for a subsequent update of the Financing Plan, whichever fee is lower.

Determination of FBA and DIF

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 FBA or DIF is determined by using the following information:

- Reasonably anticipated development schedule (in dwelling units and acres)
- Composite EDU ratios for each land use designation

- Schedule of facility expenditures (in FY 2015 dollars) appropriate to be financed with monies from the FBA/DIF fund
- Assumed annual interest rate of 2% for Fiscal Years 2015 through build out (applied to the fund balance)
- Annual inflation rate of 3% for Fiscal Years 2016 through build out (to determine the future costs of facilities that will be constructed in years beyond FY 2015)
- At the end of each fiscal year (June 30th), unpaid FBAs and DIFs are increased by the inflation factor.

An individual developer will pay an FBA or DIF, based upon the number of units, or acres developed in a particular year. Pursuant to the terms of an approved reimbursement agreement with the City, a developer may be issued credits against the FBA or DIF otherwise due for expenditures related to providing facilities in lieu of paying an FBA or DIF. An approved reimbursement agreement with the City may also provide for cash reimbursement to a developer from the FBA/DIF fund. A fee is calculated to provide sufficient money to meet the scheduled, direct payments for facilities to be funded by the FBA/DIF fund. The FBA/DIF rates also consider the timing of credits and reimbursements to be paid to developers for FBA/DIF funded facilities. Table 3 lists the FY 2015 FBA and DIF rates for Black Mountain Ranch.

Table 3 FY 2015 FBA and DIF Rates

LAND USE	FY 2015 FBA/DIF
Single-Family Residential Unit	$38,500
Multi-Family Residential Unit	$26,950
Senior Housing Unit	$14,630
Commercial (per 1,000 SF)	$6,545
Institutional Acre	$127,435
Employment/Office (per 1,000 SF)	$3,465
Hotel Room	$17,710

Automatic Annual Increases

FBA and DIF are evaluated approximately every two years and adjusted accordingly to reflect the current economic conditions. With this update, the FY

2015 FBA/DIF for the single family fee category is reduced by approximately 30% from the current FY 2015 FBA/DIF. This is the result of a net decrease of over $18M in total project costs primarily as a result of the re-designation of over $13M in project costs from FBA to direct developer funding. The cost of transportation projects T-29.2, T-54.2, and T-58 represents the BMR fair share contributions towards community and sub regional serving transportation projects included in the Financing Plan. The fair shares of each project will instead be provided as direct cash contributions by the BMR developer - BMR LLC. The three project descriptions are listed on page 20. An inflation factor of 3% per year will be applied to the FBA/DIF starting in FY 2016. The inflation factor is used to provide automatic annual increases in the FBA/DIF rate and takes effect at the beginning of each fiscal year (July 1). The automatic increase provision is effective only until such time as the next adjustment is authorized by the City Council. Thereafter, the subsequent Council-approved annual adjustment will apply.

The FBA/DIF schedule in Table 4 shows the applicable FBA/DIF rates for each category of land use during each year of community development.

Table 4 FBA/DIF Schedule

FISCAL YEAR	SFDU	MFDU	SNR	CKSF	INST AC	E/O KSF	HOTEL RM
2015	$38,500	$26,950	$14,630	$6,545	$127,435	$3,465	$17,710
2016	$39,655	$27,759	$15,069	$6,741	$131,258	$3,569	$18,241
2017	$40,845	$28,592	$15,521	$6,944	$135,197	$3,676	$18,789
2018	$42,070	$29,449	$15,987	$7,152	$139,252	$3,786	$19,352
2019	$43,332	$30,332	$16,466	$7,366	$143,429	$3,900	$19,933
2020	$44,632	$31,242	$16,960	$7,587	$147,732	$4,017	$20,531
2021	$45,971	$32,180	$17,469	$7,815	$152,164	$4,137	$21,147
2022	$47,350	$33,145	$17,993	$8,050	$156,729	$4,262	$21,781
2023	$48,771	$34,140	$18,533	$8,291	$161,432	$4,389	$22,435
2024	$50,234	$35,164	$19,089	$8,540	$166,275	$4,521	$23,108
2025	$51,741	$36,219	$19,662	$8,796	$171,263	$4,657	$23,801

