

**OTAY MESA ENHANCED INFRASTRUCTURE FINANCING DISTRICT
PUBLIC FINANCING AUTHORITY**

Meeting of July 24, 2017

DATE ISSUED: July 13, 2017

SUBJECT: Adoption of an Infrastructure Financing Plan (IFP) and formation of the Otay Mesa Enhanced Infrastructure Financing District (Otay Mesa EIFD) to provide supplemental funding for the Otay Mesa Public Facilities Financing Plan (PFFP).

CONTACT/PHONE NUMBER:

Elizabeth Kelly, Debt Management Dept., 619-236-6932
Richard Eyre, Debt Management Dept., 619-236-6899

STAFF RECOMMENDATION: Approve the proposed resolution.

DESCRIPTIVE SUMMARY OF ITEM: The actions contained in the proposed Otay Mesa EIFD Public Financing Authority (PFA) resolution would approve the Otay Mesa EIFD IFP and form the Otay Mesa EIFD. These actions will be considered in conjunction with a Noticed Public Hearing to be held on July 24, 2017.

BACKGROUND: Reference is made to the Report to the PFA, dated April 25, 2017 and issued for the May 1, 2017 PFA Meeting, which provides a description of the legislative actions and other processes leading to the July 24, 2017 Public Hearing. Most recently, the City Council of the City of San Diego took action on June 26, 2017 to adopt the IFP, and thereby allocate to the Otay Mesa EIFD 50% of City property tax increment revenue (TI) generated within the boundaries of the proposed Otay Mesa EIFD through June 30, 2022, and 100% thereafter over the 45 year life of the Otay Mesa EIFD.

DISCUSSION: The proposed actions will be considered following a noticed public hearing regarding the IFP and formation of the Otay Mesa EIFD, at which all interested persons will be given an opportunity to appear and be heard. As required by law, notice of the public hearing, including its location, date, and time, was provided through the mailing of City Council's adopted Resolution of Intention to form the Otay Mesa EIFD (R-310937 and R-310971) to all property owners in the boundaries of the Otay Mesa EIFD and affected taxing entities, and the mailing of the draft IFP and required California Environmental Quality Act (CEQA) document, as directed by the PFA at its May 1, 2017 meeting, to all property owners, affected taxing entities, the City Council, the Planning Commission, and PFA. As further required by law, notice of the public hearing was published for four successive weeks in the San Diego Daily Transcript.

At any time prior to the public hearing, written comments on, or objections to, the proposed IFP, or the regularity of any prior proceedings related to the formation of Otay Mesa EIFD could be filed by members of the community with the City Clerk. After the public hearing, the proposed actions may be taken as described in more detail below.

1. Approval of the Otay Mesa EIFD IFP

The draft IFP accompanying this item is substantively the same as submitted to the PFA in connection with the May 1 PFA meeting, except for a revision to the factor

used to calculate the in-lieu vehicle license fee portion of property tax revenue. This change results in a projected increase of \$3 million to be received by the Otay Mesa EIFD over its 45 year term. The draft IFP was approved by the City Council on June 26, 2017, as required by law because the City is allocating TI to the Otay Mesa EIFD. A copy of the City Council's resolution approving the IFP is included as Attachment 1. Key components of the IFP include:

- (a.) a map and legal description of the boundaries of the Otay Mesa EIFD, which are coterminous with the Otay Mesa Community Plan area;
- (b.) a description of the public facilities to be financed with assistance from the Otay Mesa EIFD, which are the public facilities contained in the PFFP not yet constructed;
- (c.) the term of the Otay Mesa EIFD, which will end 45 years after formation;
- (d.) specification of the commitment of 50% of the City's TI generated within the boundaries of the Otay Mesa EIFD through Fiscal Year 2022, and 100% thereafter for the term of the Otay Mesa EIFD;
- (e.) tax increment projections over the life of the Otay Mesa EIFD ranging from \$670,000 in Fiscal Year 2019 to \$42 million in Fiscal Year 2062, for a total of \$970 million projected over the life of the Otay Mesa EIFD;
- (f.) a \$1.1 billion limit on the total amount of City TI that may be allocated to the Otay Mesa EIFD over its life;
- (g.) a plan for financing the public improvements, which includes a combination of cash funding and bond issuances supported by TI, assuming a successful bond authorization election;
- (h.) a fiscal impact analysis of the costs to provide City services and the revenue generated with respect to the area being developed, and addressing why a separate fiscal impact analysis is not included for agencies not allocating TI to the Otay Mesa EIFD, which is because the facilities to be financed by the Otay Mesa EIFD are the same as currently planned.

