

<b>REQUEST FOR COUNCIL ACTION</b> CITY OF SAN DIEGO	CERTIFICATE NUMBER (FOR COMPTROLLER'S USE ONLY)
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TO: Land Use & Housing Committee	FROM (ORIGINATING DEPARTMENT): Development Services Department	DATE: 12/14/2012
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SUBJECT: Castlerock Reorganization. Project No. 10046. Council District 7. Report Pursuant to AR 50.20.

PRIMARY CONTACT (NAME, PHONE): Jeannette Temple, 619-557-7908 / MS-501	SECONDARY CONTACT (NAME, PHONE): Mike Westlake, 619-446-5220 / MS-501
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**COMPLETE FOR ACCOUNTING PURPOSES**

FUND	200459				
DEPT / FUNCTIONAL AREA					
ORG / COST CENTER					
OBJECT / GENERAL LEDGER ACCT					
JOB / WBS OR INTERNAL ORDER	23421653				
C.I.P./CAPITAL PROJECT No.					
AMOUNT	0.00	0.00	0.00	0.00	0.00

FUND					
DEPT / FUNCTIONAL AREA					
ORG / COST CENTER					
OBJECT / GENERAL LEDGER ACCT					
JOB / WBS OR INTERNAL ORDER					
C.I.P./CAPITAL PROJECT No.					
AMOUNT	0.00	0.00	0.00	0.00	0.00

**COST SUMMARY (IF APPLICABLE):** All staff costs associated with the processing of this project are paid from a deposit account maintained by the owner, Pardee Homes. A Fiscal Impact Analysis report for the annexation and future development on the Castlerock property will address the anticipated long term fiscal well being for the City of San Diego, and will require future review by the full City Council.

**ROUTING AND APPROVALS**

CONTRIBUTORS/REVIEWERS:	APPROVING AUTHORITY	APPROVAL SIGNATURE	DATE SIGNED
Environmental Analysis	ORIG DEPT.	Westlake, Mike	12/14/2012
Facilities Financing	CFO	Goldstone, Jay	2/25/2013
Liaison Office	DEPUTY CHIEF		
	COO		
	CITY ATTORNEY		
	COUNCIL PRESIDENTS OFFICE		

PREPARATION OF:	<input type="checkbox"/> RESOLUTIONS	<input type="checkbox"/> ORDINANCE(S)	<input type="checkbox"/> AGREEMENT(S)	<input type="checkbox"/> DEED(S)
Recommend that the Land Use and Housing Committee accept the report on the Castlerock Change of Organization proposal, in accordance with Administrative Regulation 50.20, Annexation, Reorganization, and Change of Organization Procedures.				
STAFF RECOMMENDATIONS: Accept the Report in accordance with Administrative Regulation 50.20, Annexation, Reorganization, and Change of Organization Procedures.				
SPECIAL CONDITIONS (REFER TO A.R. 3.20 FOR INFORMATION ON COMPLETING THIS SECTION)				
COUNCIL DISTRICT(S):	7			
COMMUNITY AREA(S):	East Elliot			
ENVIRONMENTAL IMPACT:	A Draft Environmental Impact Report (DEIR) No. 10046 was prepared for the Castlerock Reorganization Project in accordance with CEQA. The Final EIR will be required to be considered and certified prior to approval of the project. However, this report is not an approval of the project. It is merely an informational document setting forth the future potential actions of the City of San Diego with regard to the project and in no way commits the City of San Diego to any future discretionary action on the project.			
CITY CLERK INSTRUCTIONS:	Requires Brown Act Noticing only			

**COUNCIL ACTION**  
**EXECUTIVE SUMMARY SHEET**  
CITY OF SAN DIEGO

DATE: 12/14/2012

ORIGINATING DEPARTMENT: Development Services Department

SUBJECT: Castlerock Reorganization. Project No. 10046. Council District 7. Report Pursuant to AR 50.20.

COUNCIL DISTRICT(S): 7

CONTACT/PHONE NUMBER: Jeannette Temple/619-557-7908 / MS-501

**DESCRIPTIVE SUMMARY OF ITEM:**

The Castlerock Reorganization project is a request to detach a 108.72 acre portion of a larger 203.64 acre site currently within the boundaries of the City of San Diego, into the City of Santee for residential and park land uses. The property is located in the eastern portion of the City of San Diego, in the East Elliott Community Plan area, on the north side of Mast Boulevard between Medina Drive and West Hills Parkway. The City of Santee is contiguous with the eastern and southern borders of the project site.

**STAFF RECOMMENDATION:**

Accept the Report in accordance with Administrative Regulation 50.20, Annexation, Reorganization, and Change of Organization Procedures.

**EXECUTIVE SUMMARY OF ITEM BACKGROUND:** Pardee Homes, the owner and applicant for the proposed Castlerock project, has requested a change in organization to, among other changes, detach an approximately 108.72 acre property, with future construction of 430 dwelling units (422 dwelling units if no annexation occurs) with related amenities and a neighborhood park, from the City of San Diego, and Annexation to the City of Santee. The Castlerock project proposes grading, construction of public improvements, rough grading for a future 4.0-acre neighborhood park, and construction of 283 single dwelling units and 147 multi-family dwelling units. The project would implement the intent of the East Elliott Community Plan in that it recommends annexation to the City of Santee should be considered due to lack of nearby residential development or services in the City of San Diego. Because the project is not directly adjacent to existing City of San Diego infrastructure such as water, sewer, roads, it may be more efficient for the City of Santee to provide emergency services and Padre Dam Municipal Water District (PDMWD) to provide water and sewer services. The 108.72 acre portion to be detached is part of a larger 203.64 acre site. The portion of the site not detached would stay in the City of San Diego, Multi Habitat Planning Area (MHPA) as an addition to the Mission Trails Regional Park. This is known as the Annexation Scenario.

Pardee Homes, the developer of the proposed Castlerock project, has analyzed two scenarios for City Council consideration which are included in the Draft Environmental Impact Report (DEIR). The Annexation Scenario would be structured with the intention that the Local Area Formation Commission (LAFCO) Action will occur after construction, and the No-Annexation Scenario would approve construction and all development to stay in the City of San Diego if the City Council for the City of Santee votes not to approve the Annexation Agreement or LAFCO

does not approve the annexation. They are two development scenarios for the same project and both are part of the DEIR's project description.

The City of San Diego City Council approval of the Annexation Scenario and No-Annexation Scenario would allow the City of San Diego to enter into the Annexation Agreement, adopt a Resolution of Initiation supporting a subsequent City of Santee request that LAFCO take proceedings for the Castlerock Reorganization on behalf of Pardee Homes, and amend the City of San Diego Sphere of Influence boundary. The future application to LAFCO and related costs will be paid by Pardee Homes. The approval of the Castlerock Reorganization is conditioned upon the City of Santee, PDMWD, and LAFCO approvals. The applicant, Pardee Homes, will process necessary annexation approvals with the City of Santee, PDMWD, and LAFCO after the City of San Diego approves the DEIR. Once all approvals have been obtained from all parties, Pardee Homes will construct the development while in the City of San Diego's jurisdiction. This will include all ministerial permits and inspections. The jurisdictional boundary map would be changed and the effective date of the reorganization would be triggered by Pardee Home's completion of the construction.

The Castlerock Reorganization project contemplates the following changes in organization: Amendment to the City of San Diego Sphere of Influence Boundary; Amendment to the City of Santee Sphere of Influence Boundary; Annexation into the PDMWD Service Area and Revision of the PDMWD Sphere of Influence; and Detachment of a portion of the Castlerock Property from the City of San Diego and Annexation into the City of Santee.

The Castlerock Reorganization is a four step process: First, the City of San Diego entitlements must be approved with the Annexation and No-Annexation Scenarios, including a Resolution of Initiation and Annexation Agreement; Second, the City of Santee and the PDMWD must approve a Resolution of Initiation and Annexation Agreement; Third, the City of Santee would file an Application to LAFCO for detachment from the City of San Diego and Annexation into the City of Santee; and the fourth step would be back to the City of San Diego for final ministerial approvals to allow construction prior to the detachment and annexation going into final effect. The City of San Diego is the lead agency for the California Environmental Quality Act (CEQA) process. As lead agency the City of San Diego is to work with affected property owners, process rezoning, entitlements, and environmental review. The City of Santee is the lead agency for the LAFCO process and would submit the Resolution of Application package to LAFCO for the Castlerock Reorganization.

**FISCAL CONSIDERATIONS:** All staff costs associated with the processing of this project are paid from a deposit account maintained by the owner, Pardee Homes. A Fiscal Impact Analysis report for the annexation and future development on the Castlerock property will address the anticipated long term fiscal well being for the City of San Diego, and will require future review by the full City Council.

**PREVIOUS COUNCIL and/or COMMITTEE ACTION:** On December 2, 2008, the Council of the City of San Diego approved a resolution "authorizing the Mayor, or his designee, to execute and deliver the Letter of Intent related to a proposed reorganization of San Diego's and Santee's

jurisdictional boundaries to move certain real property and a proposed Castlerock housing development project out of San Diego's jurisdiction and into Santee's jurisdiction.”

The proposed non-binding Letter of Intent (LOI) by and between the City of San Diego, the City of Santee, and Pardee Homes was to express the general intent of the cities to pursue discussions associated with the reorganization of their jurisdictional boundaries in the event that the City of San Diego was to approve Pardee Home's proposed Castlerock development project. On October 8, 2008, the Santee City Council voted 3-1 to enter into a similar LOI.

**COMMUNITY PARTICIPATION AND PUBLIC OUTREACH EFFORTS:** There is no community planning group in the East Elliott Community Planning Area.

**KEY STAKEHOLDERS AND PROJECTED IMPACTS:** Owner/Permittee: Pardee Homes, a California Corporation. Contact: Jimmy Ayala. The projected fiscal impacts have been detailed in the applicant's Fiscal Impact Analysis, with a corresponding memo response by Development Services' Economic Analyst, which are an attachment to the Staff Report.

Westlake, Mike  
Originating Department

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Deputy Chief/Chief Operating Officer



THE CITY OF SAN DIEGO  
**REPORT TO THE CITY COUNCIL**

DATE ISSUED: February 26, 2013 REPORT NO: 13-09

ATTENTION: Land Use and Housing Committee  
Agenda of March 27, 2013

SUBJECT: Castlerock Reorganization. Project No. 10046.  
Council District 7. Report Pursuant to AR 50.20.

REFERENCES: 1. AR 50.20: Annexation, Reorganization, and Change of  
Organization Procedures.  
2. General Plan: Land Use and Community Planning Element/ K.  
Annexations and Reorganizations LU-43.  
3. East Elliott Community Plan

REQUESTED ACTION: Recommend that the Land Use and Housing Committee accept the report on the Castlerock Change of Organization proposal, in accordance with Administrative Regulation 50.20, Annexation, Reorganization, and Change of Organization Procedures.

SUMMARY:

Pardee Homes, the owner and applicant for the proposed Castlerock project, has requested a change in organization to, among other changes, detach an approximately 108.72 acre property, with future construction of 430 dwelling units (422 dwelling units if no annexation occurs) with related amenities and a neighborhood park, from the City of San Diego, and Annexation to the City of Santee. The Castlerock project proposes grading, construction of public improvements, rough grading for a future 4.0-acre neighborhood park, and construction of 283 single dwelling units and 147 multi-family dwelling units. The project would implement the intent of the East Elliott Community Plan in that it recommends annexation to the City of Santee should be considered due to lack of nearby residential development or services in the City of San Diego. Because the project is not directly adjacent to existing City of San Diego infrastructure such as water, sewer, roads, it may be more efficient for the City of Santee to provide emergency services and Padre Dam Municipal Water District (PDMWD) to provide water and sewer services. The 108.72 acre portion to be detached is part of a larger 203.64 acre site. The portion of the site not detached would stay in the City of San Diego, Multi Habitat Planning Area (MHPA) as an addition to the Mission Trails Regional Park. This is known as the Annexation Scenario.

Pardee Homes, the developer of the proposed Castlerock project, has analyzed two scenarios for City Council consideration which are included in the Draft Environmental Impact Report (DEIR). The Annexation Scenario would be structured with the intention that the Local Area Formation Commission (LAFCO) Action will occur after construction, and the No-Annexation Scenario would approve construction and all development to stay in the City of San Diego if the City Council for the City of Santee votes not to approve the Annexation Agreement or LAFCO does not approve the annexation. They are two development scenarios for the same project and both are part of the DEIR's project description.

The City of San Diego City Council approval of the Annexation Scenario and No-Annexation Scenario would allow the City of San Diego to enter into the Annexation Agreement, adopt a Resolution of Initiation supporting a subsequent City of Santee request that LAFCO take proceedings for the Castlerock Reorganization on behalf of Pardee Homes, and amend the City of San Diego Sphere of Influence boundary. The future application to LAFCO and related costs will be paid by Pardee Homes. The approval of the Castlerock Reorganization is conditioned upon the City of Santee, PDMWD, and LAFCO approvals. The applicant, Pardee Homes, will process necessary annexation approvals with the City of Santee, PDMWD, and LAFCO after the City of San Diego approves the DEIR. Once all approvals have been obtained from all parties, Pardee Homes will construct the development while in the City of San Diego's jurisdiction. This will include all ministerial permits and inspections. The jurisdictional boundary map would be changed and the effective date of the reorganization would be triggered by Pardee Home's completion of the construction.

The Castlerock Reorganization project contemplates the following changes in organization: Amendment to the City of San Diego Sphere of Influence Boundary; Amendment to the City of Santee Sphere of Influence Boundary; Annexation into the PDMWD Service Area and Revision of the PDMWD Sphere of Influence; and Detachment of a portion of the Castlerock Property from the City of San Diego and Annexation into the City of Santee.

The Castlerock Reorganization is a four step process: First, the City of San Diego entitlements must be approved with the Annexation and No-Annexation Scenarios, including a Resolution of Initiation and Annexation Agreement; Second, the City of Santee and the PDMWD must approve a Resolution of Initiation and Annexation Agreement; Third, the City of Santee would file an Application to LAFCO for detachment from the City of San Diego and Annexation into the City of Santee; and the fourth step would be back to the City of San Diego for final ministerial approvals to allow construction prior to the detachment and annexation going into final effect. The City of San Diego is the lead agency for the California Environmental Quality Act (CEQA) process. As lead agency the City of San Diego is to work with affected property owners, process rezoning, entitlements, and environmental review. The City of Santee is the lead agency for the LAFCO process and would submit the Resolution of Application package to LAFCO for the Castlerock Reorganization.

## BACKGROUND:

The Castlerock Reorganization project is a request to detach a 108.72 acre site currently within the boundaries of the City of San Diego, into the City of Santee for residential and park land uses. The property is located in the eastern portion of the City of San Diego, in the East Elliott Community Plan area, on the north side of Mast Boulevard between Medina Drive and West Hills Parkway. The City of Santee is contiguous with the eastern and southern borders of the project site. Direct access to the property is from Mast Boulevard with regional access from State Route 52 and West Hills Parkway. The site is currently designated for Single Family Development within the East Elliott Community Plan and zoned RS-1-8. The site was part of Camp Elliott in the 1940's-50's. A network of unimproved dirt trails and roads resulting from off-road vehicle activity exists on site. Several seasonal drainages flow generally south and southeastward, into Sycamore Channel located beyond the eastern boundary of the site and the abutting neighborhood, then eventually into the San Diego River. An SDG&E electrical substation is located on a parcel near the center of the site and is "Not a Part" (NAP) of the project under the Subdivision Map Act or the Annexation Scenario and No Annexation Scenario. Power lines extend westerly from the substation.

The project site consists primarily of rolling terrain of slopes and ridges with the Sycamore Landfill to the west, single dwelling units to the east (located in the City of Santee), and West Hills High School to the south. On site, elevations from approximately 376 feet above mean sea level (MSL) at the southeastern corner of the site to approximately 678 feet above MSL immediately to the northwest. The 108.72 acre portion to be detached is part of a larger 203.64 acre site. The portion of the site not detached would stay in the City of San Diego, MHPA as an addition to the Mission Trails Regional Park.

The project is within or directly adjacent to the Multiple Species Conservation Program's (MSCP) MHPA. The project is located in or adjacent to Environmentally Sensitive Lands (ESL) for Steep Hillside, and Sensitive Biological Resources which include Wetlands. The site also has vernal pools, which will be avoided and protected unless the Army Corps of Engineers (ACOE) issues a 404 permit and the United States Fish & Wildlife Service (USFWS) issues a section 7 Biological Opinion authorizing impacts. The 108.72 acre portion to be detached is part of a larger 203.64 acre site. The portion of the site not detached would stay in the City of San Diego as an addition to the Mission Trails Regional Park. The Cedar Fire in October 2003, burned the vast majority of the project site so the Castlerock Project is designed with brush management zones, fire walls and modern structural upgrades for homes located in a fire hazard area.

On December 2, 2008, the Council of the City of San Diego approved a resolution "authorizing the Mayor, or his designee, to execute and deliver the Letter of Intent related to a proposed reorganization of San Diego's and Santee's jurisdictional boundaries to move certain real property and a proposed —Castlerock housing development project out of San Diego's jurisdiction and into Santee's jurisdiction."

The proposed non-binding Letter of Intent (LOI) by and between the City of San Diego, the City of Santee, and Pardee Homes was to express the general intent of the cities to pursue discussions associated with the reorganization of their jurisdictional boundaries in the event

that the City of San Diego was to approve Pardee Home's proposed Castlerock development project. On October 8, 2008, the Santee City Council voted 3-1 to enter into a similar LOI.

The LOI authorized for execution by the City of San Diego and City of Santee contain principles and issues the City of San Diego and City of Santee would need to analyze in order to formulate a recommendation concerning the jurisdictional reorganization. The issues include the costs of providing and maintaining public services if the property were to remain in the City of San Diego or to be annexed into the City of Santee. These services include, but would not be limited to public safety, water, wastewater, parks, libraries, and trash collection. The analysis would also address any needed project design features, facilities, equipment, or agreements with other agencies to ensure acceptable levels of police and fire protection. Issues concerning development standards, entitlements, affordable housing, fees, and tax revenue will also need to be addressed. Pardee is also preparing an economic and fiscal impact report to assist San Diego's City Council decision concerning the approval of the proposed Castlerock development project. In the Annexation Scenario, the City of Santee would provide municipal services to the project, however Pardee Homes would pay development impact fees to the City of San Diego at building permit issuance. The City of San Diego would be entitled to receive credit towards its share of the regional housing needs allocation, would expand the amount of open space within the MHPA, and a financial mechanism to maintain the vernal pool preserve in perpetuity would be established. The information for addressing these issues could be contained in the annexation agreement and/or a revenue allocation agreement that San Diego's City Council would consider as part the development project approval.

The proposal is for the City of San Diego City Council to approve both the Annexation and No-Annexation Scenarios with the condition that if the City of Santee and LAFCO approve the Annexation Scenario, then the Annexation Scenario will be implemented. If Santee or LAFCO do not approve the reorganization, then Pardee would develop the No-Annexation Scenario in San Diego. The environmental document for the project also identifies potential environmental impacts and mitigation associated with each scenario.

For the reorganization to occur, the San Diego City Council would need to approve the DEIR including the Annexation and No-Annexation Scenarios; however the development approvals for the Annexation Scenario would not take effect unless Santee and LAFCO also subsequently adopted the Annexation Scenario development approvals. Additionally, LAFCO would need to consider different factors related to land use and the provision of public services. Primarily, LAFCO will need to determine if the City of Santee and PDMWD could provide public services, including but not limited to public safety, water, and wastewater more efficiently than the City of San Diego.

