



CITY COUNCIL AGENDA STATEMENT



July 17, 2018

File ID: 18-0274

TITLE

ORDINANCE OF THE CITY OF CHULA VISTA APPROVING A DEVELOPMENT AGREEMENT BETWEEN THE CITY OF CHULA VISTA AND NORTH C.V. WATERFRONT L.P. FOR THE DEVELOPMENT OF APPROXIMATELY 33 ACRES OF LAND LOCATED IN THE HARBOR DISTRICT OF THE CHULA VISTA BAYFRONT MASTER PLAN AREA (FIRST READING)

RECOMMENDED ACTION

Council place the ordinance on first reading.

SUMMARY

North C.V. Waterfront L.P. (“Applicant” or “Developer”) has requested that the City enter into a Development Agreement for the development of approximately 33 acres of land located in the Harbor District of the Chula Vista Bayfront Master Plan Area (“Property”). The Property is currently undeveloped, but has been approved by the City for the development of up to 1,500 residential units with 15,000 square feet of ground floor retail, a 250-room hotel, and 420,000 square feet of commercial, office, and retail uses (“Project”).

ENVIRONMENTAL REVIEW

The Development Services Director has reviewed the proposed activity for compliance with the California Environmental Quality Act (CEQA) and has determined that the activity was covered in previously certified Environmental Impact Report UPD#83356-EIR-658/SCH#2005081077. Thus, no additional environmental review is required.

BOARD/COMMISSION/COMMITTEE RECOMMENDATION

On July 11, 2018, the Planning Commission took action and voted 4-0 to approve Resolution PCM18-01 recommending that the City Council approve the proposed Development Agreement.

DISCUSSION

1. Location, Existing Site Characteristics, and Ownership

The Property is located in the Harbor District of the Chula Vista Bayfront Master Plan area of the City. The proposed Development Agreement is limited to the approximately 33 acres owned by North C.V. Waterfront L.P. (see Attachment 1, Locator Map).

2. Project Description

The Project has been approved by the City for the development of up to 1,500 residential units with 15,000 square feet of ground floor retail, a 250-room hotel, and 420,000 square feet of commercial, office, and retail uses.

3. Proposed Development Agreement

State and City Requirements for Development Agreements

California Government Code section 65864 et seq. authorizes cities to enter into a development agreement with any person having a legal or equitable interest in real property for the development of the property. A development agreement is a contract negotiated between the project proponent and the public agency that specifies certain mutual benefits negotiated for a particular project and vests, subject to certain conditions in the agreement, the rights of the project applicant to develop the property under current land use regulations for a specified term.

Through City Resolution No. 11933 (adopted in 1985), the City Council has determined that development of large projects within the City create unique and complex development considerations and that, in addition to the minimum requirements for development agreements contained in the Government Code, additional procedures and requirements for the consideration of development agreements shall be contained within each individual agreement. The Development Agreement presented here includes the requirements for development agreements contained in the Government Code, as well as additional procedures and requirements designed to address the unique and complex development considerations presented by the Project.

The following discussion summarizes the major benefits of the proposed Development Agreement (Attachment 2) to both the City and the Applicant, and describes the fundamental terms of the agreement.

Public Benefits

Beyond the benefits of developing this catalyst Project that will anchor and encourage future investment in the Chula Vista Bayfront Master Plan area, the Development Agreement commits the Developer to providing the following public benefits:

- Developer agrees to commence construction of improvements (public or private) for the Project prior to December 31, 2022, even if the nearby Bayfront Resort Hotel and Convention Center project has not commenced construction prior to that date.
- Developer agrees that the quality of building materials and landscaping for the Project will exceed the building materials and landscaping included in the Project's approvals. Developer also commits to use its best efforts to obtain a luxury brand name for the residential component of the Project.

- Developer agrees to pay the City the sum of one million dollars (\$1,000,000) towards the purchase of a new fire engine. This payment will be made prior to the issuance of the certificate of occupancy for the first phase of the residential component of the Project.
- Developer agrees to pay the City the sum of five hundred thousand dollars (\$500,000) towards the purchase of a new fire ladder truck. This payment will be made prior to the issuance of a certificate of occupancy for the third phase of the residential component of the Project.
- The Developer will construct significant public infrastructure at the beginning of the 20-year build out of the project, representing a substantial financial commitment and benefit to the City.

In addition to the above commitments, the Developer has already provided the following benefits:

