



City of Chula Vista

Staff Report

File#: 15-0150, **Item#:** 8.

CONSIDERATION OF AMENDMENTS TO THE CITY'S GENERAL PLAN AND THE OTAY RANCH GENERAL DEVELOPMENT PLAN, INCLUDING A NEW DEVELOPMENT AGREEMENT INVOLVING PORTIONS OF THE OTAY RANCH FREEWAY COMMERCIAL PLANNING AREA 12

A. RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CHULA VISTA CONSIDERING THE ADDENDUM (IS-12-03) TO FEIR 02-04; APPROVING AMENDMENTS TO THE CITY'S GENERAL PLAN AND THE OTAY RANCH GENERAL DEVELOPMENT PLAN TO REFLECT LAND USE AND POLICY CHANGES FOR APPROXIMATELY 35 ACRES WITHIN THE OTAY RANCH PLANNED COMMUNITY, INCLUDING ASSOCIATED TEXT, MAPS, AND TABLES

B. ORDINANCE OF THE CITY OF CHULA VISTA APPROVING A DEVELOPMENT AGREEMENT BETWEEN THE CITY OF CHULA VISTA, VILLAGE II TOWN CENTER, LLC, AND SUNRANCH CAPITAL PARTNERS, LLC, FOR THE FREEWAY COMMERCIAL NORTH PORTION OF OTAY RANCH PLANNING AREA 12 (FIRST READING)

RECOMMENDED ACTION

Council conduct the public hearing, adopt the resolution and place the ordinance on first reading.

SUMMARY

Baldwin & Sons, LLC ("Applicant" or "Developer") is proposing amendments to the City of Chula Vista General Plan (GP) Land Use and Transportation (LUT) Element and the Otay Ranch General Development Plan (GDP) to change approximately 28.7 acres of Retail Commercial to Mixed-Use Residential and Park on an approximately 35-acre vacant site. The proposed GP and GDP amendments would allow for a transit-supportive mixed use development that would add up to 600 multi-family residential units (with a minimum of 15,000 square feet of commercial retail) and a new 2-acre urban park within the Freeway Commercial North portion of Otay Ranch Planning Area 12 (see Locator Map, Attachment 1). The project also includes a Development Agreement which ensures the timely development of hotels totaling 300 rooms on the northerly most 6.3-acre portion of the 35-acre site (remaining commercial and is not part of the proposed amendments), the minimum 15,000 square feet of commercial retail, and the urban park by the developer ("Freeway Commercial North" or "FC-2" ("Project")). On July 9, 2012 the Applicant filed applications to process all of the subject items.

Freeway Commercial Prior Approvals

In 2001, a GDP amendment separated the Eastern Urban Center (EUC) and Freeway Commercial (FC) components into separate planning areas, comprising Planning Area (PA) 12. In September 2004 the Freeway Commercial SPA Plan and Tentative Map were adopted on the approximately 120-acre Freeway Commercial site, and entitled approximately 1,214,000 sf of commercial uses: 867,000 sf on the approximate 85-acre FC-1 ("Freeway Commercial South") site, and 347,000 sf on the approximate 35-acre FC-2 ("Freeway Commercial North") site. The Freeway Commercial SPA Plan identifies FC-1 and FC-2 sites separately because of different ownerships.

In 2006, the Otay Ranch Town Center Mall was constructed on FC-1, and in 2007 a SPA amendment was approved which raised the total commercial area allowed on FC-1 (by 93,000 sq. ft. from 867,000 sq. ft. to 960,000) to accommodate another department store. Today, the FC-2 site remains vacant and undeveloped.

ENVIRONMENTAL REVIEW

The Development Services Director has reviewed the proposed Project for compliance with the California Environmental Quality Act (CEQA) and has determined that the project was covered in the previously adopted Final Environmental Impact Report for the Otay Ranch Freeway Commercial Sectional Planning Area (SPA) Plan - Planning Area 12 ("FEIR 02-04") (SCH#1989010154). The Development Services Director has determined that only minor technical changes or additions to this document are necessary and that none of the conditions described in Section 15162 of the State CEQA Guidelines calling for the preparation of a subsequent document have occurred; therefore, the Development Service Director has prepared an addendum to FEIR 02-04.

