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TO: Supervisor Nora Vargas, Chairwoman  
Supervisor Terra Lawson-Remer, Vice Chair  
Supervisor Joel Anderson  
Supervisor Monica Montgomery Steppe  
Supervisor Jim Desmond

FROM: Jason Hemmens  
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## **UPDATE ON ENHANCED INFRASTRUCTURE FINANCING DISTRICT FOR THE SAN DIEGO RIVER PARK**

### **Board Direction**

On November 3, 2021 (6), the San Diego County Board of Supervisors (Board) directed the Department of Parks and Recreation (DPR) to conduct an analysis of potential long-term funding mechanisms for the San Diego River Park (SDRP) and to return with options and a recommendation for the Board's consideration. On September 14, 2022 (9), the Board directed DPR to:

1. Pursue formation of an Enhanced Infrastructure Financing District (EIFD) to be used for SDRP improvements,
2. Pursue the formation of a special district or Joint Powers Authority to fund ongoing operations and maintenance for the SDRP,
3. Seek a resolution of support from the City of San Diego (City) to partner with the County of San Diego (County) on the formation of an EIFD and if the commitment is secured, then return to the Board within 18 months as of when funding is identified, with the required steps to form the EIFD,
4. Contract the technical support required to form the EIFD,
5. Work with legislators to create specific funding opportunities for the SDRP,
6. Work towards creating a Memorandum of Understanding (MOU) with relevant agencies regarding homelessness, and
7. Explore options around funding sources to address homelessness in the San Diego region.

In light of the changing County landscape since the 2022 Board direction, this memo provides an update on actions that have been taken related to the EIFD since the Board's direction in September 2022, lays out the steps that would need to take place for the Board to formally

commit to establishing an EIFD for the SDRP, and discusses potential financial implications related to this EIFD.

### **Overview**

The County, in addition to other jurisdictions along the San Diego River and partner organizations, have been involved in ongoing regional efforts to preserve and enhance open space along the river. This open space enhancement, named the San Diego River Park (SDRP), would create a contiguous trail that would provide residents and visitors an opportunity to connect with this unique resource. Other opportunities and benefits that will result from implementing the SDRP include additional recreational amenities, increasing connectivity, habitat conservation, improved water quality, and restoration of the area. The vision of a contiguous trail system along the full length of the San Diego River has been in place for over 20 years and was first documented in the June 2002 SDRP Conceptual Plan which was funded by the San Diego River Park Foundation and the State of California Coastal Conservancy. To date, about 55 miles of the planned 130-mile SDRP trail has been built, and about 75 miles of the trail as well as other improvements remain to be implemented to fully realize the vision of the SDRP.

An EIFD is a long-term (up to 45-year) funding source that would set aside dedicated funding for identified projects. Instead of charging new taxes or tax increases for residents, businesses, or property owners, an EIFD uses a portion of future property tax increment to pay for the identified projects. An EIFD also does not affect tax revenue for educational agencies. The specific portion of future property tax increment that is allocated to the EIFD must be decided upon by the approving jurisdictional body, which for this SDRP project would be the Board and San Diego City Council. To form the EIFD, the Board and City Council would need to take final actions of approval, which would establish the percent of future property tax increment that is diverted to fund the SDRP project, boundary lines for the district, and eligible projects that would be funded by the EIFD.

### **Financial Implications of the EIFD**

While the EIFD is not a new property tax, if the SDRP EIFD is formed, a percentage of the future property tax increment would be diverted from the County and City general funds, which would have otherwise been used for other purposes.

County and City staff, working with the technical consultant, estimate that the anticipated total cost of implementing the vision of the SDRP would be approximately \$800 million to \$900 million. However, the County and City would have to allocate approximately \$1.22 billion up to \$1.77 billion of future property tax increment to the EIFD to cover project costs (\$800 to \$900 million) and interest costs (\$422 to \$870 million) related to bonds that would be issued. The County's portion of this range would require a commitment of between \$622 million to \$934 million, or approximately 0.81% - 1.22% of the County's anticipated future property tax increment of GPR. If the County approves the allocation of GPR for this EIFD, that future GPR would not be available to fund other County services or projects.

If the Board approves final formation actions for the EIFD, there would likely be additional staff, one time, and ongoing costs in future years required to formally establish and maintain the EIFD. Funding to support future continuation of the EIFD and implementation is not

included in the Fiscal Year (FY) 2024-25 Operational Plan and no funding source is identified. New costs associated with continuation and implementation of the EIFD may include one-time and ongoing resource needs such as staff and IT system improvements, beginning in the fiscal year identified. Requests for these resources may be submitted for future Operational Plans for each impacted department, pending availability of funding. Funding options may include the reallocation of existing resources from other programs when the costs cannot be covered by the funding provided by the EIFD.