SFDU = Single-family dwelling unit
MFDU = Multi-family dwelling unit
SNR = Senior housing unit
E/O KSF = Employment/Office (per 1,000 sf)
CKSF = Commercial (per 1,000 sf)
INSTAC = Institutional acre
HOTEL RM = Hotel Room

Cash Flow Analysis

The Black Mountain Ranch Cash Flow on Table 7, page 15, presents an analysis of the Black Mountain Ranch FBA/DIF. For each fiscal year during the development of the community, the cash flow shows the difference between anticipated FBA/DIF revenues (including earned interest) and the expected capital improvement expenditures. Interest earnings for cash on hand are compounded and based on an estimated 2% annual return for FY 2015 through full community development.

The results verify that under the assumed conditions for inflation factors, interest rates, land use development rates and facility costs, sufficient funds are expected for all listed facility requirements without incurring a negative cash flow at any time throughout the build out of the community. This cash flow does not rely on developer construction of facilities, although it is expected that some facilities will be designed and constructed by developers pursuant to approved reimbursement agreements

Periodic updates of the cash flow analyses, using actual event status (project status, revenues collected, actual construction costs incurred, etc.), are anticipated throughout community development. In this way, potential negative cash flow conditions can be anticipated, and expenditure adjustments can be scheduled to fit funding expectations. Facility needs are related to the community growth rate. Scheduling of facility development is contingent on actual development in the community. Therefore, any slowdown in development will result in shifting of the projected schedule for providing needed facilities. When changes in the development rate occur, facility schedules will be modified accordingly and a new cash flow analysis will be prepared.

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 14. The indices are referenced as a demonstration of historical construction cost changes over time and an indicator of potential future cost changes which are factored into the costs of future facilities.

Table 5 Los Angeles/San Diego Construction Cost Index

As reported by *Engineering News Record*

Year	CCI	% Change/Year
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	3.87%
2007	8873	3.75%
2008	9200	3.68%
2009	9799	6.51%
2010	9770	(0.3%)
2011	10035	2.72%
2012	10284	2.48%
2013	10284	0%
2014	10732	4.35%

Table 6 San Diego Consumer Price Index

Year	CPI	% Change/Year
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	3.8%
2007	231.9	2.3%
2008	242.4	4.6%
2009	240.9	-0.6%
2010	244.2	1.39%
2011	252.5	3.40%
2012	256.6	1.66%
2013	258.9	0.9%
2014	265.3	2.43%

Table 7 - Black Mountain Ranch FBA Cash Flow

FY	SFDU	MFDU	SENIOR HOUSING	COMM	GOLF	INSTIT	EMPLOY/ OFFICE	HOTEL	SFDU	MFDU	SENIOR HOUSING	CKSF	INSTAC	EMPLOY/ OFFICE KSF	HOTEL ROOM	INPUT $ PLUS INTEREST	PLANNED CIP $ EXPENSES	NET BALANCE	FY
PRIOR	2,434	840	0	16	1	2.8	0	0										$10,024,001	**PRIOR**
2015	254	79	100	0	0	0	0	0	$38,500	$26,950	$14,630	$6,545	$127,435	$3,465	$17,710	$13,551,519	$15,472,350	$8,103,171	**2015**
2016	356	89	123	225	0	5.64	0	0	$39,655	$27,759	$15,069	$6,741	$131,258	$3,569	$18,241	$20,865,541	$20,254,048	$8,714,664	**2016**
2017	152	85	44	0	0	3.29	65	0	$40,845	$28,592	$15,521	$6,944	$135,197	$3,676	$18,789	$10,116,079	$16,456,933	$2,373,811	**2017**
2018	149	108	61	0	0	0.47	450	0	$42,070	$29,449	$15,987	$7,152	$139,252	$3,786	$19,352	$12,250,539	$11,249,604	$3,374,746	**2018**
2019	31	91	134	0	0	0	0	0	$43,332	$30,332	$16,466	$7,366	$143,429	$3,900	$19,933	$6,436,263	$463,829	$9,347,181	**2019**
2020	10	60	38	0	0	3.8	0	0	$44,632	$31,242	$16,960	$7,587	$147,732	$4,017	$20,531	$3,651,765	$9,808,772	$3,190,174	**2020**
2021	10	24	0	0	0	0	0	0	$45,971	$32,180	$17,469	$7,815	$152,164	$4,137	$21,147	$1,303,851	$462,225	$4,031,800	**2021**
2022	10	12	0	0	0	0	0	0	$47,350	$33,145	$17,993	$8,050	$156,729	$4,262	$21,781	$934,421	$2,657,047	$2,309,174	**2022**
2023	52	10	0	0	0	0	0	0	$48,771	$34,140	$18,533	$8,291	$161,432	$4,389	$22,435	$2,952,048	$63,339	$5,197,884	**2023**
2024	27	5	0	0	0	0	0	150	$50,234	$35,164	$19,089	$8,540	$166,275	$4,521	$23,108	$5,073,202	$7,959,638	$2,311,448	**2024**
2025	10	2	0	0	0	0	0	150	$51,741	$36,219	$19,662	$8,796	$171,263	$4,657	$23,801	$4,209,658	$3,839,969	$2,681,137	**2025**
TOTAL	**3,495**	**1,405**	**500**	**241**	**1.00**	**16.00**	**515.00**	**300**								**$81,344,889**	**$88,687,753**		

