



CITY COUNCIL AGENDA STATEMENT



August 7, 2018

File ID: 18-0336

TITLE

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CHULA VISTA APPROVING A DEVELOPMENT IMPACT FEE CREDIT ACCOUNTING AGREEMENT WITH BALDWIN & SONS, LLC RELATING TO THE CONSTRUCTION OF A PORTION OF HERITAGE ROAD

RECOMMENDED ACTION

Council adopt the resolution.

SUMMARY

As a condition of development of Otay Ranch Village 2 and Portions of Village 4, Baldwin & Sons, LLC was obligated to construct Heritage Road, from Olympic Parkway to Main Street. Subsequently, Baldwin & Sons' responsibility was reduced to the portion of Heritage Road extending southerly from Olympic Parkway to the southern boundary of Otay Ranch Village 2 (the "Project"). The master developer for Otay Ranch Village 3 (HomeFed) is now responsible for constructing the remaining portion of Heritage Road, extending from the northern border of their village, southerly to Main Street. As a Transportation Development Impact Fee (TDIF) facility, developers constructing Heritage Road are eligible to receive credit against TDIF fees due at building permit for road construction expenses incurred. The proposed agreement establishes a process by which the progress of constructing the Project, and thereby earning TDIF credits, can be tracked against the allocation of TDIF credits for the issuance of building permits for Otay Ranch Village 2.

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 certified Final Second Tier Environmental Impact Report, EIR 02-02 and Final Supplemental Environmental Impact Report, SEIR 12-01 for the Otay Ranch Village Two Sectional Planning Area (SPA) Plan. Thus, no further environmental review or documentation is required.

BOARD/COMMISSION/COMMITTEE RECOMMENDATION

Not applicable.

DISCUSSION

Baldwin & Sons, LLC, (Baldwin) is the master developer for Otay Ranch Village 2 and portions of Otay Ranch Village 4. Through multiple agreements with the City, Baldwin has agreed as a condition of development to construct a portion of Heritage Road, from Olympic Parkway to Main Street. As a TDIF facility, the construction of this section of Heritage Road is eligible for the award of TDIF credits. Pursuant to Chula Vista Municipal Code (CVMC) §3.54.040, developers are eligible to receive fifty percent (50%) TDIF credit upon the posting of a bond for a TDIF facility. That credit is then increased to seventy-five percent (75%) upon bid and contract award. Upon completion and acceptance of the facility, the full one hundred percent (100%) TDIF credit for the project is awarded.

Based upon existing agreements and obligations, Baldwin posted bonds for the grading and construction of the entire section of Heritage Road from Olympic Parkway to Main Street. As a result, Baldwin was awarded fifty percent (50%) TDIF credit of the bonded amount. These credits were then applied in place of cash payment of TDIF fees at building permit issuance. Subsequent to the award of TDIF credit to Baldwin for this bonding, the master developer for Otay Ranch Village 3 (HomeFed) committed to build a segment of the same portion of Heritage Road, southerly from the northern boundary of Village 3 to Main Street. In order to reconcile the TDIF credits associated with this portion of Heritage Road, the following steps are required:

1. Reduce the Baldwin bonds securing the portion of Heritage Road that is now the obligation of HomeFed;
2. Reduce the TDIF credit balance that was previously awarded to Baldwin commensurately; and
3. Address the deficit TDIF credit balance created by this adjustment.

Recognizing that Baldwin has completed the half-width construction of Heritage Road from Olympic Parkway to the Village 3 boundary, and commits to completing the full-width improvements for this section no later than June 30, 2019, staff recommends entering into an agreement to address the current deficit TDIF credit balance resulting from the bond reconciliation (the "Agreement") (Attachment 1). If approved, the Agreement establishes an overdraft limit on the developers TDIF credit account (Deferred TDIF). The overdraft limit has been calculated to match the total additional TDIF fees anticipated to be awarded based upon the final construction of this portion of Heritage Road (see Exhibit B to the Agreement). The developer will continue to be awarded TDIF credits pursuant to CVMC §3.54.040. As credits are earned and awarded, the overdraft allowance will be reduced in an equal amount.

During the term of the Agreement, a review of TDIF eligible construction costs will be conducted every six months. This review will identify projected construction variances and analyze cost trends relative to the current construction cost estimate (see Exhibit B to the Agreement). The use of the overdraft TDIF allowance will also be analyzed to ensure consistency with development assumptions. Should the semi-annual review indicate that more Deferred TDIF credits are being used than improvements are being constructed, or if the improvements are not completed by the completion date, the Director of Development Services may disallow the further use of Deferred TDIF credits until the parties can meet and confer to determine mutually agreed upon remedies.

Upon completion of the Project, the City will conduct a standard TDIF credit audit. If the audit reveals that the actual TDIF credits earned are less than the credits drawn in overdraft, Baldwin will remit the difference to the City. Alternatively, if the TDIF credits earned exceed the credits drawn in overdraft, the City will issue additional credits, as appropriate.

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 agreement supports the Strong and Secure Neighborhoods goal by supporting the timely construction of the full width of Heritage Road from Olympic Parkway to Main Street.

CURRENT-YEAR FISCAL IMPACT

All staff costs associated with the preparation of the proposed Agreement are borne by the developer, resulting in no net fiscal impact to the General Fund or Development Services Fund. The proposed Agreement does not change the TDIF credits that will ultimately be awarded to Baldwin for construction of Heritage Road.

ONGOING FISCAL IMPACT

The proposed Agreement does not change the TDIF credits that will ultimately be awarded to Baldwin for construction of Heritage Road. There is no ongoing fiscal impact to the General Fund, Development Services Fund, or TDIF Fund as a result of this action.

ATTACHMENTS

1. Agreement Regarding Construction of a Portion of Heritage Road Between the City and Baldwin & Sons, LLC

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