

Rancho Peñasquitos

Public Facilities Financing Plan and
Facilities Benefit Assessment

Fiscal Year 2014



City of San Diego
Planning, Neighborhoods & Economic Development Department
Facilities Financing
Prepared: August 2013

RESOLUTION NUMBER R- 308686

DATE OF FINAL PASSAGE JAN 2 2014

1757 # 327
SWE-E
12/17/13

A RESOLUTION OF THE COUNCIL OF THE CITY OF SAN DIEGO APPROVING THE RANCHO PENASQUITOS PUBLIC FACILITIES FINANCING PLAN AND FACILITIES BENEFIT ASSESSMENT, FISCAL YEAR 2014, AND AUTHORIZING THE CHIEF FINANCIAL OFFICER TO MODIFY INDIVIDUAL CAPITAL IMPROVEMENT PROGRAM PROJECT BUDGETS TO REFLECT THE PLAN.

BE IT RESOLVED, by the Council of the City of San Diego, that it approves the document titled, "Rancho Penasquitos Public Facilities Financing Plan and Facilities Benefit Assessment, Fiscal Year 2014" (Financing Plan), a copy of which is on file in the Office of the City Clerk as Document No. RR- 308686 .

BE IT FURTHER RESOLVED, that the Chief Financial Officer is authorized to modify individual Capital Improvement Program project budgets to reflect the Financing Plan provided funding is available for such action.

APPROVED: JAN I. GOLDSMITH, City Attorney

By Hilda R. Mendoza
Hilda R. Mendoza
Deputy City Attorney

I hereby certify that the foregoing Resolution was passed by the Council of the City of San Diego, at this meeting of DEC 17 2013

ELIZABETH S. MALAND
City Clerk

By Mary Zeman
Deputy City Clerk

Approved pursuant to Charter section 265(i):

(date)

TODD GLORIA, Council President

Mayor

Todd Gloria, Interim Mayor

City Council

Sherri Lightner, Council President Pro Tem, District 1
Kevin Faulconer, District 2
Todd Gloria, Council President, District 3
Myrtle Cole, District 4
Marti Emerald, District 9

Mark Kersey, District 5
Lorie Zapf, District 6
Scott Sherman, District 7
David Alvarez, District 8

City Attorney

Jan I. Goldsmith, City Attorney
Hilda R. Mendoza, Deputy City Attorney

Planning, Neighborhoods & Economic Development Department

Tom Tomlinson, Deputy Director
John E. Tracanna, Supervising Project Manager
Charlette Strong Williams, Project Manager
Leon McDonald, Principal Engineering Aide
M Elena Molina, Word Processor Operator

Rancho Peñasquitos Community Planning Board

Thom Clark, Chair	Ramesses Surban, LUC, Chair	John Keating
Jon Becker, Vice Chair	Vacant	Vacant
Jeanine Politte, Secretary	Suzanne Brooks	Ruth Loucks
Dennis Spurr	Joost Bende	Mike Kenney
Mike Shoecraft	Bill Diehl	Vacant
Telecom Committee Chair:	Darren Parker	Vacant
Appointed by Chair:	Keith Rhodes	Bill Dumka
Appointed by Organization:	Steve Gore	Cynthia Macshane

(This page is intentionally left blank.)