**POTENTIAL ITEMS THAT WILL REQUIRE FUTURE ACTION BY THE FULL CITY COUNCIL AND OTHER DECISION MAKERS:**

**San Diego**

- A Planned Development Permit (PDP) for lot sizes, setbacks, building height, driveways, home types, sewer depth, parking, and loading zone deviations
- Site Development Permit (SDP) for Environmentally Sensitive Lands (ESL) deviations
- Rezone from RS-1-8 to RT-1-1, RM-2-4, OP-2-1, and Open Space-Conservation (OC)
- MHPA Boundary Line Adjustment
- Vesting Tentative Map (VTM)
- East Elliott Community Plan Amendment
- Public Right-of-Way (ROW) and Utility Easement Vacations
- Encroachment Agreements for work within the City of San Diego ROW and easements (ministerial)
- Annexation Agreement
- Establishment of Public Facility Financing Mechanisms
- Resolution of Support for the City of Santee's Resolution of Initiation
- City of San Diego Sphere of Influence (SOI) Revision
- City of San Diego General Plan Map Amendment
- Tax/Revenue Sharing Agreement Between the Cities of Santee and San Diego
- Out-of-Service Agreement between the City of San Diego and PDMWD (if not served directly by the City of San Diego's Public Utilities Department (PUD) for Service Pending Reorganization)
- Out-of-Service Agreement between the Cities of San Diego and Santee for fire, police, and emergency medical service (if not directly served by the City of San Diego)
- Out-of-Service Agreement between San Diego and other public agency (if not serviced by either the City of San Diego or the City of Santee)

- Certification of the Final PEIR, CEQA Findings and Statement of Overriding Considerations, and adoption of the Mitigation Monitoring and Reporting Program (MMRP).

**Santee**

- City of Santee General Plan Amendment
- Pre-zone or evidence of vested right to develop annexed territory
- Annexation Agreement
- Resolution of Initiation of Application to LAFCO
- Tax/Revenue Sharing Agreement Between the Cities of Santee and San Diego
- City of Santee Sphere of Influence Revision
- Out-of-Service Agreement between the Cities of San Diego and Santee for fire, police, and emergency medical service (if not directly served by the City of San Diego)
- Encroachment Agreement for work within the City of Santee's ROW and Easements (ministerial)
- Certificate of Consideration of the Final PEIR, CEQA Findings and Statement of Overriding Considerations, and adoption of the MMRP.

**Padre Dam Municipal Water District**

- Resolution of Support for the City of Santee's Resolution of Initiation to LAFCO
- Out-of-Service Agreement between the City of San Diego and PDMWD (if not served directly by the City of San Diego's PUD under the No Annexation Scenario)
- PDMWD Service Area Boundary Adjustment and Sphere of Influence Revision
- Encroachment Agreement for work within PDMWD ROW and Easements (ministerial)
- Certificate of Consideration of the Final EIR, CEQA Findings and Statement of Overriding Considerations, and adoption of the MMRP.

## **LAFCO**

- Approval of a future detachment from the City of San Diego and annexation into the City of Santee
- City of Santee Sphere of Influence Revision
- City of San Diego Sphere of Influence Revision
- Annexation into the PDMWD's Service Area (unless the City of San Diego enters into an Out-of-Service Agreement)
- PDMWD Service Area Boundary Adjustment
- Certificate of Consideration of the Final EIR, CEQA Findings and Statement of Overriding Considerations, and adoption of the MMRP.
- Community Facilities District ("CFD") 69 Sphere of Influence Revision (if necessary)
- CFD 135 Sphere of Influence Revision (if necessary)
- Annexation into CFD 69 (if necessary)
- Annexation into CDF 135 (if necessary)
- Municipal Service Review (if necessary)

ENVIRONMENTAL ANALYSIS: A Draft Environmental Impact Report (DEIR) No. 10046 was prepared for the Castlerock Reorganization Project in accordance with CEQA. The Final EIR will be required to be considered and certified prior to approval of the project. However, this report is not an approval of the project. It is merely an informational document setting forth the future potential actions of the City of San Diego with regard to the project and in no way commits the City of San Diego to any future discretionary action on the project.

FISCAL CONSIDERATIONS: All staff costs associated with the processing of this project, are paid from a deposit account maintained by the owner, Pardee Homes. A Fiscal Impact Analysis report for the annexation and future development on the Castlerock property will address the anticipated long term fiscal well being for the City of San Diego, and will require future review by the full City Council.

PREVIOUS COUNCIL and/or COMMITTEE ACTION: On December 2, 2008, the Council of the City of San Diego approved a resolution "authorizing the Mayor, or his designee, to execute and deliver the Letter of Intent related to a proposed reorganization of San Diego's and Santee's jurisdictional boundaries to move certain real property and the proposed "Castlerock housing development project out of San Diego's jurisdiction and into Santee's jurisdiction."

The proposed non-binding Letter of Intent (LOI) by and between the City of San Diego, the City of Santee, and Pardee Homes was to express the general intent of the cities to pursue discussions associated with the reorganization of their jurisdictional boundaries in the event that the City of San Diego was to approve Pardee Home's proposed Castlerock development project. On October 8, 2008, the Santee City Council voted 3-1 to enter into a similar LOI.

Note that there is no community planning group in the East Elliott Community Planning Area.

KEY STAKEHOLDERS:

Owner/Permittee: Pardee Homes, a California Corporation.

Contact: Jimmy Ayala.

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Kelly Broughton  
Director, Development Services Department

ATTACHMENTS:

1. Project Location Map
2. Aerial Photograph
3. Ownership Disclosure Statement
4. AR 50.20
5. City of San Diego General Plan: LU-43
6. East Elliott Community Plan
7. City of San Diego authorized LOI
8. Fiscal Impact Analysis
9. City Response to Fiscal Impact Analysis

UNANIMOUS ACTION OF THE BOARD OF DIRECTORS  
OF  
PARDEE HOMES,  
a California corporation,  
TAKEN WITHOUT A MEETING

The undersigned three (3) Directors, constituting all of the members of the Board of Directors of Pardee Homes, a California corporation, (the "Corporation"), acting as of March 15, 2012, without a meeting in accordance with California Corporations Code Section 307(b) and Article III, Section 12 of the Corporation's By-Laws, hereby resolve as follows:

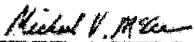
RESOLVED, that all offices of the Corporation are declared vacant and each of the following persons is elected to the office shown opposite such person's name, to serve in such office until removed by the Board or the President, by resignation, or until such time as a successor is elected:

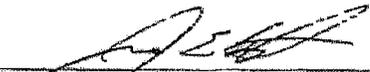
Michael V. McGee	President and Chief Executive Officer
Jon E. Lash	Executive Vice President
Anthony P. Dolim	S. V. P., Finance and Controller
John Anglin	Senior Vice President, Construction and Purchasing
John Arvin	Senior Vice President, Land Development
Robert E. Clauser, Jr.	Senior Vice President, Marketing
Amy L. Glad	Senior Vice President, Governmental Affairs
Christopher J. Hallman	Senior Vice President, General Counsel and Secretary
Gary Probert	Senior Vice President, Sales
Gino Cesario	Vice President, Corporate & Strategic Services
Robert Dawson	Vice President, Closing Services
Patrick Emanuel	Vice President, Construction Operations
Beth Fischer	Vice President, Community Development
Joyce Mason	Vice President, Marketing
Ralph Pistone	Vice President, Construction Operations
Donna Sanders	Vice President, Options
Thomas R. Stocks	Vice President and Chief Investment Officer
Michael C. Taylor	Vice President, Community Development
Kevin Wilson	Vice President, Purchasing and National Accounts
Jeffrey W. Nitta	Treasurer
Barbara Bail	Assistant Secretary
Rosemary Bonnevie	Assistant Secretary, Finance
Charles E. Curtis	Assistant Secretary
Belle DeBaal	Assistant Secretary, Accounting
Claire S. Grace	Assistant Secretary
Vicki A. Merrick	Assistant Secretary
Allison J. Renz	Assistant Secretary
Carole Royce	Assistant Secretary

Thomas M. Smith  
Nancy Trojan

Assistant Secretary  
Assistant Secretary

The undersigned hereby consent to the foregoing Resolution and direct that the Secretary of this Corporation file this Unanimous Action of the Board of Directors, including this consent, with the Minutes of the proceedings of this Board of Directors and that said Resolution shall have the same force and effect as if adopted at a meeting of the Board of Directors at which all of the undersigned were personally present.

  
Michael V. McGee, Director

  
Jen E. Lash, Director

\_\_\_\_\_  
Peter M. Orser, Director

UNANIMOUS ACTION OF THE BOARD OF DIRECTORS  
OF  
PARDEE HOMES,  
a California corporation,  
TAKEN WITHOUT A MEETING

The undersigned three (3) Directors, constituting all of the members of the Board of Directors of Pardee Homes, a California corporation, (the "Corporation"), acting as of March 15, 2012, without a meeting in accordance with California Corporations Code Section 307(b) and Article III, Section 12 of the Corporation's By-Laws, hereby resolve as follows:

RESOLVED, that all offices of the Corporation are declared vacant and each of the following persons is elected to the office shown opposite such person's name, to serve in such office until removed by the Board or the President, by resignation, or until such time as a successor is elected:

Michael V. McGee	President and Chief Executive Officer
Jon E. Lash	Executive Vice President
Anthony P. Dolim	S. V. P., Finance and Controller
John Anglin	Senior Vice President, Construction and Purchasing
John Arvin	Senior Vice President, Land Development
Robert E. Clauser, Jr.	Senior Vice President, Marketing
Amy L. Glad	Senior Vice President, Governmental Affairs
Christopher J. Hallman	Senior Vice President, General Counsel and Secretary
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Rosemary Bonnevie	Assistant Secretary, Finance
Charles E. Curtis	Assistant Secretary
Belle DeBraal	Assistant Secretary, Accounting
Claire S. Grace	Assistant Secretary
Vicki A. Merrick	Assistant Secretary
Allison J. Renz	Assistant Secretary
Carole Royce	Assistant Secretary

Thomas M. Smith  
Nancy Trojan

Assistant Secretary  
Assistant Secretary

The undersigned hereby consent to the foregoing Resolution and direct that the Secretary of this Corporation file this Unanimous Action of the Board of Directors, including this consent, with the Minutes of the proceedings of this Board of Directors and that said Resolution shall have the same force and effect as if adopted at a meeting of the Board of Directors at which all of the undersigned were personally present.

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Michael V. McGee, Director

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Jon E. Lash, Director



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Peter M. Orser, Director

CITY OF SAN DIEGO  
ADMINISTRATIVE REGULATION

SUBJECT	Number 50.20	Issue 4	Page 1 of 7
ANNEXATION, REORGANIZATION, AND CHANGE OF ORGANIZATION PROCEDURES	Effective Date July 1, 2010		

1 Purpose

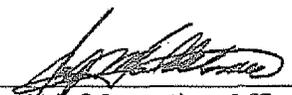
- 1.1 To establish administrative procedures for carrying out Council Policy No. 600-1, titled Annexations by City.
- 1.2 To establish administrative procedures for carrying out any proposed change of organization(s) as set forth by the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000.

2 Definitions

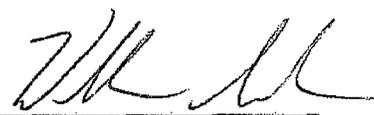
- 2.1 "Annexation" means the attachment or addition of uninhabited or inhabited territory to the City's municipal boundary or service area. This could include developed and inhabited property without a development proposal or vacant developable and uninhabited property with a development proposal.
- 2.2 "Annexation and Reorganization Advisory Committee" is an ad-hoc committee that should consist of the Mayor or the Mayor's designee and the deputy chief operating officers or directors or their designees from the City Planning & Community Investment, Development Services, Public Utilities, and Public Works departments and other departments as deemed appropriate. Its principal function is to review annexation proposals and formulate staff recommendations to the Planning Commission and Council.
- 2.3 "Annexation, Reorganization or Change of Organization Proposal" means uninhabited or inhabited territory to be included in an annexation or reorganization and the proposed rezoning, General Plan, and community plan amendments. Development plans for uninhabited territory are also required when the territory contains vacant developable land that can be subdivided.

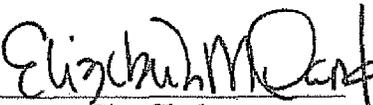
(Supersedes Administrative Regulation 50.20, Issue 3, effective March 30, 1993.)

Authorized

  
Chief Operating Officer

  
Development Services Director

  
City Planning & Community  
Investment Director

  
City Clerk

CITY OF SAN DIEGO  
ADMINISTRATIVE REGULATION

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- 2.4 "Change of Organization" means any of the following: (a) a city incorporation; (b) a district formation; (c) an annexation to, or detachment from, a city or district; (d) a disincorporation of a city; (e) a district dissolution; (f) a consolidation of cities or special districts; (g) a merger or establishment of a subsidiary district; or (h) a proposal for the exercise of new or different functions or classes of services, or divestiture of the power to provide particular functions or classes of services, within all or part of the jurisdictional boundaries of a special district.
- 2.5 "Detachment" means the deannexation, exclusion, deletion, or removal of any portion of uninhabited or inhabited territory from the City's municipal boundary or service area.
- 2.6 "Reorganization" means two or more changes of organization initiated in a single proposal.
- 2.7 "Inhabited Territory" means territory with 12 or more registered voters.
- 2.8 "Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000" (Cortese-Knox-Hertzberg), codified as Division 3 (commencing with Section 56000) of Title 5 of the California Government Code, is that statute setting forth procedures applicable to changes of organization including annexations of territory to the City of San Diego.
- 2.9 "Sphere of Influence" means the probable physical boundaries and service area of the City or another local agency, as determined by LAFCO.
- 2.10 "San Diego Local Agency Formation Commission (LAFCO)" is a regulatory agency that oversees jurisdictional boundary changes as governed by the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000. LAFCO services as the conducting authority for city annexations and detachments.
- 2.11 "Plan for Services" means a document or part of a document that enumerates and describes services to be extended to the territory affected by a change in organization or reorganization, identifies the type and range of such services and analyzes when those services can feasibility be extended into the affected territory. It shall also identify needs for new or upgraded structures, roads, sewer or water facilities, or other conditions the City would impose within the affected territory upon completion of the change in organization or reorganization, and how those services and facilities would be financed.

CITY OF SAN DIEGO  
ADMINISTRATIVE REGULATION

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3 Pre-LAFCO Hearing Procedures

Responsibility

Action

City Planning & Community  
Investment

3.1 Discusses annexation, reorganization, or change of organization proposal with prospective applicant(s). Explains pertinent General Plan policies and City procedures and requirements; citing existing and proposed land use, facility, infrastructure, and public service data and maps needed in order to permit proper evaluation of annexation or reorganization proposal; and responding to questions.

Development Services

3.2 Accepts a deposit from the prospective applicant(s) accompanied by a development permit application and opens a specific internal order for the annexation, reorganization, or change of organization proposal.

City Planning & Community  
Investment and Development  
Services

3.3 Discusses annexation, reorganization, or change of organization proposal with prospective applicant(s), LAFCO, County of San Diego, special districts, and other jurisdictions as necessary to determine the need for any sphere of influence amendments, provision of services, and property tax agreements or other agreements between the agencies involved.

3.4 Discuss annexation, reorganization, or change of organization proposal for review by the Annexation and Reorganization Advisory Committee for the purpose of deciding if the City staff supports the proposal.

3.5 Present City staff's position to the applicant(s) and define applicant's responsibilities for required LAFCO application fees, studies, and related tasks and stipulate their scope and scheduling, including, but not limited to, environmental review and public facilities and services fiscal and financing analysis.

CITY OF SAN DIEGO  
ADMINISTRATIVE REGULATION

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- 3.6 Direct applicant(s) to prepare a metes and bounds legal description and an engineering drawing (map) of the annexation or reorganization proposal and to submit the legal description, map, and any other materials required by LAFCO and other affected agencies and jurisdictions to the Development Services for review. (If City initiated annexation, request Development Services to prepare the legal description and map).
- Appropriate City Departments
- 3.7 Undertake and complete, or review if performed by others, the studies, agreements, and related tasks called for pursuant to step 3.5; and transmit conclusions and recommendations to City Planning & Community Investment and Development Services.
- City Planning & Community Investment and Development Services
- 3.8 Assemble all pertinent data and materials relating to the annexation, reorganization, or change of organization proposal and convene a meeting of the Annexation and Reorganization Advisory Committee to review information prepared for annexation proposal and formulate City staff recommendation.
- 3.9 Present annexation, reorganization, or change of organization proposal to Planning Commission (or Council) to obtain authorization to initiate rezoning, amendment of the affected community plan(s), public facilities financing plan(s), and the General Plan.
- 3.10 Prepare a report containing recommendations on annexation, reorganization, or change of organization proposal for submission to Council's Land Use and Housing Committee. The report should address all items that will require action by the full City Council including the resolution of application to LAFCO, rezoning, development plans, environmental document, plan for services, public facilities financing plan(s), community plan(s) and/or General Plan amendments, property tax agreements, and, if needed other agreements with agencies affected by the proposal.

CITY OF SAN DIEGO  
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- 3.11 Prepare Planning Commission reports containing recommendations on annexation, reorganization, or change of organization proposal for submission to Planning Commission.
- Planning Commission 3.12 Conduct hearings and provides recommendations on annexation, reorganization, or change of organization proposal for the Council.
- City Planning & Community Investment or Development Services 3.13 Prepares a "Request for Council Action".
- 3.14 Provides the Clerk with a map showing the location and/or property addresses of the affected territory.
- Clerk 3.15 Provides notification of the proposed Council action that complies with the requirements of the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000.
- Council 3.16 Adopts a resolution of application for submission to LAFCO, a rezoning ordinance, development plans, an environmental document, a plan for services, amendments to community plan(s), public facilities financing plan(s), and General Plan, and property tax agreement(s), or other applicable agreements.
- City Planning & Community Investment 3.17 Submits a certified copy of the resolution of application and copies of the adopted rezoning ordinance, development plans, an environmental document, a plan for services, amendments to community plan(s), public facilities financing plan(s), and General Plan, and property tax agreement(s), or other applicable agreements to LAFCO's Executive Officer. The application shall also include all the materials and fees required by LAFCO for a complete submittal.

