



# COUNTY OF SAN DIEGO

## LAND USE AGENDA ITEM

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**DATE:** October 9, 2024

**03**

**TO:** Board of Supervisors  
Flood Control Board of Directors

**SUBJECT:**

**RESOLUTION AUTHORIZING A SERVICE TAX JOINT AGREEMENT WITH THE CSCDA TO CONDUCT MAINTENANCE ONLY CFD FORMATIONS ON BEHALF OF THE COUNTY OF SAN DIEGO AND ASSOCIATED CEQA FINDINGS (DISTRICTS: ALL)**

**OVERVIEW**

The County of San Diego (County) has the authority to issue tax-exempt bonds to fund public and private infrastructure projects by establishing Assessment Districts (AD) or Community Facility Districts (CFD). Private developers typically use such bonds to finance the construction of new infrastructure, and the districts to fund ongoing maintenance of public facilities such as parks, roads, and stormwater improvements. Future property owners in the district repay the bonds issued over time and/or continue to pay a special tax to fund ongoing infrastructure maintenance by the County. Today's proposal would authorize the County of San Diego to participate in an innovative new program that establishes maintenance only CFDs, which can be used voluntarily to enhance housing development feasibility and guarantee the inclusion of amenities that improve residents' quality of life.

The Mello-Roos Community Facilities Act of 1982 guides the creation of a CFD in California. This act requires a two-thirds vote from residents or landowners to form a CFD. Developers typically pay the County to manage this process, ensuring full cost recovery for staff and administrative expenses as outlined in Board Policies I-136 and B-29. While the County does have its own processes in place to establish ADs and CFDs, there are other alternatives offered through the California Statewide Communities Development Authority (CSCDA), which reduce administrative time and costs for the County; realize shorter times frames for the formation and management of ADs and CFDs; and often is preferred by developers because it allows for projects to satisfy conditions of approval and begin construction more quickly. Forming CFDs with CSCDA can decrease development costs and the time it takes to complete subdivision processes, ultimately helping the County achieve its housing goals.

The County has been a member of CSCDA since August 13, 1991, which offers local governments alternative tools for financing public benefit projects. The County has further enhanced its membership with CSCDA by participating in its Statewide Community Infrastructure Program

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(SCIP) that was launched in 2020, which allows developers to finance public improvements and pay impact fees through tax-exempt bonds issued in an AD or CFD.

Maintenance Only CFDs allow for the levy of a special tax to fund ongoing maintenance of public infrastructure and services, independent of the pooled bond financing (debt issuance) offered by the SCIP program. Since Maintenance Only CFDs do not involve debt issuance, they fall outside the SCIP scope, requiring developers to fund County staff to facilitate the formation process. To mitigate this, County staff engaged with CSCDA to consider a new Joint Agreement (JA) that would authorize CSCDA to manage the formation of Maintenance Only CFDs on behalf of the County, streamlining the process and reducing costs.

Today's request seeks to adopt a new resolution authorizing CSCDA to form Maintenance Only CFDs on behalf of the County and the County Flood Control District. This new resolution would extend the County's collaboration with CSCDA beyond the SCIP program, which will reduce administrative cost for the County and allow subdivision developers to satisfy conditions of approval and begin construction more quickly. If approved, the County would become the second and largest jurisdiction in the state to implement this innovative and mutually beneficial arrangement, ensuring continued funding for public infrastructure maintenance.

Today's request is 1) for the Board of Supervisors to adopt a resolution, make CEQA findings and authorize steps necessary for a Joint Agreement (JA) with CSCDA allowing the formation of Maintenance Only CFDs, and 2) for the Board, acting as the Flood Control District Board of Directors, adopt a resolution, make CEQA findings and authorize steps necessary for a JA with CSCDA allowing the formation of Maintenance Only CFDs.