The costs are yet to be defined for these ongoing resources but will be developed if the Board directs staff to move forward with the EIFD. Administrative costs are an allowable reimbursable expense through the EIFD (including staff costs), and it is therefore anticipated that the EIFD would offset most of the necessary operational costs. The one-time costs to continue with the formation of the EIFD are approximately \$400,000 for the metes and bounds, mailers and application to the Franchise Tax Board for the EIFD. These costs are not included in the FY 2024-25 Parks and Recreation Operational Plan and a funding source has not been identified. The Board and the County's Debt Advisory Committee would need to approve any future debt that is issued associated with the EIFD.

Staff would need Board direction to move forward with next steps to forming the EIFD with the City, which are outlined in greater detail in this memo. Although not directly related to the San Diego River Park EIFD, the City of San Diego and other local jurisdictions are working on potential development of other EIFDs related to the Midway Rising development project, the Naval Information Warfare Systems Command (NAVWAR) project, and the Seaport San Diego project. If implemented and if the County chooses to participate directly in these EIFDs, there could be an additional financial impact to the County.

### **Summary of County Efforts Since Board Direction**

Following the Board action taken on September 14, 2022 (9) related to the SDRP EIFD, on November 28, 2022, the City of San Diego passed a resolution to support exploring the San Diego River Park EIFD in partnership with the County of San Diego. The EIFD would be formed by both the County and the City, and funding would be used by both agencies to implement SDRP projects from the allocated tax increments. Following the Board's direction, the County began regularly meeting and coordinating with the City on development of the EIFD for the SDRP. In November 2023, DPR entered into a contract with a consultant, David Taussig and Associates, Inc. (DTA) to provide technical support on EIFD formation requirements. The contract with DTA also includes completion of an assessment of potential long-term funding mechanisms for ongoing operations and maintenance related to the SDRP. Additionally, County staff continue to work with State and federal Legislators, in conjunction with the Office of Economic Development and Government Affairs, to advocate for additional funding to be dedicated to the SDRP.

County staff have engaged in public and community outreach on the proposed EIFD for the SDRP since November 2021. Staff have established a County Engage San Diego website for the public to engage with the EIFD project and provide feedback at <https://engage.sandiegocounty.gov/san-diego-river-park-financing-district>, sent quarterly email updates to stakeholders, promoted the project through County and City social media channels, and held numerous meetings with members of the public, local businesses, and

agencies. County staff has engaged with multiple diverse stakeholder groups, such as businesses, recreational user groups, nonprofits, federal, regional, and local governments. Stakeholder feedback has been largely positive and supportive of overall efforts to realize the vision of the SDRP. Additionally, due to the technical complexities involved in forming and implementing an EIFD, there have been questions from stakeholders about how the EIFD would work once established, which County staff have addressed.

Additionally, with regard to the Board's direction related to creating a MOU with relevant agencies regarding homelessness, the MOU with East County Cities for Homelessness Services between the County and the cities of El Cajon, La Mesa, Lemon Grove, and Santee was put in place in 2022. This MOU includes a shared commitment to explore options around funding sources to address homelessness.

### **EIFD Overview**

As mentioned, an EIFD provides a long-term (maximum 45-year term) dedicated funding source for future projects in a designated area by setting aside future property tax increments. Funding from the EIFD has somewhat limited use for operations and maintenance purposes, as EIFD funds can only be used to operate and maintain infrastructure that was built using EIFD funding.

For the EIFD, a boundary must be set. This boundary establishes the area from which a portion of future property tax increment will be taken to fund the EIFD. For the SDRP EIFD, it is anticipated that the district area will be approximately half a mile on each side of the San Diego River. This buffer around the river has been considered as the likely district area since residents and businesses in and around the river corridor are anticipated to directly benefit from the amenities that are implemented with EIFD funding.

The EIFD must also establish a base tax year for assessed valuation; for the SDRP EIFD, the currently proposed base year is FY 2025-26. Should the Board provide direction to move forward with forming this EIFD, a portion of tax increment revenue collected from within the SDRP EIFD boundary would be diverted to a separate fund to exclusively fund the SDRP EIFD starting FY 2025-26. This revenue can be used to pay for pre-determined projects that are part of the SDRP such as land acquisitions or trail easements, habitat restoration, design and construction of trails, bridges, pocket parks, staging areas, and other amenities necessary to support the SDRP.