Also following the public hearing, the PFA may modify the IFP to reduce the size or cost of proposed facilities identified in the IFP, reduce the amount of proposed debt, or reduce the portion, amount or duration of the TI allocations.

2. Formation of the Otay Mesa EIFD

After conducting the public hearing and approving the IFP, the Otay Mesa EIFD may be formed. Once the Otay Mesa EIFD is formed, TI received by the Otay Mesa EIFD (beginning in Fiscal Year 2019) can be used to cash fund projects. Staff will take necessary filing actions with the County and State to effectuate the allocation of TI to the Otay Mesa EIFD.

As described above, the required CEQA document was mailed with the IFP to all property owners, affected taxing entities, the City Council, the Planning Commission, and PFA. Prepared by the City Planning Department, the CEQA document (included with the docketed

materials) states the IFP is consistent with the Otay Mesa Community Plan Environmental Impact Report (Project No. 30330/304032 SCH No. 2004651076) (EIR) certified by the Council in Resolution R-308809, effective March 25, 2014. The EIR was prepared in compliance with Title 14 California Code of Regulations section 15168. Consistent with best practices suggested by Title 14 California Code of Regulations section 15168, a Title 14 California Code of Regulations section 15162 Evaluation (“Evaluation”) was prepared to evaluate the consistency of the IFP with the program approved pursuant to the EIR. The Evaluation concluded that the environmental effects of the IFP were covered in the EIR, the IFP is within the scope of the program approved pursuant to the EIR, the EIR adequately describes the public facilities identified in the IFP for the purposes of the California Environmental Quality Act (California Public Resources Code sections 21000, et seq.) (CEQA), none of the conditions listed in Title 14 California Code of Regulations section 15162 exist, and no further environmental documentation is required under CEQA for approval of the IFP.

A successful bond authorization election, with approval by 55% of registered voters (residing in the Otay Mesa EIFD boundary) voting in the election, is required for the Otay Mesa EIFD to leverage its TI through the issuance of bonds. Based on projections of the Otay Mesa EIFD TI capacity in the IFP, the first issuance of bonds is expected to occur around 2021. An aggregate bond authorization election can be conducted to provide authority for multiple bond issuances over the life of the Otay Mesa EIFD. The proposed bond election will be programmed to occur in November 2018 as part of the general election ballot. Following establishment of the Otay Mesa EIFD, and closer to the November 2018 general election, ballot materials and a bond election authorization action will be prepared for consideration by the PFA.

A Memorandum of Understanding (MOU) between the City and Otay Mesa EIFD is being developed to establish a process for the Otay Mesa EIFD to approve and allocate funding to public infrastructure identified in the IFP, which will be constructed by the City or by private entities pursuant to reimbursement agreements with the City, and for the City to provide staff resources for the operation of the Otay Mesa EIFD. Key provisions of the MOU will include annual infrastructure program funding allocations and approvals consistent with the City’s capital budgeting process with PFA authorization of Otay Mesa EIFD funding of specific IFP projects, City staffing support for the Otay Mesa EIFD, and capital program and financial reporting.

CONCLUSION: It is recommended that the PFA approve the resolution to adopt the IFP and form the Otay Mesa EIFD.

Respectfully submitted,

signature on file

Lakshmi Kommi
Debt Management Director
City of San Diego

signature on file

Tom Tomlinson
Assistant Director, Planning Department
City of San Diego

Attachment:

Attachment 1: City Council Resolution to approve the Otay Mesa IFP (R-311204)

#203
6/26/17

(R-2017-659)

RESOLUTION NUMBER R- 311204

DATE OF FINAL PASSAGE JUN 30 2017

A RESOLUTION OF THE COUNCIL OF THE CITY OF
SAN DIEGO APPROVING THE INFRASTRUCTURE FINANCING
PLAN FOR THE OTAY MESA ENHANCED INFRASTRUCTURE
FINANCING DISTRICT.

