CITY COUNCIL
AGENDA STATEMENT

CITY OF CHULA VISTA

July 17, 2018 File ID: ~~18-0202~~ **18-0321**

TITLE

A. ORDINANCE OF THE CITY OF CHULA VISTA APPROVING AMENDMENTS TO THE EASTERN URBAN CENTER PLANNED COMMUNITY DISTRICT REGULATIONS AND DESIGN PLAN (FORM BASED CODE) FOR 207 ACRES OF LAND IN THE EASTERN URBAN CENTER PORTION OF THE OTAY RANCH RELATING TO MODIFICATIONS IN THE OVERALL BUILDOUT INTENSITY, BUILDING HEIGHTS AND DISTRICT 6 REGULATIONS (FIRST READING)

B. RESOLUTION OF THE CITY OF CHULA VISTA CITY COUNCIL CONSIDERING THE MODIFICATIONS TO THE SUPPLEMENTAL PUBLIC FACILITIES FINANCE PLAN (PFFP) AND FISCAL IMPACT ANALYSIS (FIA) AND APPROVING AMENDMENTS TO THE EASTERN URBAN CENTER SECTIONAL PLANNING AREA (SPA) PLAN AND ASSOCIATED REGULATORY DOCUMENTS RELATING TO MODIFICATIONS IN THE OVERALL BUILDOUT INTENSITY, BUILDING HEIGHTS AND DISTRICT 6 REGULATIONS

C. RESOLUTION OF THE CITY OF CHULA VISTA CITY COUNCIL CONSIDERING THE ADDENDUM TO EIR 07-01 AND APPROVING AMENDMENTS TO THE EASTERN URBAN CENTER SECTIONAL PLANNING AREA (SPA) PLAN AND ASSOCIATED REGULATORY DOCUMENTS RELATING TO MODIFICATIONS IN THE OVERALL BUILDOUT INTENSITY, BUILDING HEIGHTS AND DISTRICT 6 REGULATIONS

D. ORDINANCE OF THE CITY OF CHULA VISTA APPROVING THE FIRST AMENDMENT TO THE DEVELOPER AGREEMENT BETWEEN THE CITY OF CHULA VISTA AND SLF IV – MILLENIA, LLC

RECOMMENDED ACTION

Council conduct the public hearing, adopt the resolutions and place the ordinances on first reading.

SUMMARY

SLF IV-Millenia LLC ("Applicant" or "Developer") is requesting to amend the adopted Eastern Urban Center ("Millenia") Sectional Planning Area Plan ("SPA") and Form Based Code to reflect: 1) a proposed reduction in the ultimate buildout and changes to the low intensities for the project, as well as modify the intensity transfer language between Districts; 2) revise the Main Street District regulations to update the amount and geographic distribution of commercial uses in the district; and 3) modify design standards for height, setbacks and height blending. The project also includes a Supplemental Public Facilities Financing Plan (PFFP), updated Fiscal Impact Analysis (FIA) and First Amendment to the Developer Agreement to reflect the proposed amendments. An EIR Addendum with additional information and analysis of the proposed amendments will also be considered. On May 24, 2017, the applicant filed applications to process all of the subject items.

ENVIRONMENTAL REVIEW

The Director of Development Services has reviewed the proposed project for compliance with the California Environmental Quality Act (CEQA) and has determined that the project was adequately covered in previously adopted Final Environmental Impact Report for the Eastern Urban Center (Millenia) Sectional Planning Area (SPA) Plan (FEIR 07-01) (SCH#2007041074). The Development Services Director has determined that only minor technical changes or additions to this document are necessary and that none of the conditions described in Section 15162 of the State CEQA Guidelines calling for the preparation of a subsequent document have occurred; therefore, the Development Service Director has prepared an Addendum to FEIR 07-01.

BOARD/COMMISSION/COMMITTEE RECOMMENDATION

On June 13, 2018, the Planning Commission took action and voted 4-0 that the Council adopt the resolutions and the ordinances.

