MIRA MESA

Public Facilities Financing Plan and Facilities Benefit Assessment Fiscal Year 2014

THE CITY OF SAN DIEGO
Facilities Financing
Development Services
August 27, 2013

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

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

Introduction

Authority

The Fiscal Year 2014 Mira Mesa Public Facilities Financing Plan (Financing Plan) is intended to implement the improvement requirements set forth in the Mira Mesa Community Plan, which was originally approved by the City Council on October 6, 1992 by Resolution Number 280831. The Financing Plan also includes projects that are otherwise required to serve the needs of development in the community.

Update to Financing Plan

On May 24, 2011, by Resolution R-306821, the City Council adopted the Fiscal Year 2012 Mira Mesa Public Facilities Financing Plan. This report is an update of the Financing Plan for Mira Mesa. Future updates are anticipated to occur periodically.

Scope of Report

The Financing Plan is intended to implement the General Plan and Mira Mesa Community Plan (Community Plan) by identifying the public facilities that will be needed to serve the community over the next 22 years, during which full development of the community is anticipated, and setting fees pursuant to Ordinance No. O-15318 and California Government Code sections 66000 et seq. (Mitigation Fee Act) to help mitigate the costs of the needed public 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 Mira Mesa community planning area. 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/DIF

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

1) An FBA **Assessment Numerical List** (Assessment Roll) is prepared for Mira Mesa 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 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 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 is 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 Financing Plan.

Timing and Cost of Facilities

The public facilities projects anticipated to be financed by the Mira Mesa FBA and DIF fund are shown in Table 9, beginning on page 27. 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, and libraries. Descriptions of the anticipated projects, which are listed in Table 9, can be found on the project sheets beginning on page 37. The FBA/DIF fund also covers the administrative costs associated with the development, implementation, and operation of the FBA and DIF program.

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 Mira Mesa 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 Mira Mesa Facilities Benefit Assessment District 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 Mira Mesa is estimated at 3,038 dwelling units. A list of the types and amount of planned residential development can be found in Table 1.

Non-residential

The anticipated remaining non-residential development for Mira Mesa is estimated to be 385 acres and consists of commercial and industrial development. A list of the types and amount of anticipated non-residential development can be found in Table 1.

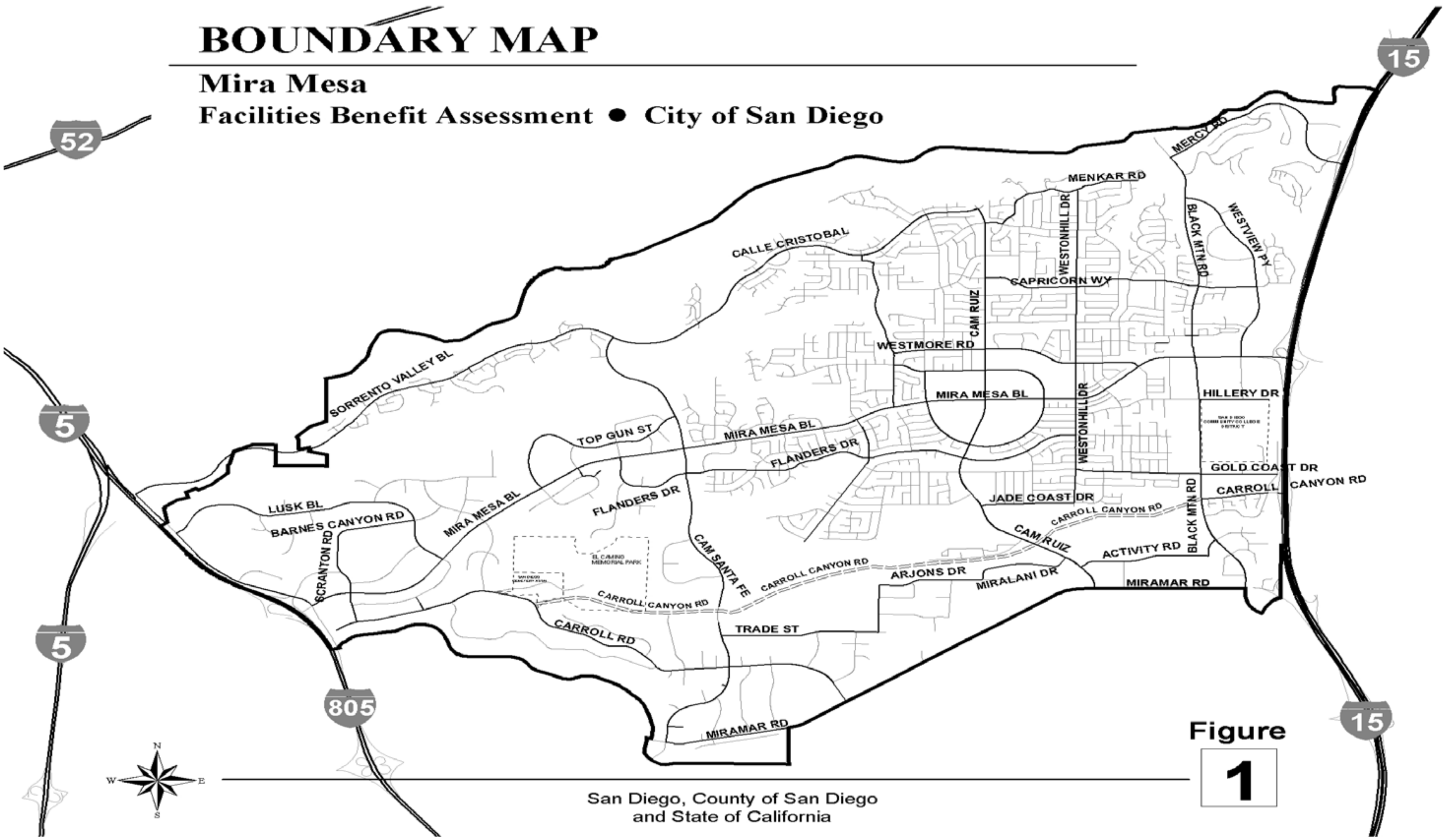
FBA and DIF are to be paid on a per acre basis for nonresidential properties. In the event that a landowner desires to proceed with development of a portion of the landowner’s property based on a phased development program, which is subject to a lien for the total amount of FBA as provided in Section 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 is required prior to issuance of building permits.

