

**OTAY MESA ENHANCED INFRASTRUCTURE FINANCING DISTRICT  
PUBLIC FINANCING AUTHORITY  
Meeting of March 6, 2025**

**DATE ISSUED:** March 6, 2025

**SUBJECT:**

Otay Mesa Enhanced Infrastructure Financing District Budget for Fiscal Year 2026

**CONTACT/PHONE NUMBER:**

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**DESCRIPTIVE SUMMARY OF ITEM:**

This item includes the Fiscal Year (FY) 2026 Proposed Budget for the Otay Mesa Enhanced Infrastructure Financing District (District).

**STAFF RECOMMENDATION:**

Adopt a resolution approving the District's FY 2026 Budget.

**EXECUTIVE SUMMARY OF ITEM:**

The District's FY 2026 Proposed Budget is \$8,698,343. The budget is funded by \$8,385,614 in projected Tax Increment (TI) revenue and \$312,729 of fund balance from the prior year.

The proposed budget has operating, and Capital Improvement Project (CIP) expenditure components as follows:

<b>Budget Category</b>	<b>Fund</b>	<b>Description</b>	<b>Amount</b>
Operating	200803	<ul style="list-style-type: none"><li>• Staff services to the District</li><li>• Contractual services for independent financial audit</li><li>• Consultant costs related to bond issuance analysis</li><li>• Public noticing and County fees</li></ul>	<b>\$189,343</b>
CIP	400870	<ul style="list-style-type: none"><li>• Beyer Boulevard Extension</li><li>• Caliente Avenue Extension South</li><li>• Heritage Road/Otay Valley Road (Heritage Bridge)</li></ul>	<b>\$6,247,000</b> <b>\$262,000</b> <b>\$2,000,000</b>
		<b>Total Proposed Budget</b>	<b>\$8,698,343</b>

The proposed budget for FY 2026 includes an increase in operating costs of \$29,533 and an increase in CIP funding of \$790,835 over the FY 2025 budget.

Consistent with prior years \$100,000 in prior year fund balance has been set aside in the operating fund for any unanticipated loss in revenue.

### **Operating Budget**

The operating budget functions to reimburse the City for projected expenses of operational staff services to the District in accordance with the adopted Memorandum of Understanding (MOU) between City and District. The proposed operating budget of \$189,095 is based on estimated staff services that include operating and CIP budget development and monitoring; financial review, support and reporting for District operations; coordination with District consultants for potential bond authorization and issuance; monitoring of TI allocation and bonding capacity; as needed consultation with other asset owning departments and Authority counsel. Details of the proposed operating budget are provided in Attachment 1 to this report.

### **CIP Budget**

The CIP budget represents the District's investment in Otay Mesa public infrastructure projects. As noted in the MOU, the City and District acknowledge that all projects are City projects, and as such, will be prioritized by the City pursuant to Council Policy 800-14: Prioritizing Capital Improvement Program. The proposed FY 2026 CIP budget of \$8.51 million provides supplemental funding for three eligible projects with immediate funding needs: Beyer Boulevard (\$6,247,000), Caliente Avenue (\$262,000) Expansion projects; and Heritage Bridge (\$2,000,000). District funds are expected to be appropriated by the City to reimburse Tri Pointe Homes (Developer) for the project's design and construction costs related to Beyer Blvd and Caliente Ave pursuant to a reimbursement agreement to be executed in 2025 between City and Developer subject to City Council approval. District funds allocated for Heritage Bridge are expected to be appropriated by the City to contribute the City of San Diego's local funding share for the project pursuant to a contribution agreement to be executed between the City and the City of Chula Vista, subject to City Council approval.

### **Beyer Blvd and Caliente Ave Expansion Projects**

Beyer Boulevard and Caliente Avenue are located south of State Route 905 and east of Interstate 805 in Otay Mesa. Southwest Village is one of the City of San Diego's last remaining and largest undeveloped planning areas encompassing approximately 490 acres. The design and construction of these two roadways would allow ingress and egress for the development which will include a max of 5,130 attached and detached homes, with 10 percent being deed restricted affordable homes. The proposed development would also include a 175,000 square foot mixed use village core and public facilities, including necessary vehicular, pedestrian and bicycle infrastructure, a new elementary school site, parks, trails, natural open space and conserved habitat. The Developer is sponsoring preparation of the Southwest Village Specific Plan. The

Developer first submitted plans for the Southwest Village in September 2018 and hopes to present this development before the San Diego Planning Commission and San Diego City Council in fall 2025, with first home closings anticipated to occur in early 2027.