DISCUSSION

Background

The Millenia project ("Project") is located at the southwest corner of Birch Road and Eastlake Parkway, east of the SR 125 toll road (see Locator Map, Attachment 1). The Project was originally adopted on October 6, 2009 by Resolution No. 2009-224 and by Ordinance No. 3142 with subsequent amendments in 2013 and two in 2016. The project site is 206-acres in area and has been fully graded. Millenia is described as an urban mixed-use center with a maximum buildout of 2,983 multi-family residential units and 3,487 million square feet of commercial uses including office, hospitality, retail and civic uses. More than four miles of new streets have been installed to date, with the final phase of infrastructure development slated to start construction in the fall of this year.

Approximately 70% of the 145 acres of private development land has either been sold to merchant builders or is under contract with builders. The land sales to date include every land use contemplated for Millenia including office, retail, hotel, and residential: rental, for-sale and affordable housing projects. Two projects have been completed and fully occupied including the 273-unit Pulse Millenia Apartments and the 210-unit Chelsea Investments Duetta family and Volta senior affordable apartments. Eight additional projects are currently under construction including:

- Ayres Hotel - a 135-room four story hotel. Scheduled to open by the end of 2018.
- The Sudberry Properties Millenia Commons Retail Center - a 130,000 square foot retail center with major tenants including Buy-Buy Baby, Ross, Home Goods and Cost Plus. Scheduled opening late 2018.
- Trammel Crow Residential Alexan Apartments- a 309-unit mixed use rental project with 10,000 square feet of commercial and live work units. First occupancy scheduled for June 2018.
- Trammel Crow Residential Esplanade Apartments - a 253-unit rental community scheduled to open in mid-2019.
- Metro, Evo and Trio by Meridian Communities - a 217-unit condominium project. As of May 2018, the project has sold more than 130 homes.
- Element and Z by Shea Homes - a two product community comprised of 106 three story townhomes and 70 detached urban homes. As of May 2018, more than 100 of the homes had been sold.
- Skylar by KB Homes - a 79-unit project of detached urban homes. As of May 2018, 14 of the homes had been sold.
- Boulevard by Lennar - a 78-unit townhome project. As of May 2018, building permits had been pulled for approximately 30-units and first occupancies are anticipated in October of this year.

In addition, Chesnut Properties is in City building plan check for the first of three office campus projects which includes 324,100 square feet of class A office, an amenity building and a five-story parking structure. Meridian Communities has also submitted a Design Review application for Pinnacle, a proposed four-story for-sale project.

Millenia also includes six parks, a fire station, a pedestrian bridge over Eastlake Parkway, and a site for a future elementary school. One of the parks has been completed and is open for public use, and three more are under design and expected to start construction within the next 9-12 months. The fire station is under design and expected to be completed in early 2020, and the pedestrian bridge is under design with construction slated to begin later this year. The school site has been graded but timing for the school's construction has not yet been identified by the District.

The project also incorporates a segment of the San Diego Association of Governments ("SANDAG") Bus Rapid Transit line. The construction of the first two segments of the guideway in the Millenia project have been advanced by the applicant and will be complete in the summer of this year. SANDAG has agreed to implement service to Millenia starting in 2019.

<u>Necessity of Amendments</u>

Millenia was intended to build out over a period of decades, with the project intensifying over time in response to market demand and opportunities. The plan discusses this phased intensification over time which would occur when surface parking lots were converted to structured parking and taller buildings or via redevelopment or tear downs and replacements with more intensive land uses.

While intended to build out and intensify over an extended timeframe, as discussed above, more than 70% of the private development land in Millenia is already contracted with merchant builders. The developer indicates that in order to keep the overall project viable in the current marketplace amendments are necessary at this time. City staff concurred that due to the pace development is occurring additional amendments to the regulatory documents are critical at this point. Staff has been working closely with the applicant to ensure the proposed amendments not only provide the flexibility to move the project forward at this time, but to ensure both the original vision of the project is maintained and future opportunities are not lost due to the initial build out of the project.

<u>Compliance with Council Policy No. 400-02 (Public Participation)</u>

The Applicant conducted a public workshop to present the proposed amendments on April 5, 2018 at the Otay Ranch Library's HUB. The meeting was noticed in the paper and mailed to residents and Home Owner Associations in compliance with Council Policy No. 400-02.

<u>Proposed Amendments & Analysis</u>

The proposed amendments to the Millenia SPA Plan ("SPA"), and Form Based Code can be summarized in three main topic areas.

