



Economic Development Finance & Real Estate Committee

EIFD Case Study – Otay Mesa Enhanced Infrastructure Financing District

Otay Mesa Enhanced Infrastructure Financing District (EIFD) was formed in July 2017, making it the second EIFD to be formed in the State of California. The district is 9,300 acres with the boundaries coterminous with the Otay Mesa Community Plan Area within the City of San Diego. The EIFD is governed by the Otay Mesa Enhanced Infrastructure Financing District Public Financing Authority, which consists of three City Council members and two public members.

Background

The Otay Mesa Community is a rapidly developing area comprised of 9,300 acres within the City of San Diego, immediately north of the city of Tijuana. The area is characterized by a mix of residential, industrial, commercial, office, and other land uses, as well as vacant land. The current population of Otay Mesa approximates 18,000. Upon buildout, the population is expected to exceed 67,000 residents. Anticipated new development includes:

- 13,600 new residential units
- 7.8 million square feet of new industrial development
- 460,000 square feet of new office development
- 400 new hotel rooms
- 660,000 square feet of new retail development

The City estimates that approximately \$1.2 billion of new infrastructure improvements are needed to realize the buildout of the area. The list of public improvements and facilities includes the following:

- Transportation \$900 million
- Police and Fire \$36 million
- Park and Library \$226 million
- Water and Sewer \$31 million

All of the improvements that may be funded by the EIFD are identified in the City's Otay Mesa Public Facilities Financing Plan (PFFP), which was adopted in March 2014. Funding of the projects will be prioritized based on the capital improvement program established by the City for the PFFP identified projects.

Purpose of the EIFD

The purpose of the EIFD is to provide additional funding to accelerate the timing of public improvements that are needed to support new development, which will improve the quality of life of Otay Mesa residents.

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Financing Plan

The City of San Diego is the only taxing agency that is participating in the EIFD. The EIFD will be funded through property tax increment, property tax in-lieu of motor vehicle license fee (VLF) increment, and may be funded through development impact fees, governmental or private loans, grants, bonds, or any combination of these financing sources. In November of 2018 the City secured voter approval for the EIFD to issue up to \$230 million of gross bond debt. The measure was approved by 75% of those who voted on the measure.

The City receives from 8% to 17% of the 1% property tax levy on the assessed value of properties within the District. The City has agreed to commit 50% of the property tax increment generated by properties within the EIFD to the EIFD through June 30, 2022 and 100% of the increment throughout the remaining duration of the District. The district will terminate 45-years from the date of formation, through July 2062. The District is anticipated to receive a cumulative total of \$970 million of property tax and VLF increment over its 45-year term. The maximum limit on property tax and VLF increment that may be deposited over the 45-year term has been set at \$1.1 billion.

Activities to Date

One of the first activities was sponsoring a ballot measure in November of 2018 to secure voter approval to issue bond debt. The measure was approved by 75% of those who voted on the measure, providing authority to issue \$230 million of bonded indebtedness.

The District is anticipated to receive approximately \$530,000 in its first year. \$200,000 of the revenues in the first year will be used to reimburse the City for the cost of forming the district and the bond authorization ballot measure. The balance of the revenues will be used to fund Media Road improvements. Revenue is expected to reach \$775,000 in FY 2019/20, with the bulk to be used to fund the La Media Road improvements. Administrative expenses are expected to decline significantly in the second year.

The PFA anticipates that annual increment will reach \$10 million by FY 2020/21, which will support the issuance of the District's first bond.

Keys to Otay Mesa's Success/ Best Practices

- ✓ The District is large and rapidly growing
- ✓ Broad community support for investing in public facilities
- ✓ Secured 75% voter approval to issue bonds
- ✓ Public facilities and improvements to be funded by the EIFD were identified in the Otay Mesa Public Facilities Financing Plan that was adopted three years prior to the formation of the District

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- ✓ The City has committed to dedicate both property tax increment and VLF increment to the District