Table 1 Inventory of Land Uses

As of 6/30/13

Land Use	Actual	To Go	Total
Single-Family Residential Units	2,184	123	2,307
Multi-Family Residential Units	3,482	2,915	6,397
Commercial Acres	89.00	3.16	92.16
Industrial Acres	675.69	381.47	1,057.16

Figure 1– Area of Benefit Map



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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 Mira Mesa FBA/DIF.

Table 2 EDU Ratios

CATEGORY	SFDU	MFDU	CAC	I-2	I-4	I-5	I-6
TRANSPORTATON	1	0.7	50	13	15	10	20
PARKS & LIBRARY	1	0.7	0	0	0	0	0
FIRE	1	0.7	9.77	6.74	6.74	6.74	6.74

SFDU	Single Family Dwelling Unit
MFDU	Multi-family Dwelling Unit
CAC	Commercial Acres
I-2 thru I-6	Industrial Acres

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 A-3.

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 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 FBA and DIFs

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 2014 dollars) appropriate to be funded with monies from the FBA/DIF fund
- Assumed annual interest rate of 2.5% for Fiscal Years 2014 through build out (applied to the fund balance)
- Annual inflation rate of 3% for Fiscal Years 2015 through build out (to determine the future costs of facilities that will be constructed in years beyond FY 2014)
- 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 the FBA/DIF fund. A fee is calculated to provide sufficient money to fund 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 2014 FBA and DIF rates for Mira Mesa.

Table 3 FY 2014 FBA and DIF Rates

LAND USE	FBA/DIF PER UNIT OR ACRE in FY 2014 DOLLARS
SINGLE FAMILY UNITS	$27,981
MULTI-FAMILY UNITS	$19,587
COMMERCIAL ACRE	$173,202
INDUSTRIAL (I2) ACRE	$60,719
INDUSTRIAL (I4) ACRE	$66,035
INDUSTRIAL (I5) ACRE	$52,604
INDUSTRIAL (I6) ACRE	$79,466

Automatic Annual Increases

FBAs and DIFs are evaluated on a periodic basis annually and adjusted accordingly to reflect the current economic conditions. With this update to the Financing Plan, the FY 2014 FBA/DIF will be reduced to the FY 2013 rate, which equals a 4% decrease. This decrease is possible because of the lower rate of inflation and additional revenue anticipated as a result of approval of a development project with more units than previously planned. An inflation factor of 3% per year will be applied to the FBA/DIF starting in FY 2015. 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 Mira Mesa FBA/DIF Schedule in Table 4, page 12, shows the applicable FBA/DIF rates for each category of land use during each year of community development.