1. Land Use Intensities - Amend the SPA and Form Based Code to establish new maximum and low land use intensities of 2,983/1,236 residential units and 3.324M/1.568M square feet of commercial uses.
2. Main Street District (6) - Revisions to reduce the amount of residential and commercial land uses, and modify the geographic distribution of those commercial uses in the district.
3. Design Standard Modifications - Revise the Minimum Average Height on six lots from five stories to four stories and modify the minimum height in feet for residential buildings. The amendment also introduces a concept of "height blending" for four lots and establishes deviations for setbacks.

Applicable text, tables and exhibits to reflect these changes have been submitted in the proposed amendment, (see EUC SPA Amendment, Attachment 2), and an analysis is provided below.

1. Land Use Intensities

The existing SPA identifies a low, target and high land use intensity for each district, as depicted in the table below. The low represents the minimum to be built in that district and the target is the maximum, with all Districts totaling to a target not to exceed for the entire development of 3.487M square feet of non-residential and 2,983 units of residential. The high column represents a maximum intensity if transfers occurred between districts, in other words, the developer could increase above the target administratively as long as they reduced an equal amount from another district. If the developer ever proposed to increase above the high amounts in a district the zoning administrator would need to make findings for that approval per Section 04.05.003.

Adopted Land Use Intensities								
			Non-Residential (1,000 SF)			Residential DUs		
District	**Description**	**Acreage**	**Low**	**Target**	**High**	**Low**	**Target**	**High**
1	Gateway Mixed Use Commercial District	22.7	100	400	700	-	50	100
2	Northwestern Neighborhood District	13.2	2	120	200	150	300	500
3	Northeastern Neighborhood District	17.2	10	50	250	150	400	750
4	Business District	25.4	505	1,532	1,900	-	100	150
5	Mixed Use Civic/Office Core District	23.3	100	900	1,000	-	200	300
6	Main Street District	34.7	80	240	400	100	533	800
7	Eastern Gateway District	9.6	-	-	-	50	200	300
8	Southwestern Neighborhood District	12.5	2	50	200	300	500	700
9	Central Southern Neighborhood District	24.4	-	45	100	130	500	650
10	Southeastern Neighborhood District	23.6	-	150	200	200	200	450
Total		**206.6**	**799**	**3,487**		**1,080**	**2,983**	

Initial and Full Build

The proposed amendment eliminates a set target and allows the applicant to work within the low and high ranges as depicted in the table below. The low column representation the initial or minimum build out of the project and the high column represents the previous target numbers or maximum full build. Changes to both low and highs within Districts have also been made to account for what has been built to date and what is anticipated.

Proposed Land Use Intensities								
			Non-Residential (1,000 SF)			Residential DUs		
District	Description	Acreage	Low	Target	High	Low	Target	High
1	Gateway Mixed Use Commercial District	22.7	227		400	-		89
2	Northwestern Neighborhood District	13.2	2		2	273		273
3	Northeastern Neighborhood District	17.2	2		5	150		475
4	Business District*	25.4	800		1,900	-		225
5	Mixed Use Civic/Office Core District	23.3	455		900	-		300
6	Main Street District	34.7	80		100	100		601
7	Eastern Gateway District	9.6	-		-	100		117
8	Southwestern Neighborhood District	12.5	2		2	253		253
9	Central Southern Neighborhood District	24.4	-		5	130		350
10	Southeastern Neighborhood District	23.6	-		10	230		300
Total		**206.6**	**1,568**	**-**	**3,324**	**1,236**	**-**	**2,983**

As seen in the tables above, the proposed residential intensities are unchanged in the high column and have increased by 156 units in the low. The non-residential intensity is reduced by 163,000 in the high and increased 769,000 in the low. The applicant suggests that market conditions, other development entitlements approved by the City in Otay Ranch, and changes in the nature of office and retail development necessitate the reduction of the high non-residential. The proposal doesn't modify any of the boundaries of any of the land use districts, or reduce the acreage of land available for employment uses. A discussion of the job generation of the proposed amendment is included in the discussion of the Developer Agreement.