TABLE OF CONTENTS

INTRODUCTION.....	1
AUTHORITY	1
UPDATE TO FINANCING PLAN	1
SCOPE OF REPORT	1
FACILITIES BENEFIT ASSESSMENT AND DEVELOPMENT IMPACT FEE	3
FEE PROCEDURE AND AREA OF BENEFIT	3
METHODOLOGY OF THE FBA/DIF	3
TIMING AND COST OF FACILITIES	4
EXPENDITURES	5
AREA OF BENEFIT AND PROJECTED LAND USES.....	5
AREA OF BENEFIT	5
PROJECTED LAND USE.....	6
FBA AND DIF	9
FBA/DIF METHODOLOGY – EDU RATIOS	9
ASSESSMENT LIST DESCRIPTION.....	9
DETERMINATION OF FBAS AND DIFs	10
AUTOMATIC ANNUAL INCREASES.....	11
CASH FLOW ANALYSIS	12
PUBLIC FACILITIES FINANCING PLAN	17
PURPOSE	17
DEVELOPMENT FORECAST AND ANALYSIS	17
CAPITAL IMPROVEMENT PROGRAM.....	19
FUTURE PUBLIC FACILITY NEEDS	19
FEE SCHEDULE FOR FACILITIES BENEFIT ASSESSMENT.....	19
FINANCING STRATEGY.....	20
GENERAL ASSUMPTIONS AND CONDITIONS	22
PEÑASQUITOS EAST TRANSPORTATION PHASING PLAN	146
ASSESSMENT LISTING FOR RANCHO PEÑASQUITOS.....	149
SPECIAL FUNDS.....	152
PARK VIEW ESTATES DEVELOPMENT AGREEMENT	152
PEÑASQUITOS EAST - TRUST FUND.....	153
PEÑASQUITOS EAST - PARK DEVELOPMENT FUND.....	154
BLACK MOUNTAIN RANCH DEVELOPMENT AGREEMENT	155
FUTURE COMMUNITY IMPROVEMENT PROJECT CONSIDERATIONS.....	156

TABLES

TABLE 1 – PROJECTED LAND USE 6
TABLE 2 - EDU RATIOS 9
TABLE 3 - FY 2014 FBA AND DIF RATES 11
TABLE 4 – FBA/DIF SCHEDULE (IN CURRENT YEAR \$)..... 12
TABLE 5 - LOS ANGELES/SAN DIEGO CONSTRUCTION COST INDEX 13
TABLE 6 - SAN DIEGO CONSUMER PRICE INDEX 13
TABLE 7 - RANCHO PEÑASQUITOS CASH FLOW 15
TABLE 8 - DEVELOPMENT SCHEDULE 18
TABLE 9 – RANCHO PEÑASQUITOS PUBLIC FACILITIES PROJECT SUMMARY 25

FIGURES

FIGURE 1 – AREA OF BENEFIT 7
FIGURE 2 – CAPITAL IMPROVEMENTS PROGRAM 27

This information will be made available in alternative formats upon request. To request a financing plan in an alternative format, call the Planning, Neighborhoods & Economic Development Department, Facilities Financing Section, at (619) 533-3670.

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

Introduction

Authority

The Fiscal Year 2014 Rancho Peñasquitos Facilities Financing Plan (Financing Plan) is intended to implement the improvement requirements set forth in the Rancho Peñasquitos Community Plan, which was originally approved by the City Council on June 1, 1993 by Resolution Number 282056. The Financing Plan also includes projects that are otherwise required to serve the needs of development in the community.

Update to Financing Plan

On June 19, 2007, by Resolution R-302757, the San Diego City Council adopted the Rancho Peñasquitos Public Facilities Financing Plan and Facilities Benefit Assessment, Fiscal Year 2008. This report is an update of the Financing Plan for Rancho Peñasquitos. Future updates are anticipated to occur periodically to ensure that this Financing Plan remains up-to-date and accurate.

Scope of Report

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

(This page intentionally left blank.)

