

DATE ISSUED: July 11, 2001

REPORT NO: 01-139

ATTENTION: Honorable Mayor and Members of the City Council
Docket of July 17, 2001

SUBJECT: Pond 20 and City of Imperial Beach Redevelopment Plan Amendment
No. 1 to The Palm Avenue/Commercial Redevelopment Project Area

REFERENCE: Manager's Report No. 00-137, dated July 12, 2000

SUMMARY

Issue - Should the City Council approve an ordinance transferring redevelopment authority in a specific portion (approximately one half of Pond 20 and approximately five (5) acres of residential, non-residential, and street area adjacent to Pond 20 along Palm Avenue) of the City of San Diego to the Imperial Beach Redevelopment Agency?

Manager's Recommendation - Approve the ordinance transferring redevelopment authority to the Imperial Beach Redevelopment Agency.

Other Recommendations - None.

Fiscal Impact - None at this time. However, if and when development of the specified portion of Pond 20 or redevelopment of any/all of the City of San Diego acreage occurs, then the tax increment generated from such development would flow to the Imperial Beach Redevelopment Agency for expenditure within the entire The Palm Avenue/Commercial Redevelopment Project Area (the "Plan", see Attachment No. 2). As no development is proposed for Pond 20, it is not possible to determine the exact amount of lost tax revenue. However, the City's share of property taxes, assuming no redevelopment project area, is 17.10 percent. If a City of San Diego redevelopment project area were created the City of San Diego's share of property taxes would be 17.10% of 25% of the property taxes paid from the first tier only, and 0% in the 2nd and 3rd tier. State Redevelopment Law dictates the distribution of tax dollars in adopted redevelopment project areas. The split is divided into three tiers, each tier having a different percentage and becoming effective at different times. The City of San Diego's share under a City of Imperial Beach redevelopment project area would be a percentage (based on the actual current percentage of assessed valuation) of each of the three tiers set in state law (25% for the 1st tier; 21% for the 2nd tier; and 14% for the 3rd tier). See Attachment No. 1 for details.

The proposed Plan includes a list of projects located within the City of San Diego which could become eligible for funding from tax increment funds if the redevelopment plan amendment is approved. However, funding of these projects, both dollar amounts and schedule, would be under the Imperial Beach Redevelopment Agency's discretion.

Environmental - The City of Imperial Beach has prepared and circulated an Environmental Impact Report for the proposed Redevelopment Plan. The City of San Diego's Environmental Analysis Section of the Development Services Department responded to the draft documents. Because the draft Redevelopment Plan Amendment No. 1 does not include any proposed changes to Pond 20 no environmental analysis was done. However, future environmental review would be required for any proposed uses.

BACKGROUND

The City of San Diego, the San Diego Unified Port District and the City of Imperial Beach entered into a Memorandum of Understanding on July 12, 2000, to consider including the Pond 20 site into a proposed redevelopment plan expansion for the City of Imperial Beach.

Pond 20 is a parcel of land of approximately 115 Industrial-zoned and Flood Way-zoned acres at the extreme south end of San Diego Bay. The Pond is located within the Otay Mesa-Nestor Community Planning area of the City of San Diego, and has a land use designation of Open Space with a Special Study Area overlay. The Pond property is owned by the San Diego Unified Port District and is the former location of salt mining operations of Western Salt Company. A portion of the site is immediately adjacent to Palm Avenue (SR 75), a widely used commercial strip that traverses both the City of San Diego and the City of Imperial Beach.

DISCUSSION

The City of Imperial Beach has prepared draft documents to expand their redevelopment project area to include approximately 63 acres of the southern portion of Pond 20 (the northerly half of Pond 20 was excluded because it is included in the San Diego Wildlife Refuge) and approximately 5 acres of residentially zoned, non-residentially zoned and street property located within the City of San Diego. Originally an additional 18 acres of residentially zoned land occupied by a trailer park was included in the draft documents. This trailer park has been noted in the documents to be removed from the plan.