Land Use Intensity Transfers
Since the ability for the developer to increase above the target through transfers up to the high has been removed in the proposed amendment, new language is proposed in Section 04.05.003 on page IV-12, to retain flexibility between districts, allowing an increase up to 10% to occur administratively over the high intensity as long as an equal amount is transferred or deducted from another District with the ultimate maximum build being maintained. Any proposal more than 10% would require the same Zoning Administrator findings.

In addition, an exception for District 4 is proposed to build at 500,000 square feet instead of the designated 800,000 in the revised intensity table, providing that an ultimate block plan is submitted at time of project processing, showing that the additional 300,000 can be provided in the future. This provides flexibility for the Millenia Office space to evolve over time and meet market demands.

2. Main Street District (6)

The Main Street District is the mixed-use heart of the Millenia plan. The current plan envisions an activated and vibrant mixed-use environment with ground floor commercial uses and residential or office uses above. Horizontal mixed use is also permitted. The terminus of the Main Street District is Metro Park, a 2.28-acre privately owned and maintained (but publicly accessible) park. The land uses currently in the plan for the Main Street District is a target of 240,000 square feet of commercial uses, with a low of 80,000 square feet and a high end of 400,000 square feet.

The Applicant indicates that the current retail market is not expected to be able to absorb the amount of retail which is currently required for this district in the timeframe in which the Applicant expects the Main Street to develop, and is therefore proposing to modify the amount and distribution of commercial uses in the Main Street District. The table below provides a comparison of the existing and proposed land use intensities for District 6.

Main Street District Land Use Changes						
	Residential (Units)			**Non-Residential (thousands of square feet)**		
	Low	*Target*	*High*	*Low*	*Target*	*High*
Existing SPA	100	533	800	80	240	400
Proposed Amendment	100	N/A	601	80	N/A	100
Difference	0	N/A	-199	0	N/A	-300

In order to ensure that the Main Street area remains flexible to evolve staff and the applicant agreed upon updates to Section 2.04.003 to require that the ground floor be built to accommodate commercial uses in the future through specific thresholds and buildings standards for live work units and commercial space. In addition, interim uses are allowed in this space to provide flexibility at initial build. While the low will remain the same as the existing plan, the high would be reduced for both residential and non-residential. Staff feels the development standard changes will retain the pedestrian oriented vibrancy intended for this District.

3. Design Standard Modifications

Building Heights
The FBC regulates building heights based on the concepts of minimum, maximum and average heights. It further identifies the minimum height by either allowable stories or feet. The plan is divided into a series of building height districts, each of which prescribe a minimum average building height which must be met on the lots within the district. As an example, within a five-story building height district, it would be possible to build four story buildings as long as five or six story buildings were also constructed, such that the average building height within the height district averaged out to five stories.

Two amendments are requested to the Regulating Plan in the FBC (reference Attachment 2 - Exhibit III-49 on page III-69), as follows:

1. Reduction in Average Height for Six Lots:
   The Applicant is proposing to modify the Regulating Plan, to reduce the minimum average stories from five to four stories on six lots (SPA Plan Lots 10, 13, 19, 22-24). This change would affect approximately 7% of the acreage in the overall project, as follows:
   - Lot 10 - existing five story affordable housing development (Duetta and Volta);
   - Lot 13 - undeveloped;
   - Lots 19 and 22 - owned by Applicant and currently being processed as a four-story product (“Pinnacle”); and
   - Lots 23 and 24 - owned by Applicant and undeveloped.

   The Applicant indicates that a five-story residential product is not viable in the current market. If the proposed amendment is not approved and Lots 19 and 22 are developed with the current proposed project Pinnacle, Lots 23 and 24 would be obligated to be built at a minimum of six stories to meet the average height requirements in the approved FBC.

   The Applicant has provided representative imagery in the SPA Amendment for the four-story product to demonstrate that the reduction in Minimum Average Height from five to four-stories will still provide both a compatible massing with adjacent existing and proposed development and a pedestrian-oriented experience.

2. Modifications to Residential Minimum Building Height:
As the height requirements can be met via either the number of stories or the building heights in feet, the Applicant is also proposing to differentiate between residential and non-residential heights and modify the approved minimum building height for residential. The proposed minimum heights and difference between the existing and proposed building height requirement table are shown below and on Exhibit III-49 (page III-69) of the proposed FBC amendments and summarized in the table below.