Facilities Benefit Assessment and Development Impact Fee

Fee Procedure and Area of Benefit

City of San Diego Ordinance No.O-15318 was adopted by the City Council on August 25, 1980 to establish the procedure for implementing an FBA. The FBA provides funding for public facilities projects that serve a designated area, also known as the Area of Benefit. Pursuant to the FBA Ordinance; the City Council initiates proceedings for the designation of an area of benefit by adopting a Resolution of Intention. The undeveloped and underdeveloped lands that are within the Rancho Peñasquitos community boundary are 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 Rancho Peñasquitos community planning area. For more information on an Area of Benefit, see Area 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 List) is prepared for Rancho Peñasquitos 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 the Assessment Numerical List Description on page 9 for more information on the Assessment Numerical List.
- 2) FBA liens are placed on the undeveloped or under-developed portions of the assessed parcels and final map properties within the Area of Benefit. The owner or developer is responsible to pay only the fee that applies to the type and amount of development that actually occurs.
- 3) At the time of construction or 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 construction or building permit is issued. Owners/developers are not permitted to pay FBA/DIF in advance of development. FBA/DIF are paid directly to the Planning, Neighborhoods & Economic Development Department at the time of construction or building permit issuance.

In the event that a landowner desires to proceed with development of a portion of their 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, landowner may obtain construction 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.

- 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 Rancho Peñasquitos Public Facilities Financing Plan.

Timing and Cost of Facilities

The public facilities projects to be financed by the Rancho Peñasquitos FBA and DIF funds are shown in Table 9, beginning on page 25. Included in the table are:

- Project title
- Fiscal year in which construction of the project is expected
- Estimated project costs
- Funding sources

Project categories include transportation improvements, water and sewer lines, neighborhood parks and recreation, and libraries. Detailed descriptions of the projects which are listed in Table 9 can be found on the project sheets beginning on page 30. 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 expenses 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 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 and underdeveloped land areas that are within the community boundaries of Rancho Peñasquitos are known as the Area of Benefit. An FBA is applied to undeveloped and underdeveloped residential, non-residential property, and various other land use combinations. Figure 1 on page 7 shows the community boundary and location of the Rancho Peñasquitos FBA 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 Projected Land Use shown in Table 1.

Table 1 – Projected Land Use

As of June 2013

Land Use	# of DUs/ Commercial Acreage
Single-Family Residential Units	145
Multi-Family Residential Units	342
Commercial	11.6

