



Value Capture in the San Diego Region



Housing Acceleration Program – Technical Assistance Workshop
May 29, 2024

Agenda



Welcome and Introductions



Overview of SANDAG's Regional Value Capture Study



Case Study: Transit-Oriented Development - *City of La Verne*



Case Study: Community Plan Buildout - *City of San Diego*



Case Study: Parks and Recreation - *County of San Diego*



Evaluation of Opportunities with Screening Tool



Roundtable Discussion / Conclusion

Introductions

Speakers

- **Tim Garrett** - *SANDAG*
- **Matt Gelbman** - *Ascent*
- **Eric Scherer** - *City of La Verne*
- **Richard Eyre** - *City of San Diego*
- **Crystal Benham** - *County of San Diego*
- **Ignacio Montojo** - *HR&A Advisors*

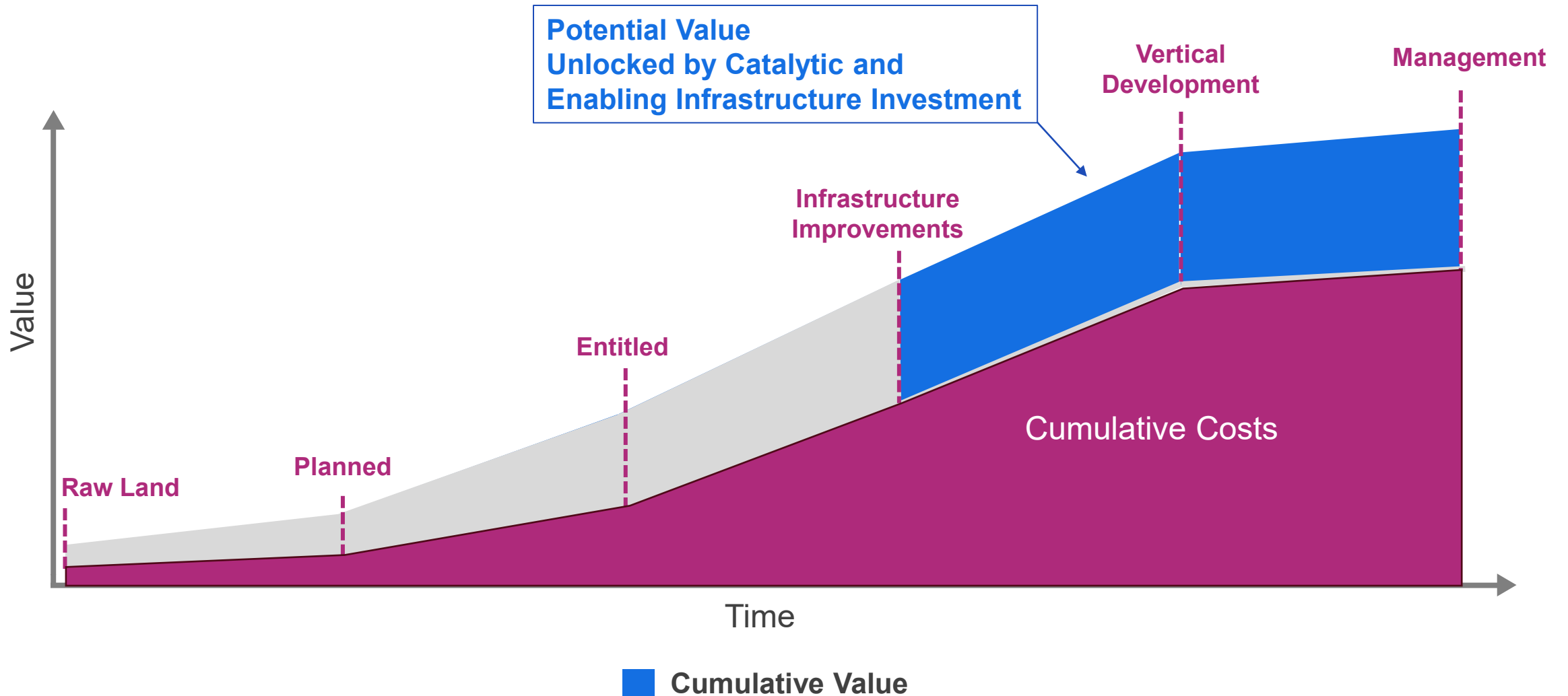
Overview of SANDAG's Regional Value Capture Study

What is Land Value Capture?

- Funding and financing tools for projects
 - Ensure public benefit from private development
- New tools since redevelopment agencies were dissolved
- SANDAG's role
 - Convene agencies from across region
 - Plan and construct transportation infrastructure
 - Encourage coordinated land use and transportation
- Means of implementing Regional Plan

Value Capture Background

Land Value Creation in the Development Process



Value Capture Justification

- Fragmentation of government with different authority and objectives (e.g. development, stabilization, ridership)
- Significant infrastructure funding/financing needs for projects that can cross jurisdictional boundaries
- Means of implementing policy, supplement funding