Minimum Building Height (Sq. Ft.) Changes				
	Residential Heigth in Feet		**Non-Residential Heigth in Feet**	
Stories	*Approved SPA*	*Proposed Amendment*	*Approved SPA*	*Proposed Amendment*
1	25	25	25	25
2	35	30	25	35
3	40	35	40	40
4	Not identified	45	Not identified	50
5	70	55	70	70

All future buildings will still be required to comply with the Building Typologies and the Architectural Design Guidelines of the Millenia plan. Further, the proposed reduction in Minimum Average Height will not compromise the ability of future development in this height district to continue to comply with the applicable principles and concepts.

Height Blending
Four lots sit south of Metro Park and are adjacent to the Regional Trail. The lots cross two regulatory districts (6 and 9) in the SPA. The concept of height blending has been introduced in the proposed amendment on page III-68 of the FBC in order to allow the combination of 3- and 4-story heights across land in the two districts if one comprehensive project is proposed.

Building Setbacks
A deviation from setbacks has been added on page III-77 of the FBC to allow properties that may have slope or grade differences, as well as unique operational characteristics. An example of the need for this setback deviations is the proposed Fire Station to be located at the corner of Millenia Avenue and Stylus Street.

<u>Associated Regulatory Documents</u>

Public Facilities Finance Plan (PFFP)
A PFFP has been prepared as a supplemental document to the original PFFP dated October 6, 2009 (see Public Facilities Finance Plan, Attachment 3). The Supplemental PFFP analyzes the changes to the ultimate buildout land use intensities, any potential impacts on public facilities and services, and identifies the facilities, phasing and timing triggers for the provision of facilities and services to serve the project, consistent with the City's Quality of Life Threshold Standards. The analysis concludes that the proposed reduction in buildout land use intensities would not negatively impact any of the applicable thresholds or standards. It should be noted that the Supplemental PFFP is relatively simple as the Applicant has agreed

to comply with all prior conditions of the Millenia plan, including all required EIR mitigation measures, despite the proposed reduction in buildout intensities in the plan.

As previously described, development of Millenia is underway, and much of the “backbone” infrastructure has been installed per the original PFFP. As a result, the mitigation measures identified in the PFFP remain unchanged from the original project proposal (no reduction in mitigation measures as a result of the potential reduced buildout). Consistent with the original PFFP, the Developer entered into an agreement entitled “Agreement Regarding Construction of Parks in a Portion of the Otay Ranch Eastern Urban Center”, as part of the original entitlements (the “Parks Agreement”). The Parks Agreement was subsequently amended twice, once in 2015 and once in 2016. The current Parks Agreement provides for park facilities assuming a build-out of 2,983 residential units (but contemplates the possibility of 2,550 units). No amendment to the Parks Agreement is proposed at this time. Should the Master Developer construct fewer than 2,550 residential units, further amendment of the Parks Agreement may be requested.

Fiscal Impact Analysis (FIA)
The Applicant’s proposal includes a revised Fiscal Impact Analysis (FIA) evaluating the proposed amendment (see Fiscal Impact Analysis, Attachment 4). This FIA has been prepared using the City’s new fiscal model which was first provided to the Applicant in October of last year. Staff worked with the Applicant who provided the necessary project-specific inputs to the plan needed to calculate the City’s maintenance costs.

It is important to note that the FIA presents a projection of the anticipated fiscal impacts of the development, based upon the best information currently available. Actual fiscal impacts as a result of development may vary from model outcomes.

The FIA evaluates the following scenarios:

1. Proposed Amendment Maximum Buildout - This scenario assumes development of the proposed maximum buildout, including 2,550 residential units and 3.115 million square feet of non-residential uses. The non-residential uses assumed include approximately 2.55 million square feet of office, 388,000 square feet of retail uses, 130,000 square feet of civic uses (school and fire station), and a single 135-room hotel.
2. 2009 Adopted Plan Maximum Buildout (assumes 500 hotel rooms) - This scenario assumes development of the adopted maximum building, including 2,983 residential units and 3.487 million square feet of non-residential uses. The non-residential uses assumed in the 2009 plan include approximately 2.0 million square feet of office, approximately 800,000 square feet of retail uses, 160,000 square feet of civic uses, and two hotels totaling 500 rooms.
3. 2009 Adopted Plan with reduced Hotel (assumes 135 hotel rooms) - In recognition of the fact that since the original Millenia entitlements were approved the City has approved three hotels in addition to the one approved in Millenia - this scenario looks at the 2009 full build scenario but includes only the 135-room hotel currently under construction (reduction of 365 hotel rooms).