**RECOMMENDATION(S)  
CHIEF ADMINISTRATIVE OFFICER**

Acting as the County of San Diego Board of Supervisors

1. Find, pursuant to Section 15061 (b)(3) of the California Environmental Quality Act Guidelines (CEQA), that actions to adopt a new resolution authorizing the California Statewide Communities Development Authority to form Maintenance Only Community Facility Districts on behalf of the County of San Diego are exempt from CEQA since it can be seen with certainty there is no possibility that it will have a significant effect on the environment.
2. Adopt a Resolution entitled **A RESOLUTION OF THE COUNTY OF SAN DIEGO BOARD OF SUPERVISORS AUTHORIZING AND EMBODYING A JOINT AGREEMENT TO FUND SERVICES WITH THE CALIFORNIA STATEWIDE COMMUNITIES DEVELOPMENT AUTHORITY AND AUTHORIZING THE CALIFORNIA STATEWIDE COMMUNITIES DEVELOPMENT AUTHORITY TO ACCEPT APPLICATIONS FROM PROPERTY OWNERS, CONDUCT PROCEEDINGS TO FORM COMMUNITY FACILITIES DISTRICTS FROM TIME TO**

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TIME TO FUND PUBLIC SERVICES NECESSARY TO SERVE NEW DEVELOPMENT; AND AUTHORIZING RELATED ACTIONS.

Acting as the Flood Control District Board of Directors:

1. Find, pursuant to Section 15061 (b)(3) of the California Environmental Quality Act Guidelines (CEQA), that actions to adopt a new resolution authorizing the California Statewide Communities Development Authority to form Maintenance Only CFDs on behalf of the County Flood Control District are exempt from CEQA since it can be seen with certainty there is no possibility that it will have a significant effect on the environment.
2. Adopt a Resolution entitled A RESOLUTION OF THE SAN DIEGO COUNTY FLOOD CONTROL DISTRICT BOARD OF DIRECTORS AUTHORIZING AND EMBODYING A JOINT AGREEMENT TO FUND SERVICES WITH THE CALIFORNIA STATEWIDE COMMUNITIES DEVELOPMENT AUTHORITY AND AUTHORIZING THE CALIFORNIA STATEWIDE COMMUNITIES DEVELOPMENT AUTHORITY TO ACCEPT APPLICATIONS FROM PROPERTY OWNERS, CONDUCT PROCEEDINGS TO FORM COMMUNITY FACILITIES DISTRICTS FROM TIME TO TIME TO FUND PUBLIC SERVICES NECESSARY TO SERVE NEW DEVELOPMENT; AND AUTHORIZING RELATED ACTIONS.

**EQUITY IMPACT STATEMENT**

The opportunity for developers to use the California Statewide Communities Development Authority (CSCDA) can result in establishing new Community Facilities Districts (CFD) which can allow developers' projects to satisfy conditions of approval and begin construction more quickly. This would provide more housing projects in San Diego County's unincorporated areas, helping to meet the region's housing goals. Residential Maintenance Only CFDs project developed through a Joint Agreement with CSCDA will promote new communities with desirable and well-maintained amenities such as parks, trails, and open space, making them more appealing and attainable for homebuyers. Having another avenue to establish Maintenance Only CFDs available through the CSCDA helps the County achieve its housing goals and makes purchasing homes in new, high-amenity communities more accessible for new homeowners.

**SUSTAINABILITY IMPACT STATEMENT**

Expanding the County's agreement with the California Statewide Communities Development Authority (CSCDA) through a Joint Agreement (JA) will allow for the formation of Maintenance Only Community Facilities Districts (CFDs) and can enhance sustainable land use planning by reducing environmental impacts and promoting individual wellbeing. The County's ability to offer the full suite of CSCDA's Statewide Community Infrastructure Program (SCIP) and this JA for the formation of Maintenance Only CFDs will encourage the development of new residential communities with nearby public services such as parks, trail/trail heads, schools, libraries, transit centers, and police/fire stations. This proximity to essential services will reduce the need for vehicle travel, thereby reducing greenhouse gas (GHG) emissions. Furthermore, assessment districts and CFDs developed by CSCDA will support the inclusion of recreational areas, such as

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parks, trails, and open spaces, providing easy access to outdoor recreation and nature, thereby enhancing the health and wellbeing of residents.

**FISCAL IMPACT**

There is no fiscal impact associated with today’s recommendation. It is anticipated that costs and time associated with processing Assessment District (AD) and Community Facility Districts (CFD) through the California Statewide Communities Development Authority (CSCDA) Statewide Community Infrastructure Program (SCIP) and Joint Agreement will be negligible as the CSCDA will have primary responsibility for the formation, administration, and issuance of bonds, subject to approval of affected property owners. Developers/applicants will be responsible for all County of San Diego staff costs through developer deposit accounts established pursuant to County of San Diego ordinances and as a condition of project approval. There will be no change in net General Fund cost and no additional staff years.