Regional Land Value Capture Study Objectives



Evaluate value capture instruments and joint development opportunities



Advance regional housing goals



Generate sustainable revenue to implement Regional Plan



Develop policy recommendations

Instruments Reviewed: Use Cases

Instruments	Key Stakeholders	Description	Applications
Community Facilities District (CFD)	Public entity, district property owners/voters	Special tax on properties (additive tax)	New development, cannot be based on value
Special Assessment District (SAD)	Public entity, district property owners	Similar to CFD but assessments must relate to specific benefit to properties assessed	Special benefits
Impact Fees	City, developers	Fee to mitigate cost of impact of new developments	New developments, based on impact
Tax Increment Financing (TIF)	City, county	Contribution of property tax increment to projects of communitywide significance	Communitywide improvements in areas of high real estate value growth
Joint Development (JD)	Agency, city, developers	Arrangement between public entities and private developers to develop properties	Mixed-use, affordable housing

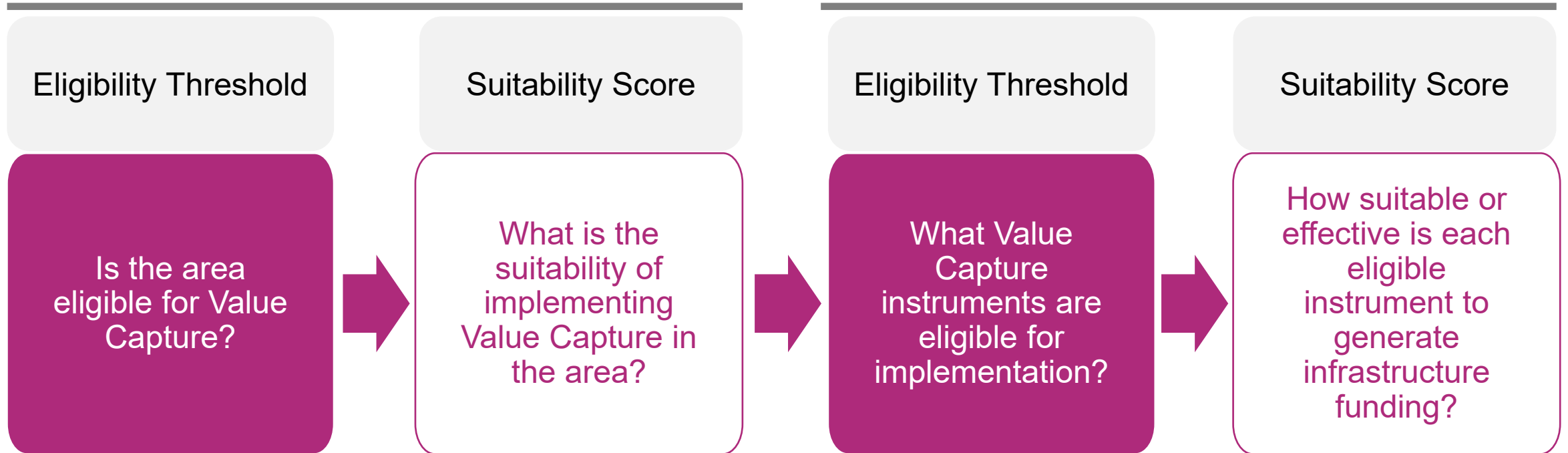
Instruments Reviewed: Challenges

Instruments	Gaps and Challenges
Community Facilities District (CFD)	<ul style="list-style-type: none"> • Requires 2/3 vote • Potential for tax burden to discourage development/property ownership
Special Assessment District (SAD)	<ul style="list-style-type: none"> • Requires specific and direct benefit to properties assessed and fair allocation of taxes
Impact Fees	<ul style="list-style-type: none"> • Taxing entities must agree to contribute property tax increment to TIF district • Tax share/contribution must be significant enough to be meaningful • Revenue growth takes time, depends on and lags assessed value growth
Tax Increment Financing (TIF)	<ul style="list-style-type: none"> • Fees require nexus and must be proportional to the cost/impact of the project • Unpredictable magnitude and timing
Joint Development (JD)	<ul style="list-style-type: none"> • Lack of consistent joint development/TOD policies across cities and agencies • Land ownership held by different public entities

Value Capture Screening

General Value Capture Potential

Value Capture Instrument Potential



Joint Development Screening

Eligibility Threshold

Is the site eligible for Joint Development?

- Excess property
- Physical development constraints



Suitability Score

Will Joint Development generate meaningful revenues?

- Real estate market viability
- Development viability
- Ease of implementation

Implementation Strategy Foundation

1

Establish a
**coordinating
agency**

2

Encourage
**long term
partnerships
and alignment**
across key
stakeholders

3

Develop a
**regional
strategy /
vision**

4

Implement
**local policies /
guidelines**

5

Provide
resources to
local public
entities

Prioritizing and Implementing

- **High level screening** of sites for key characteristics to establish **selection and sequencing**
- **Strengthening key partnerships** for selected sites
- **Detailed screening and business case development** for selected sites and tools
- **Implementation** of value capture/joint development

Case Study: Transit-Oriented Development - City of La Verne

CITY OF LA VERNE

Enhanced Infrastructure Financing District (EIFD)

