



CITY COUNCIL AGENDA STATEMENT



October 6, 2020

File ID: 20-0333

TITLE

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CHULA VISTA ACTING IN ITS CAPACITY AS THE LEGISLATIVE BODY OF COMMUNITY FACILITIES DISTRICT NO. 17-I (WESTERN CHULA VISTA DIF FINANCING PROGRAM), CERTIFYING THE RESULTS OF A SPECIAL ELECTION IN THAT TERRITORY DESIGNATED AS COMMUNITY FACILITIES DISTRICT NO. 17-I (WESTERN CHULA VISTA DIF FINANCING PROGRAM), ANNEXATION NO. 2020-02, AND ADDING SUCH TERRITORY TO COMMUNITY FACILITIES DISTRICT NO. 17-I (WESTERN CHULA VISTA DIF FINANCING PROGRAM)

RECOMMENDED ACTION

Council adopt the resolution.

SUMMARY

In March 2016, the City Council formed Community Facilities District 17-I (CFD 17-I), the Western Chula Vista Development Impact Fee (DIF) Financing Program. CFD 17-I was established for the purpose of financing the payment of certain DIF obligations for multi-family, commercial or industrial properties in Western Chula Vista (i.e., the area generally located between Interstate 5 and Interstate 805), and the Chula Vista Auto Park, which is situated to the east of Interstate 805 and to the west of Heritage Road. In March 2016, the City Council also authorized the annexation of territory within the Future Annexation Areas in the future pursuant to the provisions and authorization of Article 3.5 of the Mello-Roos Community Facilities Act of 1982 (the "Act"). The following property is proposing to annex into CFD 17-I:

- Annexation No. 2020-02, parcels located within western Chula Vista known as Bonita Glen. Bonita Glen is approximately 4.73 acres located on the north side of Bonita Glen Drive just west of its intersection with Vista Drive and south of the La Quinta Inn and the I-805 Freeway.

ENVIRONMENTAL REVIEW

The City's Development Services Director has reviewed the proposed activity for compliance with the California Environmental Quality Act (CEQA) and has determined that the activity is not a "Project" as defined under Section 15378 of the State CEQA Guidelines; therefore, pursuant to Section 15060(c)(3) of the State CEQA Guidelines, the activity is not subject to CEQA.

BOARD/COMMISSION/COMMITTEE RECOMMENDATION

Not applicable.

DISCUSSION

Investment in Western Chula Vista presents a financing challenge for potential investors and developers. Financing challenges derive primarily from the lending industry's increased equity requirements imposed upon infill development projects in Western Chula Vista. To help address the additional equity burden being placed on infill development in this area, the City Council formed CFD 17-I, which allows the deferral of DIFs to incentivize future investment in this area.

The deferral of the DIF payment reduces the additional equity burden by an amount equal to the DIFs. CFD 17-I enables the developer to shift the DIF burden from the construction/development cost side of their ledger to the operating side of the development. CFD 17-I is unique in that it is not used as a mechanism to issue debt, but rather as a way to finance DIFs over time.

When CFD 17-I was formed in March 2016, only one property was included within CFD 17-I. However, the City Council authorized the annexation of territory in the "Future Annexation Area" into CFD 17-I at a later date, if desired. Such Future Annexation Area includes multi-family, commercial or industrial properties in Western Chula Vista (i.e., the area generally located between Interstate 5 and Interstate 805), and the Chula Vista Auto Park, which is situated to the east of Interstate 805 and to west of Heritage Road. Property owners can voluntarily annex into CFD 17-I through an election process. An owner of a residential, commercial, or industrial property located within the Future Annexation Area may apply to have such property annexed to CFD 17-I. Such owner may waive the public hearing otherwise required for annexations and may waive the time limit for conducting the election to authorize the levy of special taxes within the property proposed to be annexed into CFD 17-I. Prior to the proposed annexation, four properties annexed into CFD 17-I, including:

1. Annexation No. 2017-01: the Urbana Apartments located at 371, 385, and 395 H Street annexed into CFD 17-I (2017).
2. Annexation No. 2018-01: 62 multi-family residences located at 260-270 Broadway annexed into CFD 17-I (2018).
3. Annexation No. 2018-02: 43 multi-family residences located at 288 Center Street, 336 Church Avenue, 338 Church Avenue, and 342 Church Avenue annexed into CFD 17-I (2018).
4. Annexation No. 2018-03: 29 multi-family residences located at 230 Church Avenue annexed into CFD 17-I (2018).