Notes:
1) Values are rounded to the nearest dollar.
2) Annual inflation rate is 3% on project costs and FBA fee in FY 2016 and beyond.
3) Annual interest rate is 2% in FY 2015 and beyond.

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Public Facilities Financing Plan

Purpose

The **Financing Plan** is prepared to ensure that all owners of undeveloped and underdeveloped 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 Financing Plan includes the following:

- Development forecast and analysis
- Capital Improvement Program
- FBA/DIF fee schedule

This Financing Plan includes an update to the FBA and DIF for new development that is anticipated to occur in the Black Mountain Ranch community planning area.

Development Forecast and Analysis

The development projection for Black Mountain 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, as well as timing of constructing or assuring future projects in conformance with the Transportation Phasing Plan could slow or halt the development rate of Black Mountain Ranch. Conversely, a period of robust business expansion could significantly increase the rate of development. Based on the Subarea Plan and pending entitlements, the remaining development of Black Mountain Ranch is expected to occur over an eleven year period.

The current development schedule assumes that the required transportation improvements will be provided in accordance with the Transportation Phasing Plan included in this Financing Plan. The projected schedule of development for Black Mountain Ranch is presented in Table 8 on page 18. In this table, 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 2015 refers to those for which permits were issued, with fees paid, between July 1, 2014 and June 30, 2015. Development in Black Mountain Ranch is projected to reach 5,400 dwelling units by the end of Fiscal Year 2025.

Since needed facilities are directly related to the community 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 result in a modification of the schedule for providing needed public facilities. In addition, the City may amend this Financing Plan to add, delete, substitute, or modify a particular project to take into consideration unforeseen circumstances.

Table 8 Development Schedule

FISCAL YEAR	SFDU	MFDU	SNR	CKSF	INSTAC	E/OKSF	HOTEL	GOLF
2001	51	0						
2002	300	0						
2003	375	188						1
2004	257	129		8				
2005	61	0		8				
2006	233	204						
2007	321	3			1.14			
2008	87	49						
2009	59	0						
2010	148	0			1.66			
2011	79	10						
2012	128	20						
2013	164	110						
2014	171	127						
2015	254	79	100					
2016	356	89	123	225	5.64			
2017	152	85	44		3.29	65		
2018	149	108	61		0.47	450		
2019	31	91	134					
2020	10	60	38		3.80		150	
2021	10	24					150	
2022	10	0						
2023	52	10						
2024	27	5						
2025	10	2						
THRU FY 2014	2,434	840	0	16	2.8	0	0	1
ANTICIPATED	**1,061**	**565**	**500**	**225**	**13.2**	**515**	**300**	**0**
TOTAL	3,495	1,405	500	241	16.0	515	300	1

Notes: Development figures shown for development beyond FY 2015 are estimates.
Units are shown in the year the FBA/DIF obligation is satisfied, not in the year permits were issued.