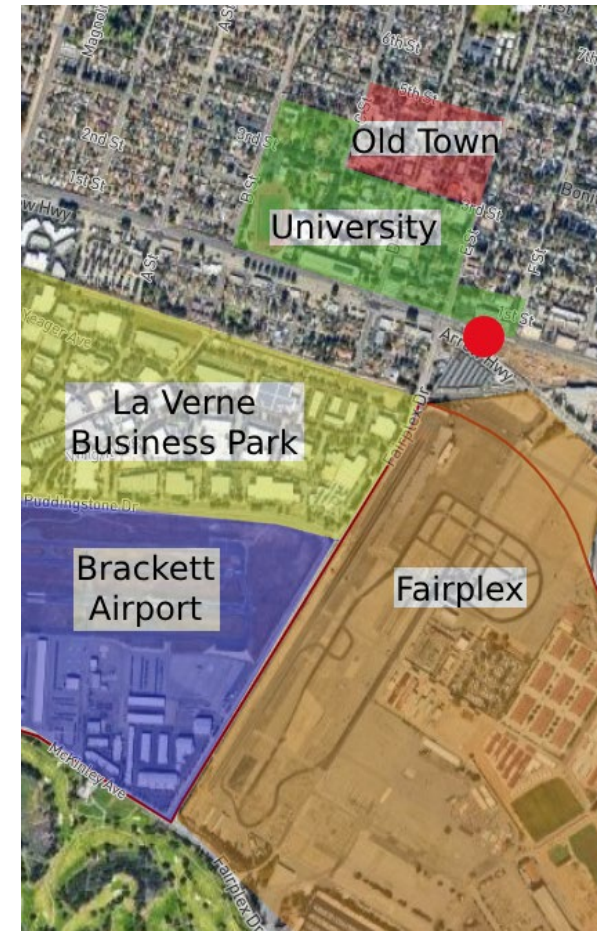


La Verne? Why an EIFD?

Metro A Line Extension



Location



Zoning



EIFD Administration

- **Feasibility Study in 2016 (Kosmont)**
- **City established EIFD in 2018 – County in 2020**
- **Establishment process changed (Law)**
- **PFA consists of 2 Council Members, the County Supervisor (Alternate), two Public Members (appointed by City and County)**
- **Administered by City (Admin. Services Agreement)**

La Verne EIFD Area Map

(Total EIFD Area ~ 110 acres)



T.O.D. Opportunity



EIFD Project Area Vision

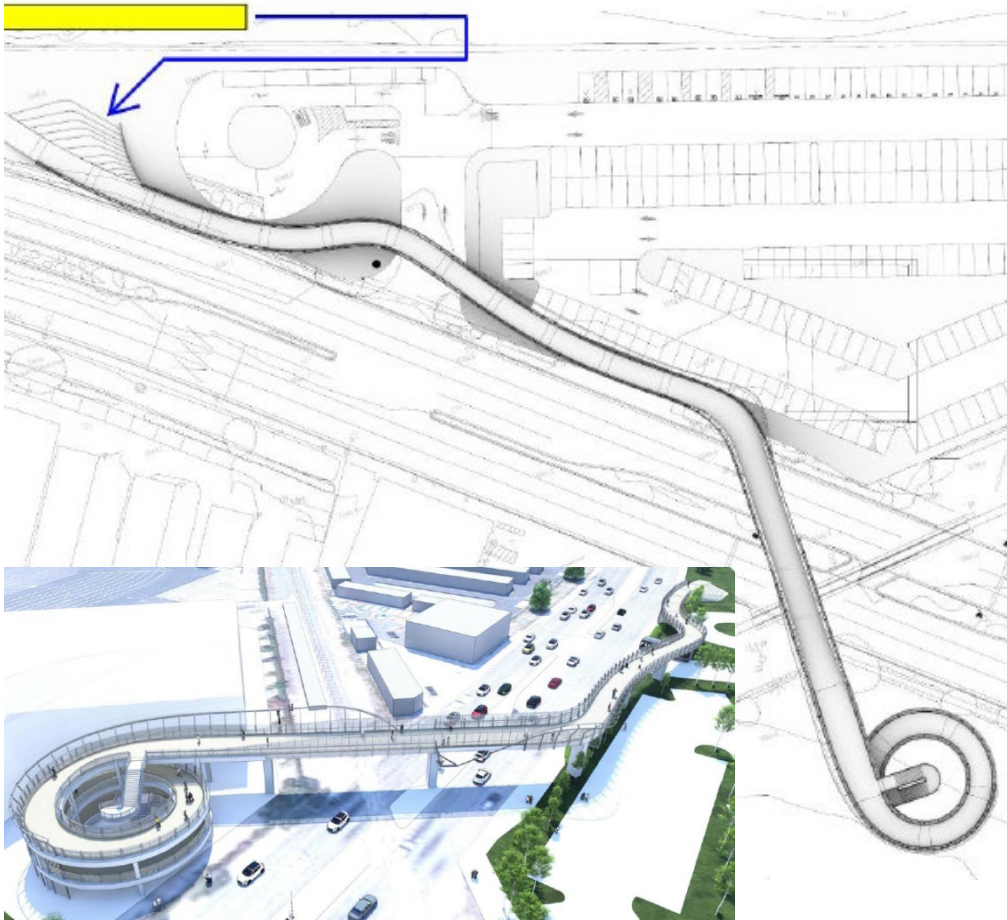


EIFD Fiscal Impacts

- **City contributes 100% of T.I. (\$0.1847 per \$1)**
- **County contributes 50% of T.I. (\$0.1480 per \$1)**
- **\$33,000,000 (2017) in infrastructure improvements to be funded with issuance of bonds (IFP)**
- **City issued first bond (\$3.5m) in 2022 with reimbursement agreement with PFA**

EIFD Projects Initiated

Pedestrian Bridge



E St./2nd St.