WHEREAS, the California Legislature enacted California Government Code (Code) sections 53398.50 through 53398.88 (EIFD Law) authorizing cities and counties to establish enhanced infrastructure financing districts and use specified property tax increment revenue generated within such districts to finance certain infrastructure and community benefit projects; and

WHEREAS, in enacting the EIFD Law, the California Legislature found and determined that with the dissolution of redevelopment agencies, public benefits will accrue, if local agencies finance public infrastructure and community benefit projects authorized under the EIFD Law; and

WHEREAS, the Council of the City of San Diego (Council) adopted Resolution R-310937, effective February 13, 2017, as amended by Council Resolution R-310971, effective March 15, 2017, determining that it will be beneficial to the City of San Diego (City) to establish, and stating the Council's intent to establish, the Otay Mesa Enhanced Infrastructure Financing District (District) with boundaries coterminous with the Otay Mesa Community Planning Area (Territory) identified in the Otay Mesa Community Plan adopted by the Council in Resolution R-308810, effective March 25, 2014, and amended by the Council in Resolution R-309773, effective June 11, 2015; and

WHEREAS, the Council adopted Resolution R-310938, effective February 13, 2017, establishing the Otay Mesa Enhanced Infrastructure Financing District Public Financing Authority (Authority) to act as the governing board of the District; and

WHEREAS, the Council also directed the Authority to prepare an infrastructure financing plan (IFP) for the District in accordance with the EIFD Law; and

WHEREAS, the Authority designated and directed the City Debt Management Director to prepare an IFP for the District in accordance with the EIFD Law; and

WHEREAS, the City Debt Management Director prepared an IFP for the District; and

WHEREAS, the IFP is consistent with the City's General Plan and the Otay Mesa Community Plan; and

WHEREAS, the IFP includes a map of the boundaries of the District in Exhibit II-1 and Exhibit A and a legal description of the boundaries of the District in Exhibit A; and

WHEREAS, the boundaries of the District represent all or a portion of the Territory designated by the Council in Resolution R-310937 stating the Council's intent to establish the District; and

WHEREAS, the IFP contains a description of the public facilities and other forms of development or financial assistance proposed in the District, including those to be provided by the private sector, those to be provided by governmental entities without assistance from the District, those public improvements and facilities to be financed with assistance from the District, and those to be provided jointly, with the proposed location, timing, and costs of the development and financial assistance; and

WHEREAS, the IFP provides that from the date of establishment of the District through June 30, 2022, 50 percent of City property tax increment revenue generated from properties

within the District (including ad valorem property tax revenue annually allocated to the City pursuant to California Revenue and Taxation Code section 97.70 and corresponding to the increase in assessed valuation of taxable property located within the District) is allocated to the District, consistent with City Charter section 77.1; and

WHEREAS, the IFP provides that on and after July 1, 2022, until expiration or termination of the District, 100 percent of City property tax increment revenue generated from properties within the District (including ad valorem property tax revenue annually allocated to the City pursuant to California Revenue and Taxation Code section 97.70 and corresponding to the increase in assessed valuation of taxable property located within the District) is allocated to the District; and

WHEREAS, the IFP specifies the maximum portion of the incremental property tax revenue of the City to be allocated to the District for each year during which the District will receive incremental property tax revenue of the City; and

WHEREAS, the IFP projects the amount of incremental property tax revenues expected to be received by the District in each year during which the District will receive incremental property tax revenues, including an estimate of the amount of such tax revenues attributable to each affected taxing entity allocating tax revenue to the District for each year; and

WHEREAS, the IFP contains a limit on the total number of dollars of taxes that may be allocated to the District; and

WHEREAS, the IFP contains a plan for financing the public facilities to be assisted by the District, including a detailed description of any intention to incur debt; and