Table 4 FBA/DIF Schedule (in current year $)

FISCAL YEAR	$/ SFMU	$/ MFDU	$/ CAC	$/ I2AC	$/ I4AC	$/ I5AC	$/ I6AC
2014	$27,981	$19,587	$173,202	$60,719	$66,035	$52,604	$79,466
2015	$28,820	$20,174	$178,396	$62,539	$68,015	$54,182	$81,849
2016	$29,685	$20,780	$183,750	$64,416	$70,057	$55,808	$84,305
2017	$30,576	$21,403	$189,265	$66,350	$72,159	$57,483	$86,836
2018	$31,493	$22,045	$194,942	$68,340	$74,323	$59,207	$89,440
2019	$32,438	$22,707	$200,791	$70,390	$76,554	$60,983	$92,124
2020	$33,411	$23,388	$206,814	$72,502	$78,850	$62,813	$94,887
2021	$34,413	$24,089	$213,016	$74,676	$81,215	$64,696	$97,733
2022	$35,445	$24,812	$219,405	$76,916	$83,650	$66,637	$100,664
2023	$36,508	$25,556	$225,985	$79,222	$86,159	$68,635	$103,683
2024	$37,603	$26,322	$232,763	$81,599	$88,743	$70,694	$106,793
2025	$38,731	$27,112	$239,745	$84,046	$91,405	$72,814	$109,996

Cash Flow Analysis

The Mira Mesa Cash Flow, Table 7, page 15, presents an analysis of the Mira Mesa 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 2.5% annual return for FY 2014 through full community development.

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. 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.

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 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	10,035	2.72%
2012	10,284	2.48%
2013	10,284	0%

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		

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Table 7 FY 2014 Mira Mesa FBA Cash Flow

NEDU FACTORS:								1.00	0.70	6.19	2.17	2.36	1.88	2.84				
FY	**SFDU**	**MFDU**	**CAC**	**I2AC**	**I4AC**	**I5AC**	**I6AC**	**$/SFDU**	**$/MFDU**	**$/CAC**	**$/I2AC**	**$I4AC**	**$I5AC**	**$I6AC**	**INPUT $ PLUS INTEREST**	**PLANNED CIP $ EXPENSES**	**NET BALANCE**	**FY**
PRIOR	2,184	3,482	89.00	151.13	180.94	9.36	334.26										$22,418,497	**PRIOR**
2014	53	258	0.00	0.00	7.51	10.28	6.96	$27,981	$19,587	$173,202	$60,719	$66,035	$52,604	$79,466	$8,611,680	$14,406,147	$16,624,031	**2014**
2015	0	200	0.00	0.00	0.00	12.00	7.61	$28,820	$20,174	$178,396	$62,539	$68,015	$54,182	$81,849	$5,709,927	$6,597,910	$15,736,048	**2015**
2016	0	200	0.00	0.00	0.00	0.00	16.53	$29,685	$20,780	$183,750	$64,416	$70,057	$55,808	$84,305	$5,913,119	$8,133,800	$13,515,366	**2016**
2017	8	200	0.00	0.00	0.00	0.00	0.00	$30,576	$21,403	$189,265	$66,350	$72,159	$57,483	$86,836	$4,920,403	$109,273	$18,326,497	**2017**
2018	0	238	0.00	0.00	0.00	2.76	5.65	$31,493	$22,045	$194,942	$68,340	$74,323	$59,207	$89,440	$6,315,302	$10,809,967	$13,831,831	**2018**