Thank You



www.cityoflaverne.org/eifd

Eric Scherer: escherer@cityoflaverne.org 909-596-8706

Case Study: Community Plan Buildout - City of San Diego

Otay Mesa Enhanced Infrastructure Financing District

SANDAG Land Value Capture Workshop

Background

- An **Enhanced Infrastructure Financing District (“EIFD”)** is a financing tool available to California local government entities to help fund public capital facilities using **property tax increment revenue (TI)** generated within the district
 - Not a new revenue source. TI are funds that otherwise would go to the general fund.
- An EIFD is a **governmental entity separate and distinct** from the city or county that establishes it, governed by a **Public Financing Authority (PFA)** comprised of elected officials and public members
- An EIFD can exist for no longer than **45 years** after the issuance of debt but it can be shorter
- **Clean up legislation** since EIFDs were authorized:
 - Vote of district property owners to issue debt no longer required
 - Added steps to formation
 - Current legislation SB 1140



To facilitate economic development and improve the quality of life of Otay Mesa residents through the accelerated provision of needed infrastructure within the City of San Diego Otay Mesa Community Plan Area

Why Otay Mesa?

- Greenfield community with significant remaining area of **undeveloped land** (staff estimate of 1,700 to 2,000 acres)
- **Diverse 9,300 acres** with residential, commercial, industrial, open space, parks, and institutional land use designations
- Otay Mesa Community Plan and Public Facilities Financing Plan (PFFP) last updated in March 2014 – **Funding Gap**
- Future development to include two new residential village areas estimated at over 10,000 units (**good opportunity for TI growth**)
- City sole participating tax sharing entity – **dedicated revenue stream**

Background: Otay Mesa PFFP

- Total estimated project costs of \$1.2 billion with DIF/FBA providing \$690 million, leaving a shortfall of \$510 million in 2014 dollars

Summary of Otay Mesa PFFP Project Categories¹

<u>Category</u>	<u>Estimated Cost (2014)</u>	<u>% of total</u>
Transportation	\$ 936,884,802	75%
Parks	\$ 222,438,000	18%
Police	\$ 19,400,000	2%
Fire	\$ 16,900,000	1%
Library	\$ 21,000,000	2%
Water/Sewer	\$ 30,915,460	2%
Total	\$ 1,247,538,262	100%

¹ Source: Otay Mesa Public Facilities Financing Plan and Facilities Benefit Assessment Fiscal Year 2014, as amended July 2015

EIFD Objectives

- EIFD is intended **to complement the existing City CIP** by providing supplemental funding for Otay Mesa public infrastructure
- **Subject to PFA Board approval** EIFD funds would be applied to specific CIP as-needed and in accordance with capital improvement program established for Otay Mesa PFFP identified projects
- Funds could be used on *pay-go basis or leveraged to issue bonds* **to accelerate timing of construction** for individual PFFP projects
- Facilitates economic development in the Otay Mesa Community Plan Area with wider regional benefits

Projected Tax Increment

Annual TI Range: \$670,000 (Year 2) *up to* \$42 million (Year 45)

TI Collection Cap: \$1.1 billion

Tax Increment Cash flow:

Bonds (issued within first 20 yrs) : \$155 million

“Pay-As-You-Go” (over 45 yrs) : \$616 million

Total EIFD Project Funds: \$771 million over the life

- Included in Infrastructure Financing Plan (IFP)
- Currently meeting approximate revenue projections
- Bonding waiting for critical mass of project needs

Take-aways since Formation

- **Administrative costs** can add up especially with multiple EIFDs
 - Staff time consumed
 - Annual reporting requirements
- Purpose and uses of an **EIFD can vary** depending on the project
 - Public vs Private drivers
- Important to **size appropriately** (general fund commitment)
 - IFP allows flexibility in magnitude and tenor of commitment
- EIFD Bond issuances and **credit considerations**
 - Coverage ratios and reserves
- **RDA Project Area overlap** - with existing Enforceable Obligations