Projected Land Use

Residential

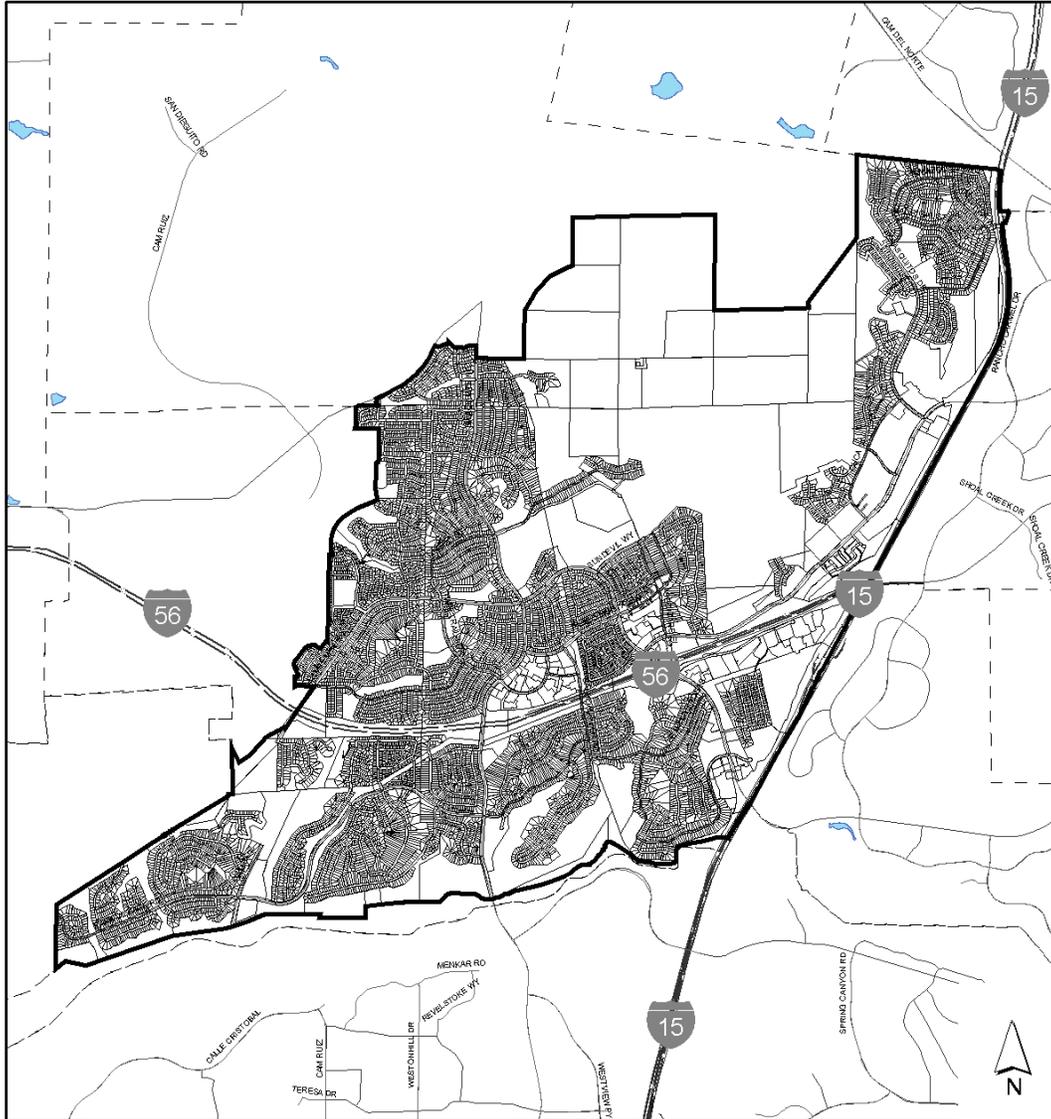
The development schedule for Rancho Peñasquitos is based upon the projections of the existing property owners, their land use consultants, and City staff. Indications are that the remaining development of Rancho Peñasquitos will take place over the next seven years.

Non-residential

The projected schedule of development for Rancho Peñasquitos is presented in Table 8, 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. Thus, the number of units developed in 2014 refers to those for which permits are issued, with fees paid, between July 1, 2013 and June 30, 2014.

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

Figure 1
PROPOSED BOUNDARIES
Area of Benefit



RANCHO PENASQUITOS
FACILITIES BENEFIT ASSESSMENT

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

(This page intentionally left blank.)

FBA AND DIF

FBA/DIF Methodology – EDU Ratios

An Equivalent Dwelling Unit or (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 demand for different public facilities can vary substantially. The single-family dwelling unit (SFDU) is the foundation for all other EDU ratios. Other land use classifications are assigned an EDU ratio per dwelling unit or acre, proportionate to the respective impacts.

Table 2 provides the EDU ratios used to prepare the Rancho Peñasquitos FBA/DIF.

Table 2 - EDU Ratios

CATEGORY	SFDU	MFDU	CAC
TRANSPORTATION	1.0	0.7	6.0
PARKS	1.0	0.7	6.0
LIBRARY	1.0	0.7	6.0
WATER/SEWER	1.0	0.7	6.0
SFDU			
SFDU	Single Family Dwelling Unit		
MFDU			
MFDU	Multi Family Dwelling Unit		
CAC			
CAC	Commercial Acre		

Assessment List Description

For each undeveloped map portion or parcel in the Area of Benefit, the Assessment List includes:

- Parcel number
- Name of property 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)
- Assessment amount for each parcel

Identification numbers in the Assessment List may be non-sequential as a result of the omission of some parcels after assessments are paid, as

ownership changes, or as parcels are subdivided. Information on ownership is listed according to the County Assessor's records at the time the Assessment List is prepared, and as shown on the last equalized assessment list, or as otherwise known to the City Clerk or by other means which the City Council finds reasonably calculated to apprise affected landowners of the hearing (Section 61.2205). The current Assessment List is shown in the Appendix of this Financing Plan and begins on page 149.