As part of the FY 2013 Plan, the Hotel, together with 44,000 square feet of commercial, was added back in to the development schedule. Previously, this development had completely satisfied or "pre-paid" their FBA obligation in advance of actual construction of these developments because these properties participated in the funding of certain FBA improvements that were required and programmed in the first years of development of Black Mountain Ranch. However, since these developments still have not yet developed, their pre-payment has been returned to the master developer for their use on other projects.

Residential

In the FY 2013 Financing Plan, the total 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 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 build out of residential development will be the subject of future annual updates to the Financing Plan. The anticipated remaining residential development for Black Mountain Ranch is estimated at 2,126 dwelling units. A list of the types and amount of planned residential development can be found in Table 1 on page 6.

Non-residential

For this FY 2015 update to the Financing Plan, the total anticipated non-residential development for Black Mountain Ranch remains unchanged with a 300-room hotel, 241,000 square feet of commercial/retail uses, 515,000 square feet of office uses, and 16 acres of institutional use. A list of the types and amount of planned non-residential development can also be found in Table 1 on page 6.

Annual Absorption Rate

This Financing Plan anticipates that the remaining residential development will peak over the next two to four years before dropping off as the community approaches full community development.

Capital Improvement Program

Future Public Facility Needs

Public facilities are needed in a number of project categories to serve the community. Those categories include:

- Transportation
- Parks and Recreation
- Fire-Rescue
- Library
- Sewer/Water Lines (Utilities)

Projects are summarized in Table 9 on page 29. The anticipated project descriptions can be found in the Capital Improvement Program (CIP) sheets beginning on page 36. The anticipated timing associated with individual projects is also summarized in Table 9 and on the corresponding CIP project sheets. Refer to Table 8 on page 18 for the current development schedule anticipated for the community.

Changes to Capital Improvement Project List

With this update, four transportation projects have been removed from the cash flow and will no longer be funded by the Black Mountain Ranch FBA/DIF. They will instead be shown as developer funded. BMR LLC will fund the Black Mountain Ranch share of Projects T-29.2 (El Camino Real Widening), T-54.2 (SR-56 Widening), and T-58 (SR-56 at I-15 Interchange Improvements) by providing direct cash contributions. Project T-63 (Nicole Ridge Road) will be constructed by BMR LLC as a subdivider improvement without reimbursement or funding from the Black Mountain Ranch FBA.

Fee Schedule for Facilities Benefit Assessments

Annual Review

The FBA Ordinance in the Municipal Code (Section 61.2212) and the Mitigation Fee Act provide for an annual review of fees. The annual review may include, but not be limited to, the following:

- Rate and amount of planned development
- Actual or estimated cost of public facilities projects
- Needed 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 Black Mountain Ranch FBA/DIF Schedule in Table 4 on page 12 shows the fee amount for each category of land use during each year of community development. The FY 2015 fee schedule includes a 30% decrease in the current rate, with a 3% annual increase starting in FY 2016.

Financing Strategy

The General Plan calls for impacts of new development to be mitigated through appropriate fees identified in the Financing Plans. These include impacts to public facilities and services, including the water supply and distribution system, sanitary sewer system, drainage facilities, fire protection, schools, streets, parks, and open space. Developers will provide a majority of the needed public facilities for Black Mountain 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 methods:

Facilities Benefit Assessment (FBA)

Facilities Benefit Assessments are a method whereby the impact of new development upon the infrastructure needs of the community is determined, and a fee is developed and imposed on development to mitigate the impact of new development while following the procedures specified in San Diego Municipal Code Chapter 6, Article 1, Division 22 and the Mitigation Fee Act. FBAs cannot be used for demand resulting from existing development. A Facilities Benefit Assessment results in a lien being levied on each parcel of property located within the designated Area of Benefit. The liens ensure that assessments will be collected on each parcel as development occurs and will be renewed periodically with each update to the Financing Plan. The liens will be released following payment of the FBA, which is required prior to building permit issuance.