The findings of the Addendum (see Attachment 4) are further summarized in the Environmental Section on Page 6 of this report.

BOARD/COMMISSION RECOMMENDATION

On April 22, 2015 the proposed Project was presented to the Planning Commission. After considering the Project, a motion was made to recommend that the City Council consider the Addendum to FEIR 02-04, approve amendments to the General Plan and Otay Ranch General Development Plan, and an associated Development Agreement. The Planning Commission initially voted 2-2-2-1. The motion failed because there was not a majority vote for approval. A second motion was then made that City Council deny the Project with acknowledgment that Planning Commissioner Fuentes and Planning Commissioner Gutierrez previously recommended approval of the Project. This motion, recommending that City Council deny the Project, carried 4-0-2-1.

DISCUSSION

1. Location, Existing Site Characteristics, and Ownership

The Freeway Commercial SPA Plan area is generally located south of Olympic Parkway, north of Birch Road, east of State Route 125 and west of Eastlake Parkway (see Locator Map, Attachment 1). This amendment is limited to the FC-2 portion of the SPA Plan located between Olympic Parkway and the existing Otay Ranch Town Center. This portion of the SPA Plan is currently vacant and generally comprised of flat graded pads with an existing road, Town Center Drive, bisecting the site in a north/south direction.

FC-2 includes approximately 35 acres under two ownerships, Village II Town Center, LLC and SunRanch Capital Partners, LLC.

2. Project Description

The Project amends existing GP (LUT element) and GDP commercial designated land use on approximately 28.7 acres of the 35.0-acre FC-2 site to implement up to 600 multi-family dwelling units, 15,000 square feet of ancillary commercial, and a 2-acre highly amenitized public park. Commercial entitlements and land use designation for the residual 6.3 acres located at the northwest portion of FC-2 will remain unchanged and will accommodate two hotels with at least 300 total rooms. The proposed GP and GDP amendments would support subsequent detailed planning to create a unified, walkable, mixed-use plan for the FC-2 district of Otay Ranch Planning Area 12. The Project is intended to enhance living, working, shopping and transit options in the area.

A proposed Development Agreement includes certain mutual benefits for the City and Applicant from the proposed Project, as further described in item 3 below, and the Analysis section of this report.

3. Proposed Amendments and New Development Agreement

Following is a brief summary of the proposed amendments to the General Plan and Otay Ranch GDP.

Chula Vista General Plan:

Amend LUT Element's applicable text, tables, and exhibits to reflect changes in land use designations as necessary to implement the additional 600 residential units as well as additions in parkland areas. New policies are also proposed to reflect the transit-supportive mixed use project. The proposed land use changes are as follows:

Change 26.7 acres of Commercial Retail to Mixed Use Residential, and 2.0 acres of Commercial Retail to Parks & Recreation.

Otay Ranch GDP:

Amend applicable text, tables, and exhibits to reflect changes in land use designations as necessary to implement up to 600 residential units as well as additions in Community Purpose Facilities (CPF),

and parkland areas. New policies are also proposed to reflect the mixed use project.

The GDP follows the same proposed land use changes as the GP, including the change of 26.7 acres of Freeway Commercial to Mixed Use, and 2.0 acres of Freeway Commercial to Park. The new policies are further refinements of the new GP policies.

Development Agreement:

The proposed Development Agreement provides the assurance for two hotels totaling 300 rooms to be constructed; allows for a 4.6 acre park requirement to be met through the construction, programming and maintenance of a highly-amenitized 2-acre urban park that is valued at or greater than 4.6 acres of park; and dedicates right of way and construction easements for completion of the South Bay Bus Rapid Transit (BRT) line (see Attachment6).