CITY OF SAN DIEGO  
ADMINISTRATIVE REGULATION

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4 LAFCO/Board of Supervisors Hearing Procedures

- |                                      |     |   |
|--------------------------------------|-----|---|
| City Planning & Community Investment | 4.1 | Attends all LAFCO hearings on annexation, reorganization, or change of organization proposals and provides the City's position. |
|                                      | 4.2 | Attends all Board of Supervisors hearings on tax agreements and provides the City's position.                                   |
|                                      | 4.3 | Requests that the applicant(s) provide the processing fee to LAFCO for the state Board of Equalization.                         |

5. Post Annexation Procedures

- |   |                    |  |                |                   |                      |          |                      |             |                        |         |                  |                  |                 |        |         |           |                   |                    |                                |  |
|---|--------------------|--|----------------|-------------------|----------------------|----------|----------------------|-------------|------------------------|---------|------------------|------------------|-----------------|--------|---------|-----------|-------------------|--------------------|--------------------------------|--|
| City Planning & Community Investment                          | 5.1                | <p>Sends a cover letter, LAFCO resolution, and approved legal description(s) and maps to the following City departments:</p> <table style="width: 100%; border: none;"> <tr> <td style="width: 50%;">Mayor's Office</td> <td style="width: 50%;">Council Districts</td> </tr> <tr> <td>Financial Management</td> <td>Attorney</td> </tr> <tr> <td>Development Services</td> <td>Comptroller</td> </tr> <tr> <td>Environmental Services</td> <td>Library</td> </tr> <tr> <td>General Services</td> <td>Public Utilities</td> </tr> <tr> <td>Fire and Rescue</td> <td>Police</td> </tr> <tr> <td>Auditor</td> <td>Treasurer</td> </tr> <tr> <td>Park &amp; Recreation</td> <td>Real Estate Assets</td> </tr> <tr> <td>Engineering &amp; Capital Projects</td> <td></td> </tr> </table> | Mayor's Office | Council Districts | Financial Management | Attorney | Development Services | Comptroller | Environmental Services | Library | General Services | Public Utilities | Fire and Rescue | Police | Auditor | Treasurer | Park & Recreation | Real Estate Assets | Engineering & Capital Projects |  |
| Mayor's Office  | Council Districts  |  |                |                   |                      |          |                      |             |                        |         |                  |                  |                 |        |         |           |                   |                    |                                |  |
| Financial Management  | Attorney           |  |                |                   |                      |          |                      |             |                        |         |                  |                  |                 |        |         |           |                   |                    |                                |  |
| Development Services  | Comptroller        |  |                |                   |                      |          |                      |             |                        |         |                  |                  |                 |        |         |           |                   |                    |                                |  |
| Environmental Services  | Library            |  |                |                   |                      |          |                      |             |                        |         |                  |                  |                 |        |         |           |                   |                    |                                |  |
| General Services  | Public Utilities   |  |                |                   |                      |          |                      |             |                        |         |                  |                  |                 |        |         |           |                   |                    |                                |  |
| Fire and Rescue   | Police             |  |                |                   |                      |          |                      |             |                        |         |                  |                  |                 |        |         |           |                   |                    |                                |  |
| Auditor   | Treasurer          |  |                |                   |                      |          |                      |             |                        |         |                  |                  |                 |        |         |           |                   |                    |                                |  |
| Park & Recreation   | Real Estate Assets |  |                |                   |                      |          |                      |             |                        |         |                  |                  |                 |        |         |           |                   |                    |                                |  |
| Engineering & Capital Projects                                |                    |  |                |                   |                      |          |                      |             |                        |         |                  |                  |                 |        |         |           |                   |                    |                                |  |
|   | 5.2                | <p>Sends a cover letter, LAFCO resolution, and approved legal description(s) and maps to the following agencies:</p> <p>San Diego Housing Commission<br/> County Water Authority      SanGIS<br/> San Diego Association of Governments<br/> County of San Diego, Planning &amp; Land Use Department</p>  |                |                   |                      |          |                      |             |                        |         |                  |                  |                 |        |         |           |                   |                    |                                |  |
| City Planning & Community Investment and Development Services | 5.3                | Amend engineering drawing 10864, General Plan land use map, community plan(s) land use map(s), official zoning map(s), and council district boundary map to show the approved municipal boundary change.   |                |                   |                      |          |                      |             |                        |         |                  |                  |                 |        |         |           |                   |                    |                                |  |

CITY OF SAN DIEGO  
ADMINISTRATIVE REGULATION

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APPENDIX

Legal Reference

Council Policy 600-1 "Annexations by City"

California Government Code Title 5, Division 3, Section 56000, *et seq.*

City Charter, Section 5, "Redistricting"

Forms Involved

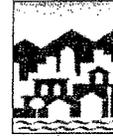
"Request for Council Action"

Subject Index

Annexation, Reorganization, or Change of Organization - Procedures

Administering Department

City Planning & Community Investment  
Development Services



## K. Annexations and Reorganizations

### Goals

- ◆ Identification of prospective annexation areas to limit urban sprawl, avoid duplication of urban services in an efficient manner, and preserve open space.
- ◆ Annexation of county islands within the City boundaries.

### Discussion

Prospective annexation areas include two county islands of unincorporated land within the City, and unincorporated areas that share common geographic features and are bordered by the same natural boundaries as the contiguous City area (see Figure LU-3). Land located within these prospective areas can be reviewed for the possibility of annexation upon the initiative of either the landowner or the City. Additionally, discussions regarding reorganizations or boundary adjustments between the City and other adjacent jurisdictions will occur over time and will require further evaluation.

### Policies

- LU-K.1. Identify prospective annexation areas for long-range planning purposes that will avoid duplication of services with special districts; promote orderly growth and development and preserve open space, as necessary, on its periphery; and promote a more cost-efficient delivery of urban services to both existing areas that already have urban services and future development areas that require urban service extensions from contiguous City areas.
- LU-K.2. Evaluate whether or not to submit an annexation application to the San Diego Local Agency Formation Commission (LAFCO).
- a. Analyze the present and planned land uses for the proposed annexation.
  - b. Assess the present and future need for urban services and facilities.
  - c. Review the fiscal impact of the proposed annexation to the City.
  - d. Identify whether the proposal represents an orderly and logical extension of City boundaries.
  - e. Assess the ability of the City to provide urban level services.
  - f. Determine whether the proposal would induce residential growth.
  - g. Determine whether the proposal would provide provisions for affordable housing.
  - h. Determine whether the proposal would provide provisions for open space.
  - i. Evaluate the effect of the annexation to any relevant social or economic aspects of interest.



## Land Use and Community Planning Element

- j. Verify and determine the level of support on the part of affected property owners and area residents.
- LU-K.3. Include areas, upon their annexation, in the appropriate community planning area, and ensure that future development implements the policies and recommendations of the General Plan and applicable community plan.
- LU-K.4. Pursue annexation of the county islands listed below based upon a review of the preceding factors, and the fact that the City has provided efficient delivery of urban services, roadways and other major public facilities to these areas for many years: the Davis Ranch, an approximately 77-acre property, designated for industrial use, located adjacent to Interstate 15 within the Scripps Miramar Ranch Community Planning Area, and the Mount Hope Cemetery, an approximately 100-acre property, designated as a public cemetery, located within the Southeastern San Diego Community Planning Area.

# East Elliott Community Plan



THE CITY OF SAN DIEGO

CITY PLANNING AND COMMUNITY INVESTMENT



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# EAST ELLIOTT COMMUNITY PLAN

---

**San Diego Planning Department**  
202 C Street, MS4A  
San Diego, CA 92101



Printed on recycled paper.

This information, or this document (or portions thereof), will be made available in alternative formats upon request.

## EAST ELLIOTT COMMUNITY PLAN

The following amendments have been incorporated into this November 2006 posting of this Plan:

Amendment	Date Approved by Planning Commission	Resolution Number	Date Adopted by City Council	Resolution Number
Elliott Community Plan adopted.			April 29, 1971	R-202550
East Elliott community created with the adoption of the Tierrasanta Community Plan which ceded the western portion of the Elliott community to Tierrasanta community.			July 27, 1982	R-256890
Expanded the Open Space area to coincide with the boundaries of the MSCP; reduced the residential acreage in the community; and increased the acreage associated with the landfill.			March 18, 1997	R-288456
Permitted aggregate extraction and processing associated with the landfill through a Planned Development Permit and corrected the increase in landfill acreage to <u>491</u> <del>493</del> acres.			April 9, 2002	R-296297

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## EAST ELLIOTT COMMUNITY PLAN

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### BACKGROUND

For many years, the East Elliott area was a portion of the Elliott Community Plan. This plan was adopted in 1971. Subsequently, most of the original Elliott planning area was removed from the Elliott Community Plan and incorporated in the new Tierrasanta Community and Mission Trails Regional Park Plans. The remaining portion of the Elliott community, known as East Elliott, has remained undeveloped. The previous community plan for this area designated scattered unconnected areas of residential development surrounded by open space. Residential and other forms of urban development are impractical and uneconomical in most of East Elliott because of rugged topography, environmental constraints, lack of utility and road connections and other services, a multiplicity of small ownerships and proximity to the Sycamore Canyon Landfill.

East Elliott is dominated by native vegetation including sage scrub, chaparral, native grassland and oak and sycamore woodland and constitutes one of the largest and biologically most important remaining open space areas in San Diego. The topography is characterized by a series of parallel north-south trending canyons and ridges. A number of endangered and threatened wildlife species inhabit this area.

### LAND USE PLAN

Due to the natural resources on site and the factors described above which make urban development infeasible in much of East Elliott, a majority of this area is designated for long-term open space use. As such, a majority of the area (~~2,259~~ 2,221.42 acres out of the 2,862 in the East Elliott planning area) will be one of the most important components of the City's Multiple Species Conservation Plan (MSCP). These open space areas will provide habitat for a number of endangered or threatened wildlife species and will provide corridors for wildlife movement from Mission Trails Park northward into the Miramar area.

An approximately 117-acre area on the eastern fringe of East Elliott, adjacent to a residential area in Santee, is designated for residential use. A maximum of 500 single-family residential units can be constructed in this area. Residential use is designated in this area due to its relatively level terrain and proximity to residential and residential serving land uses in Santee. The residential units should be sensitive and similar to the adjacent development in Santee in terms of siting, scale, density and design. Due to a lack of nearby residential development or services in San Diego and proximity to residential development in Santee, deannexation of this 117-acre area to Santee should be considered if, in the future, Santee favors such an annexation.

~~Twelve~~ Seven acres of commercial office use ~~are~~ is designated ~~in two separate parcels~~ in the vicinity of State Highway 52 and Mast Boulevard. ~~These two~~ This ~~properties~~ property ~~have~~ has excellent road access and ~~have~~ has potential such as accounting, legal and medical offices to residents of eastern San Diego and Santee.

~~Four~~ Five hundred ~~seventy-four~~ seventeen ~~twenty-four~~ acres mostly in the Little Sycamore Canyon watershed in the north central portion of the planning area are designated for use as a landfill. ~~A smaller landfill exists in a portion of this area in 1995 (the date that this plan was written) and expansion of this landfill is anticipated.~~ Aggregate mining and processing with the designated landfill area is permitted by Planned Development Permit 40-0765, conditioned upon the mitigation of potential impacts. Potential biological conflicts between the landfill use and adjacent MSCP habitats will be avoided through the landfill operator's adherence to provisions of the MSCP, especially the MSCP adjacency guidelines. If any residential development is proposed within the area planned for open space, the City will encourage it to be located on lands not adjacent to the landfill. After closure of the landfill, and completion of the State-required post-closure monitoring period, the land use designation of the landfill site shall become open space.

This plan also recognizes the possibility that a portion of the area west of Sycamore Canyon (within the Oak and Spring Canyon watershed), which is designated in this plan for open space use, could be considered for use as a landfill in the future. Many environmental factors will need to be carefully considered prior to a decision to expand the landfill area beyond the ~~474~~ 517 ~~17~~ acres in Sycamore Canyon.

The land uses designated for the East Elliott area are summarized in the table below and illustrated in the attached land use map.

**LAND USES IN EAST ELLIOTT**

<b>Use</b>	<b>Acres</b>
Open Space	<del>*2,259</del> <u>2,221</u> <del>21</del>
Residential	117
Commercial	<del>12</del> <u>7</u>
Landfill	<del>*474</del> <u>517</u> <del>24</del> <u>17</u>
<b>Total</b>	<b>2,862</b>

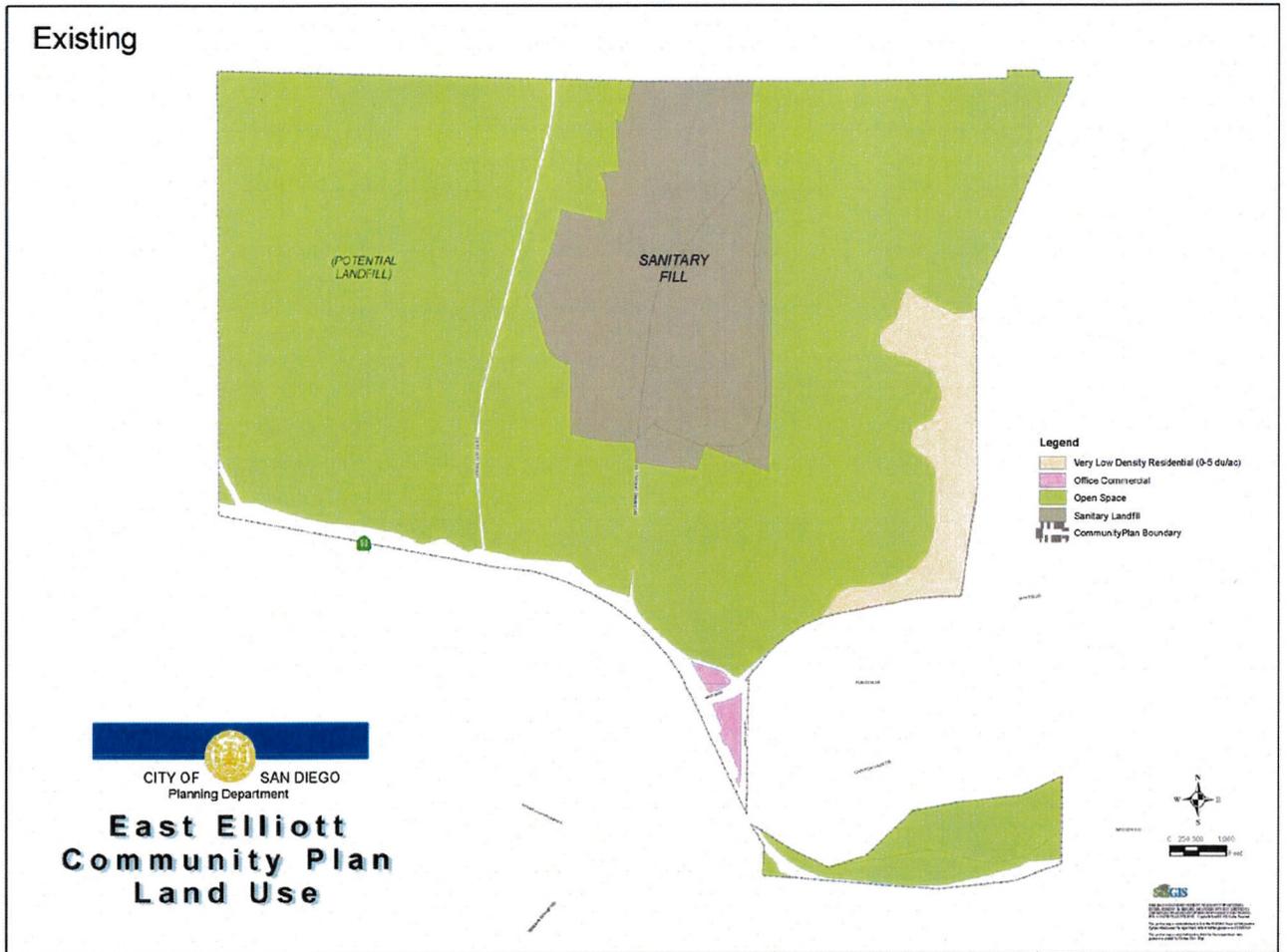
\* The acreages shown for the landfill and open space of 474 and 2259 acres respectively are incorrect. The landfill was actually approved for 491 acres whereby the open space area should have been 2242 acres. With this amendment the actual net change for the landfill is 26 additional acres.

## OPEN SPACE MANAGEMENT GUIDELINES

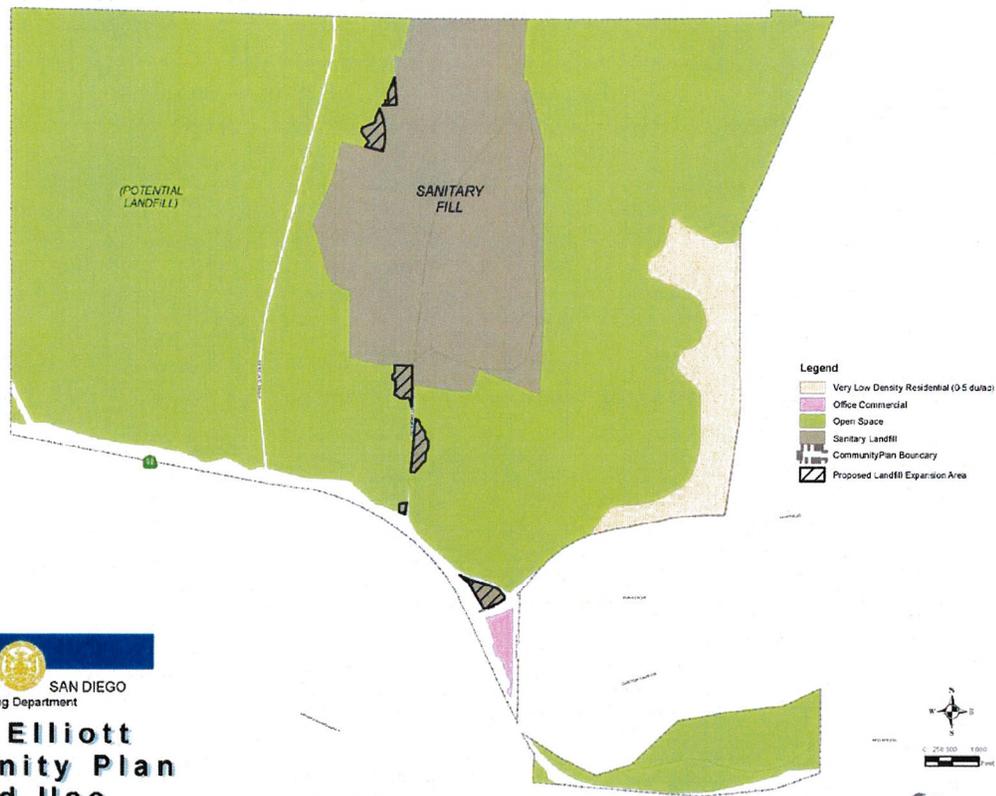
The following guidelines are designed to foster preservation and enhancement of the natural open space areas which cover a majority of this planning area:

1. Natural open space areas should remain undeveloped with disturbance limited to trails and passive recreational uses such as walking, hiking and nature study that are consistent with preservation of natural resources.
2. More active recreation uses, including horseback riding and mountain biking, may also be permissible if measures are taken to ensure that biological values are not threatened.
3. Public access to limited areas of particularly sensitive natural open space could be restricted. Examples of locations where access could be controlled include vernal pool areas and identified nesting areas for endangered or threatened animal or bird species.
4. Additional recreational uses may be appropriate along the preserve edge or in the relatively limited open space areas that do not contain sensitive habitat and wildlife. In these areas, horticultural and gardening uses could be permitted on a case-by-case basis. Such uses should not involve construction of permanent structures or paved areas.

5. Open space areas which cover an entire ownership should be preserved through means that include, but are not limited to, acquisition by the City with state and federal assistance or by other large property owners as mitigation lands for environmental impacts anticipated on other properties.
6. Open space areas which cover portions of an ownership and where reasonable development rights still exist on portions of the ownership, should be dedicated by the owner/developer, through an open space/conservation easement. Long-term maintenance should be provided on an individual basis or by an open space management entity that may be formed to implement the MSCP.
7. Disturbed areas designated for open space should be recontoured where feasible, to recreate the natural topography. These areas should also be restored or enhanced where feasible with natural vegetation to return these areas to a natural appearance.
8. At locations where roads, railroads or other urban intrusions traverse open space corridors, provisions should be made to minimize habitat fragmentation and to provide for a continuous open space linkage. In some instances, structures such as bridges or culverts should be sited in lower quality habitat or in disturbed areas to the extent possible.
9. Transition areas should be established between urban uses and the open space system, along traffic corridors and canyon overlooks, where feasible and appropriate. Such transition areas may be developed by providing additional maintenance and planting non-invasive grass, shrubs and trees that provide a sensitive transition between uses.



Proposed



  
CITY OF SAN DIEGO  
Planning Department  
**East Elliott  
Community Plan  
Land Use**

  
SUSCIS  
SANITARY USE STUDY CONSULTING INC.  
10000 SANITARY AVENUE, SUITE 100  
SAN DIEGO, CA 92126  
TEL: 619-594-1100  
WWW.SUSCIS.COM

Map Document: C:\WORK\2005\Community Plan\EastElliott\Map\_0311\_05.dwg  
DATE: 03/11/05

Art Galloway  
 (R-2009-690)

#334

4A

12/02

RESOLUTION NUMBER R- 304519  
 DATE OF FINAL PASSAGE DEC 15 2008

A RESOLUTION AUTHORIZING THE MAYOR TO EXECUTE AND DELIVER A LETTER OF INTENT ON BEHALF OF THE CITY OF SAN DIEGO RELATED TO A PROPOSED REORGANIZATION OF THE JURISDICTIONAL BOUNDARIES OF THE CITY OF SANTEE AND THE CITY OF SAN DIEGO.