Otay Mesa Enhanced Infrastructure Financing District

SANDAG Land Value Capture Workshop

More Information: Agendas, Minutes, Resolutions,
Formation Docs

<https://www.sandiego.gov/council-committees/omeifd>

Case Study: Parks and Recreation - County of San Diego



San Diego River Park Enhanced Infrastructure Financing District

County of San Diego & City of San Diego

May 29, 2024



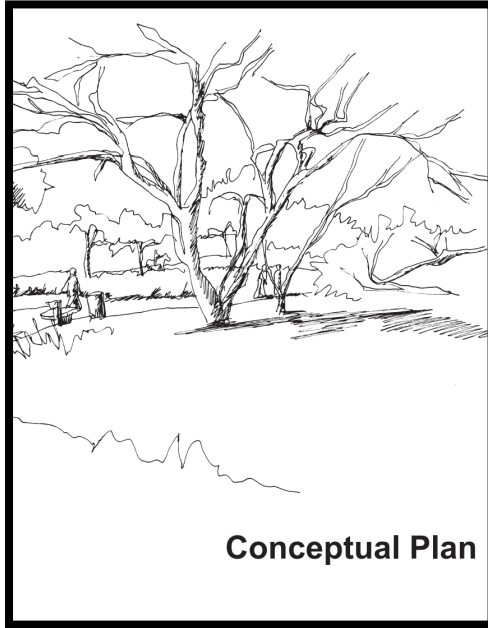
San Diego River Park Vision



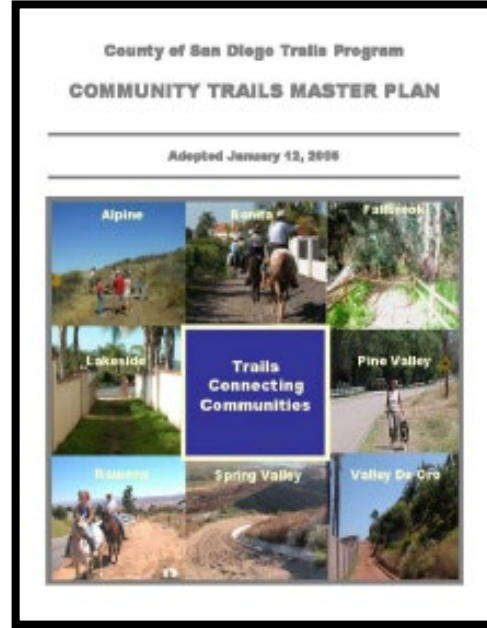
- From Julian to Ocean Beach
- Contiguous Trail
- Habitat Restoration
- Supporting Sustainability



Planning Efforts



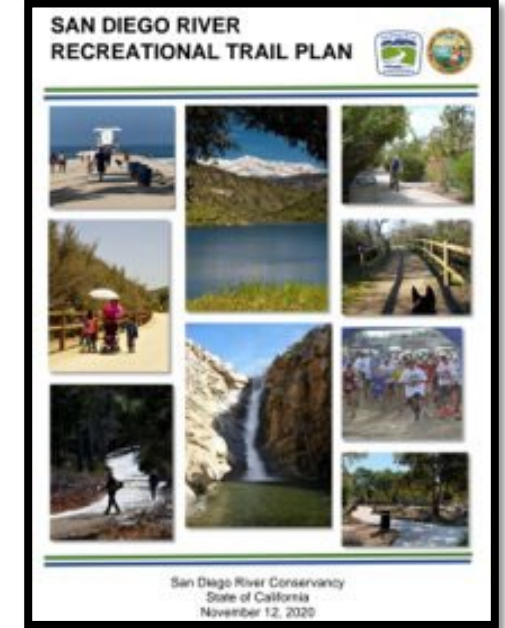
The San Diego River Park Foundation
Conceptual Plan (2002)



County of San Diego -
Trails Master Plan
(2009)



City of San Diego -
River Park Master Plan (2013)



San Diego River Conservancy -
Recreational Trail Plan (2020)