ANALYSIS

1. Chula Vista General Plan

Existing Conditions/Past Designations

The existing GP includes a description of the area, existing conditions, the vision and various policies (starting on page LUT-284) for the entire 120 acres as a regional serving Retail Commercial center. The vision includes the provision of both local and regional-serving retail commercial and entertainment uses. The existing policies remain applicable to the Otay Ranch Town Center mall (FC-1) area.

The existing General Plan identifies the Freeway Commercial North 35-acre site (FC-2) as being part of the 120-acre Freeway Commercial site, currently designated as Commercial Retail. As noted earlier, the 960,000 sq. ft. in the 85-acre Otay Ranch Town Center Mall (FC-1) site is mostly developed, with approximately 317,000 sq. ft. (or 33 percent) remaining to be developed. The northerly 35-acre site (FC-2), with approximately 347,000 sq. ft. of retail capacity is undeveloped and has been designated for retail commercial since the Otay Ranch was originally approved to the City in 1993. The total remaining retail capacity for both sites is 664,000 sq. ft.

General Plan Amendment Considerations

This 664,000 sq. ft. of retail capacity is situated within the larger EastLake activity corridor that contains substantial additional commercial use concentration spanning from EastLake Village Walk in the north to the developing Millenia project on the south. Previous Commercial lands studies (in early 2013) have indicated that the corridor contains an over-supply of community and regional-serving commercial use.

These planning and market conditions have influenced the absorption of the FC-1 remaining capacity and the FC-2 site has not been fully developed as a regional commercial site. The applicant has

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proposed a mixed use project on the FC-2 site that would retain approximately 215,000 sq. ft. (about 64%) of the 347,000 sq. ft. of commercial capacity. The proposed net reduction of 132,000 sq. ft. commercial would result in 449,000 sq. ft. of capacity remaining on FC-1 & FC-2 sites.

In order to determine if the proposed reduction and remaining 449,000 sq. ft. provide sufficient capacity, staff required the applicant to do a current Commercial Lands Analysis (CLA). The results of the CLA demonstrates that there remains an overage of approximately 93,000 sf of retail commercial capacity beyond demand at build-out within the larger “trade area” evaluated in the CLA.

The findings of the CLA along with the mixed use dynamics and compatibility between the FC-1 and FC-2 site(s) support the proposed amendments.

Commercial Market Considerations & Commercial Lands Analysis (CLA)

The applicant was required to prepare a Commercial Lands Analysis (CLA) to study the potential impacts of the Project on the City’s supply of existing and planned commercial development area (see Appendix D of Attachment 3). The CLA studied a 4-mile “trade area” surrounding the site. The study looked at both the incremental (i.e the delta between the existing and planned commercial at build-out) demand and supply of commercial lands within the trade area. The key findings of the CLA particular to the Freeway Commercial North project are as follows:

- The trade area currently experiences an extremely high amount of General Merchandise sales, suggesting that it is already over-saturated with “big-box” stores.
- The FC-1 Otay Ranch Town Center mall still contains 317,000 square feet of developable area that can accommodate department stores and other “big-box” retailers.
- There are other locations in the trade area, such as Millenia, zoned to accommodate the type of retail that is currently in the market (“medium box”), generally 20,000 - 50,000 square feet.
- At build-out the incremental demand for retail space within the trade area is estimated at 1,930,000 sq. ft. A total of 2,355,000 sq. ft. is currently planned or in the pipeline in the trade area (including the 347,000 sq. ft. of retail for the project as currently proposed). This would result in an over-supply of retail space in the amount of 425,000 square feet. With approval of the proposed project, including the 15,000 square feet of retail proposed, the supply of retail space would be reduced to 2,023,000 square feet.
- With the existing over supply of 425,000 square feet and subtracting the reduction of 332,000 square feet from the proposed project, the trade area would still be projected to experience an over-supply of retail space totaling 93,000 sq. ft. at build out.