**BUSINESS IMPACT STATEMENT**

Collaboration with the CSCDA through a new Joint Agreement to form Maintenance Only Community Facilities Districts (CFD) may reduce costs for individual developers and future residents as costs associated with the formation and administration of Maintenance Only CFDs are reduced. The formation of Maintenance Only CFDs assists in providing for well-maintained community amenities and infrastructure improvements, such as recreational centers, parks, schools, roads, trails, and sanitation systems.

**ADVISORY BOARD STATEMENT**

The Debt Advisory Committee (DAC), established by the Chief Administrative Officer of the County of San Diego (County), reviews and evaluates financial obligations involving the County or its subordinate agencies. On July 24, 2024, the “County/California Statewide Communities Development Authority (CSCDA) Service Tax Joint Agreement” was presented to the DAC at its regular meeting. The DAC approved the proposed agreement for the County Board of Supervisors’ consideration. This agreement would allow CSCDA to form Maintenance Only Community Facilities Districts (CFDs) on behalf of the County.

**BACKGROUND**

Projects that builders and homeowners cannot undertake “by right,” but may be approved by the Planning & Development Services (PDS) Director, the Zoning Administrator, the Planning Commission, or the Board of Supervisors if the projects meet certain conditions, are known as discretionary projects. Subdividing land is typically considered a discretionary project, and tentative approvals to subdivide require certain conditions to be met before new parcels can be created. These projects often need new public infrastructure, services, or maintenance arrangements to be setup. To satisfy conditions requiring such infrastructure and services, arrangements must be made to finance the infrastructure construction, or an ongoing revenue stream established to perpetually fund infrastructure maintenance.

Private developers can use tax-exempt bonds issued through an Assessment District (AD) or Community Facility District (CFD) to fund the construction of public facilities such as parks,

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roads, and stormwater improvements, pay fees to special districts, and/or to raise funds to perpetually maintain infrastructure. Formation of such districts, or other perpetual funding mechanisms such as an endowment by landowners is often a condition of approval and a key step toward completing a land subdivision process. Establishing such districts must be approved by a majority of property owners, although a developer who owns the land before it is subdivided may cast the sole vote in favor of an AD or CFD formation. Once lots are sold and construction is completed, owners in the subdivision repay the bonds issued over time and/or continue to pay a special tax to fund ongoing infrastructure maintenance by the County.

*Assessment District (AD)*

ADs generally are used to fund impact fees and financing for public infrastructure such as streets, sidewalks, lighting infrastructure, and are limited to County owned facilities, (i.e., public infrastructure) and then are paid back over time by property owners in the district. Constructing new public infrastructure may be a condition of approval for a subdivision, and the formation of a special tax district may be necessary to satisfy the condition, one of the many steps to complete a subdivision process. ADs are formed with the property owner's approval under the Municipal Improvement Act of 1913, Streets & Highways Code § 10000, et seq. (1913 Act).

*Community Facilities District (CFD)*

CFDs are also formed with property owners' approval but under a different authority than ADs. The 1982 Mello-Roos Act guides CFD formation. CFDs are special tax districts formed to provide residents within these districts the benefits of public infrastructure improvements and services within their community. Within CFD special tax districts, levied assessments (or special taxes) are used to fund infrastructure improvements, fees and/or services. ADs and CFDs also differ in terms of the type of infrastructure and services that may be included and paid for through levied taxes. CFDs can include all AD infrastructure types but also allow for infrastructure from other local agencies like the facilities for school districts, water districts, and fire districts. Facilities for privately owned, publicly regulated utilities may also be financed. The ability to include infrastructure maintained by or services provided by other agencies or utilities distinguishes CFDs from ADs. This is particularly beneficial in the case of subdivisions that may require as a condition of approval new infrastructure involving a special district, such as the provision of a new water service line from a local water district. A CFD can fund a new water line's construction and ongoing maintenance. This broader scope often makes CFDs more versatile and favorable for new development compared to ADs that are limited in scope.

*Maintenance Only CFD*

While subdividing land, in some cases, a developer may form a CFD without issuing tax-exempt bonds solely to fund the perpetual maintenance of facilities and infrastructure. Maintenance Only CFDs can offer greater flexibility, making them a more attractive option for new development. Compared to CFDs with a bonding component, a Maintenance Only CFD provides the flexibility to fund services for other special districts without issuing debt to build infrastructure. This can benefit homeowners with lower tax rates overall, reduce the costs of building new subdivisions where supporting infrastructure already exists, and improve the affordability of new housing.