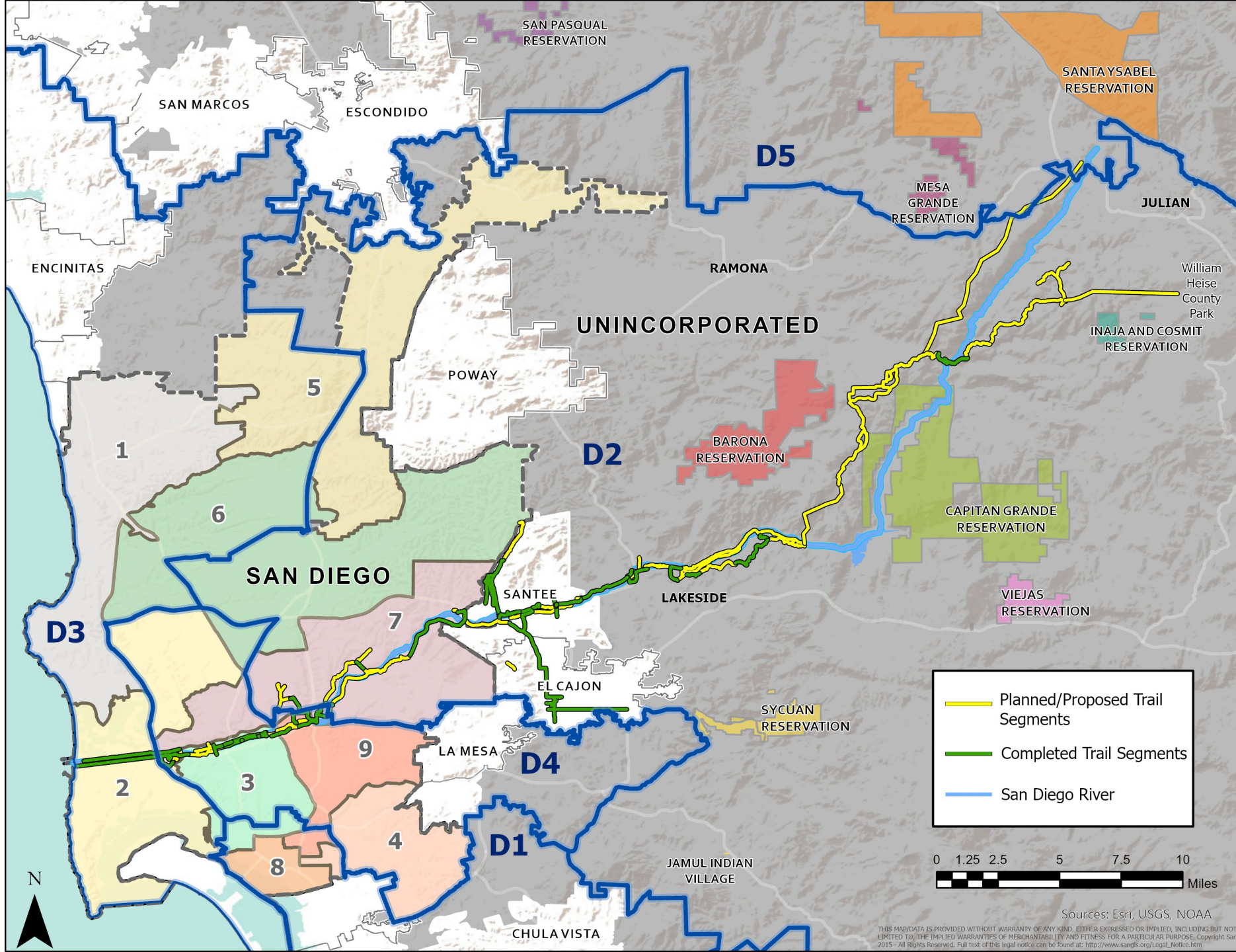
Project Timeline Recap


March 2021: The San Diego County Board of Supervisors (Board) convened a Task Force to identify issues and opportunities for the San Diego River Park and Trail

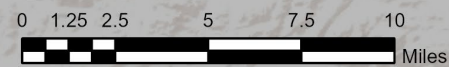
November 2021: The Board provided direction to complete a study to explore funding options

September 2022: The Board provided direction to pursue an Enhanced Infrastructure Financing District (EIFD) and partnership with the City of San Diego

September 2022 - now: County secured EIFD Consultant and is in current partnership with City of San Diego to work towards EIFD formation