Staff has reviewed the CLA and concurs with its conclusions. The proposed project would reduce approximately 132,000 square feet of commercial (the hotels will utilize approximately 200,000 square feet of the commercial entitlement) from the FC-2 site to accommodate up to 600 multi-family

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residential units and a 2-acre urban park. The City still has adequate remaining commercial square footage within the FC-1 site, and other future sites within the trade area

-Addendum and Infrastructure/Service Considerations

The previously graded project site is currently served by existing infrastructure. No upgrades or changes to existing infrastructure would be necessitated by the proposed GP/GDP changes to allow mixed use development. As noted below, the graded site is bordered by Olympic Parkway, Eastlake Parkway, and SR-125. The change in use would result in fewer vehicle trips generated by the project, compared to the existing commercial designation for the site. Outlined below is an overview of how existing infrastructure would adequately serve project.

Water Resources: The sizing of the existing 16-inch water line in Olympic Parkway, 20-inch line in Eastlake Parkway, and 12-inch line in Town Center Drive, and 12-inch lines within FC-1 are adequate to support the proposed modifications and, therefore, no changes to the approved project water system as analyzed in the FEIR are necessary as a result of the proposed modifications (Dexter Wilson 2014). Additionally, the proposed modifications would comply with the City of Chula Vista Guidelines for water conservation, including the use of recycled water for landscaping and implementation of additional water conservation measures such as hot water pipe insulation, pressure reducing valves, and water efficient dishwashers. A water supply assessment was approved for the project on April 1, 2015, documenting that there is an assured long term supply of water for the project. The approved water supply assessment indicates the project as proposed would result in an incremental increase of water demand of 173 acre feet beyond what was estimated in the 2010 Otay Water District Water Resources Master Plan.

Wastewater: The project is consistent with FEIR Mitigation Measures 5.12-11 through 5.12-13, which require the applicant to demonstrate adequate capacity in the Poggi Canyon sewer line. The sewer technical study (Dexter 2014) demonstrates that there is adequate sewer capacity in the existing 8 inch line that serves the site. The existing 8-inch gravity sewer line is adequate to convey this projected total flow. Moreover, the proposed project does not require additional reaches of the Poggi Interceptor to be upgraded in the future.

Traffic: The proposed modifications would result in fewer trips than analyzed in the traffic analysis. A traffic analysis has been conducted to evaluate the potential traffic impacts associated with the proposed modifications (Chen Ryan 2015). The FC-2 site would generate approximately 7,506 daily trips, which is lower than the entitled land use trip generation of approximately 12,145 daily trips for the FC-2 site. Since the proposed modified land uses would generate less traffic than the entitled land uses, there would be no additional traffic impacts associated with the proposed modifications. Therefore, no new significant impacts would occur beyond what is analyzed in the FEIR.

As stated above, no new significant impacts would occur from the proposed project, therefore, an Addendum has been prepared.

Schools:

Residents expressed concerns of overcrowding within existing schools.

Chula Vista Elementary - The proposed project is anticipated to generate approximately 180 students within the Wolf Canyon attendance area. Most of the project was annexed into CVESD's CFD 1 in 1993. This property will be assessed an annual tax pursuant to the mitigation agreement and Rate and Method of Apportionment for CFD 1. This CFD was formed to cover the costs of the District's capital facilities required to serve the development areas. That portion of the project not already annexed in CFD 1 will have the option to annex into the CFD or pay the mandated State school fee. This is a per square-foot fee that would be assessed on the properties prior to building permit issuance.

Sweetwater Union High School District - The proposed project is anticipated to generate approximately 52 middle school students and 121 high school students. The project is currently within the EastLake Middle School and Olympian High School attendance areas. Both schools are at capacity and the Freeway Commercial Project will generate additional need for new schools. All eastside schools are at capacity and closed to new intradistrict transfers.