A Resolution of Designation, when adopted by the City Council, imposes the FBA 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 Public Facilities Financing Plan is approved by the City Council. Collection of the FBA is to occur at the time of building permit issuance at the Planning, Neighborhoods & Economic Development Department.

Determination of FBAs and DIFs

Assessments are calculated and levied against each undeveloped or underdeveloped 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 factors 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 assumption for FY 14 remained unchanged from the currently approved rate and 2.5% for each year thereafter.
- Annual inflation factor assumption for FY 14 remained unchanged from the currently approved rate and 3% each year thereafter.
- 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 funds 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 2014 FBA and DIF rates for Rancho Peñasquitos.

Table 3 - FY 2014 FBA and DIF Rates

LAND USE	FBA/DIF PER UNIT OR ACRE in FY 2014 DOLLARS
SINGLE FAMILY UNITS	\$29,777
MULTI-FAMILY UNITS	\$20,845
COMMERCIAL	\$178,666

Automatic Annual Increases

The Municipal Code provides for an annual adjustment of the FBA/DIF. FBAs and DIFs are evaluated on a periodic basis and adjusted to reflect current economic conditions. The FY 2014 FBA/DIF is unchanged with this update to the financing plan. An inflation factor of 3% per year will be applied to the FBA/DIF starting in FY 2015. This 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 annual adjustment is authorized by the San Diego City Council. Thereafter, the subsequent Council-approved annual adjustment will apply.

The 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. For example, the proposed rate for an SFDU developed during FY 2014 is \$29,777, while the rate for each multi-family dwelling unit (MFDU) is \$20,845. The commercial rate per acre is \$178,666.

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

FISCAL YEAR	\$/SFDU	\$/MFDU	\$/COMM ACRE
2014	29,777	20,845	178,666
2015	30,670	21,470	184,020
2016	31,590	22,114	189,540
2017	32,538	22,777	195,228
2018	33,514	23,461	201,084
2019	34,519	24,164	207,114
2020	35,555	24,889	213,330

Cash Flow Analysis

The Rancho Peñasquitos Cash Flow, Table 7, page 15, presents an analysis of the Rancho Peñasquitos FBA/DIF. For each fiscal year during the development of the community, the cash flow shows the difference between accumulated FBA/DIF revenues (including earned interest) and capital improvement expenditures. Interest earnings for cash on hand are compounded and based on an estimated 2.5% annual return for FY2014 and each year thereafter.

The City of San Diego considers historic data while predicting the effect of inflation on construction projects. The Los Angeles/San Diego Construction Cost Index (CCI) and the Consumer Price Index (CPI) for San Diego are the two indices used by the City while conducting a cash flow analysis. The historical information associated with the Los Angeles/San Diego Construction Cost Index and the Consumer Price Index for San Diego is shown in Table 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 cost of future needed facilities.

Since future needed facilities are directly related to the community's growth rate, construction schedules of facilities are contingent upon actual development within the community. Therefore, any slowdown in community development will require modification of facility schedules with a new cash flow to be prepared during a subsequent update to the Rancho Peñasquitos Public Facilities Financing Plan.

Table 5 - Los Angeles/San Diego Construction Cost Index

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	-0.03%
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	3.85%
2007	231.9	2.29%
2008	242.4	4.56%
2009	240.9	-0.60%
2010	244.2	1.39%
2011	252.5	3.4%
2012	256.6	1.66%
2013	259.0	1.00%

(This page is intentionally left blank.)