Access to the Specific Plan area will be facilitated via Caliente Ave to the north and from an extension of Beyer Blvd to the west. This will connect the Specific Plan area to the San Ysidro community. The Project includes construction of a two-lane Beyer Blvd extension which was reduced from a four-lane road (identified in the adopted Otay Mesa Community Plan) to reduce impacts in areas currently designated as mitigation banks. The overall cost for the Beyer Boulevard extension is estimated at \$51.1 million, while the Caliente Avenue extension is estimated at \$7.3 million. These costs include the planning, design, and construction of the roadways. Continued future funding is expected from District revenues and proceeds of future District bond issuances.

### **Heritage Bridge**

The Heritage Bridge project is identified in the Otay Mesa Public Facilities Financing Plan (PFFP) as a critical infrastructure improvement necessary to enhance regional connectivity and accommodate projected growth. Initially, the City of San Diego and the City of Chula Vista planned to split the local funding contribution required to supplement the federal grant awarded through the Highway Bridge Program (HBP). However, the awarded grant amount was lower than anticipated, necessitating an adjustment in the project cost estimate. As a result, the City of San Diego's contribution will be \$2 million, while the City of Chula Vista is expected to fund approximately \$16 million of the remaining local share. The City is prioritizing funding the \$2 million contribution as soon as possible and intends to make a one-time payment to the City of Chula Vista within this fiscal year. To facilitate this funding transfer, the City is working to enter into a contribution agreement with the City of Chula Vista, which will be presented to the City Council for approval in the coming months.

The project scope includes the replacement of the existing bridge over the Otay River with a new six-lane structure incorporating buffered bike lanes, sidewalks, roadway lighting, and pedestrian railings. In addition to bridge construction, Heritage Road will be realigned and widened between Main Street and Entertainment Circle North to enhance safety and mobility. The project will also include environmental mitigation measures, utility relocations, and signalization improvements. The construction contract was awarded in late 2024, with completion expected in spring 2027.

### **ENVIRONMENTAL IMPACT:**

Approval of the District's FY 2026 Budget with regard to the proposed allocation of funds to Beyer Blvd and Caliente Ave. South has been reviewed for consistency with and is adequately addressed in the Final Program Environmental Impact Report (PEIR) prepared for the Otay Mesa Community Plan Update (Project Nos. 30330 and 304032/SCH No. 2004651076) which was certified by the San Diego City Council on

March 25, 2014 (Resolution R-308809). The extension of Beyer Boulevard and Caliente Avenue were included in the Mobility Element of the Otay Mesa Community Plan Update; therefore, the allocation of funds towards these CIP projects and towards the District's operating expenses is a subsequent discretionary action and is not considered to be a separate project for the purposes of CEQA review pursuant to CEQA Guidelines Sections 15378(c) and 15060(c)(3). Pursuant to Public Resources Code Section 21166 and CEQA Guidelines Section 15162, there is no change in circumstance, additional information, or project changes to warrant additional environmental review for this action. Furthermore, the Southwest Village Specific Plan is preparing a Supplemental Environmental Impact Report (SEIR) to the Final PEIR for the Otay Mesa Community Plan Update, which will also address environmental impacts from the construction of these facilities.

For the Heritage Bridge project, the proposed allocation of CIP funds in the District's FY 2026 Budget is not a "project" pursuant to the California Environmental Quality Act (CEQA) Guidelines Section 15378(b)(4) as it is a government fiscal activity which does not involve any commitment to any new, specific project which may result in a potentially significant physical impact on the environment. Thus, this activity is not subject to CEQA pursuant to CEQA Guidelines Section 15060(c)(3). The appropriation and expenditure of these funds are fiscal activities that will not result in the commitment to any new, specific project that may cause a physical change in the environment, as the Heritage Road Bridge Replacement Project (SCH No. 2017021078) has received previous approvals which were reviewed under CEQA. This budgetary action does not change the scope of this project, so there is no potential for new environmental impacts which would need further evaluation under CEQA.

**CONCLUSION:**

It is recommended that the Authority adopt the resolution approving the District's FY 2026 Proposed Budget.

Attachment: Otay Mesa EIFD Fiscal Year 2026 Proposed Budget