WHEREAS, Pardee Homes, a California corporation [Pardee], is the owner and developer of the real property consisting of approximately 117 acres of land [Property] located within San Diego's East Elliott Community Plan Area; and

WHEREAS, Pardee has applied to San Diego for approval to build its proposed "Castlerock" housing development project [Project] on the Property; and

WHEREAS, the Project is adjacent to developed areas in the City of Santee, and relatively far from developed areas in the City of San Diego; therefore, many of the potential impacts of the Project may be borne by Santee rather than San Diego, including without limitation potential impacts to roads, utilities, emergency services, park and recreation facilities, libraries and other public facilities and services; and

WHEREAS, if San Diego were to approve the Project, a reorganization of San Diego's and Santee's jurisdictional boundaries to move the Property and the Project out of San Diego's jurisdiction and into Santee's jurisdiction [Reorganization] may help address such impacts and may be consistent with San Diego's and Santee's planning documents; and

WHEREAS, a Letter of Intent [LOI] has been proposed to express the general willingness of San Diego and Santee to implement the Reorganization on terms to be negotiated

(R-2009-690)

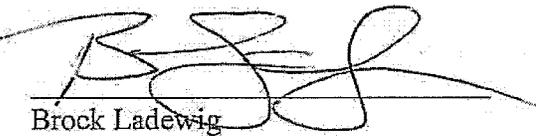
if and only if San Diego approves the Project, and to express Pardee's general intent to cooperate with and facilitate the Reorganization; and

WHEREAS, the making of the LOI by The City of San Diego, in light of the information currently available and actually known by the City, is in the best interests of the public health, safety, or welfare; NOW, THEREFORE,

BE IT RESOLVED, by the Council of The City of San Diego, the Mayor, or his designee, is authorized to execute and deliver the Letter of Intent on file in the Office of the City Clerk as Document No. RR- 304519 related to a proposed reorganization of San Diego's and Santee's jurisdictional boundaries to move certain real property and a proposed "Castlerock" housing development project out of San Diego's jurisdiction and into Santee's jurisdiction.

APPROVED: MICHAEL J. AGUIRRE, City Attorney

By

  
Brock Ladewig  
Chief Deputy City Attorney

BL:bas  
11/17/08  
Or.Dept: CP&CI  
R-2009-690  
MMS #7079

R-304519

(R-2009-690)

I hereby certify that the foregoing Resolution was passed by the Council of the City of San Diego, at this meeting of DEC 02 2008.

ELIZABETH S. MALAND  
City Clerk

By Mary Zimaya  
Deputy City Clerk

Approved: 12.15.08  
(date)

JSA  
JERRY SANDERS, Mayor

Vetoed: \_\_\_\_\_  
(date)

\_\_\_\_\_  
JERRY SANDERS, Mayor

R-304519

**Fiscal Impact Analysis**

*for*

**Castlerock**  
**for the City of San Diego**  
Project No. 10046

**Updated November 14, 2012**

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**Leppert Engineering Corporation**

5190 Governor Drive, Suite 205

San Diego, Ca 92122

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## Executive Summary

The project proposes two scenarios, an Annexation and a No-Annexation Scenario, which will require planning and zoning amendments to allow for approximately 422 proposed residential units<sup>1</sup> together with 4-acres of public parks, a pedestrian trail and approximately 94 acres of MHPA open space. Additionally, the Annexation scenario will require a reorganization of jurisdictional boundaries to detach the developed portions of the project from the City of San Diego and annex this property to the City of Santee. The purpose of this report is to present fiscal impact information to the City of San Diego to assist its City Council in understanding the fiscal consequence of de-annexing this property, commonly referred to as the “Castlerock”, and allowing the property to be annexed to the City of Santee. This report attempts to quantify and compare the revenue potential to the City of San Diego should the property not be annexed into the City of Santee [the No-Annexation Scenario] with the revenue potential to the City of San Diego should the property indeed be annexed into the City of Santee [the Annexation Scenario].

***The conclusions contained in this report would indicate that the No Annexation Scenario will have a slightly greater fiscal impact to the General Fund of the City of San Diego than the Annexation Scenario by approximately \$29,181 per year. The report also concludes that the Annexation Scenario will have a negative fiscal impact to the General Fund of approximately \$18,321 per year.***

## Updated Report

This report has been updated and revised in response to the constructive review comments received from City Staff after the initial report was issued on June 14, 2012<sup>2</sup>. In addition, the City budget used to prepare this report has been updated from the adopted FY2011 budget to the draft FY2013 budget which, as of the date of this report, is available on-line on the City of San Diego website. While this updated report may not reflect 100% of the revisions suggested by City Staff, it certainly has incorporated most of them. However, regardless of the extent of the revisions, the conclusions still remain the same. The City's review comments are included in the Appendix.

## Purpose

The purpose of this report is to present fiscal information related to both the No Annexation Scenario and the Annexation Scenario, as it relates to the City of San Diego. The project is currently going through the City of San Diego entitlement process and is commonly referred to as the Castlerock project. This analysis is being prepared consistent with the City of San Diego General Plan 2008, Land Use and Community Planning Element Policy LU-K.2(c) and City Council Policy 600-1. This report will assess the fiscal impact to the City of San Diego's General Fund that might result from the No Annexation Scenario and compare the findings to the impacts of the Annexation Scenario. The goal of this study is to provide sufficient data, information and analysis to assist the City Council in determining if it desires to keep the Castlerock project within the city limits of the City of San Diego.

<sup>1</sup> 430 residential units if annexed to the City of Santee

<sup>2</sup> Memorandum from Toni Dillon to Jeanette Temple, Development Project Manager, dated July 10, 2012

## Proposed Land Use

The project is located in the eastern portion of San Diego immediately adjacent to the westerly boundary of the City of Santee north of Mast Boulevard. One can get a sense of the general character of the physical characteristics of the property and surrounding development by reviewing Figure 1 which was taken from the Castlerock draft EIR (Figure 2-4). The project proposes residential development of 422 residential units under the No Annexation Scenario together with 4-acres of public parks, a pedestrian trail network and approximately 94 Acres of MHPA open space. For this project, a rezone and a Community Plan Amendment are required to be in conformance with the General Plan and Community Plan. The project is also seeking a Vesting Tentative Map, a Site Development Permit and a Planned Development Permit. The access to the site is via Mast Boulevard, which is located in the City of Santee.

## Residential Development

The No Annexation scenario proposes 282 detached single-family residences which are divided into three different unit types, Castlerock I, II and III, as well as 140 single-family detached small lot units which are referred to as the Green Court units.

**Table 1 - Proposed Residential Development**

Unit Types	DU's
Castlerock I (47x72)	96
Castlerock II (47x85)	132
Castlerock III (50/60x100)	54
Castlerock IV (Green Court)	140
<b>Total DU's</b>	<b>422</b>

In Table 2, the average anticipated home values for each of the different unit types are provided, which were confirmed by the Residential Research Group located in San Clemente, California, at the request of Pardee Homes, the applicant proposing the Castlerock development. This table also shows the cumulative property tax value by unit type, together with the property tax value for the entire development which, at project buildout, is anticipated to be \$186,050,460.

**Table 2 - Cumulative Value of Residential Development**

Unit Type	Average Price/Unit <sup>3</sup>	Cumulative Property Tax Value
Castlerock I	\$448,333	\$43,039,968
Castlerock II	\$448,636	\$59,219,952
Castlerock III	\$550,000	\$29,700,000
Castlerock IV	\$386,361	\$54,090,540
<b>Cumulative Value</b>		<b>\$186,050,460</b>

<sup>3</sup> Source: Pardee

### ***Population***

The Household occupancy factor of 2.42 people per household was taken from the EIR for the Castlerock project. This EIR states that “For purposes of determining the worst-case analysis of impacts to public services, SANDAG’s 2007 calculation of 2.42 people per household within the East Elliott Community Plan Area was used.” Thus, for the No Annexation Scenario, 422 units would result in a population increase of 1,021 persons.

### ***Neighborhood Park***

A public park site has been identified on Vesting Tentative Map No. 19030 and on the site plan for Site Development Permit (No. 232442). A copy of this figure is attached as Figure 2. The total area of the park is anticipated to cover approximately 4 acres and is located at the northerly end of the project site.

### ***Open Space***

Both the No Annexation Scenario and the Annexation Scenario propose the dedication of approximately 94.7 acres of open space which will be incorporated in the Mission Trails Regional Park.

Image source: Copyright 2010 Aerial Express, All Rights Reserved (flown Feb 2010)



Figure 1 – Aerial Photograph of the Project Site

## Methodology

The methodology of this analysis included reviewing documents and publically accessible data included in the City of San Diego's Draft FY2013 annual budget, which is available online on the City of San Diego website. Project information was obtained from reviewing the draft EIR for the Castlerock Program EIR (Project No. 10046; SCH No. 2004061029). A number of regional and national secondary sources were consulted as part of this analysis including SANDAG and the Bureau of Labor Statistics.

It is important to recognize that the estimated revenues and expenditures in this report are simply that: estimates. They are calculated based on information supplied by the City Budget, SANDAG data information, and review of other reference materials. These are not intended to be precise figures that guarantee actual revenues or expenditures which will be received or expended should the proposed project be approved. The previous draft of this report utilized information approved and published in the FY2011 annual budget. While essentially all of the dollar amounts have changed with this updated report, the conclusions remain the same. And it is anticipated that the conclusions made in this report will continue under the same pattern of financial management without significant modification of its fiscal policies or sources of revenue.



## Fiscal Analysis

### Revenues

This section represents the estimated annual revenues which the City of San Diego would be receiving under the No Annexation Scenario. This report has been updated, in part, to utilize information from the City of San Diego's Draft FY 2013 annual budget, with the assumption that the City will continue under the same pattern of growth without significant modification of its fiscal policies or sources of revenue. These revenues are presented in the following categories:

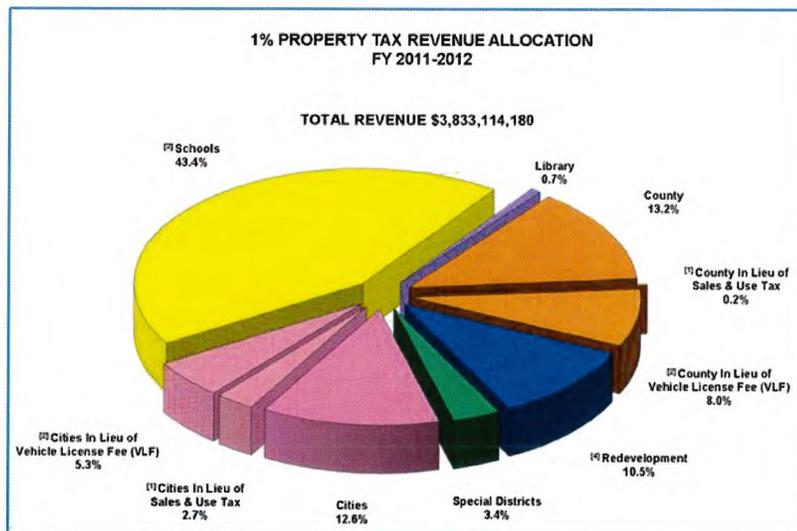
1. General Fund Revenues, which is income which can be used for any municipal purpose.
2. Other Municipal Revenues, which is income that normally can be used for general city operations but is limited to a specific city function.

### General Fund Revenues

The City of San Diego anticipates General Fund Revenue from a number of different sources. Table 2 in Volume I of the draft FY2013 Budget<sup>4</sup> summarizes revenue from 15 different categories. However, not all of these sources relate to the residential development being evaluated in this report. Those categories which are applicable to residential development are discussed below.

### Property Taxes

The City of San Diego General Fund will receive property tax revenue from the 422 units that are proposed to be developed in the Annexation Scenario. According to the San Diego County Tax Collector and Treasurer's office for Fiscal Year 2011-2012, the basic share of the 1%



property tax revenue distributed to all cities within San Diego County was 12.6%. See Figure 3. However, each city within the County receives a different allocation. Within each city, property is further subdivided into Tax Rate Areas (TRAs). These TRAs are created not only to allocate the 1% property tax revenue but also to allocate those tax obligations that have been approved and are above and beyond the 1% property tax ceiling set by Proposition 13. In San Diego, the TRA for the subject property is #08060. For

<sup>4</sup> <http://www.sandiego.gov/fm/proposed/pdf/2013/vol1/v1generalfundrevenues.pdf>, page 84

## Fiscal Impact Analysis – Castlerock – No Annexation Scenario

this TRA, the City of San Diego's property tax allocation is 13.626%<sup>5</sup>. It would be reasonable to assume that once the project was developed, the property would retain a similar property tax allocation.

A review of the City's proposed 2013 Annual Budget estimates that the City's property tax revenue will be \$284.1M. This overall revenue is based on a city-wide assessed valuation of \$176.388B<sup>6</sup>. Thus, city-wide, the annual budget's property tax revenue is based on a weighted average rate of 16.106%. For the purpose of this analysis, and as a means of making conservative revenue projections, this report has used the existing TRA rate of 13.626% in lieu of the city-wide average of 16.106 % to estimate property tax revenue.

**Table 3 - Property Tax Revenue**

Assessed Value of Residential Units:	\$186,050,460
Total Property Taxes collected @ 1%:	\$1,860,505
Share of Property Taxes to the City of San Diego @ 13.626% <sup>7</sup> :	<b>\$253,512</b>

### Property Transfer Tax

With all forms of development, particularly residential development, a property transfer tax is levied on the sale of real property. Each time a residence is sold, this transfer tax is collected. The average turnover rate is not a constant and is dependent on a number of factors, such as the state of the economy, employment conditions, and appreciation levels in the housing market. In addition, multi-family units may have a different turnover rate from single family residences. Historically, the average term of home ownership has varied from six years to twelve years. For this analysis, a conservative turnover rate of 8% per year has been used.

**Table 4 - Property Transfer Tax**

Assessed Value of Residential Units:	\$186,050,460
\$0.55 for every \$1,000 of real property sale value	\$102,328
Annual Turnover Rate of 8%	<b>\$8,186</b>

### Motor Vehicle License Fees

In Fiscal Year 2005, the rate for the Motor Vehicle License Fee (MVLFF) was reduced from 2 percent to 0.65 percent which resulted in a reduction of revenue to the City of San Diego. This remaining 0.65 percentage rate was subsequently replaced dollar-for-dollar with property tax, resulting in a property tax revenue increase. Subsequently, the Proposed FY2013 Budget "...does not include a budget for motor vehicle license fees due to the elimination of MVLFF allocations to cities as the result of the adoption of State Bill 89."<sup>8</sup>

<sup>5</sup> Personal Communication with San Diego County Auditor and Controller's Office (Property Tax Services)

<sup>6</sup> \$176,388,552,139 net valuation per the following link:

<http://www.sdcounty.ca.gov/fg3/misc/onepercent/fy1213/San%20Diego%20City.pdf>

<sup>7</sup> It is acknowledged that this percentage rate of property tax revenue may increase or decrease from one fiscal year to the next. However, the rate used with this analysis is indicative of what can be expected over the life of the development.

<sup>8</sup> FY2013 Budget, Volume 1, page 104

### Property Tax In Lieu Revenue

Consequently, as stated above, in addition to primary property tax revenue, the City of San Diego is also reimbursed with additional property tax revenue to cover the loss of Vehicle License Fees revenue previously distributed by the State of California (Senate Bill 1096). This "In-Lieu" property tax payment, while not precisely correlated to property valuation, is based on the incremental increase in the City's property valuation from one year to the next. The City's current city-wide assessed valuation is reported at \$176.388B<sup>9</sup>. As indicated in Table 4 above, the overall initial property valuation of Castlerock is estimated at \$186,050,460. Consequently, upon annexation of Castlerock, the City's assessed valuation will increase by 0.106%. The City's proposed 2013 Annual Budget estimates that the City's property tax in-lieu revenue will be \$105.0M<sup>10</sup>. Thus, under the No Annexation scenario, the City's property tax in-lieu revenue should increase by 0.106% or by approximately \$110,751. These In-Lieu payments are paid for out of the Educational Revenue Augmentation Fund (ERAF), which represents a portion of the 1% property tax revenue.

### Estimation of Sales Tax

City Staff has suggested that we not include sales tax as a revenue source in this report. It is their conclusion that they cannot agree to methodology that ties sales tax generation to the introduction of new residents or new resident-serving employees. The Economic Development and City Planning divisions heavily discount the value of economic and fiscal impacts which are driven by local consumption rather than local production or services provided to outsiders. Retail spending in any trade area must be traced back to jobs created in the region's economic base sectors such as manufacturing, tourism and hosting the U.S. military. In other words, these economic and fiscal benefits are derived from payroll expenditures emanating from based sector jobs and employers and not from the construction of housing units or retail stores.

While the author does not agree with City Staff's conclusion, for continuity purposes, this report has been revised to omit Sales Tax as a potential revenue source from the body of this report. Instead, the discussion on potential sales tax revenue has been moved to the "What If" section of this report so that, if desired, it can be analyzed separately and independently.

### State Subvention Fees

As part of the City Staff's review of this report, they identified a funding source not discussed in the City's draft FY2013 budget. State subvention fee revenue includes gas tax for transportation projects and replacement motor vehicle license fee (MVLFF) revenue; however, these fees do not include the 0.65% Vehicle License Fee revenue category, which took the place of MVLFF. The subvention fee revenue per capita collected for 24 months was used to calculate an average per capita rate for the estimated subvention fee revenue generated. The per capita average rate for subvention fees collected annually was determined to be \$25.64. This reconciliation amounts to an additional \$19,635 in revenue assumed to be generated by the proposed project discounted by 25% for resident transfer. MuniServices, the City of San Diego's sales tax consultant provided the annual collections for this calculation.<sup>11</sup>

<sup>9</sup> <http://www.sdcounty.ca.gov/fg3/misc/onepercent/fy1112/Santee%20City.pdf>

<sup>10</sup> <http://www.sandiego.gov/fm/proposed/pdf/2013/vol1/v1generalfundrevenues.pdf> page 92

<sup>11</sup> Memorandum from Toni Dillon to Jeanette Temple, Development Project Manager, dated July 10, 2013

## Fiscal Impact Analysis – Castlerock – No Annexation Scenario

### Other Potential Revenue

Other identifiable “General Fund Revenues” were also considered as part of this analysis. They are based on an EDU share of these other City revenue sources. While property tax and sales tax revenues constitute more than 50% of the revenue to the General Fund, these other sources, which are itemized in Table 20 in the Appendix, represent a meaningful funding resource. This report has concluded that a number of these other budget revenue categories correlate well with the overall growth of residential development in the City. City Staff has requested that we not include revenue from the following categories: business tax, fines, license and permit fee revenues, citing that "...the universe for these fees is not associated strictly with the introduction of new housing units." This updated report respects that direction. See Table 20 for more detailed information. Based on these revisions, the revenue projected from other revenue categories was calculated at \$127.63/EDU, for a total of \$53,860.

### Conclusion on Revenue

In conclusion, it is estimated that the potential revenue to the City of San Diego’s General Fund under the No Annexation Scenario would be approximately \$437,758 per year.

**Table 5 - Potential Revenue No Annexation Scenario**

<b>General Fund Revenue Category</b>	<b>Amount</b>
Property Tax Revenue	\$253,512
Property Transfer Tax	\$8,186
Property Tax In-Lieu of MVLFF	\$110,751
State Subvention Fees	\$19,635
Other Potential Revenues	\$53,860
<b>Total Potential Revenue</b>	<b>\$437,758</b>

### Expenditures

There are several different approaches that can be taken to project the estimated additional General Fund expenditures that would occur as a result of the Castlerock development. The first approach is to simply utilize a methodology that projects the City’s General Fund expenditures on a per capita basis. A per capita expense would be determined by dividing each department’s budget by the City estimated population, and projecting the increase in that department’s budget by the increase in population that would be served.

A second approach is to prorate costs based on utilizing an equivalent dwelling unit (EDU) basis. This approach attempts to correlate the City’s expenditures taking into account that City services are provided to both residential and non-residential land uses, e.g. by residents and by employees. The benefit of this approach is that it would attempt to compute an equivalency for the non-residential land uses within the City that also generate General Fund expenditures.

A third approach would be to project the actual expected additional expenses that might be incurred by each City department as a direct result of this project. However, for a development of this modest size, it is recognized that many city operations will not require additional staffing or “project specific” budget increases that can be directly correlated to this project.

In an attempt to be conservative at projecting additional expenditures, this report has elected to utilize the second approach, e.g. the EDU basis, in order to at least apportion costs over both residential and non-residential land uses.

## Determination of EDUs

This Analysis attempts to take the expenditures from the City of San Diego's draft Annual General Fund Budget for Fiscal Year 2013 and prorate these expenditures based on an overall citywide equivalent dwelling unit (EDU) factor. This approach of utilizing a total equivalent dwelling unit (EDU) attempts to take into account the share of services provided to both the resident population and to employees.