Development Impact Fee (DIF)

Development Impact Fees are a method whereby the impact of new development upon the infrastructure needs of the community is determined, and a fee is developed and imposed on development to mitigate the impact of new development. Development Impact Fees cannot be used for demand resulting from existing development. Development Impact Fees are collected at the time of building permit issuance. Funds collected are deposited in a special interest bearing fund and can only be used for identified facilities serving the community in which they were collected. In FBA communities, DIF are applicable to all properties that have never been assessed or otherwise agreed to pay FBAs.

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.

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.

Developer Construction

New development either constructs required facilities as a condition of subdivision or development approval, 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 as FBAs or DIFs.

As an alternative to the payment of FBAs or DIFs, it may be feasible for developers to construct one or more of the needed public facilities on a turnkey basis. Under this arrangement, developers typically are compensated, either by cash or credit against fees otherwise due, for the work performed pursuant to the terms of a Council approved reimbursement agreement (Council Policy 800-12).

Developer Advance

It is anticipated that some of the projects which have been identified as being FBA funded, are 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 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 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 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. On some Financing Plan 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.

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.

Regional Transportation Congestion Improvement Fees (RTCIP)

Where appropriate, the Facilities Financing section assesses the Regional Transportation Congestion Improvement Program Fees (RTCIP) as originally authorized by the City Council by Resolution R-303554, adopted April 14, 2008. This fee is applicable to new residential development. On-site Affordable (low-income) units may be exempt from the RTCIP fee. These fees were established to ensure that new development directly invests in the region's transportation system to offset the negative impact of growth on congestion and mobility. This fee will be in addition to Development Impact Fees or Facilities Benefit Assessment Fees.

Cost Reimbursement District (CRD)

Occasionally, a developer/sub-divider is required 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/DIF 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, 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 charged FBAs/DIFs for infrastructure including transportation, 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 Black Mountain 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, appropriate fair share may be evaluated at that time.

3. Periodic 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 charges would be evaluated for all portions of the program.

4. The developer, or permittee, shall pay the FBA and/or DIF as a condition of obtaining building permits in accordance with the San Diego Municipal Code.

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/DIF fund for the difference, subject to the terms of an approved reimbursement agreement and the availability of funds. If two developers are eligible for cash reimbursement during the same fiscal year, then the first reimbursement agreement to be approved by the City Council shall take precedence over subsequent reimbursement agreements approved by the City Council.

6. As FBAs and DIFs are collected, they will be placed in a City fund that provides interest earnings for the benefit of Black Mountain Ranch.

7. The Development Schedule, shown in Table 8 on page 18, 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.

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 is not a binding commitment that the project will actually be constructed in that year. With each periodic 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. In addition, the City may amend this Financing Plan to add, delete, substitute, or modify a particular project to take into consideration unforeseen circumstances.

9. Only those roadways that have been designed as a four-lane facility or larger or key circulation element roads have been considered in this Financing Plan for funding with FBA/DIF funds. All other roadways located within Black Mountain Ranch will be the direct responsibility of the developer/subdivider and are therefore not reflected in the FBA/DIF calculations.

10. A 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. In 2006, the voters of San Diego County approved the extension of the TRANSNET ½ cent sales tax and identified the widening of SR-56 as one of the projects to be funded by TRANSNET. Consequently, the funding of this project has now been identified in the RTP program managed by SANDAG. FBA funding was previously identified solely as backup funding for the widening of SR-56 from four lanes to six, should these other sources of funding not be obtained at the time the improvements are required. However, the BMR share of the SR-56 funding has been reclassified from FBA to direct developer contribution with this Financing Plan update.

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 Black Mountain 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. 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/DIF.

14. FBA and DIF is paid by all categories of private development, including affordable housing projects.

15. This Financing Plan identifies a number of anticipated public facility projects as being funded by the FBA/DIF. However, it is understood that, during the development of Black Mountain Ranch, alternative funding sources may be proposed in lieu of FBA/DIF funding, such as developer funds or Mello-Roos Community Facility District financing.

16. 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 is 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.

Cross Funding Between Communities

Developers of Black Mountain Ranch Phase I (Santaluz), and Fairbanks Highlands constructed a number of public facilities projects identified in the FY 2003 Financing 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 FY2006 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. Therefore, several of those Torrey Highlands projects are included in this financing plan as reference although they do not include Black Mountain Ranch FBA funding.

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