The district has plans for a new middle school and a new high school potentially within Village 8 West and Village 11, respectively. The SUHSD also formed their own CFD 1 which most of the Freeway Commercial Project was annexed into in 1993. The property annexed into CFD 1 will be assessed an annual tax pursuant to the mitigation agreement and Rate and Method of Apportionment for CFD 1. The property outside of CFD 1 will have the option of annexing into the CFD or paying the State mandated school fee.

Parking:

Residents also expressed concerns regarding the provision of adequate parking for the proposed project that would not impact surrounding neighborhoods. Parking requirements are addressed at a SPA Plan level and will be required as part of the subsequent SPA Plan amendment to implement the proposed Project. The Project is anticipated to utilize the standard parking requirements that are typical of Otay Ranch villages. The SPA Plan Amendment, which will require City Council approval, will establish the parking requirements for each of the different land uses that can potentially locate in the project. Furthermore, the Master Precise Plan, which also will require City Council approval, will demonstrate how those parking requirements will be met.

Parks:

The proposed project park requirement is 4.6 acres. In accordance with provision of the Park Land Dedication Ordinance (PLDO) and the proposed Development Agreement, allows for a 4.6 acre park requirement to be met through the construction, programming and maintenance of a highly-amenitized 2-acre urban park that is valued at or greater than 4.6 acres of park. The 2-acre urban

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park is a public park, and will be constructed and maintained similar to the urban park that is proposed in the Eastern Urban Center.

Proposed General Plan Amendments

The proposed mixed use Project would add up to 600 multi-family for sale and rental units and implements a vision of a 24-hour lifestyle center. Other similar plans in the region such as the Westfield Mall at University Town Center have done this.

As proposed, the Chula Vista General Plan (GP) would provide the revised vision and policy direction for the planning of Freeway Commercial North (FC-2). The FC-2 site is proposed to have new mixed use residential with ancillary commercial and an urban park. These new proposed land uses necessitates the crafting of a new objective and supportive policies that address: Uses, Intensity, and Design aspects of the proposed project as well as its relationship to FC-1. The new policies also provide clear guidance for the subsequent preparation of the Sectional Planning Area (SPA) Plan Amendment, which will implement the proposed Project.

The proposed amended vision of the GP for this area is that the focus area provides both local and regional-serving retail commercial and entertainment uses as well as high density mixed-use residential. The High Density/Mixed Use Residential in the northerly portion of this area promotes walkability, reduce vehicle miles traveled (VMTs), and decrease traffic impacts through the pedestrian activation of Town Center Drive and close proximity between the hotels, park, retail commercial, residential uses, and the adjacent transit.

The new objective and key policies that relate directly to design and land use are listed below.

Objective:

- Create a high-quality mixed-use, transit supportive development within Freeway Commercial North (FC-2) with hotels, commercial retail, park, and high-density residential uses through a cohesive, coordinated design that integrates well with the Freeway Commercial South (FC-1) shopping center.

Policies:

- Multi-family density is intended at the lower range of the Mixed Use Residential category and is envisioned to provide both for-sale and rental products. The distribution of uses within the Mixed Use Residential is to be predominantly residential with ancillary retail commercial that is intended to primarily serve the nearby residences, and hotel and park patrons.
- The FC-2 site is envisioned as low to mid-rise generally ranging between 3-5 stories in height.
- Provide attractive and appealing design treatment on all sides of the project site with landscaping, hardscape, architectural features and enhanced elevations, and amenities that are aesthetically

coordinated with the surrounding land uses.

- The public park should be a highly-amenitized urban park that is accessible both visually and physically to the surrounding land uses and thoroughfares, and serves local residents, as well as hotel and shopping center patrons, and the public at large.
- The design of Town Center Drive should promote a pedestrian orientation while accommodating the necessary vehicular demands of the FC-2 area, and its function as the northerly entrance to the FC-1 Otay Ranch Town Center.
- Provide safe, comfortable and easily identifiable pedestrian crossing locations, routes and signage to the southerly Otay Ranch Town Center BRT station to promote use by hotel patrons and residents.

