

RESOLUTION NO. _____

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF
CHULA VISTA APPROVING AN AGREEMENT FOR
DEFERRAL OF DEVELOPMENT IMPACT FEES BETWEEN
THE CITY AND SETHI MANAGEMENT, INC. FOR
APPROXIMATELY \$1.3 MILLION IN FEES IN CONNECTION
WITH A 204-ROOM HOTEL PROJECT AT 2424 FENTON
STREET

WHEREAS, development of hotels in eastern Chula Vista has been a challenge for investors and developers due to the high cost of development and construction; and

WHEREAS, Sethi Management Inc. has secured financing to develop a 204-room hotel project at 2424 Fenton (the "Project") but requires the deferral of certain development impact fees to a future point of stabilized operations in order for the project to be fiscally feasible; and

WHEREAS, the proposed Project will be of public benefit by providing new, highly amenitized visitor accommodations, creating jobs, and generating Transient Occupancy Tax revenues to the City; and

WHEREAS, the proposed Agreement for Deferral of Development Impact Fees (Agreement) provides necessary financial assistance by allowing for the deferral of Public Facilities Development Impact Fees (PFDIF) and Transportation Development Impact Fees (TDIF), with a total deferral amount of approximately \$1.3 million; and

WHEREAS, the terms of the Agreement include interest accrual at a fair market rate of two percent (2%) per annum, with the principal and all interest accrued thereon, due and payable fifty-four (54) months from the issuance of the Certificate of Occupancy for the Project, with repayment secured by a Deed of Trust recorded against the property/Project; and

WHEREAS, Chula Vista Municipal Code (CVMC) Section 3.54.050 authorizes the deferral of TDIF "...on the basis of demonstrated economic hardship on the condition that: (1) the use offers a significant benefit; (2) the amount deferred bears interest at a fair market rate so as to constitute an approximate value equivalent to a cash payment; and (3) the amount deferred is adequately secured by agreement with the applicant"; and

WHEREAS, Section 1-100 of the Chula Vista Master Fee Schedule establishes fee waiver and deferral authority and procedures for all fees included in the Master Fee Schedule, requiring certain findings and due consideration "...be given to terms and conditions involving interest on amount deferred and security to assure the eventual collection"; and

WHEREAS, the PFDIF is included in the City's Master Fee Schedule and there are no additional fee deferral requirements included in Chapter 3.50 of the CVMC (Development Impact Fees to Pay for Various Public Facilities); and

WHEREAS, the applicant will not have sufficient funds to meet the TDIF or PFDIF obligations for the Project until operations stabilize, approximately fifty-four (54) months after issuance of the certificate of occupancy for the Project, resulting in an economic hardship if the TDIF and PFDIF are not deferred; and

WHEREAS, the Project is expected to provide significant benefits, including generation of approximately \$800,000 in TOT to the City annually, as well as creating 50 fulltime and 20 part-time jobs; and

WHEREAS, the Agreement provides for fair market interest at the rate of two percent (2%) per annum; and

WHEREAS, the Agreement is secured by a Deed of Trust recorded against the property/Project; and

WHEREAS, the Project therefore meets all criteria for deferral of TDIF and PFDIF pursuant to CVMC 3.54.050 and Section 1-100 of the Chula Vista Master Fee Schedule, respectively, including significant benefits, interest, and security.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Chula Vista, that it hereby approves the Agreement for Deferral of Development Impact Fees, between the City and Sethi Management Inc., in the form presented, with such minor modifications as may be required or approved by the City Attorney, a copy of which shall be kept on file in the Office of the City Clerk, and authorizes and directs the Mayor to execute the same.

Presented by:

Approved as to form by:

Kelly G. Broughton, FASLA
Director of Development Services

Glen R. Googins
City Attorney