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Various districts have been formed by the County associated with new private developments including ADs, CFDs, and Maintenance-Only CFDs. These tools have been utilized to finance new public infrastructure, fund impact fees related to parks, sewer, and infrastructure improvements, and to fund ongoing operation and maintenance of public facilities, including public trails, a public park, and stormwater drainage and treatment facilities. Since 2008, 15 CFDs for infrastructure financing and maintenance have been established across 7 private development projects in the unincorporated area. Since 2019, 3 ADs have been created in the unincorporated area associated with new private development.

*California Statewide Communities Development Authority (CSCDA)*

CSCDA was created in 1988 under California's Joint Exercise of Powers Act by and for local governments in California and is sponsored by the California State Association of Counties and the League of California Cities. CSCDA provides California's local governments with tools for the timely financing of community-based public benefit projects, including AD and CFD formations on behalf of cities and counties. The County of San Diego (County) has been a member of CSCDA since August 13, 1991 (52). Among these tools, CSCDA administers the Statewide Community Infrastructure Program (SCIP), enabling developers to pay most impact fees and finance public improvements through an acquisition agreement, which outlines the terms and conditions governing the acquisition of completed improvements, if they qualify under the 1913/1915 Act (excluding school fees) via tax-exempt bond issuance proceeds. The Assessment Act (Municipal Improvement Act of 1913) and the Assessment Bond Act (Improvement Act of 1915) are the statutes that authorize CSCDA to levy special assessments and issue improvement bonds.

On September 25, 2019 (09), the County Board of Supervisors (Board) adopted Resolution 19-158 to authorize the County to participate in the CSCDA SCIP program. This resolution, under a Joint Powers Authority (JPA) agreement, gave CSCDA the authority to form ADs to finance fees and infrastructure on behalf of the County of San Diego and the County Flood Control District. In September 2020, CSCDA extended SCIP program financing options to include CFDs. To participate in this newer financing program for CFDs, which allows for more fee types, more facility types, and the inclusion of ongoing maintenance fees into the bond financing, the County amended Resolution 19-158 on May 24, 2023 (08). The CSCDA program has assisted communities and developers throughout California in financing over \$1 billion in impact fees and public infrastructure since 2003. In the unincorporated to date, four privately initiated projects have used the SCIP process: three in the south County Region (District 2) and one in the north County Region (District 5).

*CSCDA AD and CFD Formation Benefits*

Many developers in California rely on CSCDA programs for new development because they provide access to low-cost, tax-exempt capital for public improvements. This financing can increase developers' interest in building new residential developments in the unincorporated County, potentially increasing housing inventory in the region. The CSCDA SCIP program provides developers with low-cost, long-term financing for required impact fees and public improvements, allowing projects to satisfy conditions and begin construction more quickly. This

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program can also benefit homebuyers by making it more affordable to purchase homes in new neighborhoods with growing property value potential and appealing amenities like parks or new schools.

Using CSCDA to form ADs or CFDs offers several benefits for the County of San Diego. CSCDA assumes the responsibility of forming these districts, reducing the involvement of County staff, and freeing up department resources. Additionally, CSCDA manages bond issuance and post-bond issuance activities. Using this process streamlines AD and CFD formation processes, enabling developers to expedite district formation and access lower-cost financing more quickly. Other benefits are realized when forming ADs and CFDs, including supporting broader County goals and Board direction. For example, ADs and CFDs allow local governments, like the County, to generate revenue for specific infrastructure projects or services that support housing development, such as roads, utilities, parks, and schools. These improvements can help make communities more attractive for new housing development, including affordable housing projects. By financing public amenities, ADs, and CFD ensure that new housing developments are better supported, contributing to sustainable growth – thus addressing the County’s housing and climate goals.

*CSCDA Maintenance Only CFD Formation*

Since no debt is being issued, Maintenance Only CFDs fall outside the scope of CSCDA’s SCIP and are ineligible, requiring developers to fund County staff to administer the formation process. To explore more efficient alternatives, County staff engaged with CSCDA in early 2023 to consider a potential new Joint Agreement (JA) separate from the SCIP JPA agreement. This new JA would authorize CSCDA to accept applications from property owners and conduct proceedings to form Maintenance Only CFDs.