The Project is consistent with proposed GP policies listed above and existing GP goals and policies that reinforce the coordination and provision of balanced land uses (e.g. residential, commercial, park), building and pedestrian design features that promote quality urban design, and the provision of public facilities (like the park) to serve residents and visitors. This is consistent with many of the Planning Factors, Objectives and Policies Outlined in Section 7.0 of the LUT Element such as:

- **Balanced Land Uses** - “A balance of land uses-residential; employment; commercial; recreational...provided at the appropriate intensity, location, and mix. Benefits include: reduced commute times; improved air quality; higher sales tax revenues; increased mobility options.”
- **Urban Design & Form** - “Establishing and reinforcing Chula Vista’s urban design and form is necessary to ensure the desired character and image of the City is protected and enhanced as the City grows and develops over time.”
- **Compatible Edge Transitions** - “Mixed use areas will inherently have higher levels of activity and intensity than solely residential neighborhoods. Both the pattern of mixed use areas and individual project designs must be sensitive to edge transitions.”
- **Enhancing Community Image** - “It is created by both natural and man-made features, such as views; open space; city entryways; primary or secondary gateways; streetscapes; buildings; parks; and plazas.”

The mix of hotels, high-density residential and commercial in a mixed-use format, a 2-acre urban park, located in close proximity to one another, and a planned BRT route promotes walkability and “smart growth” development. The hotels, urban park, and residential units will also activate the commercial uses along Town Center Drive; encourage walking and transit use; and reduce automotive dependency. The proposed mix use residential with higher density multi-family and ancillary commercial uses located along Town Center Drive adjacent to the Otay Ranch provides a

compatible transition between the FC-2 site and the Town Center mall (FC-1) to the south. The activities of the mall are compatible with the pedestrian-oriented activities envisioned for the mixed use project as higher-density residential are proposed adjacent to and within walking distance of the mall. The planned BRT route is conveniently located between and serves patrons and residents of the FC-1 and FC-2 sites. Residents, park and hotel users on the FC-2 site have easy and convenient access to the FC-1 mall and vice-versa. The ancillary commercial uses in the proposed Project, while serving the hotels, residents and park users, are complimentary to the uses in the mall and provide additional shopping opportunities for patrons of the mall.

The placement of an urban park fronting Town Center Drive creates a pedestrian-oriented focal point within Freeway Commercial North. The current southerly terminus of Town Center Drive is adjacent to a main pedestrian walkway within the Town Center Mall and provides for a primary pedestrian link between Freeway Commercial North and South. At the SPA Plan level, in accordance with the GP and GDP, the Applicant will provide pedestrian features such as enhanced pavement, trellises, seating areas, and low monument signage surrounding the urban park that will accentuate a pedestrian-oriented focal area within Freeway Commercial North.

The comprehensive list of all the proposed GP policies is located in Appendix A of Attachment 3.

A subsequent SPA Plan amendment is necessary and will be required to show consistency with the new objective and associated policies.

2. Otay Ranch GDP

The Otay Ranch GDP provides a vision and direction for the planning of the Freeway Commercial area, including the FC-2 subarea. The vision of the GDP for this area, as amended, is that Freeway Commercial North (FC-2) will provide hotels and high density residential in a mixed-use urban character setting that includes ancillary commercial uses and an urban park. Hotels are a permitted use in the existing SPA Plan for both the South (FC-1) and North (FC-2) subareas. Because the proposed Development Agreement ensures that hotels will be constructed in FC-2, the proposed GDP amendments identify hotels as a required part of FC-2 in conjunction with the other uses as described above. A similar revision is not being made in FC-1 because there is no requirement or assurance that hotels would be constructed on the FC-1 site.