	Planned/Proposed Trail Segments
	Completed Trail Segments
	San Diego River



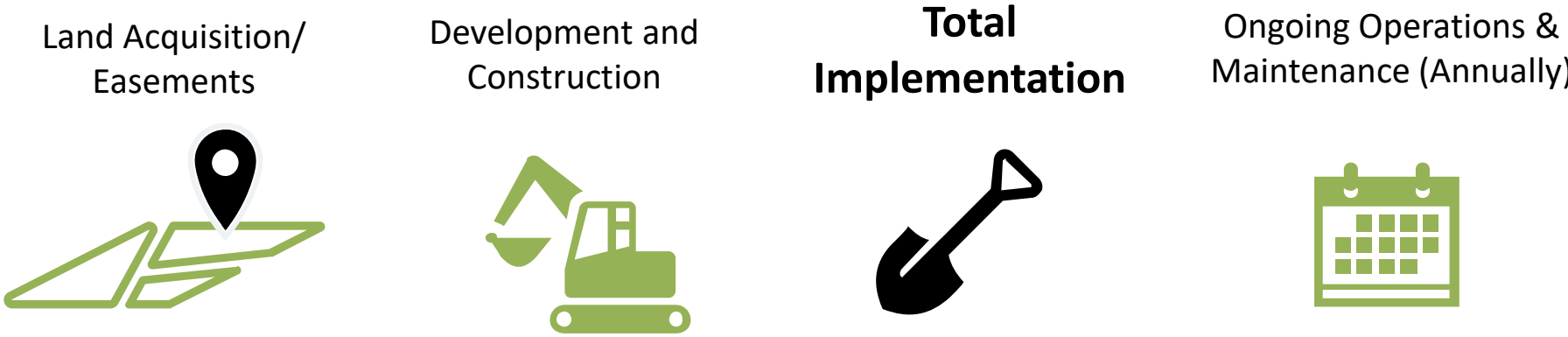
Sources: Esri, USGS, NOAA

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Trail Types



Estimated Costs

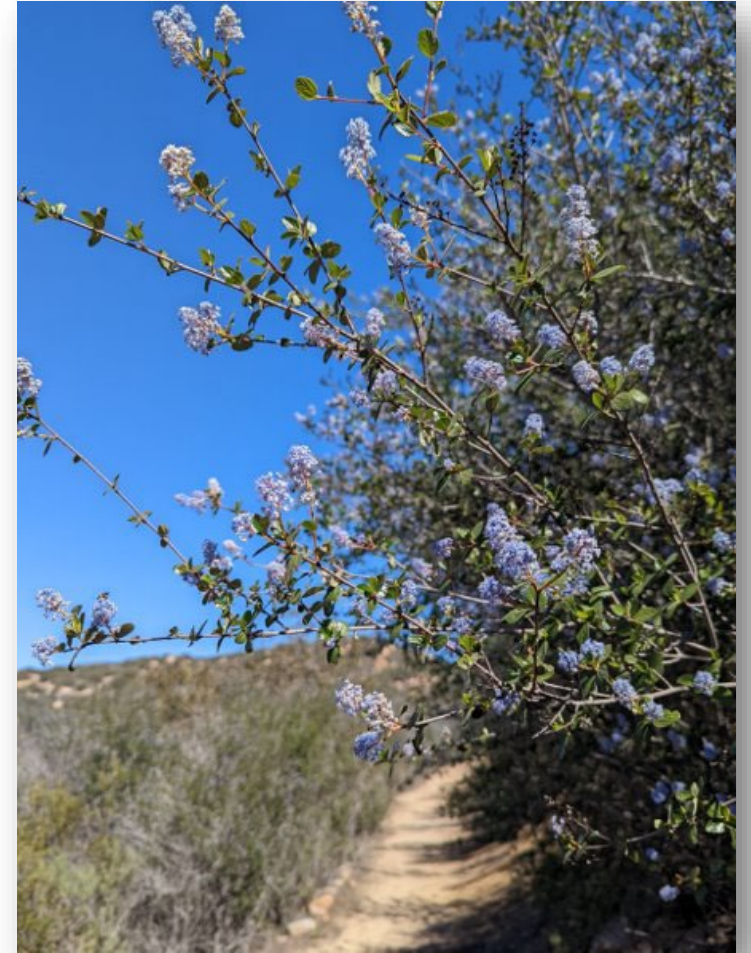


	Land Acquisition/ Easements	Development and Construction	Total Implementation	Ongoing Operations & Maintenance (Annually)
Low Estimate (\$ Million)	\$ 199M	\$ 72M	\$ 271M	\$ 0.5M
High Estimate (\$ Million)	\$ 488M	\$ 180M	\$ 668M	\$ 1.3M



SDRP Funding Options Summary

- State and Federal Grants
- General Fund Revenue Sources
- Fees and Charges
- Conditions on Private Development
- Infrastructure Tax Districts
 - Including Enhanced Infrastructure Financing District
- Community Facilities Districts
- Maintenance Assessment Districts
- Sales Tax/Transient Occupancy Tax
- Financing Mechanisms



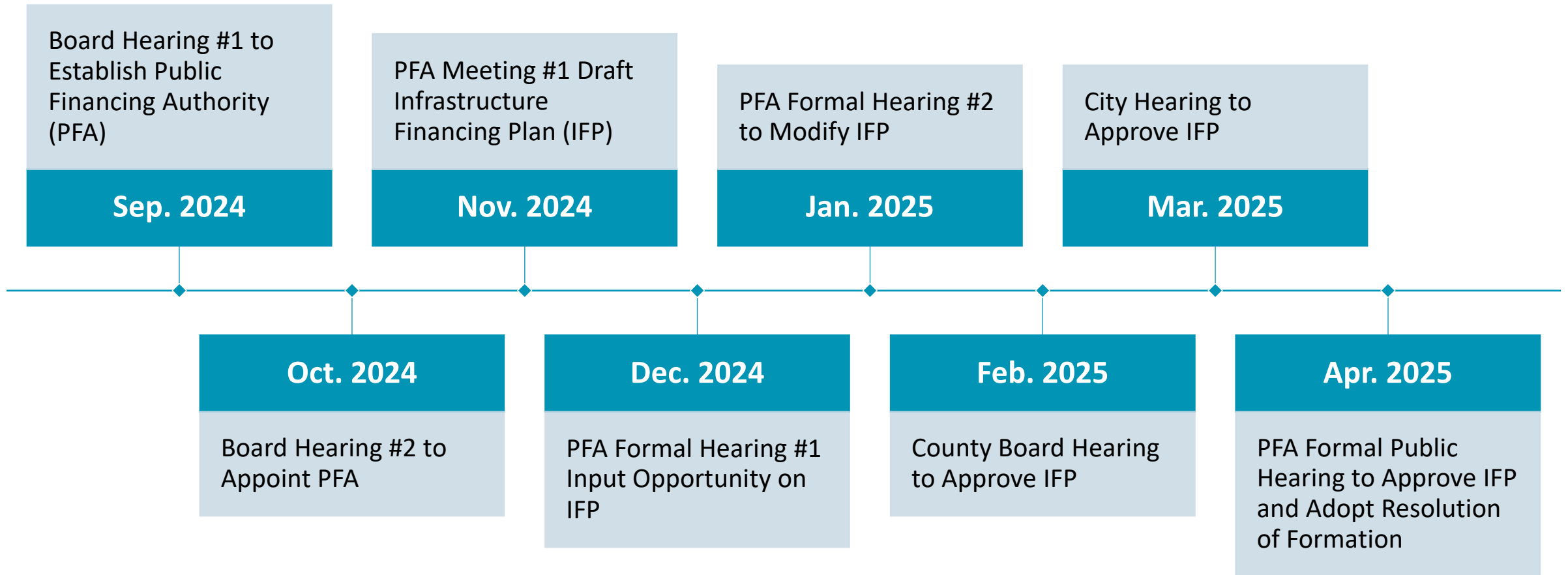
Enhanced Infrastructure Financing District for San Diego River Park

- Partnership between County & City of San Diego
- Key Requirements:
 - Formation of a Public Financing Authority (PFA)
 - Creation of an Infrastructure Financing Plan (IFP)





Key Dates and Timeline Overview





Ways to Get Involved

1. Visit the San Diego River Park EIFD Website
<https://engage.sandiegocounty.gov/san-diego-river-park-financing-district>
2. Email SanDiegoRiverEIFD@sdcounty.ca.gov to be added to the distribution list
3. Apply to become a Member of the Public Financing Authority