Based on the FIA and the assumptions contained therein, all of the scenarios above are projected to generate a positive net fiscal impact to the City by year two (2019/2020). The relative fiscal performance of the three scenarios over a 30-year buildout term are compared in the table below.

Comparison of Modeled Fiscal Impact Scenarios (Annual Net Impact, Millions)							
		Year 5	Year 10	Year 15	Year 20	Year 25	Year 30
Proposed Amendment (135 Hotel Rooms)	Revenues	$ 4.7	$ 7.7	$ 8.7	$ 9.8	$ 11.3	$ 13.1
	Expenses	$ (3.2)	$ (6.3)	$ (7.1)	$ (7.3)	$ (7.4)	$ (7.6)
	Net Impact	**$ 1.5**	**$ 1.4**	**$ 1.5**	**$ 2.6**	**$ 3.8**	**$ 5.5**
2009 Adopted Plan (135 Hotel Rooms)	Revenues	$ 2.4	$ 6.0	$ 9.9	$ 12.0	$ 13.8	$ 15.4
	Expenses	$ (2.1)	$ (4.8)	$ (7.2)	$ (7.4)	$ (7.6)	$ (7.7)
	Net Impact	**$ 0.3**	**$ 1.1**	**$ 2.7**	**$ 4.6**	**$ 6.2**	**$ 7.7**
2009 Adopted Plan (500 Hotel Rooms)	Revenues	$ 2.4	$ 7.6	$ 11.7	$ 14.0	$ 15.9	$ 17.7
	Expenses	$ (2.0)	$ (4.8)	$ (7.2)	$ (7.4)	$ (7.6)	$ (7.7)
	Net Impact	**$ 0.3**	**$ 2.8**	**$ 4.5**	**$ 6.5**	**$ 8.3**	**$ 10.0**

The Proposed Amendment (135 Hotel Room) scenario assumes development phasing as summarized in the table below.

Proposed Amendment Development Phasing Assumptions						
	Year 5	Year 10	Year 15	Year 20	Year 25	Year 30
Residential Units	1,596	2,983	2,983	2,983	2,983	2,983
Hotel Rooms	135	135	135	135	135	135
Retail & Hotel SF	*325,388*	*388,846*	*388,846*	*388,846*	*388,846*	*388,846*
Office SF	*688,500*	*1,581,000*	*1,657,500*	*1,810,500*	*2,040,000*	*2,550,000*
Total Non-Residential SF	1,013,888	1,969,846	2,046,346	2,199,346	2,428,846	2,938,846

**Note: Civic uses are assumed to have no net fiscal impact and are therefore excluded.*

The Proposed Amendment phasing assumptions can be compared with the assumptions in the 2009 Adopted Plan fiscal analysis, summarized in the table below.

2009 Adopted Plan Development Phasing Assumptions					
	Year 5	Year 7	Year 12	Year 17	Year 22
Residential Units	1,245	1,743	2,983	2,983	2,983
Hotel Rooms	250	500	500	500	500
Hotel SF	*187,500*	*375,000*	*375,000*	*375,000*	*375,000*
Retail SF	*73,850*	*221,550*	*738,500*	*883,400*	*980,000*
Office SF	*88,650*	*265,950*	*886,500*	*1,552,200*	*1,996,000*
Total Non-Residential SF	350,000	862,500	2,000,000	2,810,600	3,351,000

Overall, comparing projected net annual fiscal impacts in year 30 for the 2009 Adopted Plan and the Proposed Amendment ($10.0 million and $5.5 million, respectively) indicates a $4.5 million reduced annual positive fiscal impact. It is important to note that a key driver reducing the fiscal benefit to the City between the Proposed Amendment scenario and the 2009 Adopted Plan scenario is Transient Occupancy Taxes, and the fact that the City's model attributes very little service costs to hotels. At year 30, approximately $2.3 million of the projected net fiscal benefit associated with the 2009 Adopted Maximum Buildout Scenario is attributable to the 365 additional hotel rooms assumed under that scenario. This is a relevant comparison as it recognizes that the City has not lost the TOT revenues, but rather those revenues have been relocated to other locations in the Eastern Territories where hotels have been added since the entitlements for Millenia were approved in 2009.