Key new policies are added to the Otay Ranch GDP to ensure the quality of development anticipated with the FC-2 project. They include the following:

- Orient hotels and high density residential mixed-use buildings in a manner that defines the primary pedestrian areas, creates a strong pedestrian connection between buildings, and

provides for a continuous pedestrian experience.

- Mixed-Use buildings facing Town Center Drive and primary pedestrian urban spaces shall contain commercial uses that support pedestrian activities such as dining, retail and entertainment, and cultural experiences.
- Hotels and mixed-use buildings shall exhibit an urban character through the use of quality building materials, textures, and scale.
- Establish an urban identity through the use of streetscape features and amenities, such as bollards, street furnishings, and enhanced pavement between vehicular driveways.
- Provide safe and accessible pedestrian connections to the existing and anticipated routes to the planned Bus Rapid Transit (BRT) stations. Provide features to buffer pedestrians from the BRT travel lanes where pedestrian walkways are located along the travel lanes.
- Internal and external circulation systems shall be provided including a strong pedestrian-orientation, and enhanced pedestrian connectivity to the regional shopping center and internal connections between the high density residential and mixed-use areas, the hotels and the urban park.
- A centrally located urban park including amenities shall be provided at a highly visible location and will serve as a public attraction in addition to serving the surrounding high density residential.
- In Freeway Commercial North (FC-2), the freeway commercial land use category permits hotels and high density residential in an urban character mixed-use setting, allowing for primarily 3 to 6 story mid-rise buildings (heights will be established at the SPA level).

The comprehensive list of all the proposed GDP policies is located in Appendix B of Attachment 3.

The Freeway Commercial SPA Plan will require subsequent amendment so that it implements these GDP goals and objectives.

Fiscal Impact Analysis (FIA)

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A FIA has been prepared using the City's Fiscal Impact Framework (see Appendix C of Attachment 3). Typical GPA and GDPA's are evaluated only in a build-out condition. However, given the DA and proposed GP and GDP policies that stipulate specified project features, and even though a SPA Plan is not being processed, staff required the FIA to include development phasing increments typically not required until a SPA Plan is prepared. When the SPA Plan amendment is be processed this FIA will fulfill that requirement.

Based on the FIA and the assumptions contained therein, the fiscal impact generated by the proposed Project as compared to the currently approved plan (i.e. base), are zero in Years 0 & 1 and positive in all future study years including at build-out. This is because no construction is taking place on the site in Years 0 & 1. Both the base and proposed Project are estimated to generate more revenues than expenditures throughout the build-out period.

The base is estimated to generate annual revenues of \$4.1 million and expenses of \$2.1 million resulting in a net positive fiscal impact to the City of \$2.0 million annually at build-out. The proposed Project is estimated to generate revenues of \$4.8 million and expenses of \$2.3 million resulting in a net positive fiscal impact to the City of \$2.5 million annually at build-out. Overall, the proposed Project is estimated to generate approximately \$0.5 million more than the base primarily due to the Transient Occupancy Tax (TOT) revenues estimated from the development of the hotels.

The fiscal surplus (difference between the base and the Project) starts in Year 2 at \$391,720 and grows to an annual net fiscal surplus of approximately \$536,318 by build out, Year 10. As required by the development agreement, construction for the first hotel will begin prior to the issuance of a residential permit. Due to the TOT collected early on, the project will produce greater revenues than costs, creating the early surplus. With more residential development underway between years 2 and 4, the surplus temporarily declines to a Year 4 low of \$173,609 before increasing again to the ultimate surplus of \$536,318.

While hotel uses are allowed under the current FC entitlement, the original FIA for the Freeway Commercial SPA Plan did not include revenues for hotels, therefore, the base (i.e. existing approved project) does not include revenues for hotels because there are no assurances that hotels would be developed on either FC-1 or FC-2 sites. The Development Agreement for the proposed project ensures that the City will get two hotels, one of which will be under construction prior to issuance of a building permit for residential uses. The findings in the FIA show that hotel uses generate revenues for the City at a higher rate than general commercial, and the proposed project will generate over a half million dollars more than the base, as described above.