Based on the draft FY2013 budget, the City of San Diego resident population is approximately 1,320,456.<sup>12</sup> This correlates with an existing inventory of approximately 511,820 residential dwelling units<sup>13</sup>. Thus, in 2013, the approximate population per household equates to 2.58 persons per household. In addition, SANDAG estimates the 2010 civilian employment in San Diego at 734,413. When these two populations are considered together, this equates to a residential equivalent of approximately 1 employee per 0.350 residents. As shown in Table 6 below, the number of EDUs for purposes of this fiscal analysis can be determined. For the purposes of this analysis, it has been assumed that the average household size will not change measurably from one fiscal year to the next.

**Table 6 - City of San Diego EDU Calculation**

2013 Estimated Population	1,320,456
2013 Estimated Residential Dwelling Units	511,820
Average Household Size	2.58
2010 Estimated Civilian Employment <sup>14</sup>	734,413
Employment Resident Equivalent - 1 employee = 0.350 residents	257,045
Employment Resident Equivalent Dwelling Units	99,633
Total Equivalent Dwelling Units (EDUs)	611,453

## EDU Cost Projections of General Fund Expenditures

In an effort to determine the estimated cost on an EDU basis, the draft FY2013 Annual Budget for the City of San Diego was reviewed and analyzed for City Services that are funded by the General Fund. Each relevant department was evaluated to determine anticipated expenditures offset by revenues from various external sources. It is important to note that there are a number of fixed costs in each department's budget that are unlikely to be affected by any change in the City's physical development (in terms of population growth, increase in dwelling units, and new employment, etc.). There are some expenditures, however, that are considered variable costs, e.g. costs that have a correlation to new development. Variable costs can be further classified into direct and indirect costs. Direct costs are expenditures incurred in providing City services to the public, while indirect costs are operational expenditures incurred internally by City departments.

<sup>12</sup> <http://www.sandiego.gov/fm/proposed/pdf/2013/vol1/v1cityprofile.pdf>, page 4, Basic Data

<sup>13</sup> <http://www.sandiego.gov/fm/proposed/pdf/2013/vol1/v1cityprofile.pdf>, page 4, Basic Data

<sup>14</sup> Memorandum from Toni Dillon to Jeanette Temple, Development Project Manager, dated July 10, 2012

**Fiscal Impact Analysis – Castlerock – No Annexation Scenario**

Several departments have significantly larger budgets than the other departments and, thus, the analysis of the costs for these departments have been isolated and have been analyzed independently, the results of which are provided in the discussion that follows.

**Police**

The Police Department has the largest department budget in the General Fund and its proposed FY 2013 expenditures are projected at \$404,619,313. Subtracting other police revenue and overhead expenses (considered to be a fixed cost), the net police expenditures are \$294,137,411. Based on the allocation of costs in Table 7 below, the cost of providing police services on an EDU basis is \$481.05/EDU. A more extensive breakdown of these costs is provided in Table 16 in the Appendix.

**Table 7 - FY 2013 Police Expenditures**

<b>Police</b>	
Police Department Expenditures	\$404,619,313
Less other Revenues <sup>15</sup>	(\$39,274,928)
Less Overhead <sup>16</sup>	(\$71,206,974)
Net Police Expenditures	\$294,137,411
Current EDUs	611,453
Net Expenditure/EDU	\$481.05

**Fire-Rescue**

The Fire-Rescue Department has the second largest department budget in the General Fund and its draft FY 2013 expenditures are projected at \$199,724,525. The Fire-Rescue Department also includes the City's Lifeguard services. Reducing the expenditures by other fire revenue, as well as administrative operations (considered to be a fixed cost), and the costs for Lifeguard Services, which are addressed later and independently in Table 21, the net fire expenditures are \$137,685,426. Based on the estimated number of 2012 fire incidents from the draft FY 2013 Annual Budget, an estimated ratio of 0.191 incidents per EDU and an average cost of \$1,177 per incident is calculated. See Table 8 below. A more extensive breakdown of these costs is provided in Table 17 in the Appendix.

<sup>15</sup> Other Police revenues include charges for current services, licenses and permits, fines, forfeitures and penalties, and federal and other agencies

<sup>16</sup> Overhead consisting of Administration and Administrative Services, considered to be fixed costs

Table 8 - FY 2013 Fire-Rescue Expenditures

Fire-Rescue	
Fire-Rescue Expenditure	\$199,724,525
Less other Revenues <sup>17</sup>	(\$27,339,421)
Less Lifeguard Services <sup>18</sup>	(\$17,026,088)
Less Overhead <sup>19</sup>	(\$17,673,590)
Net Fire-Rescue Expenditures	\$137,685,426
2013 City of San Diego EDU's	611,453
Estimated 2012 Incidents <sup>20</sup>	117,000
FY 2013 Average Cost/ Incident	\$1,177
Incidents/ EDU	0.191
Fire-Rescue Service Cost/ EDU	<b>\$225.18</b>

#### Environmental Services (Solid Waste)

The City of San Diego provides residential refuse collection services to those residences where the City can collect the refuse from within the public right-of-way<sup>21</sup>. These services are provided by the Environmental Services Department. The Environmental Services Department's draft FY 2013 expenditures are projected at \$34,433,617. Subtracting other Environmental Services revenue, the net Environmental Services expenditures are Table 9. There are currently about 300,000 households<sup>22</sup> that are receiving trash collection services, at no cost, from the City of San Diego. Based on the allocation of costs in Table 9 below, the cost of providing environmental services for a customer is \$110.57/customer. A more extensive breakdown of these costs is provided in Table 18 in the Appendix. Of the 422 residential units in Castlerock, only 282 units will receive pickup services by the City. The remaining 140 units, units which will not have frontage to a dedicated public street, will obtain their trash collection services via a private vendor.

Table 9 - Environmental Services Expenditures

Environmental Services	
Environmental Services Department Expenditures	\$34,433,617
Less other Revenues <sup>23</sup>	(\$1,264,100)
Net Environmental Services Expenditures	\$33,169,517
Current Number of Customers	300,000
Net Expenditure/Customer	\$110.57
Total Cost for 282 customers/year	\$31,181

<sup>17</sup> Other Fire revenues include charges from current services, money and property, federal and other agencies, and other revenues

<sup>18</sup> Addressed separately in Table 21

<sup>19</sup> Consisting of Administrative Operations, considered fixed costs

<sup>20</sup> <http://www.sandiego.gov/fm/proposed/pdf/2013/vol2/v2firerescue.pdf> page 272

<sup>21</sup> <http://www.sandiego.gov/environmental-services/pdf/SMiramarPla10080617330.pdf>

<sup>22</sup> <http://www.sandiego.gov/fm/proposed/pdf/2013/vol2/v2esd.pdf> , page 230

<sup>23</sup> Other Environmental Services revenues include charges for current services, licenses and permits, fines, forfeitures and penalties, and revenue from other local taxes

## Lane Mile Cost Projections

### Transportation and Storm Drain- Street Division

Since the publication of the FY 2011 Budget, which was the basis of the first edition of this report, the City of San Diego has reorganized a number of its departments including the Street Division. This division is now a part of the newly created Transportation and Storm Drain Department. Since storm water maintenance and operations is closely related to roadway improvements, it is no longer necessary to isolate street division expenditures. The expenditures for Lane Mile and Storm Drain facilities maintained by the new Transportation and Storm Drain Department are now included as a department expenditure in Table 21.

## Water and Sewer Expenditures

Normally water and sewer expenditures are not included in the fiscal impact analysis for a development project primarily due, in large part, to these expenditures not being charged to the City's General Fund. The Public Utilities Department maintains its own separate fund accounts, independent of the General Fund. However, questions may arise as part of the review of this report as to whether the City of San Diego might encounter disproportionately high expenditures to provide sewer and water services to the project.

In the No Annexation Scenario, the Public Utilities Department will provide wet utility services to the project. Yet, according to the Castlerock DEIR<sup>24</sup>, the City of San Diego currently has no infrastructure along the immediate frontage of the project. The closest existing City of San Diego water facilities are located some 4 miles away from the project. However, to offset this situation, the City of San Diego maintains capacity rights in the existing 36" diameter El Capitan Pipeline, which is owned and operated by the Padre Dam Municipal Water District. The El Capitan Pipeline is located much closer to the project site. By utilizing these capacity rights, the City does not need to extend its infrastructure out to the project site. The City also maintains the 42" Mission Gorge Trunk Sewer, a pipeline which is only 7,200 feet from the project site. As a subdivider exaction, the development will be required to extend pipelines of nominal size, commensurate with this size development, to these available points of service. After installation of the new pipelines, the Public Utilities Department will recover 100% of its costs for providing these utility services via the collection of fees from the residents of the project.

## Open Space

Based on the City of San Diego's annual budget, the City operates approximately 24,655 acres of open space land from the General Fund. The Open Space budget is \$8,399,929. However, per further input from City Staff, the Open Space budget includes the costs for Brush Management services and Street Median expenditures<sup>25</sup>. After subtracting for brush management and street median expenditures, the average cost of maintaining Open Space land is approximately \$193.46 per acre. This cost is illustrated in Table 10 below.

<sup>24</sup> Section 4.14 of DEIR, Castlerock, dated June 18, 2012; Project No. 10046; SCH No. 2004061029

<sup>25</sup> Memorandum from Toni Dillon to Jeanette Temple, Development Project Manager, dated July 10, 2012

**Table 10 - Park and Recreation Cost – Open Space**

<b>Open Space</b>	
Total Park and Recreation Open Space Expenditure (2013) <sup>26</sup>	\$8,399,929
Less Expenses Brush Management (2011) <sup>27</sup>	\$2,701,603
Less Expenses Street Medians (2011)	\$928,526
Net Open Space Expenditure	\$4,769,800
Current Inventory of Open Space Acres <sup>28</sup>	24,655
<b>Net Expenditure/Acre</b>	<b>\$193.46</b>

With either the No Annexation Scenario or the Annexation Scenario, the dedication of the approximate 94.7 acres of open space will take place and will be incorporated in the Mission Trails Regional Park. As such, this annual expenditure will occur in either scenario.

### Neighborhood Park

The Park and Recreation Department's draft FY 2013 expenditures are projected at \$76,151,554 for Community Parks I, II and Developed Regional Parks. Subtracting other revenue, the net Parks expenditures are \$39,697,963. The current inventory for improved park acreage is approximately 15,082 acres. Consequently, as shown in the allocation of costs in Table 11 below, the cost of maintaining improved park acreage is approximately \$2,632.14 per acre.

**Table 11 - Park and Recreation Cost- Neighborhood Park**

<b>Neighborhood Park</b>	
Total Park and Recreation Expenditure for Community Parks I, II and Developed Regional Parks (2011) <sup>29</sup>	\$76,151,554
Less Other Revenues	\$36,453,591
Net Park and Recreation Expenditure (2011)	\$39,697,963
Current Inventory of Park Acres <sup>30</sup>	15,082
<b>Net Expenditure/Acre</b>	<b>\$2,632.14</b>

### Other City Departments

When compared to the Police, Fire-Rescue and Park budgets, the other departments represent much smaller percentages of the overall budget. After taking into account the net variable expenses attributable to each department, as depicted in Table 21 in the Appendix, the combined net cost for the remaining departments has been calculated at approximately \$224.38 per EDU.

<sup>26</sup> All dollar amounts from the City of San Diego FY 2013 Proposed Budget, Volume II: Department Details, Park and Recreation, page 383

<sup>27</sup> The expenditures provided here were taken from the Memorandum from Toni Dillon to Jeanette Temple, Development Project Manager, dated July 10, 2012. These expenditures were taken from the FY2011 budget as these costs were not isolated and separately highlighted in the FY2013 budget summaries.

<sup>28</sup> <http://www.sandiego.gov/park-and-recreation/parks/brush.shtml>

<sup>29</sup> All dollar amounts from the City of San Diego FY 2013 Budget, Volume II: Department Details, Park and Recreation, page 383

<sup>30</sup> <http://www.sandiego.gov/park-and-recreation/pdf/fastfacts.pdf>, 39,737 acres of total park acres, including 24,655 acres of open space

**Table 12 - All Other General Fund Expenditures**

Net Expenditure/EDU	\$224.38
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### Summary of Estimated Annual Expenditures

As discussed above, the Castlerock development proposes 422 EDU's. Thus, as shown below in Table 13, the annual expenditures from the General Fund are estimated at \$466,939/year.

**Table 13 - Summary of Expenditures**

<b>EDU Expenditures</b>	
Police, per EDU	\$517.01
Fire-Rescue, per EDU	\$225.18
Other City Departments, per EDU	\$258.94
Total Expenditures, per EDU	\$964.24
Total EDUs	422
<b>Total EDU Cost</b>	<b>\$406,909.28</b>
Environmental Services (solid waste), per customer	\$110.57
Total customers served	282
<b>Total Cost for Environmental Services</b>	<b>\$31,180.74</b>
<b>Open Space Acreage Costs</b>	
Open Space Costs, per Acre	\$193.46
Open Space Acreage in Acres	94.7
<b>Annual Open Space Cost</b>	<b>\$18,320.66</b>
<b>Neighborhood Park Acreage Costs</b>	
Neighborhood Park Costs, per Acre	\$2,632.14
Neighborhood Park Acreage in Acres	4
<b>Annual Neighborhood Park Cost</b>	<b>\$10,528.56</b>
<b>Total Estimated Annual Expenditures</b>	<b>\$466,939.24</b>

### Conclusion of No Annexation Scenario

It would appear that, under the No Annexation Scenario, the City of San Diego could anticipate expenditures to exceed revenue to the General Fund of approximately \$29,181 per year.

**Table 14 - No Annexation Scenario**

Total Potential Revenue	\$437,758
Total Estimated Expenditures	\$466,939
Net Revenue - No Annexation Scenario	(\$29,181)

## What If Castlerock Were Annexed to the City of Santee?

In contrast with the No Annexation Scenario, the other possibility would be for the City of San Diego to obtain approval of a reorganization of the Castlerock property to the City of Santee. The fiscal impacts of such a transaction can likewise be determined from the above discussion.

### Revenue vs. Expenditures

Of the above described revenue sources, none of the identified revenue would continue to the City of San Diego should the Castlerock property be annexed to Santee. All of the revenue sources, e.g. Property Tax, Property Transfer Tax, Motor Vehicle License Fees, and other revenue fund sources, etc., would no longer be realized by the City of San Diego. Consequently, under the Annexation alternative, as the City of Santee realizes all of the revenue potential from the Castlerock development, they would also inherit all of the expenditures described above, with the exception of the expenditures for open space that is to be added to the Mission Trails Regional Park. The respective costs wouldn't necessarily be the same amounts, as the City of Santee's budgeted costs are different from that of the City of San Diego. The point is that the City of San Diego would no longer be responsible for these expenditures.

## Conclusion of Annexation Scenario

It would appear that, under the Annexation Scenario, the City of San Diego would still incur expenditures to the General Fund, due solely to the long term maintenance of the open space added to the Mission Trails Regional Park, of approximately \$18,321 per year.

**Table 15 - Annexation Scenario**

Total Potential Revenue	\$0
Total Estimated Expenditures	<b>\$18,321</b>
Net Revenue - Annexation Scenario	<b>(\$18,321)</b>

## Overall Conclusion

Regardless of which Scenario is ultimately approved, approval of the Castlerock development would have a nominal fiscal impact to the City's General Fund, albeit a slightly less negative impact if the property were annexed to the City of Santee. City Staff, while using different numbers, came to this same conclusion. Based on the sheer size of the General Fund's annual budget, which is approximately \$1.15B, the cost of Castlerock represents less than 0.0026% of the entire budget.

### Assumptions

Every reasonable effort has been made to ensure that the statistical information contained in this report reflects the latest information available, and based upon the source of information, is believed to be reliable. This study is based on estimates, assumptions and other information obtained from a number of identified sources that have subsequently been reviewed and evaluated by the author. No responsibility is assumed for inaccuracies in reporting by any other data source used in preparing or presenting this study. This report is based on information that has been collected by the author during the months of February through December 2011 and then revised in June through November 2012 or as noted in the report. No warranty or representation is made by the author that any of the projected values or results contained in this study will actually be realized or incurred. This study should not be used for purposes other than that for which it is prepared or for which prior written consent has first been obtained from the author. This study is qualified in its entirety by, and should be considered in light of, these limitations, conditions and considerations.

## Appendix

Table 16 - San Diego Police Cost

Total Law Enforcement Expenditure (2013) <sup>31</sup>	\$404,619,313
Less Revenue from Charges for Current Services <sup>32</sup>	(\$10,994,123)
Less Revenue from Licenses and Permits	(\$5,843,262)
Less Revenue from Fines, Forfeitures, and Penalties	(\$19,160,466)
Less Other Local Taxes	(\$1,551,205)
Less Revenue from Money and Property	(\$216,149)
Less Revenue from Federal Agencies	(\$660,000)
Less Revenue from Other Agencies	(\$209,723)
Less Other Revenue	(\$640,000)
Less Overhead <sup>33</sup>	(\$71,206,974)
Net Police Expenditures	\$316,125,657
Current Equivalent Dwelling Units <sup>34</sup>	611,453
<b>Net Expenditure/EDU</b>	<b>\$517.01</b>

Table 17 - San Diego Fire Service- Rescue Cost

Total Fire Service- Rescue Expenditure (2013) <sup>35</sup>	\$199,724,525
Less Revenue from Charges for Current Services <sup>36</sup>	(\$21,853,374)
Less Revenue from Licenses and Permits	(\$1,151,382)
Less Transfers In	(\$3,075,708)
Less Revenue from Federal Agencies	(\$218,000)
Less Revenue from Other Agencies	(\$20,000)
Less Other Revenue	(\$1,019,957)
Less Overhead <sup>37</sup>	\$17,673,590)
Less Lifeguard Services	(\$17,026,088)
Net Fire- Rescue Expenditure	\$137,685,426
2013 City of San Diego EDU's <sup>38</sup>	611,453
Estimated 2012 Incidents <sup>39</sup>	117,000
Incidents/ EDU	0.191
<b>FY 2013 Average Cost/ Incident</b>	<b>\$1,176.80</b>
<b>Net Fire Service Cost/ EDU</b>	<b>\$225.18</b>

<sup>31</sup> City of San Diego FY 2013 Proposed Budget, Volume II: Department Details, Police, page 423

<sup>32</sup> City of San Diego FY 2013 Proposed Budget, Volume II: Department Details, Police, page 426

<sup>33</sup> Consisting of Administration and Administrative Services, considered fixed costs, City of San Diego FY 2013 Budget, Volume II: Department Details, Police, page 423

<sup>34</sup> Computed EDU's from Table 1

<sup>35</sup> City of San Diego FY 2013 Proposed Budget, Volume II: Department Details, Fire - Rescue, page 275

<sup>36</sup> City of San Diego FY 2013 Proposed Budget, Volume II: Department Details, Fire - Rescue, page 277

<sup>37</sup> Consisting of Administrative Operations, considered fixed costs, City of San Diego FY 2013 Proposed Budget, Volume II: Department Details, Fire - Rescue, page 275

<sup>38</sup> Computed EDU's from Table 1

<sup>39</sup> Information obtained from the City of San Diego FY 2013 Proposed Budget, Volume II: Department Details, Fire - Rescue, page 272

**Table 18 - Environmental Services Cost**

Total Environmental Services Expenditure (2013) <sup>40</sup>	\$34,433,617
Less Revenue from Charges for Current Services	(\$971,100)
Less Revenue from Other Local Taxes	(\$120,000)
Less Revenue from Licenses and Permits	(\$118,000)
Less Revenue from Fines, Forfeitures and Penalties	(\$5,000)
Less Other Revenue	(\$50,000)
Net Environmental Services Expenditures	\$33,169,517
Current Number of Customers <sup>41</sup>	300,000
<b>Net Expenditure/Customers</b>	<b>\$110.57</b>