Addendum to FEIR 07-01
Section 21002 of the CEQA requires that an environmental impact report identify the significant effects of a project on the environment and provide measures or alternatives that can mitigate or avoid those significant effects. The Millenia SPA was analyzed in the previously adopted Final Environmental Impact Report for the Eastern Urban Center (Millenia) Sectional Planning Area (SPA) Plan (FEIR 07-01) (SCH #2007041074). Previous Addendums were prepared for two prior SPA Plan Amendments. The First Addendum to the FEIR was approved as part of an amendment to modify building heights and land uses affecting the Genesis project in March of 2013. The second Addendum to the FEIR analyzed the impact of relocating the school site and modify building height boundaries associated with the Millenia Commons retail project.

As a result of the analysis of the proposed amendment, the basic conclusions and impacts identified in FEIR 07-01 were determined to not have changed. The land use and public service impacts are found to be less than significant for the current proposed plan amendments and were adequately covered in FEIR 07-01. Therefore, in accordance with Section 15164 of the CEQA Guidelines, the City has prepared the third Addendum to the FEIR (see Environmental Impact Report Addendum, Attachment 5).

Developer Agreement
A Developer Agreement (DA) was recorded on October 27, 2009 as Document No. 2009-0595116 of Official Records in the Office of the San Diego County Recorder. Because of the material change being proposed by the developer to reduce the total amount of development, an amendment to the original DA, (see First Amendment to the Developer Agreement, Attachment 6), documenting this reduction is required and the two changes to the public benefit documented as follows:

1. Net Revenue - The first benefit identified in the existing DA was annual net revenue over the cost of providing municipal services of approximately $5.0 million in buildout year 22. As shown above, the updated fiscal impact analysis using a more current fiscal model shows that the original project could have resulted in estimated annual net revenues of $10.0 million in year 30. Applying this new fiscal model to the proposed project amendment, including the reduced non-residential development, the estimated annual net revenue is projected to be approximately $5.5 million in year 30. While this equates to a reduction of $4.5 million annually from the approved plan, it still represents a significant positive fiscal impact to the City's General Fund.

2. Job Generation - The second benefit identified was that the completed project would generate approximately 9,206 jobs with 3.487 million square feet of commercial space. With a reduction of the maximum non-residential development to 3.324 million square feet, the opportunity to maintain over 8,700 jobs is provided by the amendment.

DECISION-MAKER CONFLICT
Staff has reviewed the property holdings of the City Council and has found that no City Council Member has property holdings within 500 feet of the boundaries of the property which is the subject of this action. Consequently, this item does not represent a disqualifying real property-related financial conflict of interest under California Code of Regulations Title 2, section 18702.2(a)(11), for purposes of the Political Reform Act (Cal. Gov. Code section 87100 et seq.).

Staff is not independently aware, nor has staff been informed by any City Council Member, of any other fact that may constitute a basis for a decision maker conflict of interest in this matter.

LINK TO STRATEGIC GOALS

The City's Strategic Plan has five major goals: Operational Excellence, Economic Vitality, Healthy Community, Strong and Secure Neighborhoods and a Connected Community. The Millenia Project supports the Economic Vitality goal, particularly City Initiative 2.1.3 (Promote and support development of quality master-planned communities). The subsequent SPA Plan amendment implementation documents (the SPA Plan, Master Precise Plan, and TSM) support the development of a high-quality master-planned community (as described above) with a park, jobs, transit, shopping, and other amenities, all within walking distance for residents. The Project implements the Strong and Secure Neighborhoods Strategic goal by providing construction of a development project in a manner that ensures code compliance, public health and safety of the community.

CURRENT-YEAR FISCAL IMPACT

All costs associated with preparing and processing the SPA Plan amendment and all supporting documents were borne by the developer, resulting in no net fiscal impact to the General Fund or the Development Services Fund.