Table 7 - Rancho Peñasquitos Cash Flow

FY	SFDU	MFDU	CAC	\$/SFDU	\$/MFDU	\$/CAC	INPUT \$ PLUS INTEREST	PLANNED CIP \$ EXPENSES	NET BALANCE	FY
2013	0	0	0.17	\$28,359	\$19,852	\$170,158	\$0	\$0	\$1,329,693	2013
2014	0	0	0	\$29,777	\$20,845	\$178,666	\$26,549	\$552,119	\$804,123	2014
2015	36	0	1.64	\$30,670	\$21,470	\$184,020	\$1,421,947	\$1,741,464	\$484,606	2015
2016	22	0	9.98	\$31,590	\$22,114	\$189,540	\$2,601,513	\$2,367,994	\$718,125	2016
2017	22	342	0	\$32,538	\$22,777	\$195,228	\$8,618,508	\$915,763	\$8,420,869	2017
2018	22	0	0	\$33,514	\$23,461	\$201,084	\$957,799	\$45,020	\$9,333,648	2018
2019	22	0	0	\$34,519	\$24,164	\$207,114	\$1,003,131	\$46,371	\$10,290,408	2019
2020	21	0	0	\$35,555	\$24,889	\$213,330	\$988,521	\$2,106,826	\$9,172,102	2020
TOTAL	145	342	11.6				\$15,617,967	\$7,775,558	\$9,172,102	

(This page intentionally left blank.)

Public Facilities Financing Plan

Purpose

The Public Facilities Financing Plan (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
- Assessment Fee schedule for a Facilities Benefit Assessment/DIF

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

Development Forecast and Analysis

Development projections are based upon the best estimates of the property owners, developers, and City staff. Certain economic factors could adversely affect these development projections. Higher interest rates, higher land prices, an economic recession, or issues involving the transportation thresholds could slow or halt the development rate of Rancho Peñasquitos. Conversely, a period of robust business expansion could significantly increase the rate of development.

Residential

The total anticipated residential development for Rancho Peñasquitos is estimated at 487 dwelling units, including 145 single family units and 342 multi-family units to go.

Non-Residential

The total anticipated non-residential development for Rancho Peñasquitos is estimated at 11.6 acres of commercial development.

Table 8 - Development Schedule

FISCAL YEAR	SFDU	MFDU	CAC
2014	0	0	0
2015	36	342	1.64
2016	22	0	9.98
2017	22	0	0
2018	22	0	0
2019	22	0	0
2020	21	0	0
TOTAL	145	342	11.6

Development figures provided are based upon current year projections.

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
- Park and Recreation
- Sewer
- Water

Project locations are depicted in Figure 2 on page 27 and summarized in Table 9, page 25. Detailed project descriptions can be found in the CIP sheets beginning on page 30. The estimated timing associated with individual projects is also summarized in Table 9 and on the corresponding CIP project sheets. Refer to Table 8, page 18, for the current estimated development schedule of the community.

Since needed facilities are directly related to the growth rate of the community, construction schedules of facilities are contingent upon actual development within the community. Therefore, any slowdown in community development will require a modification to the schedule in which needed facilities are planned.

Fee Schedule for Facilities Benefit Assessment

Annual Review

The FBA Ordinance and the Mitigation Fee Act provide for an annual review of fees. The annual review may include changes to any of the following:

- Rate and amount of planned development
- Actual or estimated cost of public facilities projects
- Scope of the public facilities projects
- Inflation rates
- Interest rates
- Comparative analysis of City approved discretionary permits

Updated Project Costs

This update includes an analysis, by each of the sponsoring City departments, of the project costs for each public facility project. The costs estimates shown in this update have been revised and consider the following:

- Impact of inflation and increasing costs of construction
- Competitive bids on similar projects
- Modifications, if any, to the overall scope of the project
- Leadership in Energy and Environmental Design (LEED), “Silver Level” standards

Fee Schedule

The Rancho Peñasquitos 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 proposed assessment for a SFDU developed during FY 2014 is \$29,777, while the assessment for each MFDU is \$20,845. The commercial assessment rate per acre is \$178,666.