- Developer agreed to voluntarily postpone processing entitlements for the original 97 acres of land that it owned in order to allow the City and the San Diego Unified Port District (“Port District”) to engage in a comprehensive planning process for the entire Chula Vista Bayfront.
- Developer agreed to a land swap of 97 acres of land in exchange for the Property in order to preserve sensitive environmental habitat and respond to the concerns and planning objectives of the City, the Port District, the community, and numerous environmental groups (the “Land Exchange Agreement”). In addition to an investment in community outreach, Developer has contributed \$3 million to the Port District as part of the Land Exchange Agreement.
- Developer agreed to contribute funds to support specific public benefit projects and activities, including: natural resources; affordable housing; sustainability and livability; and community impacts and culture. Funds to be contributed include:
 - 0.5% of all gross residential sales will be contributed to the Port District;
 - 0.5% of all residential resales within the first 7 years of the initial sale of a unit will be contributed to the Community Benefits Foundation, an endowment established with the San Diego Foundation for this purpose; and
 - \$2,000 for each hotel room developed will also be contributed to the Community Benefits Foundation.
- Developer worked extensively with the members of the community, environmental organizations, and representatives of labor unions to obtain support for the land swap and the Project.
- Developer provided funding in the amount of \$1.4 million to acquire approximately two (2) acres of land on which a fire station will be located to provide fire and rescue services for the entire Chula Vista Bayfront. At the time the land became available for purchase, the City did not have funds available to acquire the land. Once funds were available, Developer sold the land to the City for the amount it paid for the land, foregoing any profit on the purchase and sale of the land.

Benefits to the Developer

- Predictability in the development approval process by vesting the permitted uses, density, intensity of use, and timing and phasing of development consistent with the land use regulations in effect on the approval date, including the General Plan, Local Coastal Permit, and MSCP Subarea Plan, for up to twenty (20) years.
- The retention of the Property's designation as a "Primarily Underdeveloped Area" for purposes of the City's Balanced Communities Policy ("CBC Policy") and City's agreement to grant the Project a variance from the CBC Policy. This variance will allow the Transient Occupancy Tax (TOT) revenue generated by the short-term rental of the Project's residential units to satisfy the CBC requirements, so long as three million dollars (\$3,000,000) is received by the City by the end of Year 10 of the Development Agreement. If insufficient funds are generated by the end of Year 10, Developer will pay the difference within ninety (90) calendar days. Upon receipt, the City will commit the funds to further the goals of the CBC Policy. There will be no restriction on TOT revenues generated after Year 10 and there will be no restriction on use of TOT revenues generated by the Project's planned 250-room hotel.
- The available balance of credits against the Developer's Bayfront Development Impact Fee (BFDIF) or Traffic Signal Fee obligation (as established through the installation of eligible facilities) will be annually adjusted each October 1st, at the same rate that the subject fee program is adjusted.
- Developer will receive notice of any planned update to the 2014 BFDIF nexus study upon City initiation. City will also provide at least sixty (60) days advance notice of any public hearing at which the City Council will consider amending the BFDIF program.
- City agrees to add construction of a monument for the J Street entrance (the "J Street Gateway Project") to the BFDIF program in the next update.
- Developer has the option to request formation of a Community Facilities District (CFD) to finance the acquisition and construction of eligible public facilities. The City agrees to use reasonable efforts to initiate and diligently pursue proceedings to establish the CFD.
- City agrees to present the undergrounding of the remaining overhead utility lines within the Otay District and the Harbor District as a priority in any future requests for Rule 20A funds.

Other Terms of the Agreement

The Development Agreement contains the following additional major points:

- The term of the Development Agreement, all subdivision maps, parcel maps, and other development approvals will be twenty (20) years.

- For the Term of the Development Agreement, the Developer shall have the vested right to develop the property pursuant to the Tentative Map, Development Agreement, and existing land use laws, regulations and policies.
- The Development Agreement may be amended from time to time by the mutual written consent of the City and Developer and the Owner of any affected portion of the property.
- The Development Agreement shall run with the land and benefit and bind future owners should the Developer sell or transfer ownership.

DECISION-MAKER CONFLICT

Staff has reviewed the property holdings of the City Council members and has found no property holdings within 500 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)(11), 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.

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. Approval of the proposed Development Agreement provides certainty in the development of revenue generating land uses such as the Project's planned 250-room hotel and 420,000 square feet of commercial, office, and retail uses, supporting the Economic Vitality goal. In addition, the proposed Agreement supports the Strong and Secure Neighborhoods goal by securing the Developer's commitment to contribute \$1.5 million towards fire apparatus.

CURRENT-YEAR FISCAL IMPACT

All costs associated with processing the proposed Development Agreement are borne by the Developer, resulting in no net impact to the General Fund or the Development Services Fund.

ONGOING FISCAL IMPACT

Approval of the Development Agreement supports development of the Project consistent with current entitlements, including up to 1,500 residential units, 15,000 square feet of ground floor retail, a 250-room hotel, and 420,000 square feet of commercial, office, and retail uses. In addition, the proposed Development Agreement secures Developer's commitment to contribute \$1,000,000 toward the purchase of a fire engine and an additional \$500,000 toward the purchase of a fire ladder truck.

In addition, the Development Agreement clearly recognizes that the short-term rental of the project's 1,500 residential units will be subject to the City's Transient Occupancy Tax (TOT). For the first 10 years, up to \$3,000,000 of the TOT generated by the short-term rental of the residential units will be dedicated to meeting the goals of the City's Balanced Communities Policy. If less than \$3,000,000 is generated in the first 10 years, the Developer will remit the shortfall to the City. All subsequent TOT generated by the short-term rental of

the residential units will flow to the City as discretionary revenues, as will all TOT revenues generated by the planned 250-room hotel.

ATTACHMENTS

1. Project Locator Map
2. Proposed Development Agreement

Staff Contact: Tiffany Allen, Assistant Director of Development Services