After discussions with CSCDA and internal County stakeholders, County staff introduced the possibility of CSCDA forming Maintenance Only CFDs to local developers. Developers with tentatively approved maps expressed support for this option. Through ongoing engagement with the land development industry, the developer team behind the Ocean Breeze Ranch project approached County staff to offer financial support for this privately initiated effort to bring the Joint Agreement (JA) before the Board for consideration. The CSCDA route, compared to the County’s formation process, was identified as the more cost-effective option for developers. On July 24, 2024, the “County/California Statewide Communities Development Authority (CSCDA) Service Tax Joint Agreement” was presented to the DAC at its regular meeting, where it received approval for the County Board of Supervisors’ consideration.

Today’s action does not amend the County’s existing CSCDA SCIP Resolution 19-158. Instead, by adopting a new resolution, it authorizes the CSCDA to form Maintenance Only CFDs on behalf of the County and County Flood Control District. This new resolution would extend the County’s collaboration with CSCDA beyond the SCIP program, allowing for the levy of special taxes to fund ongoing maintenance of public infrastructure and services. The proposed resolution would complement, not supersede, Resolution 19-158. If approved, the County would become the second and largest jurisdiction in the state to implement this innovative, mutually beneficial arrangement with the CSCDA. The adoption of this resolution would reduce both the time and cost for

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developers and the County staff time required for CFD formation processes, ultimately benefiting homebuyers while ensuring ongoing funding for infrastructure maintenance.

**ENVIRONMENTAL STATEMENT**

Today's action seek approval to change the arrangement between the County and the California Statewide Community Development Authority (CSCDA) to form Maintenance Only Community Facility Districts is exempt from the California Environmental Quality Act (CEQA). Today's action is the approval of a funding mechanism without a commitment to any specific project. In accordance with Section 15061 (b)(3) of the CEQA Guidelines, it can be seen with certainty there is no possibility the activity in question may have a significant effect on the environment.

**LINKAGE TO THE COUNTY OF SAN DIEGO STRATEGIC PLAN**

Today's proposed action supports the Strategic Initiatives of Equity, Empower, and Community in the County of San Diego's (County) 2023-2028 Strategic Plan with objectives to foster an environment where residents engage in recreational interests by enjoying parks, open spaces, and outdoor experiences, and to plan, build and maintain safe communities by ensuring funding of ongoing maintenance of improvements required as conditions of project approval, through Maintenance Only CFDs.

Respectfully submitted,



DAHVIA LYNCH  
Deputy Chief Administrative Officer

**ATTACHMENT(S)**

Attachment A- A RESOLUTION OF THE COUNTY OF SAN DIEGO BOARD OF SUPERVISORS AUTHORIZING AND EMBODYING A JOINT AGREEMENT TO FUND SERVICES WITH THE CALIFORNIA STATEWIDE COMMUNITIES DEVELOPMENT AUTHORITY AND AUTHORIZING THE CALIFORNIA STATEWIDE COMMUNITIES DEVELOPMENT AUTHORITY TO ACCEPT APPLICATIONS FROM PROPERTY OWNERS, CONDUCT PROCEEDINGS TO FORM COMMUNITY FACILITIES DISTRICTS FROM TIME TO TIME TO FUND PUBLIC SERVICES NECESSARY TO SERVE NEW DEVELOPMENT; AND AUTHORIZING RELATED ACTIONS

Attachment B- A RESOLUTION OF THE SAN DIEGO COUNTY FLOOD CONTROL DISTRICT BOARD OF DIRECTORS AUTHORIZING AND EMBODYING A JOINT AGREEMENT TO FUND SERVICES WITH THE CALIFORNIA STATEWIDE COMMUNITIES DEVELOPMENT AUTHORITY AND AUTHORIZING THE CALIFORNIA STATEWIDE COMMUNITIES DEVELOPMENT AUTHORITY TO ACCEPT APPLICATIONS FROM PROPERTY OWNERS, CONDUCT PROCEEDINGS TO FORM COMMUNITY FACILITIES DISTRICTS FROM TIME TO TIME TO FUND PUBLIC



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SERVICES NECESSARY TO SERVE NEW DEVELOPMENT; AND AUTHORIZING RELATED ACTIONS