The proposed annexation would increase cumulative CFD 17-I annexations from four to five. The project seeking annexation into CFD 17-I is as follows:

Annexation No. 2020-02

This project is located on the north side of Bonita Glen Drive, just west of its intersection with Vista Drive and south of the La Quinta Inn and the I-805 Freeway and consists of 170 multi-family residences. The

project occupies Assessor's Parcel Numbers 570-131-11, 570-140-40, 570-140-48, 570-140-51, and 570-140-54, which have a combined area of 4.73 acres. The applicant has indicated a tentative construction start date of November 4, 2020 and a 20-month construction schedule. The applicant also estimates the total project cost to be \$56 million.

Annexation Process

The owner of the property, as the qualified elector for the election to authorize the levy of the special tax on the property proposed to be annexed into CFD 17-I, has waived the public hearing and the time limit for conducting such an election. Ballot documents were transmitted to the property owners and completed and returned by the property owner to the City Clerk on or before October 6, 2020. The City Clerk canvassed the ballot and determined that the property owner had cast the ballot in favor of authorizing the levy of the special tax on the property proposed for annexation into CFD 17-I. By adoption of the attached resolution, the City Council will be determining the results of the election and determining and declaring that such property is added to and become a part of CFD 17-I.

The CFD 17-I program is available for five years. When CFD 17-I was adopted, the City Council placed a cap of 200 residential units per year. This annexation includes a total of 170 units, with no other units proposed for annexation in 2020.

DECISION-MAKER CONFLICT

Annexation No. 2020-02

Staff has reviewed the property holdings of the City Council members and has found no property holdings within 1,000 feet of the boundaries of the property which is the subject of this action. Consequently, this item does not present a disqualifying real property-related financial conflict of interest under California Code of Regulations Title 2, section 18702.2(a)(7) or (8), for purposes of the Political Reform Act (Cal. Gov't Code §87100, *et seq.*).

Staff is not independently aware, and has not 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.

CURRENT-YEAR FISCAL IMPACT

Many DIFs are paid by the applicant at Certificate of Occupancy stage of development. For this annexation, Certificate of Occupancy would occur following construction, which, based on applicant estimates, would be approximately 20 months from November 2020. Additionally, the developer is required to advance funds to the City to cover the costs incurred by the City in undertaking the annexation proceedings. Therefore, there is no Current Year Fiscal Impact as a result of this action.

ONGOING FISCAL IMPACT

The Western Chula Vista Financing Program will defer payment of following three DIFs: the Public Facilities Development Impact Fee (PFDIF), the Parkland Acquisition and Development Fee (PAD) and the portion of the Western Transportation Development Impact Fee (WTDIF) that is not allocated to the San Diego

Association of Governments (SANDAG) pursuant to the Regional Transportation Congestion Improvement Program, as required by SANDAG’s TransNet Extension Ordinance. This deferral would be for a period of thirty years incurring two percent interest, per annum, upon receipt of occupancy. There would be no obligation to make a payment on the deferment in years 1 through 10. However, the deferred fees are required to be repaid in years 11 through 30. If a property is sold or subdivided, the obligation to repay the fees runs with the land. The non-payment period aligns with standard commercial lending practices. It is anticipated that some projects will repay the deferred fees in year ten when the project is refinanced.

New developments are assessed development DIFs for the incremental impacts resulting from said development. DIFs do not pay for or resolve the deficiencies of facilities that may exist today. As stated above, all new development will continue to mitigate for on-site impacts resulting from each respective project.

Should the CFD 17-I program be successful, it is anticipated to generate new development, which would translate into an increase in assessed valuation and have a positive impact on the neighboring property values, while also helping new residents and employees support the surrounding businesses located along the retail corridors.

DIFs to be deferred for the proposed annexation is as follows:

Annexation 2020-02			
WTDIF Deferral	PFDIF Deferral	PAD Deferral	Total Deferral
\$25,783.90	\$1,796,730	1,642,030	\$3,464,543.90

The construction costs for the project represents a \$56 million investment in Western Chula Vista.

ATTACHMENTS

- 1. RMA
- 2. Attachment A to Resolution – Certificate of Election Official and Statement of Votes Cast
- 3. Attachment B to Resolution – Annexation Map

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