**Table 19 - Park and Recreation Neighborhood Park Cost**

Total Park and Recreation Expenditure for Community Parks I, II and Developed Regional Parks (2013) <sup>42</sup>	\$76,151,554
Less Revenue from Charges for Current Services	(\$33,895,094)
Less Revenue from Fines, Forfeitures and Penalties	(\$27,395)
Less Revenue from Licenses and Permits	(\$707,220)
Less Revenue from Money and Property	(\$465,300)
Less Other Revenue	(\$13,800)
Less Transfers In	(\$1,344,782)
Net Park and Recreation Expenditure for Community Parks I, II and Developed Regional Parks (2013)	\$39,697,963
Park Inventory	15,082
<b>Net Expenditure/Acre</b>	<b>\$2,632.14</b>

<sup>40</sup> All dollar amounts from the City of San Diego FY 2013 Proposed Budget, Volume II: Department Details, Environmental Services, page 231

<sup>41</sup> <http://www.sandiego.gov/fm/proposed/pdf/2013/vol2/v2esd.pdf>

<sup>42</sup> Total Park and Recreation Department Expenditures less Open Space; FY2013 Proposed Budget, Vol. 2, Department Details, Park and Recreation, page 383

**Table 20 - City of San Diego- Proposed Budget for Fiscal Year 2013  
Pro-Rated Revenue Distribution**

Total Equivalent Dwelling Units: 611,453<sup>43</sup>

City Resources/ Revenues	General Purpose Funds <sup>44</sup>	Revenue Share	Per EDU
Property Tax Revenue	\$389,106,053	33.9%	Calculated separately
<b>Total Property Tax Revenue</b>	<b>\$389,106,053</b>	<b>33.9%</b>	<b>Calculated separately</b>
Sales Tax	\$234,414,956	20.4%	Calculated separately
Safety Sales Tax <sup>45</sup>	\$0	0.0%	
<b>Total Sales Tax</b>	<b>\$234,414,956</b>	<b>20.4%</b>	
Transient Occupancy Tax <sup>46</sup>	\$80,463,918	7.0%	
<b>Total Transient Occupancy Tax</b>	<b>\$80,463,918</b>	<b>7.0%</b>	
Property Transfer Tax	\$6,359,105	0.6%	Calculated separately
SDG&E	\$37,736,863	3.3%	\$61.72
CATV	\$19,365,448	1.7%	\$31.67
Refuse Collection Franchise	\$9,950,000	0.9%	\$16.27
Other Franchises	\$4,626,205	0.4%	\$7.57
<b>Total Local Taxes</b>	<b>\$78,037,621</b>	<b>6.8%</b>	<b>\$127.63</b>
Business Taxes	\$6,613,129	0.6%	
Rental Unit Taxes	\$5,925,000	0.5%	
Parking Meters	\$7,879,891	0.7%	
Refuse Collector Business Tax	\$660,000	0.1%	
Other Licenses and Permits	\$10,781,709	0.9%	
<b>Total Licenses and Permits</b>	<b>\$31,859,729</b>	<b>2.8%</b>	
Parking Citations	\$18,000,054	1.6%	
Municipal Court	\$8,280,000	0.7%	
Negligent Impound	\$0	0.0%	
Other Fines and Forfeitures	\$4,804,802	0.4%	
<b>Total Fines, Forfeitures and Penalties</b>	<b>\$31,084,856</b>	<b>2.7%</b>	
Interest and Dividends	\$1,354,233	0.1%	
Mission Bay	\$26,003,095	2.3%	
Pueblo Lands	\$4,818,228	0.4%	
Other Rents and Concessions	\$10,394,732	0.9%	
<b>Total Money/Property</b>	<b>\$42,570,288</b>	<b>3.7%</b>	
Federal Agencies	\$2,931,478	0.3%	
<b>Total Federal Agencies</b>	<b>\$2,931,478</b>	<b>0.3%</b>	

<sup>43</sup> Table 6

<sup>44</sup> City of San Diego FY 2013 Proposed Budget, Volume I: Budget Overview and Schedules, Financial Summaries and Schedules, page 137 and 138

<sup>45</sup> State apportioned sales tax distributed to the City of San Diego assumed to increase on EDU basis

<sup>46</sup> Increases in Transient Occupancy Tax are not included because the project does not propose a new hotel. However, the project might create indirect increases in Transient Occupancy Tax from new resident demand.

Note: Revenues not directly affected by the new development, such as Interest and Dividends, Rents and Concessions, Other Revenue have been excluded from total pro-rated revenue.

## Fiscal Impact Analysis – Castlerock – No Annexation Scenario

City Resources/ Revenues	General Purpose Funds <sup>44</sup>	Revenue Share	Per EDU
Motor Vehicle License Fees	\$0	0.0%	Calculated separately
Other Agencies	\$594,100	0.1%	
<b>Total Other Agencies</b>	<b>\$594,100</b>	<b>0.1%</b>	
Charges for Current Services	\$180,409,710	15.7%	
<b>Total Charges for Current Services</b>	<b>\$180,409,710</b>	<b>15.7%</b>	
Other Revenue	\$3,837,765	0.3%	
<b>Total Other Revenue</b>	<b>\$3,837,765</b>	<b>0.3%</b>	
Other Financial Sources	\$71,697,537	6.3%	
<b>Total Other Financial Sources</b>	<b>\$71,697,537</b>	<b>6.3%</b>	
<b>Total General Fund Revenue/ Pro-Rated Revenue</b>	<b>\$1,147,008,011</b>	<b>100.0%</b>	<b>\$127.63</b>

## Fiscal Impact Analysis – Castlerock – No Annexation Scenario

Table 21 - Summary of EDU Expenditures by City Department

City Expenditures	General Purpose Funds <sup>47</sup>	Charges for Current Services <sup>48</sup>	Less Charges for Current Services	Ratio of Variable to Total Cost	Pro Rata Expenditure per EDU
Administration	\$2,634,578	\$571,690	\$2,062,888	35%	\$1.18
Business Office	\$1,161,815	\$0	\$1,161,815	35%	\$0.67
City Attorney	\$42,719,069	\$4,656,169	\$38,062,900	35%	\$21.79
City Auditor	\$3,564,101	\$0	\$3,564,101	35%	\$2.04
City Clerk	\$4,704,182	\$18,404	\$4,685,778	35%	\$2.68
City Comptroller	\$10,116,390	\$2,541,760	\$7,574,630	35%	\$4.34
City Council	\$11,751,504	\$0	\$11,751,504	35%	\$6.73
City Treasurer	\$19,465,306	\$999,938	\$18,465,368	35%	\$10.57
Citywide Program Expenditures	\$77,737,965	\$0	\$77,737,965	35%	\$44.50
Debt Management	\$2,337,835	\$705,645	\$1,632,190	35%	\$0.93
Department of Information Technology	\$500,000	\$195,303	\$304,697	0%	\$0.00
Development Services	\$13,286,207	\$992,713	\$12,293,494	35%	\$7.04
Disability Services	\$494,995	\$15,415	\$479,580	35%	\$0.27
Economic Development	\$4,776,071	\$1,213,871	\$3,562,200	35%	\$2.04
Environmental Services	\$34,433,617	\$1,264,100	\$33,169,517		Calculated separately
Ethics Commission	\$923,641	\$0	\$923,641	35%	\$0.53
Financial Management	\$4,170,967	\$5,000	\$4,165,967	35%	\$2.38
Fire- Rescue (w/o Lifeguard)	\$199,724,525	\$21,854,374	\$177,870,151		Calculated separately
Fire-Rescue Lifeguard	\$17,026,088	\$0	\$17,026,088	100%	\$27.85
Human Resources	\$2,384,802	\$0	\$2,384,802	35%	\$1.37
Library	\$37,593,452	\$1,274,612	\$36,318,840	100%	\$59.40
Office of Homeland Security	\$1,688,181	\$1,028,515	\$659,666		
Office of the Assistant COO	\$313,872	\$0	\$313,872	35%	\$0.18
Office of the Chief Financial Officer	\$839,799	\$0	\$839,799	35%	\$0.48
Office of Chief Operating Officer	\$536,975	\$0	\$536,975		
Office of the IBA	\$1,695,463	\$0	\$1,695,463	35%	\$0.97
Office of the Mayor	\$6,178,075	\$1,386,700	\$4,791,375	35%	\$2.74
Park and Recreation	\$84,551,483	\$33,895,094	\$50,656,389	20%	Calculated separately
Personnel	\$6,455,197	\$6,000	\$6,449,197	35%	\$3.69
Police	\$404,619,313	\$10,994,123	\$393,625,190		Calculated separately
Public Utilities	\$1,706,193	\$989,819	\$716,374	35%	\$0.41
Public Works - E&CP	\$60,512,980	\$56,188,544	\$4,324,436	35%	\$2.48
Public Works - General Services	\$14,031,293	\$4,001,183	\$10,030,110	35%	\$5.74
Purchasing & Contracting	\$3,121,668	\$459,500	\$2,662,168	35%	\$1.52

<sup>47</sup> City of San Diego FY 2013 Proposed Budget, Volume II: Department Details

<sup>48</sup> City of San Diego FY 2013 Proposed Budget, Volume II: Department Details

City Expenditures	General Purpose Funds <sup>47</sup>	Charges for Current Services <sup>48</sup>	Less Charges for Current Services	Ratio of Variable to Total Cost	Pro Rata Expenditure per EDU
Real Estate Assets	\$4,511,770	\$911,297	\$3,600,473	35%	\$2.06
Transportation & Storm Water	\$84,933,670	\$11,443,011	\$73,490,659	35%	\$42.07
<b>Total Operating Expenditures</b>	<b>\$1,150,176,954</b>	<b>\$157,612,780</b>	<b>\$992,564,174</b>		<b>\$258.94</b>

Notes on Ratio of Variable to Total Cost: As stated in the body of the Report (see page 11, for the discussion pertaining to Expenditure Calculations), after one subtracts the fixed cost expenditures from the budgeted expenditures for each department, the remaining variable costs can be further classified into direct and indirect costs. Variable costs are those expenditures that could be influenced by new development, such as those costs being considered by this Report. However, not all of the remaining variable costs would proportionally increase as a result of new development. Direct costs are expenditures incurred in primarily providing City services to the public and, thus, likely to increase due to new development, while indirect costs are operational expenditures incurred internally by City departments, which are less likely to increase due to new development. As a means of estimating that portion of variable expenditures that may be associated with the proposed development, this Report has utilized percentages of Variable Expenses to overall General Purpose Funds that have been published previously and utilized by the City for other projects involving new development.

## Errata - What If?

### Sales Tax

As discussed above, City Staff suggested that Sales Tax not be considered as a revenue source for this report. While this residential development may not result in a direct increase in the number of jobs for the City of San Diego, the overall growth in the City's population by over 1,000 people will increase the consumer base for both the City of San Diego and the City of Santee.

Consequently, it would be appropriate to include an evaluation of potential sales tax revenue that the City of San Diego would realize from the Castlerock development. The best unit of measure for this evaluation is average household income. Household income estimates were calculated for each residential unit type based on the house purchase price, a 30 year loan, 10 percent down, an interest rate of 4.375 percent and the mortgage payment being 30 percent of the total income. [Interest rates continue to fluctuate. As of the date of this report, interest rates for 30-year fixed mortgages were actually lower than 4.375 percent. Lower interest rates actually provide the home buyer with more spendable income. Consequently, using 4.375 percent results in a more conservative estimate of sales tax revenue.] Based on the above assumptions, the average household income was computed at \$87,012. With this information and the information from the Consumer Expenditure Survey conducted by the Bureau of Labor Statistics<sup>49</sup>, the estimated expenditure of the residents in this proposed development can be calculated.

Based on the proposed Castlerock project being located adjacent to the City of Santee, the assumption was made that a significant portion of the daily shopping expenditures from the new development will be mainly captured by the City of Santee. However, we assumed that about half of the sales tax for expenditures such as entertainment, food away from home and apparel and services could be captured by the City of San Diego. Based on these assumptions, we have calculated that the City of San Diego would receive about \$55,676 per year in sales tax revenue, based on the City's share of sales tax being 1%. A more detailed analysis as to how the sales tax revenue was calculated is provided in Tables 25 thru 28 in the Appendix.

### Property Tax In Lieu Revenue

In addition to property tax revenue, the City also receives, as additional property tax revenue, funds to reimburse the City for sales and use tax resulting from the suspension of the Bradley-Burns tax rate<sup>50</sup> (Assembly Bill 1766). This reimbursement is intended to compensate the City and offset the City's reduction in its share of sales tax from 1% to 0.75%.

It should be pointed out that the property tax revenue for the in-lieu sales tax, commonly referred to as "triple-flip", is the result of a shift enacted by the State in Fiscal Year 2005 whereby local governments were required to shift one-quarter of one cent of their Bradley-Burns Sales and Use

<sup>49</sup> Based on the Bureau of Labor Statistics Consumer Expenditure Survey, 2009 (for Households earning \$80,000 to \$99,999)

<sup>50</sup> Represents the exchange of Property Tax for Cities and County Sales and Use Tax as authored under Assembly Bill 1766, chaptered August 3, 2003 per [www.sdtreastax.com/images/1-percent-property-tax-revenue-allocation.jpg](http://www.sdtreastax.com/images/1-percent-property-tax-revenue-allocation.jpg)

Tax to the State in exchange for an *equivalent amount* of property tax. Once the State's Economic Recovery Bonds are paid off, local governments will no longer receive the property tax reimbursement, but will instead regain the quarter-cent sales tax that was diverted to the State by the triple-flip. The State's Economic Recovery Bonds are currently expected to be paid in full in 2023 unless retired prior to maturity. Consequently, upon retirement of the bonds, the City would then receive an additional one-quarter percent of sales tax to maintain this level of revenue. For simplicity, rather than compute this property tax in lieu revenue source separately and because this report is looking at revenue projections from a long term perspective, this report has simply estimated sales tax revenue at 1% of taxable sales, as discussed above.

Thus, if Sales Tax is taken into account as part of the evaluation, the City would realize an additional \$55,676 in General Fund revenue.

**Table 22 - No Annexation Scenario, with Sales Tax**

Potential Revenue, as cited in Table 5 above	\$437,758
Addition of Sales Tax and equivalent Triple-Flip revenue (e.g. 1%)	\$55,676
Total Potential Revenue	\$493,434
Total Estimated Expenditures, as cited in Table 13 above	\$466,939
Net Revenue - No Annexation Scenario	<b>\$26,495</b>

Under the Annexation Scenario, the City of San Diego would still realize the projected Sales Tax revenue, as cited above. However, for the short term, it would not enjoy the Triple-Flip revenue also discussed above. The Triple-Flip revenue, while intended to offset the loss of sales tax revenue, would be disbursed instead to Santee as part of property tax revenues. Once the Recovery Bonds were paid off, however, which is now not currently anticipated to be until 2023, then the City of San Diego would recover 0.25% in its sales tax rate revenues and would realize the 1% in Sales Tax, which is the amount represented in Tables 22 and 23. Consequently, by 2023 and thereafter, the projected Sales Tax revenue could be anticipated to be a full 1% of taxable sales.

**Table 23 - Annexation Scenario, with Sales Tax**

Potential Revenue, from Property Tax	\$0
Addition of Sales Tax, e.g. 1%	\$55,676
Total Potential Revenue	\$55,676
Total Estimated Expenditures, as cited in Table 10 above	\$18,321
Net Revenue - Annexation Scenario	<b>\$37,355</b>

## Conclusion with Sales Tax

When Sales Tax is taken into account, the net revenue amounts for both the No-Annexation and the Annexation Scenarios change slightly and actually go from negative to positive for both alternatives. However, regardless of which Scenario is ultimately approved, approval of the Castlerock development would still have a nominal fiscal impact to the City's General Fund. The City of San Diego would receive slightly more revenue if the property were annexed to the City of Santee.

Table 24 - Castlerock Household Incomes

Unit Type	Annual Average Household Income <sup>51</sup>	Number of Units	Total Household Income per Unit Type
Castlerock I	\$87,160	96	\$8,367,360
Castlerock II	\$87,200	132	\$11,510,400
Castlerock III	\$117,120	54	\$6,324,480
Castlerock IV	\$75,120	140	\$10,516,800
<b>Cumulative Household Income</b>			<b>\$36,719,040</b>
Total Households			422
<b>Average Household Income</b>			<b>\$87,012</b>

Table 25 - Potential Retail Expenditure

Retail Expenditure Item	Income/ Expenditure Ratio <sup>52</sup>	Total
Annual Household Income		\$87,012
Food at Home	7.2%	\$6,265
Food away from Home	5.6%	\$4,873
Alcoholic Beverages	0.9%	\$783
Household Operations <sup>53</sup>	1.0%	\$870
Housekeeping Supplies	1.3%	\$1,131
Household Furnishings and Equipment	3.5%	\$3,045
Apparel and Services	3.7%	\$3,219
Transportation <sup>54</sup>	15.3%	\$13,313
Health Care <sup>55</sup>	2.2%	\$1,949
Entertainment <sup>56</sup>	4.2%	\$3,655
Personal Care Products and Services	1.2%	\$1,044
Reading	0.2%	\$174
Tobacco Products and smoking supplies	0.6%	\$522
Miscellaneous <sup>57</sup>	0.8%	\$653
	<b>47.7%</b>	<b>\$41,496</b>

<sup>51</sup> The average Household income is based on the loan amount, a 30-year loan, 10 percent down, interest rate of 4.375 and the mortgage payment being 30% of the total income

<sup>52</sup> Based on the Bureau of Labor Statistics Consumer Expenditure Survey, 2009 (for Households earning \$80,000 to \$99,999)

<sup>53</sup> 50% of estimated total household operations have been included here.

<sup>54</sup> Transportation includes vehicle purchases, gasoline, motor oil and other vehicle expenses.

<sup>55</sup> 35% of estimated health care expenditures have been included here.

<sup>56</sup> 75% of estimated total entertainment expenditures have been included here.

<sup>57</sup> 50% of estimated miscellaneous expenditures have been included here.

Table 26 - Effective Retail Sales Capture in San Diego

Retail Expenditure Item	Share Taxable	City of San Diego Share	Effective Taxable Retail Sales Capture in San Diego
Food at Home	40.0%	5.0%	2.0%
Food away from Home	100.0%	55.0%	55.0%
Alcoholic Beverages	100.0%	15.0%	15.0%
Household Operations	75.0%	30.0%	22.5%
Housekeeping Supplies	100.0%	20.0%	20.0%
Household Furnishings and Equipment	100.0%	20.0%	20.0%
Apparel and Services	100.0%	50.0%	50.0%
Transportation	100.0%	40.0%	40.0%
Health Care	40.0%	23.0%	9.2%
Entertainment	100.0%	45.0%	45.0%
Personal Care Products and Services	100.0%	25.0%	25.0%
Reading	100.0%	25.0%	25.0%
Tobacco Products and smoking supplies	100.0%	15.0%	15.0%
Miscellaneous	100.0%	15.0%	15.0%

Table 27 - San Diego Sales Tax Generation

Retail Expenditure Item	Effective Capture	Total
Food at Home	2.0%	\$125
Food away from Home	55.0%	\$2,680
Alcoholic Beverages	15.0%	\$117
Household Operations	22.5%	\$196
Housekeeping Supplies	20.0%	\$226
Household Furnishings and Equipment	20.0%	\$609
Apparel and Services	50.0%	\$1,610
Transportation	40.0%	\$5,325
Health Care	9.2%	\$179
Entertainment	45.0%	\$1,645
Personal Care Products and Services	25.0%	\$261
Reading	25.0%	\$44
Tobacco Products and smoking supplies	15.0%	\$78
Miscellaneous	15.0%	\$98
<b>Total Capture per Household</b>		<b>\$13,193</b>
Cumulative Households		422
Total Taxable Sales Capture in San Diego		\$5,567,554
<b>Sales Tax @ 1%</b>		<b>\$55,676</b>



THE CITY OF SAN DIEGO

MEMORANDUM

DATE: March 12, 2013

TO: Jeanette Temple, Development Project Manager III, Development Services

FROM: Toni Dillon, Economic Research Coordinator, Development Services

SUBJECT: (Annexation/No Annexation) PTS Number 10046

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Thank you for giving us the opportunity to review and comment on *the Fiscal Impact Analysis for Castlerock*, prepared by the Leppert Engineering Corporation (“Leppert”) for Pardee Homes (Pardee), in connection with the latter's proposal to obtain new land use entitlements for its project. Hereafter, Development Services will refer to the Fiscal Impact Analysis completed by Leppert as the “Analysis”, the June 14, 2012- Analysis as the “first Analysis” and the November 14, 2012- Analysis as the “revised Analysis.”