WHEREAS, the IFP sets the date on which the District will cease to exist and all tax allocation to the District will end as 45 years after the effective date of the Authority resolution establishing the District; and

WHEREAS, the IFP analyzes the costs to the City of providing facilities and services to the area of the District while the area is being developed and after the area is developed; and

WHEREAS, the IFP analyzes the taxes, fees, charges, and other revenues expected to be received by the City as a result of expected development in the area of the District; and

WHEREAS, the IFP addresses the projected fiscal impact of the District and the associated development upon the affected taxing entities that are not allocating incremental tax revenue to the District; and

WHEREAS, no removal or destruction of dwelling units within the District is anticipated in implementation of the IFP, but to the extent that in the future any dwelling units within the District are proposed to be removed or destroyed in the course of public works construction within the area of the District or private development within the area of the District that is subject to a written agreement with the District or financed in whole or in part by the District, the IFP contains a plan providing for replacement of those units and relocation of affected persons consistent with the requirements of Code section 53398.56; and

WHEREAS, the IFP sets forth the goals the District proposes to achieve for each project financed; and

WHEREAS, consistent with the California Environmental Quality Act (CEQA), the environmental impacts related to development projects identified in the IFP have been evaluated in the Otay Mesa Community Plan Environmental Impact Report (Project No. 30330 / 304032 SCH No. 2004651076) (PEIR) previously certified by the Council; and


WHEREAS, the PEIR is the most recent and comprehensive environmental document pertaining to the development projects identified in the IFP and is a Program Environmental Impact Report prepared in accordance with Title 14 California Code of Regulations section 15168; and

WHEREAS, City staff has prepared a Consistency Evaluation for adoption of the IFP, dated April 11, 2017 (Consistency Evaluation), in accordance with CEQA, Title 14 California Code of Regulations sections 15162 and 15168, and related State of California and local CEQA implementation guidelines. A copy of the Consistency Evaluation is included in the docket materials accompanying this Resolution; and

WHEREAS, the Consistency Evaluation concludes that the environmental impacts of the IFP are adequately addressed in the PEIR, none of the conditions listed in Title 14 California Code of Regulations section 15162(a) exist, and no further environmental documentation is required under CEQA for adoption of the IFP; NOW, THEREFORE,

BE IT RESOLVED by the Council of the City of San Diego that the Infrastructure Financing Plan for the Otay Mesa Enhanced Infrastructure Financing District, in substantially the form included in the docket materials accompanying this Resolution, is approved.

APPROVED: MARA W. ELLIOTT, City Attorney

By: 
Delmar G. Williams
Deputy City Attorney

DGW: slo
06/05/2017
Or. Dept.: Debt Mgmt.
Doc. No.: 1451873_4

I certify that the foregoing Resolution was passed by the Council of the City of San Diego, at this meeting of June 26, 2017.

ELIZABETH S. MALAND
City Clerk

By 
Deputy City Clerk

Approved: 6/29/17
(Date)


KEVIN L. FAULCONER, Mayor

Vetoed: _____
(Date)

KEVIN L. FAULCONER, Mayor

Passed by the Council of The City of San Diego on JUN 26 2017, by the following vote:

Councilmembers	Yeas	Nays	Not Present	Recused
Barbara Bry	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Lorie Zapf	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Chris Ward	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Myrtle Cole	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Mark Kersey	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Chris Cate	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Scott Sherman	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
David Alvarez	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Georgette Gomez	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Date of final passage JUN 30 2017.

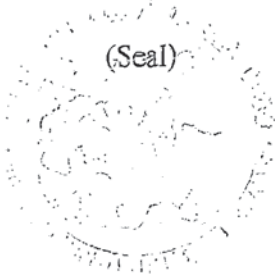
(Please note: When a resolution is approved by the Mayor, the date of final passage is the date the approved resolution was returned to the Office of the City Clerk.)

AUTHENTICATED BY:

KEVIN L. FAULCONER
Mayor of The City of San Diego, California.

ELIZABETH S. MALAND
City Clerk of The City of San Diego, California.

By *Linda Bruin*, Deputy



Office of the City Clerk, San Diego, California

Resolution Number R- 311204