ONGOING FISCAL IMPACT

As discussed in the Fiscal Impact Analysis section of this report, the Proposed Amendment is projected to result in net positive fiscal impacts throughout the development period, ranging from $1.5 million to $5.5 million annually. Cumulative impacts of the Proposed Amendment buildout scenario during the term of the 30-year analysis are anticipated to total approximately $69.8 million, with an annual average positive impact of $2.3 million.

The table below summarizes the projected annual net fiscal impact for representative buildout years for the Proposed Amendment, the 2009 Adopted Plan as originally approved (assuming 500 hotel rooms), and the 2009 Adopted Plan (assuming only the 135 hotel rooms constructed to date).

Comparison of Modeled Fiscal Impact Scenarios (Annual Net Impact, Millions)

		Year 5	Year 10	Year 15	Year 20	Year 25	Year 30
Proposed Amendment (135 Hotel Rooms)	Revenues	$ 4.7	$ 7.7	$ 8.7	$ 9.8	$ 11.3	$ 13.1
	Expenses	$ (3.2)	$ (6.3)	$ (7.1)	$ (7.3)	$ (7.4)	$ (7.6)
	Net Impact	**$ 1.5**	**$ 1.4**	**$ 1.5**	**$ 2.6**	**$ 3.8**	**$ 5.5**
2009 Adopted Plan (135 Hotel Rooms)	Revenues	$ 2.4	$ 6.0	$ 9.9	$ 12.0	$ 13.8	$ 15.4
	Expenses	$ (2.1)	$ (4.8)	$ (7.2)	$ (7.4)	$ (7.6)	$ (7.7)
	Net Impact	**$ 0.3**	**$ 1.1**	**$ 2.7**	**$ 4.6**	**$ 6.2**	**$ 7.7**
2009 Adopted Plan (500 Hotel Rooms)	Revenues	$ 2.4	$ 7.6	$ 11.7	$ 14.0	$ 15.9	$ 17.7
	Expenses	$ (2.0)	$ (4.8)	$ (7.2)	$ (7.4)	$ (7.6)	$ (7.7)
	Net Impact	**$ 0.3**	**$ 2.8**	**$ 4.5**	**$ 6.5**	**$ 8.3**	**$ 10.0**

As illustrated in the table above, reducing the hotel rooms assumed to be developed by 365 decreases the projected annual positive impact in year 30 by approximately $2.3 million. This accounts for just over 50% of the total projected positive impact reduction in year 30 resulting from the Proposed Amendment. Additional adjustments to the development plan further reduce the year 30 projected net positive fiscal benefit from $10.0 million (2009 Adopted Plan with 500 hotel rooms) to $5.5 million.

While a comparison of the Proposed Amendment with the 2009 Adopted Plan (with 500 hotel rooms) indicates reduced positive impacts of approximately $4.5 million annually in year 30, the plan continues to indicate significant net positive impacts to the City's General Fund as a result of the Millenia project.

When considering the above, it is important to note that the Fiscal Impact Analysis presents projections based upon the best information currently available. Actual fiscal impacts as a result of this development may vary from those indicated by the model.

Pursuant to Section 4.5 (Operating Deficit) of the Millenia Development Agreement, the Master Developer will cover the City's net operating deficit during the initial years of the project (excluding fire services), up to a cumulative maximum of $500,000. The amount of the deficit is to be determined via a fiscal study to be prepared by the City at the Master Developer's cost. Per the Development Agreement, the first fiscal analysis "shall be conducted following the end of the fiscal year which is two (2) years following the first occupancy within the Property, and annually thereafter at the end of each fiscal year." The first Millenia certificate of occupancy was issued to Fairfield Residential, on October 23, 2015. Based upon this date, the first fiscal analysis shall be conducted after June 30, 2018. Initiation of the first fiscal analysis is expected in July of 2018.

ATTACHMENTS

1. Locator Map
2. EUC SPA Amendment Project Description and Form Based Code (FBC)
3. Public Facilities Finance Plan (PFFP)
4. Fiscal Impact Analysis (FIA)
5. Environmental Impact Report Addendum
6. First Amendment to the Developer Agreement (DA)

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