2019	0	319	0.00	0.00	0.00	0.00	0.00	$32,438	$22,707	$200,791	$70,390	$76,554	$60,983	$92,124	$7,540,023	$11,360,886	$10,010,968	**2019**
2020	2	300	3.16	16.38	15.54	22.40	7.76	$33,411	$23,388	$206,814	$72,502	$78,850	$62,813	$94,887	$12,472,408	$18,087,473	$4,395,903	**2020**
2021	5	300	0.00	0.00	0.00	20.00	0.00	$34,413	$24,089	$213,016	$74,676	$81,215	$64,696	$97,733	$8,910,391	$122,987	$13,183,306	**2021**
2022	5	300	0.00	0.00	6.08	20.00	7.01	$35,445	$24,812	$219,405	$76,916	$83,650	$66,637	$100,664	$10,615,468	$886,739	$22,912,035	**2022**
2023	5	300	0.00	0.00	0.00	20.00	0.00	$36,508	$25,556	$225,985	$79,222	$86,159	$68,635	$103,683	$9,912,065	$130,477	$32,693,623	**2023**
2024	5	300	0.00	0.00	0.00	12.00	0.00	$37,603	$26,322	$232,763	$81,599	$88,743	$70,694	$106,793	$9,771,169	$7,670,817	$34,793,975	**2024**
2025	40	0	0.00	0.00	0.00	41.00	0.00	$38,731	$27,112	$239,745	$84,046	$91,405	$72,814	$109,996	$5,096,358	$29,617,951	$10,272,382	**2025**
2026	0	0	0.00	0.00	0.00	44.00	0.00	$39,893	$27,925	$246,938	$86,568	$94,147	$74,999	$113,296	$3,598,283	$106,932	$13,763,733	**2026**
2027	0	0	0.00	0.00	0.00	44.00	0.00	$41,090	$28,763	$254,347	$89,165	$96,972	$77,249	$116,696	$3,786,310	$110,140	$17,439,903	**2027**
2028	0	0	0.00	0.00	0.00	36.00	0.00	$42,323	$29,626	$261,979	$91,841	$99,882	$79,567	$120,197	$3,337,522	$113,444	$20,663,981	**2028**
2029	0	0	0.00	0.00	0.00	0.00	0.00	$43,593	$30,515	$269,841	$94,597	$102,879	$81,955	$123,804	$518,368	$116,848	$21,065,501	**2029**
2030	0	0	0.00	0.00	0.00	0.00	0.00	$44,901	$31,431	$277,937	$97,435	$105,966	$84,414	$127,519	$528,425	$120,353	$21,473,572	**2030**
2031	0	0	0.00	0.00	0.00	0.00	0.00	$46,248	$32,374	$286,275	$100,358	$109,145	$86,946	$131,344	$538,645	$123,964	$21,888,254	**2031**
2032	0	0	0.00	0.00	0.00	0.00	0.00	$47,635	$33,345	$294,861	$103,368	$112,419	$89,554	$135,283	$549,030	$127,682	$22,309,602	**2032**
2033	0	0	0.00	0.00	0.00	0.00	0.00	$49,064	$34,345	$303,706	$106,469	$115,791	$92,240	$139,342	$559,582	$131,513	$22,737,671	**2033**
2034	0	0	0.00	0.00	0.00	0.00	0.00	$50,536	$35,375	$312,818	$109,663	$119,265	$95,008	$143,522	$570,301	$135,458	$23,172,514	**2034**
2035	0	0	0.00	0.00	0.00	0.00	0.00	$52,052	$36,436	$322,202	$112,953	$122,843	$97,858	$147,828	$515,382	$5,404,156	$18,283,740	**2035**
TO GO	**123**	**2,915**	**3.16**	**16.38**	**29.13**	**284.44**	**51.52**								**$110,290,161**	**$114,424,918**	**$18,283,740**	**TOTAL**