This Memorandum also includes responses to the March 11, 2013 letter sent by email from Mr. John Leppert, RCE (Mr. Leppert).<sup>1</sup> Mr. Leppert letter stated Development Services previous review Memorandum of February 24, 2013 required “clarifying comments.” Please note Development Services did edit its February 24, 2013 review Memorandum<sup>2</sup> based on the information provided in Mr. Leppert letter. In addition, Development Services has responded to some of Mr. Leppert’s “clarifying comments” by providing more information.

Project Description

Castlerock’s proposed development includes the construction of 422 single family units, a creation of a 4 acre neighborhood park and the dedication of 94.7 acres of park open space, which will become part of the Mission Trails Regional Park. The Castlerock development is proposed to be constructed and occupied in an undeveloped area of East Elliot, which borders the City of Santee.

As Pardee may seek to work with the City of Santee to annex the completed development, a fiscal impact analysis is required per the City of San Diego’s (City) *General Plan 2008, Land Use and Community Planning Element Policy LU-K.2(c)* and *City Council Policy 600-1*. Leppert submitted, the required fiscal impact analysis for two alternative development scenarios:

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<sup>1</sup>2013, March 11, J. Leppert, RCE, Letter - Castlerock Reorganization, Project No. 10046, fiscal Impact analysis for Castlerock November 14, 2012, Land Use and Housing Committee, Agenda of March 27, 2013.

<sup>2</sup> 2013, February 24, T. Dillon, City Memorandum – Annexation/ No Annexation PTS Number 100046.

- (1) **The No Annexation Scenario** – this scenario assumes that the constructed housing development, the developed neighborhood park and the 94.7 acres of dedicated park open space will remain within the City’s jurisdiction. It also assumes that all public services to the Castlerock development will be the responsibility of the City.
- (2) **The Annexation Scenario** – this scenario assumes that the constructed development (the housing units<sup>3</sup> and neighborhood park) is detached from the City and is annexed by the City of Santee upon completion of construction. Under this scenario the 94.7 acres of dedicated park open space will not be detached and will remain within the City’s jurisdiction. As such, the associated cost of maintaining this open space will remain the responsibility of the City. However, all other public services, upon completion of the annexation process will become the responsibility of either the Padre Dam Municipal Water District or the City of Santee.

We completed two thorough reviews of the Analysis. The first Analysis review was completed in July, 2012. The applicant addressed some of the City departments’ comments from this review and submitted a revised Analysis for Development Services final review. The purpose of the revised Analysis final review was to determine if the net fiscal impact to the General Fund was nominal “minimal” for both scenarios, (1) The No Annexation and (2) The Annexation Scenario.

### **Fiscal Impact Model**

All fiscal impact models are based on a series of assumptions and inputs. These inputs result in determined outputs to support a conclusion. In the simplest terms, the Analysis provided an estimate of the net fiscal impact for the City from the construction and use of the Castlerock development. This net fiscal impact is derived by first calculating the sum total of the General Fund revenues that can be reasonably attributed to Castlerock, and then subtracting the sum total of the assumed cost that Leppert identified as the cost for City services to the Castlerock development.

The first Analysis and the revised Analysis cost estimates for public services to Castlerock are based on a variant of an average cost model. Specifically, the Analysis used an equivalent dwelling unit (EDU) model. This model assumes that both households and employees require City public services; therefore, the number of persons employed in the City is converted to an employee equivalent household input (1 employee = .35 residents ÷ number of persons per household, 2.58). Once converted to an equivalent household the employees and the total households can be summed together.

The 2013 Proposed Fiscal Year Budget’s General Fund department level expenditures were used as the base inputs for determining the public service cost in the Analysis’ EDU model. Applicable General Fund department’s total expenditures were adjusted to subtract revenues generated for services and other revenue sources. A second adjustment was taken to the remaining expenditures by applying a discount rate of up to 35% for fixed cost.

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<sup>3</sup> 430 residential units if annexed to Santee (*Fiscal Impact Analysis for the City of San Diego*, updated November 14, 2012, prepared for Pardee Homes, by Leppert Engineering Corporation, page 1.)

The average cost of specific department's General Fund services per EDU were calculated from these two inputs. To determine the City's General Fund costs for providing public services to the Castlerock development, the average EDU costs were then multiplied by 422, which is the number of housing units proposed to be constructed at the Castlerock site. Please note several departments' expenditures were calculated based on direct cost variants. At the writing of this Memorandum, Development Services has determined the revised Analysis is incomplete; therefore, the City's reconciled cost calculations shown below may not be reflective of all cost for City public services to the Castlerock development under scenario (1) The No Annexation Scenario.

\$1004 EDU (average cost) × 422 (dwelling units)	=	\$ 423,644
Plus direct service cost listed below		
Environmental Services – collections	=	\$ 47,212
Park and Recreation	=	\$ 10,529
<u>Open Space</u>	=	<u>\$ 17,873</u>
<b>Total (as discussed above this total may not reflect all cost under scenario (1) The No Annexation Scenario).</b>		<b>\$ 499,257</b>

An average cost model is acceptable if there are no major personnel cost, infrastructure or other resource cost associated with providing services to a new development. However, one limitation of an average cost model is the methodology fails to incorporate variations in the costs of providing services over space. For example, residential development in an urban setting is likely to cost less in terms of government services than a new development several miles away from the nearest existing residential area (extension.unh.edu/CommDev/Pubs/FIA.pdf; [www.lincolinst.edu/...fiscal...of.../kotval-mullin-fiscal-impact.pdf](http://www.lincolinst.edu/...fiscal...of.../kotval-mullin-fiscal-impact.pdf)).

### **San Diego Fire Rescue Service Cost**

Fire Chief Mainar's review Memorandum of July 5, 2012 (Attachment 1) noted the incident per EDU average cost of \$1,6112.03 appeared appropriate. Fire Chief Mainar's review Memorandum stated,

The City of San Diego will be unable to provide an acceptable level of fire and EMS services to this proposed development without reliance on the Santee Fire Department to provide a first response unit under our existing automatic aid agreement. However, continued response by the Santee Fire Department cannot be assured by the City of San Diego. Therefore, San Diego Fire-Rescue would require the following additional resources in order to provide an acceptable level of emergency response to this proposed community.<sup>5</sup>

The additional resources and associated costs noted in the Fire Chief's July 5, 2012 Memorandum included the development and construction of a fire station, the purchase of a fire engine, additional staffing and ongoing operation cost. Furthermore, the Fire Chief stated,

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<sup>5</sup> Attachment 1 – 5 July 2012, J. Mainar, Fire Chief, City of San Diego Memorandum - Review of Fiscal Impact Services Analysis.

At present there are no identified funding sources for design/construction of this fire station, purchase of the fire engine, or payment of the ongoing staffing and operation/maintenance cost.<sup>6</sup>

Currently the revised Analysis states the City will provide all public services under scenario (1) The No Annexation. However, this conflict's with the Fire Chief's determination that the City cannot provide acceptable emergency services with existing resources. This finding is based on the larger policy question of what level of service must San Diego Fire-Rescue provide under scenario (1) The No Annexation Scenario.

Mr. Leppert letter of March 11, 2013, notes he used the Draft Environmental Impact Report ("DEIR") for the Castlerock project as his primary source document for the first Analysis. Furthermore, Mr. Leppert notes that the Public Facilities Section of the DEIR does not conclude a new fire station is required to support the Castlerock project. Mr. Leppert's Memorandum statements rely on the assumption that the Castlerock fire protection plan's recommended alternative mitigation measures support the position that San Diego-Fire Rescue response from the existing City fire stations is sufficient, albeit, such emergency response cannot be provided to the proposed Castlerock development within the City Council and County's acceptable response times for emergency services. Fire Marshall Douglas Perry's January 30, 2013 Memorandum<sup>7</sup> (Attachment 2) addresses Mr. Leppert's DEIR driven assumption that existing fire resources are sufficient under the Castlerock fire protection plan's alternative mitigation measures; specifically Fire Marshall Perry stated,

The fire protection plan has done all it can to address wildfire concerns and provides sound recommendations and mitigation options to offer some degree of protection to this development... However, the major concern with the plan being touted as an "equivalent" to protection that would be provided by timely emergency response is that no such equivalencies exist. Moreover, the proactive measurers being proposed can all accidentally or intentionally be compromised.<sup>8</sup>

While the work done by the developer to protect this planned community is admirable and should continue to be encouraged, the mitigation measures cannot make up for lack of the City's ability to provide timely response to the myriad types of emergencies that can occur. This can only be mitigated by the provision of fire and EMS resources to timely serve the development.<sup>9</sup>

In addition, Mr. Leppert's makes several assertions that are summarized in the bullet items below. Development Services informational responses are summarized after the relevant bulleted items.

- The San Diego Fire-Rescue Department currently provides services to the Sycamore Canyon Landfill and the proposed Quail Brush Power plant.

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<sup>6</sup> Ibid

<sup>7</sup> Attachment 2- 30 January, 2013, D. Perry Fire Marshal, City Memorandum- Review of Castlerock Development Fire Protection Plan, page 2.

<sup>8</sup> Ibid

<sup>9</sup> Ibid

Development Services believes it is important to note the Sycamore Canyon Landfill is reliant on a mutual-aid agreement with the Santee Fire-Department. The proposed Quail Brush Power Plan project is in negotiations with the City of Santee for a mutual-aid agreement for emergency services to this site. Neither, the Sycamore Canyon Landfill project or the proposed Quail Brush Power Plan includes residential development. Residential development will generate a much higher need for EMS than non-residential development. Please note most emergency service calls are for EMS and are not fire related.

- The San Carlos Fire Station #34 (the station closest to the Castlerock project) had 1,134 total calls in FY 2012, of which 38 were fire related. The DEIR estimated total calls per year are estimated to be 74, which represents only 6.5 percent of total call volume for this station.

Staff reviewing the revised Analysis is economic research staff. Economic research staff is not the appropriate Development Services staff to respond or verify Mr. Leppert's reference to the total calls per year estimated to be generated in the Castlerock DEIR and how this applies to the San Carlos Fire Station's percent of total call volume .

- The Development Services February 24, 2012 review Memorandum should have considered a long term automatic-aid agreement with the City of Santee under scenario (1) The No Annexation Scenario.

Thus far, the DEIR has precluded any conditions such as a long-term aid agreement. Furthermore, the Analysis submitted for review specifically stated all public services to the site would be provided by the City. If decision makers determine that Pardee must provide a long-term agreement mutual-aid agreement with the City of Santee and said agreement does not result in cost to the City, Development Services will complete a third review of the Analyses, provided Leppert changes scenario (1) The No Annexation Scenario description to recognize that the City is not responsible for providing emergency services to the Castlerock development.

However, Fire Marshall Perry's January 30, 2013 Memorandum, which reviewed the Castlerock fire protection plan must also be taken into consideration when evaluating scenario (1) The No Annexation Scenario and Mr. Leppert's "clarifying responses." In addition, , Fire Marshall Perry's January 30, 2013 Memorandum provides information on the City of Santee is willingness to enter into a mutual-aid agreement if Castlerock property is developed and remains within the City as noted in scenario (1) The No Annexation Scenario; Specifically, Fire Marshall Perry stated,

Despite the more generous response time goals, we remain unable to meet them due to lack of nearby fire and EMS resources. While the City of Santee has a fire station located in close proximity to this development, the Santee Fire Department has declined to provide automatic-aid emergency response to this property, should it be developed and remain within the City of San Diego.<sup>10</sup>

The fire protection plan does not address emergency medical response capability. Medical response comprises approximately 85 percent of our call volume. Our first responder units cannot meet the response time goal of 7 minutes and 30 seconds set by

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<sup>10</sup> Ibid

City Council or the 8 minutes required by the County. In addition, our ambulance cannot meet the 12 minute response time requirement set by the City and County.<sup>11</sup>

## Conclusion

Mr. Leppert is correct in his assertion that the East Elliot Community Plan notes that areas supporting future development should be annexed to the City of Santee. However, constructing the project under scenario (1) The No Annexation Scenario and then proceeding with detachment of the Castlerock area from the City under scenario (2) The Annexation Scenario requires that San Diego Fire-Rescue provide emergency services during the construction period. There is no current agreement, which assures the City that the City of Santee agrees to annex the Castlerock development upon completion of constructions. Furthermore, there is no way to determine if Padree will develop the entire site during a specific window of time or whether Padree will seek occupancy permits for any portion of the site before the Castlerock property has been detached from the City and annexed by the City of Santee.

As stated previously, scenario (1) The No Annexation Scenario, did not propose a long-term mutual aid agreement with the City of Santee to provide emergency services to the Castlerock development; this Scenario specifically stated that the City assumes the responsibility for all public services to the Castlerock development. Fire Marshall Perry's Memorandum, which is quoted above, states that the City of Santee will not provide automatic-aid emergency response to Castlerock should this project be developed and remain within the City.

As stated in the February 24, 2012 Development Services review Memorandum , we do agree with the Analysis' general findings that both scenarios, (1) The No Annexation Scenario, and (2) The Annexation Scenario, have a negative impact on the General Fund; namely, both scenarios' estimated City costs to provide public services to Castlerock are greater than the estimated revenues generated by this development on an annual basis. In addition, that scenario (1) The No Annexation Scenario has a much greater negative impact on the City's General Fund than (2) The Annexation Scenario.

Development Services also agree that scenario (2) The Annexation Scenario has a "nominal" cost to the City's General Fund on an annual basis, in today's dollars, of \$17,872 to maintain the open space. At the writing of this Memorandum; it is still unclear what resources and cost may impact the General Fund in order for the City to provide an acceptable level of emergency services to the Castlerock under scenario (1) The No Annexation Scenario; therefore, Development Services finds the revised analysis incomplete and does not agree with the revised Analysis stated conclusion,

Regardless of which Scenario is ultimately approved, approval of the Castlerock development would have a nominal fiscal impact to the City's General Fund, albeit a slightly less negative impact if the property were annexed to the City of Santee. City Staff, while using different numbers, came to this same conclusion. Based on the sheer size of the General Fund's annual budget, which is approximately \$1.15B, the cost of Castlerock represents less than 0.0026% of the entire budget.<sup>12</sup>

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<sup>11</sup> Ibid

<sup>12</sup> *Fiscal Impact Analysis for CastleRock for the City of San Diego* updated November 14, 2012, prepared for Pardee Homes, by Leppert Engineering Corporation, page 17.

Consider a hypothetical situation unrelated to the Castlerock project. If policy makers determined that the City must provide the resources to build a fire station, buy a fire engine, and staff and operate a fire station, or simply operate a new fire station, to support residential development in East Elliot, with no resources identified, such a decision would result in significant impact to the General Fund. Traditionally such cost would be supported by assessments of property owners that benefit from such services.

Should you have questions regarding the above, please feel free to contact me with any questions by phone at, 619-533-6339 or by email at [TDillon@sandiego.gov](mailto:TDillon@sandiego.gov).

### **Project Review of the Analysis Submitted**

Development Services also determined that the revenues and costs as shown in the revised Analysis required assumption and calculation adjustments. For our reconciliation of revenue and expenditure inputs for both scenarios (1) The No Annexation Scenario and (2) The Annexation Scenario, exclusive of any costs that may be determined to be required for additional San Diego Fire-Rescue resources see Attachment 3.<sup>13</sup>



Toni Dillon  
Economic Research Coordinator

TD

cc: Kelly Broughton, Director, Development Services  
Javier Mainar, Fire Chief, San Diego Fire-Rescue  
Tom Tomlinson, Deputy Director, Development Services, Facilities Financing  
Daniel Monroe, Senior Planner, Development Services, Advanced Planning and Engineering Division  
Russ Gibbon, Community Development Coordinator, Development Services, Business Growth Services  
Tait Galloway, Senior Planner, Development Services, Advanced Planning and Engineering Division

#### Attachments:

- 1 Attachment 1 – 5 July 2012, J. Mainar, Fire Chief, City of San Diego Memorandum - Review of Fiscal Impact Services Analysis
- 2 Attachment 2- 30 January, 2013, D. Perry Fire Marshal, City Memorandum- Review of Castlerock Development Fire Protection Plan
- 3 Project Review PTS # 10046, 12/21/12--- *Fiscal Impact Analysis for Castlerock*, prepared by the Leppert Engineering Corporation, for Pardee Homes – exclusive of the any additional cost of the San Diego Fire-Rescue resources

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<sup>13</sup> Attachment 3- 2<sup>nd</sup> Project Review PTS # 10046, 12/21/13--- *Fiscal Impact Analysis for Castlerock*, prepared by the Leppert Engineering Corporation, for Pardee Homes, updated November 14, 2012 – *exclusive of the cost of the San Diego Fire-Rescue*.





THE CITY OF SAN DIEGO  
M E M O R A N D U M

DATE: July 5, 2012  
TO: Jeannette Temple, Development Project Manager  
FROM: Javier Mainar, Fire Chief  
SUBJECT: Review of Fiscal Impact for Services Analysis - CastleRock Project

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Fire-Rescue staff has reviewed the Fiscal Impact Analysis for the proposed CastleRock project and have determined that the equivalent development unit (EDU) cost projections of the Fire-Rescue General Fund expenditures appear to be a reasonable approach to allocating costs. Based on a target number of 2010 fire incidents from the FY 2010 Annual Budget, the estimated ratio of 0.16 incidents per EDU at an average cost of \$1,612.03 per incident also appears appropriate.

The City of San Diego will be unable to provide acceptable levels of fire and EMS service to this proposed development without reliance on the Santee Fire Department to provide a first response unit under our existing automatic aid agreement. However, continued response by the Santee Fire Department cannot be assured by the City of San Diego. Therefore, San Diego Fire-Rescue would require the following additional resources in order to provide an acceptable level of emergency services to this proposed community:

- One (1) Fire Station
  - Minimum 33k square foot corner lot or 36k square foot center block lot to provide drive-through capability and secured crew parking and other onsite amenities (generator, fuel pump). Cost unknown.
  - 10,500 square feet fire station to accommodate three apparatus bays and eight crew dormitories
  - Estimated cost of the fire station construction is \$10.6 million @ \$750/square foot + 3 to 5% added every year for escalating cost + 15% construction contingency + \$30,000 permit fees , not including FF&E. Add \$300,000 for FF&E
- One (1) Fire Engine
  - Type 1 Triple Combination Pumper : \$798,400 (outfitted/equipped cost) in FY13 dollars with a 5% annual cost escalator
- Four (4) Person Daily Crew Staffing (12 total)
  - Estimated staffing, operating and maintenance costs are \$2.2 million annually

July 5, 2012  
CastleRock Project  
Page 2 of 2

At present, there are no identified funding sources for design/construction of this fire station, purchase of the fire engine, or payment of the ongoing staffing and operating/maintenance costs.

Please let me know if you need any additional information or clarification of the above.

A handwritten signature in blue ink that reads "J. Mainar". The signature is fluid and cursive, with a long horizontal stroke at the end.

