



CITY COUNCIL AGENDA STATEMENT



January 8, 2019

File ID: 18-0512

TITLE

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CHULA VISTA APPROVING AN AGREEMENT FOR DEFERRAL OF DEVELOPMENT IMPACT FEES BETWEEN THE CITY AND AYRES-MILLENIA, LP FOR \$903,555 IN FEES IN CONNECTION WITH A 135-ROOM HOTEL PROJECT AT 1710 MILLENIA AVENUE

RECOMMENDED ACTION

Council adopt the resolution.

SUMMARY

Ayres-Millenia, LP is developing a 135-room hotel located in Millenia. Once operational, the hotel will generate significant positive community impacts by creating jobs, generating Transient Occupancy Taxes to the City, and providing visitor accommodations and amenities. In order to make the project financially feasible, staff is recommending an agreement to defer payment of Transportation Development Impact Fees totaling approximately \$903,555.00 for a period of up to forty-eight (48) months.

ENVIRONMENTAL REVIEW

The Director of Development Services 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 because it will not result in a physical change in the environment; therefore, pursuant to Section 15060(c)(3) of the State CEQA Guidelines, the activity is not subject to CEQA. Thus, no environmental review is required.

BOARD/COMMISSION/COMMITTEE RECOMMENDATION

Not Applicable.

DISCUSSION

Staff recommends entering into a development impact fee deferral agreement with Ayres-Millenia, LP for the development of a 135-room hotel project at 1710 Millenia Avenue. The developer has pursued and secured financing to commence and complete the project but requires assistance in the form of a development impact fee deferral to make the project fiscally feasible.

The project is anticipated to create 30 fulltime and 10 part-time jobs and to generate approximately \$150,000.00 in Transient Occupancy Tax (TOT) revenues to the City on an annual basis. In addition to

these direct economic impacts, the project will result in approximately 200 daily visitors staying overnight and patronizing other local businesses. Finally, the project will provide much needed visitor accommodations and amenities in the eastern territory.

The proposed agreement defers the Transportation Development Impact Fees (TDIF) for the project, in accordance with the following terms:

- City agrees to defer collection of TDIF fees due for the project for a period of up to forty-eight (48) months from the date of issuance of the certificate of occupancy for the project (the “Effective Date”).
- Final determination of TDIF fees, per Chula Vista Municipal Code (CVMC) Section 3.54.160.F. will be the lesser of: (i) \$903,555.00 assessed at time of deferral agreement execution; or (ii) based on a traffic study and rates in effect within the fourth year of operation.
- The deferred fees will accrue interest at a rate of 3.5% per annum from the Effective Date.
- Lump sum payment of the deferred fees and the interest thereon will be due forty-eight months from the Effective Date.
- The Developer agrees to record a Trust Deed to secure repayment of the impact fee deferral.

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. The deferral agreement supports the Economic Vitality goal as it seeks to lower economic barriers to new growth.

CURRENT-YEAR FISCAL IMPACT

All costs associated with preparation of the agreement are funded by the respective fee programs, resulting in no net impact to the General Fund or Development Services Fund in conjunction with this action.

ONGOING FISCAL IMPACT

Approval of the proposed agreement defers impact fee revenues of \$903,555.00 that would have otherwise been collected by staff in accordance with the TDIF at issuance of a certificate of occupancy for the project. In order to mitigate future construction cost increases and lost investment earnings, the deferred impact fees will accrue interest charges at a rate of 3.5% per year, beginning with the issuance of the certificate of occupancy for the project.

ATTACHMENTS

1. Agreement with Ayres-Millenia, LP

Staff Contact: Stacey Kurz, Development Services Department