Note:
1) Values are rounded to the nearest dollar.
2) Annual inflation rate is 3% on project costs and FBA fee in FY 2015 and beyond.
3) Annual interest rate is 2.5% in FY 2014 and beyond.

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Public Facilities Financing Plan

Purpose

The Financing Plan is prepared to ensure that 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
- Fee schedule for FBA/DIF

This Financing Plan includes an update to the FBA and DIF for new development that is anticipated to occur in the community planning area known as Mira Mesa.

Development Forecast and Analysis

The development projection for Mira Mesa is based upon the best estimates of the existing property owners, their land use consultants, and City staff. Certain economic factors could adversely affect these development projections. Higher interest rates, higher land and housing prices, or economic recession could slow or halt the development rate of Mira Mesa. Conversely, a period of robust business expansion could significantly increase the rate of development. Based on the Community Plan and pending entitlements, the remaining development of Mira Mesa is anticipated to take place over a 22-year period.

The projected schedule of development for Mira Mesa 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 2013 refers to those for which permits were issued, with fees paid, between July 1, 2012 and June 30, 2013. Development in Mira Mesa is projected to reach 8,704 dwelling units by the end of Fiscal Year 2035.

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 require 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	CAC	I2AC	I4AC	I5AC	I6AC
PRIOR	1,984	2,432	71.90	149.40	157.10	0.00	225.10
2001	90		4.00		4.72		21.60
2002	2	169	7.22				
2003			4.12	1.73	1.04		
2004			.68		.93		18.45
2005			.55		15.98		3.00
2006	27				1.17		27.08
2007							6.07
2008	1						6.50
2009			.53				10.86
2010							
2011							2.20
2012	3	475				9.36	13.40
2013	77	406					
2014	53	258			7.51	10.28	6.96
2015		200				12.00	7.61
2016		200					16.53
2017	8	200					
2018		238				2.76	5.65
2019		319					
2020	2	300	3.16	16.38	15.54	22.40	7.76
2021	5	300				20.00	
2022	5	300			6.08	20.00	7.01
2023	5	300				20.00	
2024	5	300				12.00	
2025	40					41.00	
2026						44.00	
2027						44.00	
2028						36.00	
2029							
2030							
2031							
2032							
2033							
2034							
2035							
PRIOR (thru 2013)	2,184	3,482	89.00	151.13	180.94	9.36	334.26
TO GO	**123**	**2,915**	**3.16**	**16.38**	**29.13**	**284.44**	**51.52**
TOTAL	2,307	6,397	92.16	167.51	210.07	293.80	385.78

* Development figures shown for development beyond FY 2013 are estimates.

Residential

The total anticipated residential development for Mira Mesa is estimated at 8,704 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 total anticipated non-residential development for Mira Mesa is estimated to be 1,149 acres. A list of the types and amount of planned non-residential development can be found in Table 1 on page 6.

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
- Library

Project locations are depicted in Figures 2 and 3 on pages 35 and 36, and summarized in Table 9 on page 27. The anticipated project descriptions can be found in the Capital Improvement Program (CIP) sheets beginning on page 37. 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

Two new park projects have been added to this Financing Plan. These projects are necessary in order to bring the community into compliance with the guidelines for park standards specified in the City's General Plan Recreation Element. One of the projects is the acquisition and development of park acreage to meet the 2.8 acres per 1,000 residents guideline at full community development. The second project is the construction of a recreation building. Since new development may not be charged for existing deficiencies, and given the fact that Mira Mesa is almost fully developed, the full cost of these future projects cannot be added to the FBA since the remaining residential development represents only 10.5% of the total development. Therefore only 10.5% of necessary project funding will be included as FBA/DIF funding, with the balance of funding shown as unidentified in the Financing Plan and requiring potential additional funding sources to fully fund these projects. The two new projects are summarized below:

P-100 Land Acquisition and Development for Mini Parks and Neighborhood Parks:
$8,886,247 (FBA Share) - This is a new project added to allow for acquisition, design, and construction of additional park acreage in

order to meet the City's General Plan standard of 2.8 acres per 1,000 residents at community build out.

P-101 Recreation Building: $997,974 (FBA Share) – This is a new project added to allow for the design and construction of a new recreation building in order to meet the City's General Plan standard of 17,000 s.f. of recreation building for every 25,000 residents at community build out.

These projects are described more fully on pages 119-120.

Fee Schedule

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 Mira Mesa FBA/DIF Schedule in Table 4, page 12, shows the fee amount for each category of land use during each year of community development. The new FY 2014 fee includes a 4% decrease in the current FY 2014 assessment, with a 3% annual increase starting in FY 2015.

Financing Strategy

The General Plan calls for impacts of new development to be mitigated through appropriate fees identified in the Public Facilities Financing Plans. Those impacts 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. As such, the developers will provide a majority of the needed public facilities for Mira Mesa as a part of the subdivision/development process. Public facilities 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 may be 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 Facilities Districts (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 Community Facilities District (CFD). The formation of such Community Facilities 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.

Further guidance on both Assessment Districts and Community Facilities Districts within the City can be found in the City of San Diego Debt Policy – Appendix A – Special District Formation and Financing Policy.

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 in 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).

Reimbursement Financing for Water and Sewer Facilities

This method of financing is outlined in Council Policy 400-07. It is commonly used when the first developer/subdivider 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/subdivider 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.

Cost Reimbursement District (CRD)

Occasionally, a developer/subdivider 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/subdivider 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 charged for park and recreation or library facilities since those facilities primarily serve the residential component of the Mira Mesa community. In the future, if a basis is developed for charging non-residential development for the cost of park and recreation and library facilities, appropriate fair share may be evaluated.

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 Mira Mesa.

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 Mira Mesa.

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 have been considered in this Financing Plan for funding with FBA/DIF funds. All other roadways located within Mira Mesa will be the direct responsibility of developer/subdividers 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.

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 Mira Mesa will be based upon either a price established through direct negotiations between the affected owner(s) and relevant public agency or by fair market value, as determined by an appraisal that will be prepared in accordance with standard City policy.

12. 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.

14. FBA and DIF are 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 Mira Mesa, alternative funding sources may be proposed in lieu of FBA funding, such as developer funds or Mello-Roos Community Facilities District financing.