Adopting the ordinance would transfer redevelopment authority to the Imperial Beach Redevelopment Agency for these properties. The amended redevelopment plan must be

consistent with the City of San Diego Progress Guide and General Plan (Otay Mesa-Nestor Community Plan). The Plan as proposed does not include any change in use for the properties located within the City of San Diego. Further, the Plan will include language that any proposed projects for properties located within the City of San Diego will be required to be in conformance with all applicable doctrines of the City of San Diego governing development in the proposed amended area, including the Otay Mesa-Nestor Community Plan, the San Diego Progress Guide and General Plan, the San Diego Zoning Ordinance, and the San Diego Municipal Code, all of which are incorporated by reference into the Plan. The amended Plan will not identify specific development proposals for these properties. Any future changes will require full analysis by the San Diego Planning Department and full environmental review in accordance with CEQA Guidelines.

The question of land use jurisdiction over Port District Property cannot be answered succinctly. The Port District's authority to have exclusive land management control is derived from State law, subject to oversight by the State Lands Commission. Neither the cities of Imperial and San Diego nor the Port District is proposing any change in State law as part of the proposal to amend the Palm Avenue/Commercial Redevelopment Plan. If the Port District proposes to develop the property consistent with Tidelands Trust restrictions, then the cities of Imperial Beach and San Diego would have no jurisdictional control over redevelopment of the site. If however, the Port District were to propose a type of re-use which is not consistent with permitted uses, or creates circumstances where the State has not vested exclusive land management authority with the Port District, then reuse of the site may need to be structured accordingly. If the Port District proposes to sell the property to a private developer or other public agency, the City of San Diego under that circumstance may have some permit issuing authority and jurisdictional control over the re-use of the site.

The Port District, as owner of the site, is responsible for any environmental remediation of hazardous materials and would be the lead agency for environmental studies and review for specific development proposals, in accordance with the MOU. The Port District is also responsible for the expense of preparing the studies and remediation actions that may result from such studies, as also identified in the MOU.

The City of San Diego would retain permit authority over the five acres of property adjacent to Pond 20 and proposed to be included in the Plan.

The purpose for including these properties within the City of Imperial Beach's Palm Avenue/Commercial Redevelopment Plan Amendment No. 1 is to allow the Imperial Beach Redevelopment Agency to utilize a variety of financing and implementation tools to promote redevelopment of the amendment area, in a manner consistent with the adopted community plan and general plan.

The proposed Preliminary Report identifies three projects within the City of San Diego for

3

potential funding from redevelopment tax increment funds (1) Palm Avenue/Saturn Boulevard traffic improvements, (2) Bayshore Bikeway and (3) Otay River Bike Path (see pages 71 and 72 in the Palm Avenue/Commercial Redevelopment Project Amendment No. 1 Preliminary Report for detail description of these projects). In addition to these improvements, the Otay Mesa-Nestor Community Plan specifically addresses Palm Avenue West area, and identifies issues, strategies and guidelines for the revitalization and improvement for the Palm Avenue West area. San Diego Planning Department has identified the following projects as recommended by the Otay Mesa-Nestor Community Plan for inclusion in the proposed Plan:

Reduce center median width for additional parking lanes to maximize on street parking, repair/replace curbs, gutters, and sidewalks along Palm Avenue to reduce number of curb cuts, consolidate proposed curb cuts and promote shared driveways and provide banners, street furniture and landscaping (especially a

variety of palm trees)
Provide landscaping and pop-outs at intersections, bus shelters to create a pedestrian friendly environment
Create a facade improvement program to assist in building repairs and upgrades, signage
Replace/add traffic signals/devises as needed along Palm Avenue
Replace water, sewer, storm drain facilities located within the City of San Diego as needed to support redevelopment of the Pond 20 and adjacent site

ALTERNATIVE

Do not adopt the ordinance transferring redevelopment authority to the Imperial Beach Redevelopment Agency. This alternative would not allow the City of Imperial Beach Redevelopment Agency to utilize potential redevelopment tools to assist with the redevelopment of these properties.

Respectively submitted,

Hank Cunningham
Director, Community and Economic
Development

Approved: Bruce Herring
Deputy City Manager

CUNNINGHAM/PKH

ATTACHMENTS: (1) Analysis of Tax Increment Distribution
(2) Report to City Council: The Palm Avenue/Commercial
Redevelopment Project, Amendment No. 1

ANALYSIS OF TAX INCREMENT FLOW OF POND 20
TO THE CITY OF SAN DIEGO

ALTERNATIVE (1) - No Redevelopment Plan

Currently there is no development on Pond 20 and it is owned by the Port District, therefore, there are no property or possessory interest taxes paid.