Financing Strategy

The City of San Diego General Plan Policy PF-A-3 (Public Facilities, Services & Safety Element) calls for the City to maintain an effective facilities financing program to ensure that impacts of new development is mitigated through appropriate fees identified in the Financing Plan; to ensure new development pays its proportional fair-share of public facilities costs; to ensure FBAs and DIFs are updated frequently and evaluated periodically to ensure financing plans are representative of current project costs and facility needs; and to include in the Financing Plans a variety of facilities to effectively and efficiently meet the needs of diverse communities. Development impacts include impacts to public facilities and services, including the water supply and distribution system, sanitary sewer system, drainage facilities, fire protection, streets, parks, and open space. As such, the developers will provide many of the needed public facilities for Rancho Peñasquitos as a part of the subdivision/development process. Anticipated public facility projects that benefit a population larger than the local/adjacent development can be financed by using the following methods:

Facilities Benefit Assessment (FBA)

Facilities Benefit Assessments are a method whereby the impact of new development upon 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 issuance of construction permits.

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 account and can only be used for identified facilities serving the community in which they were collected. In FBA communities, DIFs 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. Assessment districts also require the approval of at least 50% of the property owners, based on a ballot process with votes weighted in proportion to the assessment obligation in order to establish the district.

Community Facility District (CFD)

State legislation, such as the Mello-Roos Act of 1982, has been enacted to provide a method of financing public facilities in new and developing areas. A Mello-Roos is also known as a Community Facilities District (CFD). The formation of such CFDs may be initiated by owner/developer petition. Mello-Roos districts also require the 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 and 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 San Diego 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 eligible to be funded by either the state and/or the federal government. State Route 56 (Project 27), for example, has been shown in this financing plan as having state funding.

Cost Reimbursement District (CRD)

Occasionally, a developer/subdivider is required to construct public improvements that are more than that which is required to support their individual property/development. A CRD provides a mechanism by which the developer/subdivider may be reimbursed by the property owners who ultimately benefit from the improvement. 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

A developer may enter into an agreement with the City, in which certain development rights are extended to the developer in exchange for certain extraordinary benefits given to the City.

General Assumptions and Conditions

For the FBA/DIF methodologies, 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).

2. Non-residential land will be charged FBAs/DIFs for infrastructure, including transportation, police, fire, and utility facilities. However, developers of non-residential land will not be charged for park and recreation or library facilities because those facilities primarily serve the residential component of the Rancho Peñasquitos community. In the future, if a basis is developed for charging non-residential development for the cost of park and recreation and library facilities, an 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 owner, developer, or permittee, shall pay the FBA and/or DIF as a condition of obtaining construction or 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/DIF funded facility that is identified in the Capital Improvement 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/DIF, provided that adequate funds are available in the FBA/DIF 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 separate City funds that provide interest earnings for the benefit of Rancho Peñasquitos.
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 Rancho Peñasquitos.
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 Financing Plan 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 year funds are budgeted for a given project is subject to change with each update to the Financing Plan. In addition, the City Council may amend this Financing Plan to add, delete, substitute, or modify a particular project to take into consideration unforeseen circumstances. Projects added however may be limited in the amount of FBA/DIF funding based on current buildout within the community in order that future development maintain their fair share of funding towards facilities.
9. Only those roadways that have been designed as circulation element roadways per the Rancho Peñasquitos Community Plan have been considered in this Financing Plan for funding with FBA/DIF funds. All other roadways located within Rancho Peñasquitos will be the direct responsibility of the developer/subdivider and are therefore not reflected in the FBA/DIF calculations.
10. FBA fees shall be paid by all categories of private development, including affordable housing projects.
11. Any project-specific community plan amendment may result in additional fees being charged on an ad hoc basis. Ad hoc fees may also be charged where it is determined necessary to ensure that development pays its fair share toward needed public improvements.