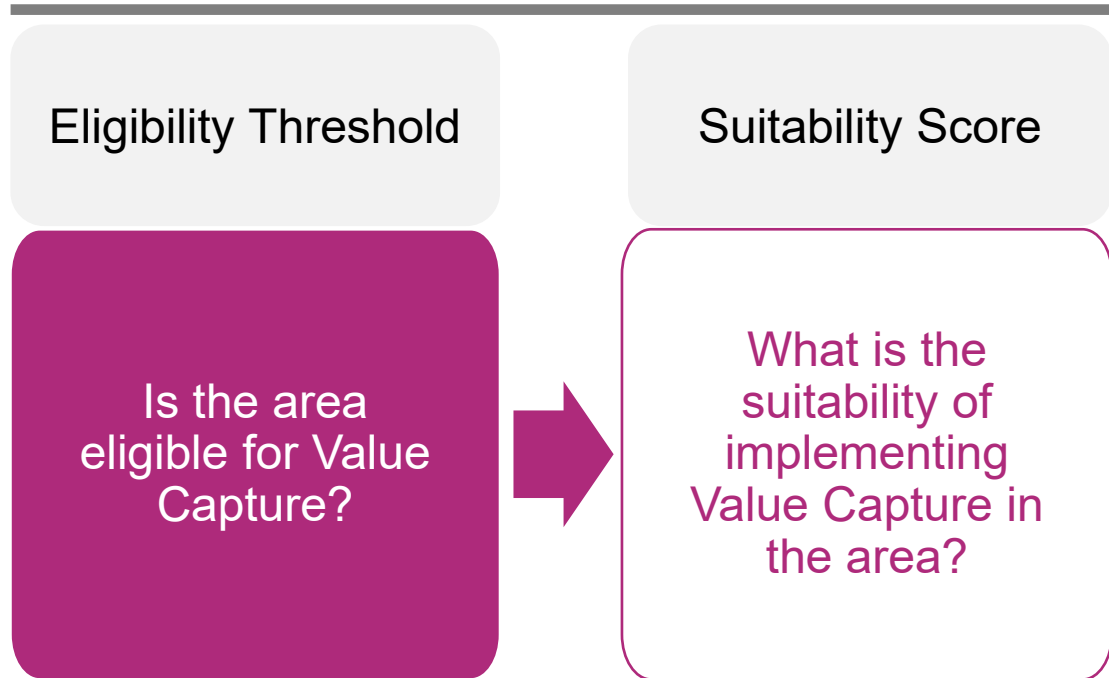


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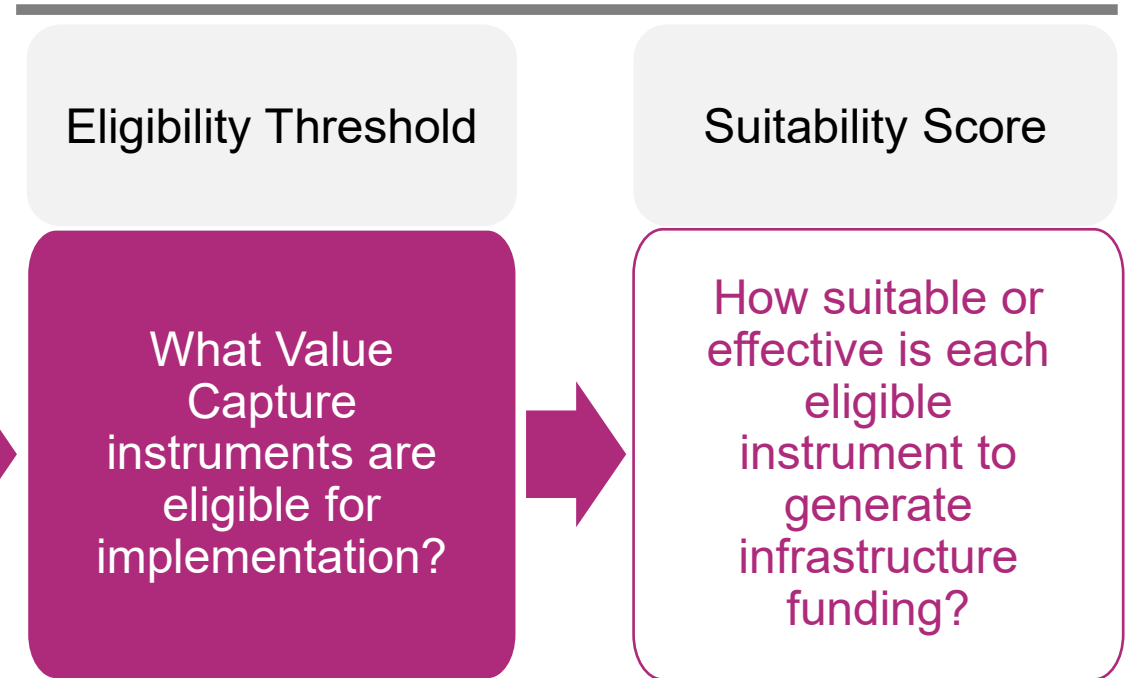
Evaluation of Opportunities with Screening Tool

Value Capture Screening

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Value Capture Instrument Potential



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Questions and Discussion

Conclusion

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