Assume a \$5,000,000 development on the property
1% of value equals \$50,000 per year taxes paid
City of San Diego has a tax rate of 17.01%, therefore, the City of San Diego's share of the property taxes would be **\$8,505** per year.

ALTERNATIVE (2) - San Diego Redevelopment Project Area

Assume a \$5,000,000 development on the property
1% of value equals \$50,000 per year taxes paid

TIER (1) (25% starting in year 1)

\$50,000 - taxes paid (year 1)

\$10,000 - housing set aside (20%)

\$40,000 - taxes available for TIER 1 distribution

\$10,000 - taxes to taxing agencies (25%)

\$30,000 - taxes to RDA

\$10,000 - housing set aside (20%)

\$40,000 - total taxes to RDA

\$10,000 - taxes to taxing agencies

\$ 1,701 - taxes to City of San Diego (17.01% of \$10,000)

\$ 8,299 - taxes split with other taxing agencies

TIER 2: (21% starting in year 11)

\$60,949 - taxes paid (year 11)

\$59,754 - taxes paid in year 10 - new adjusted base year

\$ 1,195 - taxes available for TIER 2 distribution

\$ 239 - housing set aside (20%)

\$ 956 - taxes to taxing agencies & RDA

\$ 200 - taxes to taxing agencies TIER 2 (21%)

\$ 756 - taxes to RDA TIER 2

\$ 200 - taxes to taxing agencies

\$ 0 - taxes to City of San Diego (0% of Tier 2)

TIER 3: (14% starting in year 31)

\$92,376 - taxes paid (year 31)

\$90,564 - taxes paid in year 30 - adjusted base year

\$ 1,812 - taxes available for taxing agencies

\$ 362 - housing set aside (20%)

\$ 1,450 - taxes to taxing agencies & RDA

\$ 203 - taxes to taxing agencies TIER 3 (14%)

\$ 1,247 - taxes to RDA TIER 3

\$ 203 - taxes to taxing agencies

\$ 0 - taxes from tier 3 to City of San Diego (0% of tier 3)

ALTERNATIVE (3) - Imperial Beach RDA

Assume a \$5,000,000 development on the property
1% of value equals \$50,000 per year taxes paid

TIER (1) (25% starting in year 1)

\$50,000 - taxes paid (year 1)

\$10,000 - housing set aside (20%)

\$40,000 - taxes available for TIER 1 distribution

\$10,000 - taxes to taxing agencies (25%)

\$30,000 - taxes to IBRDA

\$10,000 - housing set aside(20%)

\$40,000 - total taxes to IBRDA

\$10,000 - taxes to taxing agencies

\$ 21 - taxes to City of San Diego (.2199% of TIER 1)

\$ 9,979 - taxes split with other taxing agencies

Tier 2: (21% starting in year 11)

\$60,949 - taxes paid (year 15)

\$59,754 - taxes paid in year 10 - new adjusted base year

\$ 1,195 - taxes available for TIER 2 distribution

\$ 239 - housing set aside (20%)

\$ 956 - taxes to taxing agencies & IBRDA

\$ 200 - taxes available for TIER 2 (21%)

\$ 756 - taxes to IBRDA TIER 2

\$ 200 - taxes for distribution to taxing agencies

\$.62 taxes to City of San Diego (.31% of TIER 3)

TIER 3: (14% starting in year 31)

\$92,376 - taxes paid (year 31)

\$90,564 - taxes paid in year 30 - adjusted base year

\$ 1,812 - taxes available for TIER 3 distribution

\$ 362 - housing set aside (20%)

\$ 1,450 - taxes to taxing agencies & IBRDA

\$ 203 - taxes to taxing agencies TIER 3 (14%)

\$ 1,247 - taxes to IBRDA

\$ 203 - taxes to taxing agencies TIER 3

\$.60 taxes to City of San Diego (.31 % of TIER 3)

This table shows just the Pond 20 parcel and what percentages the City of San Diego would get from any development on the property under the three scenarios. In addition to the percentages shown, the City of San Diego would get .2199% (TIER 1) and .31% (TIER 2 & 3) of the entire redevelopment project area, including the parcels outside the city limit of the City of San Diego.

The consultant for the City of Imperial Beach has estimated that revenue to be \$302,191 over the 45 year life of the plan.