Javier Mainar  
Fire Chief

Cc: Jay Goldstone, Chief Operating Officer



Attachment 2  
Jeanette Temple  
Castlerock PTS # 100046  
March 12, 2013

THE CITY OF SAN DIEGO

M E M O R A N D U M

DATE: January 30, 2013

TO: Javier Mainar, Fire Chief

FROM: Douglas Perry, Fire Marshal

SUBJECT: Review of Castlerock Development Fire Protection Plan

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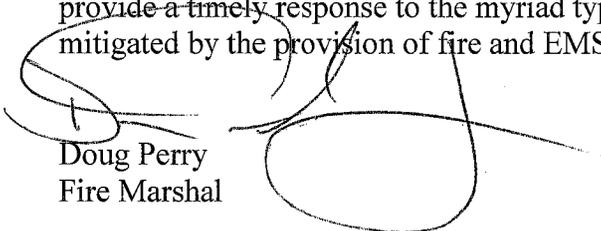
At your request, I have reviewed the Fire Protection Plan for the planned Castlerock development prepared by Firewise 2000, Inc. on May 17, 2012. There have been two revisions since that time, August 7, 2012 and October 29, 2012. My review is of the October 29, 2012 revision. I agree with the findings in the plan with only a few exceptions which I will list below:

- The fuel behavior modeling and brush management components are valid findings and I agree they would reduce the potential damage from wildfires. With our Fire Prevention Bureau's current staffing levels in the Brush Management Section, we could only inspect the Castlerock development once every three to four years to ensure compliance with brush management mitigation measures. A failure to maintain brush management mitigation measures would compromise the protection these measures afford. Consequently, there should be a provision written into the Homeowners' Association (HOA) agreement that requires annual brush management of the areas within 100 feet of the structures by the homeowners or the HOA.
- The fire protection plans calls for a fire flow of 2500 gallons per minute as a minimum flow for the area. This appears to be more than adequate and what is required by the code.
- There appears to be only one main public entrance/exit in to the Castlerock development. The main road is approximately 1 mile long (dead end). An emergency access road is also provided from the existing east development. The emergency access road will be paved and 26 feet wide. While this is adequate for emergency access, there is concern about how the road will be maintained, what is going to be used to limit everyday use of the road, and who will be responsible to keep the road in good working order. Instead of emergency access only, we would prefer to have the road dedicated as the secondary public access point and be used on a regular basis. This will assure that the road is maintained and accessible to emergency response units continuously. If it can only be designated for emergency access, we would request that a provision be written in to the HOA agreement requiring it to be maintained.

- The plan addresses the inclusion of residential sprinklers and certain building construction features to meet the California Building Code (CBC) standard 7A. It also incorporates central station monitoring of a fire alarm system. It is important to note that all new structures built within the wildfire very high fire hazard severity zone are required to have residential sprinklers and must meet CBC 7A. The recommendation of having the fire alarm system connected to a central station monitoring facility is above what the code requires. We would have no statutory authority to enforce this requirement once the homes have received their final inspection.
- When the fire protection plan was developed, our department's response time goals were 6 minutes for the first arriving unit and 10 minutes for arrival of the full first alarm (effective fire force). Since that time, the response time goals adopted by the City Council have been increased to 7 minutes and 30 seconds for the first arriving unit and 10 minutes and 30 seconds for the full first alarm. Despite the more generous response time goals, we remain unable to meet them due to the lack of nearby fire and EMS resources. While the City of Santee has a fire station located in close proximity to this development, the Santee Fire Department has declined to provide automatic-aid emergency response to this property, should it be developed and remain within the City of San Diego.
- The fire protection plan does not address emergency medical response capability. Medical response comprises approximately 85 percent of our call volume. Our first responder units cannot meet response the time goal of 7 minutes and 30 seconds set by the City Council or the 8 minutes required by the County. In addition, our ambulances cannot meet the 12 minutes response time requirement set by the City and County.

**Conclusion:** The fire protection plan has done all it can to address wildfire concerns and provides sound recommendations and mitigation options to offer some degree of protection to this development. The requirements for the homes being fully sprinklered; built to the CBC 7A standard; adherence to the brush management plan; provision of an adequate water supply (2500 gpm minimum); and the inclusion of fire access with one primary and one emergency access road will make the development safer from a wildfire than many of our existing communities. However, the major concern with the plan being touted as an "equivalent" to the protection that would be provided by timely emergency response is that no such equivalency exists. Moreover, the proactive measures being proposed can all be accidentally or intentionally compromised.

While the work done by the developer to protect this planned community is admirable and should continue to be encouraged, the mitigation measures cannot make up for the lack of the City's ability to provide a timely response to the myriad types of emergencies that can occur. This can only be mitigated by the provision of fire and EMS resources to timely serve the development.

  
Doug Perry  
Fire Marshal

**General Statement:** The City does not currently provide San Diego-Fire Rescue services to the area where Castlerock proposes to develop and cannot guarantee the City of Santee will continue to provide first response fire and EMS services to this area. We do not agree that the benefits for these San Diego Fire-Rescue resources should be assumed to be citywide and that the cost for these additional resources be assigned on an EDU basis to the entire City.

This Review includes our reconciliation of revenue and expenditure inputs for both scenarios (1) and (2), exclusive of the cost for additional San Diego Fire-Rescue resources. *Table 1: City of San Diego*, shown on page 4, summarizes and compares our reconciliation to the data presented in the updated Analysis.

- (1) **The No Annexation Scenario:** The estimated annual cost to the General Fund, net revenues generated, for such a development, in an area of the City where the existing Fire-Rescue resources could provide an acceptable level of service is \$60,897. At the writing of our Memorandum (2/24/13), this cannot be interpreted to be representative of the estimated annual cost to the General Fund for the Castlerock development. In addition, it cannot be inferred that the \$60,897 annual cost to the General Fund represents an estimated net fiscal impact to the City if an agreement is reached with the Santee Fire Department to provide fire and EMS services. To provide such services the City of Santee may require a tax sharing agreement with the City to recover any additional expenses incurred for such emergency services if Castlerock remains within the City's jurisdiction.
- (2) **The Annexation Scenario:** Based on the updated and reconciled Analysis, we concur with the finding that the Annexation Scenario results in much less annual expense to the City. We find the net fiscal impact, or annual expense to the City's General Fund (net revenues), in 2013 dollars, for maintaining the 94.7 acres of Open Space is \$17,873.

## TAX REVENUE GENERATED BY THE CASTLE ROCK PROJECT

The next section of this Review examines the tax revenue estimated to be generated by the development and use of the Castlerock site and our adjustments to reconcile these revenues. The most reliable estimates of revenues are those revenues that can be directly related to the type of development proposed. As Castlerock is a housing development the direct revenues are estimated property tax and an estimated property transfer tax. Limited equivalent dwelling unit (EDU) and per capita revenue estimates were accepted for this updated Analysis with some revisions. Acceptance of such indirect revenue sources for a development project is determined on a case-by-case basis.

**Property Tax:** Assuming that the estimated cost of the housing units is representative of market rates at the point of sale and the East Elliot Tax Rate Area (#08060) remains 13.626%, we agree that an estimated \$235,512 of potential property tax revenue will be generated by the development of the project.

**Real Property Transfer Tax:** The Analysis states that the estimated amount of annual Real Property Transfer Tax revenue generated, with an applied turnover rate of housing at 8% per year, is estimated to be \$8,186 for the Castlerock development. We agree with this estimate.

State Subvention Fees (per capita): We provided the dollar amount of the estimated State Subvention Fees revenue of \$19,635.

Other Potential Revenues: We made several adjustments to the revenue totals detailed in two tables in the updated Analysis. Our total reconciled amount for Adjustments 1 and 2 reduces the updated Analysis' revenues by \$ 7,583 (updated Analysis adjusted Tables are-- Table 5, page 10 and Table 20 page 22).

**Adjustment 1:** We found an addition error in the *Total Local Taxes* per EDU calculation summary line. The Analysis list the *Total Local Taxes* per EDU cost as \$127.63. Our corrected per EDU cost is \$117.23. An additional adjustment to the corrected EDU cost is discussed below under *Adjustment 2*.

**Adjustment 2:** We reduced the corrected per EDU cost of \$117.23 to \$109.66 per EDU. This resulted in the removal of the budget category identified as *Other Franchise Fees* shown in Table 20 of the Analysis. As *Other Franchise Fees* are not identified by type, we could not determine these fees would be generated by a housing development.

Total Potential Tax Revenue and Fees: There is also an addition error in the updated Analysis' *Table 5, Total Potential Revenue The No Annexation Scenario*. This Table shows the *Total Potential Tax Revenue* as \$437,758. However, if correctly summed the estimated *Total Potential Revenue* is \$445,944 (updated Analysis, November 14, 2012, Table 5, page 10). Regardless of this error, when we reconcile all adjustments to taxes and fee revenue sources, our finding is that the estimated Total Potential Tax Revenues generated by the Castlerock development is \$438,361.

Sales Tax Recurring Revenue: The *Errata - What If?* Section of the updated Analysis includes an estimate of \$55,676 of Sales Tax revenue assumed to be generated by the population of the Castlerock development. As requested this estimated Sales Tax was removed from the body of the updated Analysis. In addition, we have not included the estimated Sales Tax in our *Total Potential Tax Revenue*. The updated Analysis presented an argument that Sales Tax should be considered as a revenue source generated by the construction and use of the Castlerock development:

As discussed above, City Staff suggested that Sales Tax not be considered as a revenue source for this report. While this residential development may not result in a direct increase in the number of jobs for the City of San Diego, the overall growth in the City's population by over 1,000 people will increase the consumer base for both the City of San Diego and the City of Santee (updated Analysis November 14, 2012, prepared for Pardee Homes, by Leppert Engineering Corporation, page 26.)

We respond to the above statement by noting recent Census data indicates that the City's population changes are most influenced by the number of births and deaths in the City and not the number of persons moving into or out of the City. Development of new housing does not necessarily correlate directly to a per household population rate increase of new consumers. The Analysis provides no argument to support the conclusion that the consumers it references (over 1,000 people) are not already living and shopping elsewhere in the City, prior to residing in Castlerock. As such, we conclude that this is not a source of new potential tax revenue directly related to the Castlerock development to be considered in the net fiscal impact analysis.

## REVIEW PUBLIC SERVICE COSTS

This Review does not imply acceptance of the total cost for public services as shown in the updated Analysis. It was undertaken to show adjustments that are required to the information provided in the updated Analysis.

Adjustments to Service Delivery Cost: Our review of the costs represented in the Analysis reconciled several differences seen in Table 13's *Summary of Expenditures* (updated Analysis November 14, 2012, prepared for Pardee Homes, by Leppert Engineering Corporation, page 16).

**Adjustment 3:** The *Total Expenditures, per EDU* cost is incorrectly stated at \$946.24. The corrected cost total is \$1,001.13 per EDU. This adjustment in *Total Expenditures, per EDU* results in a higher Total EDU cost of \$15,567.58. With this adjustment we find the estimated *Total EDU Cost* for City services to the Castlerock development to be \$422,476.85. As some service costs are calculated separately, the aforementioned per EDU cost are not the only City service cost to be considered when determining the No Annexations Scenarios' net fiscal impact.

**Adjustment 4:** We have adjusted the estimated *of Environmental Services (solid waste), per customer* costs based on feedback from the Environmental Services Department. The EDU cost of \$110.57 does not take into account the cost of providing recycling and yard waste collection services to the 282 Castlerock households that will be reliant on the City to provide these services. The adjusted per EDU rate is \$167.42. This adjustment in *Environmental Services (solid waste), per customer cost*, results in a higher total EDU cost of \$16,317. With this adjustment we find the *Total Cost of Environmental Services* to be \$47,212.44.

**Adjustment 5:** The Analysis inadvertently did not include the per EDU \$2.76 cost for the *Office of Homeland Security*. When we included this City service cost the overall increase to the total City service delivery cost is \$1,165.

**Adjustment 6:** We have adjusted the *Open Space Cost, per Acre* based on feedback from the Park & Recreation Department. Specifically, we have lowered the estimated annual maintenance cost of open space per acre to \$188.73 from the updated Analysis' rate of \$193.46. This adjustment lowers the Annual Open Space Cost by \$448. With this adjustment we find the Annual open Space Cost to be \$17,872.73.

Fire-Rescue and Emergency Medical Services (EMS) Service Cost: This revised Analysis assumed that existing San Diego Fire-Rescue resources will allow the City to provide an acceptable level of emergency services to the Castlerock development; however, Fire Chief Mainar's July 5, 2012 Memorandum, does not support this assumption. Fire Chief's Memorandum states no source is identified for new resources.

Table 1: City of San Diego  
RECONCILIATION - OF REVISED REVENUES GENERATED AND COST FOR PUBLIC SERVICE  
CASTLEROCK PTS # 10046 2nd REVIEW

The Fiscal Impact Analysis for Castlerock, prepared by the Leppert Engineering Corporation (Leppert) for Pardee Homes (Pardee), updated November 14, 2012 proposed approval of two scenarios. Under scenario (1) The No Annexation - all services were assumed to be provided by the City of San Diego. Under scenario (2) The Annexation Scenario - all services to be provided City of Santee or Padre Municipal Water District. The City cannot support the updated Analysis' net fiscal impact conclusion, which states under the (1) The City's cost under scenario (1) The No Annexation Scenario are nominal. Table 1 includes our reconciliation of revenue and expenditure inputs for both scenarios (1) and (2), exclusive of any additional cost for San Diego Fire-Rescue resources. At this time this reconciliation should not be used to interpret the net fiscal impact to the City under scenarios the (1) The No-annexation Scenario as it may not be reflective of all cost to provide City services to the Castlerock development.

CITY DIRECT PROJECT REVENUES	For City's review of revenue and expenditure inputs		For Reference Only	
	City Adjusted per EDU rate are noted when applicable	City Adjusted Amount	Leppert Analysis per EDU rate noted	Leppert Analysis numbers
Property Tax Revenue		\$ 253,512		\$ 253,512
Property Transfer Tax		\$ 8,186		\$ 8,186
Property Tax In-Lieu of MVLF		\$ 110,751		\$ 110,751
State Subvention Fees (per capita)		\$ 19,635		\$ 19,635
<del>Other Potential Revenues</del>			<del>\$ 127.23</del> <sup>2</sup>	<del>\$ 53,860</del>
Franchise Fees (Cable TV & SDG&E)	\$ 109.66	\$ 46,277		
Sales Tax		Not applicable to CastleRock Project		<del>\$ 55,676</del> <sup>3</sup>
				<del>\$ 437,758</del>
<b>TOTAL TAX REVNUUE</b>				\$ 501,620 <sup>5</sup>
	\$ 109.66	\$ 438,361		
				\$ 501,620 <sup>5</sup>
CITY SERVICES DELIVERY COST	City's Independent Findings		For Reference Only	
	City Adjusted per EDU rate noted	City Adjusted Amount	Leppert Analysis per EDU rate noted	Leppert Analysis numbers
Administration	\$ 1.18	\$ 498	\$ 1.18	\$ 498
Business Office	\$ 0.67	\$ 281	\$ 0.67	\$ 281
City Attorney	\$ 21.79	\$ 9,194	\$ 21.79	\$ 9,194
City Auditor	\$ 2.04	\$ 861	\$ 2.04	\$ 861
City Clerk	\$ 2.68	\$ 1,132	\$ 2.68	\$ 1,132
City Comptroller	\$ 4.34	\$ 1,830	\$ 4.34	\$ 1,830
City Council	\$ 6.73	\$ 2,839	\$ 6.73	\$ 2,839
City Planning	\$ 3.75	\$ 1,581	\$ 3.75	\$ -
City Treasurer	\$ 10.57	\$ 4,460	\$ 10.57	\$ 4,460
Citywide Program Expenditures	\$ 44.50	\$ 18,778	\$ 44.50	\$ 18,778
Debt Management	\$ 0.93	\$ 394	\$ 0.93	\$ 394
Dept of Technology	\$ -	\$ -	\$ -	\$ -
Development Services	\$ 3.29	\$ 1,389	\$ 3.29	\$ 1,389
Disability Services	\$ 0.27	\$ 116	\$ 0.27	\$ 116
Economic Development	\$ 2.04	\$ 860	\$ 2.04	\$ 860
Environmental Services -collection services (282 edu customers)	EDU applies to specific number of customers	\$ 47,212		<del>\$ 31,184</del> <sup>8</sup>
Ethics Commission	\$ 0.53	\$ 223	\$ 0.53	\$ 223
Financial Management	\$ 2.38	\$ 1,006	\$ 2.38	\$ 1,006
Fire- Rescue estimate to provide reasonable emergency services to Castlerock.	unknown at this time	unknown at this time		<del>\$ -</del> <sup>9</sup>
Fire-Rescue Lifeguard	\$ 27.85	\$ 11,751	\$ 27.85	\$ 11,751
Fire-Rescue w/o Lifeguards	\$ 225.18	\$ 95,026	\$ 225.18	\$ 95,026
Human Resources	\$ 1.37	\$ 576	\$ 1.37	\$ 576
Library	\$ 59.40	\$ 25,066	\$ 59.40	\$ 25,066
Office of Homeland Security	\$ 2.76	\$ 1,165	<del>\$ -</del> <sup>9</sup>	<del>\$ -</del>
Office of the Assistant COO	\$ 0.18	\$ 76	\$ 0.18	\$ 76
Office of the Chief Financial Officer	\$ 0.48	\$ 203	\$ 0.48	\$ 203
Office of the COO	\$ 0.31	\$ 131	\$ 0.31	\$ 131
Office of the IBA	\$ 0.97	\$ 410	\$ 0.97	\$ 410
Office of the Mayor	\$ 2.74	\$ 1,157	\$ 2.74	\$ 1,157
Open Space		\$ 17,873		\$ 18,321
Park and Recreation		\$ 10,529		\$ 10,529
Personnel	\$ 3.69	\$ 1,558	\$ 3.69	\$ 1,558
Police	\$ 517.01	\$ 218,178	\$ 517.01	\$ 218,178
Public Utilities	\$ 0.41	\$ 173	\$ 0.41	\$ 173
Public Works - Engineering and Capital Projects	\$ 2.48	\$ 1,045	\$ 2.48	\$ 1,045
Public- Works- General Services (excluding Street Div	\$ 5.74	\$ 2,423	\$ 5.74	\$ 2,423
Purchasing & Contracting	\$ 1.52	\$ 643	\$ 1.52	\$ 643
Real Estate Assets	\$ 2.06	\$ 870	\$ 2.06	\$ 870
Transportation & Storm Water	\$ 42.07	\$ 17,752	\$ 42.07	\$ 17,752
<b>TOTAL CITY SERVICE DELIVERY COST</b>	\$ 1,004	\$ 499,257	\$ 1,001	\$ 422,479

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**Notes to Table 1: City Table -RECONCILIATION - OF REVISED REVENUES GENERATED AND COST FOR PUBLIC SERVICE**

- <sup>1</sup> For more information see Attachment 1 -- Memorandum from Fire Chief Javier Mairnar to Jeanette Temple, July 5, 2012
- <sup>2</sup> The City has adjusted the "Other Potential Revenue" source total EDUs to \$109.66 from \$127.23 to reflect the Franchise Fees. In addition, the City has changed name of this revenue source category to Franchise Fees. Applicable Franchise Fees were determined by the City to be cable TV and SDG&E franchise fee revenue estimates. Note the 127.23 reference in the Leppert Analysis' includes an addition error. Per reduction the corrected total was \$117.23.
- <sup>3</sup> The Sales Tax is shown in the Leppert Analysis' column it is not eligible revenue source for this net fiscal analysis; therefore, the \$55,676 estimated Sales Tax is not included in the City's revenue sources and is denoted by strikeout. This project has no new retail development and cannot traced back fiscal impacts to base economic sector employment; therefore, similar to "Transit Occupancy Tax" (TOT) revenue, "Sale Tax" revenue is not an applicable source revenue generation for the introduction of these new housing units.
- <sup>4</sup> After reviewing the Leppert Analysis and reconciling errors and completing adjustments the City's estimated "Total Potential Tax Revenue" for the No-annexation Scenario is \$438,361. The \$501,620 includes incorrect pre-adjusted estimates and estimated sales tax, which is not a reasonable revenue to attribute to housing only development.
- <sup>5</sup> The strikeouts noted in the Leppert Analysis' columns are to denote a revenue source that needed adjusted or
- <sup>7</sup> The Leppert Analysis sums Development Services and City Planning to one total per EDU cost; we have split these two General Fund budget revenue sources into two different categories. There is no difference in the per EDU total when split.
- <sup>8</sup> Adjusted amount based on feedback from the City's Environmental Services Department. The Leppert Analysis is under reports this cost.
- <sup>9</sup> The Leppert Analysis did not include a value in the expenditures for the Office of Homeland Security.
- <sup>10</sup> After reviewing the Leppert Report's and reconciling errors and completing adjustments the City's estimates "Total Delivery Cost for City Services" for the No-annexation Scenario is \$499,257.20
- <sup>11</sup> The strikeouts noted in the Leppert Analysis columns are to denote a City delivery cost sources that needed adjusted, removed or were not included; however, the sum total shown in this column does include all numbers even if denoted by a strikeout or were determined incorrect.