Additionally, bonds can be issued to fund SDRP-related projects, and future tax increment revenue in the EIFD can be used to pay back those bonds. An EIFD can have a term of up to 45 years after the first bond is issued for the District. For the SDRP EIFD, bonds could be issued once enough tax revenue has been generated, which staff expect would occur within 3-5 years of establishing the SDRP EIFD. This mechanism allows the County and the City to implement capital projects faster than the current practice of paying for them with existing general funds.

### **Required Process to Form the EIFD**

Establishing an EIFD is a technical process that is largely defined in State statute. Adopting a Resolution of Intention (ROI) is the first step required to establish the EIFD. If the Board adopts an ROI, staff will then evaluate technical components that will ultimately be included in the Infrastructure Financing Plan (IFP) for the EIFD. The IFP outlines the key technical details of the EIFD: the proposed tax increments that would be generated from the County and the City, boundary lines for the District, and eligible projects that would be funded by the EIFD. Because the IFP includes financial decisions related to the County and the City, both the Board and the City Council must approve the IFP before the EIFD is formed.

The California Government Code governs EIFDs and requires that a Public Financing Authority (PFA) be established at the same time the ROI is adopted. The PFA is responsible for major planning activities such as developing the IFP until the EIFD is formed. Once formed, the EIFD functions as a special financing district and is governed by the PFA. In this capacity, the PFA will meet and take actions as necessary to implement the IFP. While both the Board and City Council are responsible for approving the IFP and formation of the EIFD and PFA, implementing the IFP is the responsibility of the PFA. The PFA will adopt bylaws, rules, regulations, and procedures that outline implementation provisions; however, most PFAs typically hold an annual meeting to present an annual report and status update on activities for the EIFD. The PFA will also be responsible for issuing bonds to fund projects for the EIFD. The Board and Debt Advisory Committee would need to approve any debt that is issued associated with the EIFD.

The majority membership of any PFA must be comprised of members from the legislative bodies from the affected taxing entity or entities and include members from the community. Additionally, PFAs typically include an odd number of participants. After consulting with technical experts and benchmarking with other jurisdictions, staff is proposing the PFA for this EIFD be comprised of seven members: two members from the Board, two members from the City Council, and three members selected from the community. The Board would appoint all members to the PFA—including the members from City Council—and has discretion about criteria that should be used to select members from the community. Should the County move forward with the SDRP EIFD, San Diego City Council is likely to take a future action to recommend its specific members from City Council for membership on the PFA. After the Board approves the formation of the PFA and appoints the members, the PFA would be responsible for holding a series of public meetings necessary to develop the IFP (the technical components of the EIFD). Once the Board, the City Council, and the PFA approve the final IFP, all documentation will be filed with the State Board of Equalization to form the EIFD as a new District.

As directed by the Board, County staff will also continue to explore development of an additional funding mechanism beyond the EIFD to fund operations and maintenance (O&M) for the SDRP on a long-term basis beyond the 45-year period of the EIFD and to cover O&M costs that are not eligible to receive EIFD funding. Without an additional O&M funding mechanism, O&M costs not covered by the EIFD will continue to be borne by the County and the City.

County and City staff have worked together to prepare a MOU that outlines commitments among each agency necessary to establish the EIFD. The intent of the MOU is to solidify each agency's role in the EIFD and formalize the partnership between both agencies for the EIFD. If the SDRP EIFD moves forward, the Board will also be asked to approve this MOU.

In terms of the necessary steps for the Board to formally commit to establishing an EIFD for the SDRP, the table included within Attachment A outlines these steps and associated timeframes—all of which culminate in submitting the documents to the State Board of Equalization. The date when these documents are submitted establishes the tax year within which the EIFD will become effective. Once the Board takes the initial step to form the EIFD, the subsequent process takes about 12-15 months.

### **Next Steps**

The immediate next required steps to form the EIFD would be for the Board to: 1) Adopt a Resolution of Intention to form the EIFD; 2) Adopt a Resolution of Intention to establish the governing body for the EIFD (the PFA); and 3) Approve a Memorandum of Understanding with the City related to EIFD formation. If these actions are taken by the Board, staff would return with additional information on PFA membership criteria and appointment process to allow the Board to form the PFA. Once the PFA is formed, staff would then work on determining technical details related to the EIFD and would provide updates to ensure there is robust outreach and engagement around major decisions related to the EIFD. Additional final approval actions would then be required by both the Board and City Council to form the EIFD.

Staff is available to provide individual briefings if so desired by any Board offices. If any further assistance is needed or there are any additional questions, please contact me at (858) 966-1342 or [Jason.Hemmens@sdcounty.ca.gov](mailto:Jason.Hemmens@sdcounty.ca.gov).

Respectfully,



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### **ATTACHMENT(S)**

Attachment A – San Diego River Park EIFD Formation Process & Timeline