3. Development Agreement

State and City Requirements for Development Agreements

California Government Code sections 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 benefits of the Development Agreement to both the City and the Applicant, and describes the fundamental terms of the agreement.

Public Benefits

Beyond the basic benefits of developing a project of the character of Freeway Commercial North (FC -2), the City will receive the following benefits from entering into the Development Agreement, which is presented in draft in Attachment6:

- Dedication of right of way and construction easements necessary for the completion of the South Bay Bus Rapid Transit (BRT) line.
- Provision of two hotels totaling at least 300 rooms.
- Increase in net fiscal revenue of over \$500,000 annually at build out as compared to the currently approved project.
- A highly amenitized (see Exhibit "E" of DA) two acre public park provided in a turnkey manner after the construction of 300 residential units.
- Funding to cover regular maintenance of the two acre public park.

Benefits to the Master 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 Freeway Commercial SPA Plan and existing land use laws, regulations and policies for up to twenty (20) years.
- Use of the City's Development Impact Fee Deferral Policy for the life of the Development Agreement (up to 20 years). Pursuant to the Development Impact Fee Deferral Policy, the Master Developer may defer the payment of Development Impact Fees until the request for final

inspection of each individual residential unit upon satisfaction of specified conditions.

- Ability to convert commercial area into mixed use development with a total of 600 high density multi-family units and 15,000 square feet of retail space.
- Ability to meet a reduced total park acreage obligation through an onsite equivalency program.

Other Terms of the Agreement

The Development Agreement will contain the following additional major points:

- The term of the Development Agreement, all tentative maps and other development approvals will be twenty (20) years.
- For the Term of the Development Agreement, the Master Developer and its merchant builders shall have the vested right to develop the property pursuant to the Sectional Planning Area (SPA) Plan, Tentative Map, Development Agreement, and existing land use laws, regulations and policies. The Development Agreement will vest permitted uses, density, intensity, timing and phasing of development, and reservations and dedications of land.
- The Development Agreement may be amended from time to time by the mutual written consent of the City and Master Developer and the Owner of any affected portion of the property.
- The City shall accept and process with reasonable promptness all completed applications for subsequent approvals.
- The Development Agreement shall run with the land and benefit and bind future owners should the Master Developer sell or transfer ownership.

The Development Agreement (DA) ensures that the 2 hotels and urban park are constructed, and phased appropriately with residential development to ensure balanced land uses are planned and built. The DA requires that the Developer meet all of its park obligations, but allows for flexibility in how those requirements are achieved. This park will be constructed to standards that exceed the requirements of a 4.6 acre park that would otherwise apply to the project. The DA contains a list of features for the Urban Park in Exhibit "E" such as water features, public art, amphitheater, sculptural landforms, rockscape/informal play areas, urban "botanical" garden, video projection screen/shade structure, adult fitness spaces/stations that would be considered as "highly-amenitized" because they are generally not included in urban parks. To the extent the cost of the urban park is less than the estimated cost to construct a standard 4.6 acre park, based on an audit, the developer must pay the excess to the City for use on other parks in the area. The highly-amenitized urban park enhances the community image of Freeway Commercial North as well as for Chula Vista. The hotels will provide jobs and higher revenues to the City through Transient Occupancy Tax (TOT) and the

ancillary commercial will also provide additional jobs and sales tax to the City.

DECISION-MAKER CONFLICT

Staff has reviewed the property holdings of the City Council and has found no property holdings within 500 feet of the boundaries of the property that is subject to this action. In addition, staff has conducted a decision maker conflict of interest review concerning Councilmember Miesen and has determined that a potential conflict of interest may exist because it may be reasonably foreseeable that a financial effect on a business entity in which Councilmember Miesen has a financial interest may be material.

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 Freeway Commercial North Project supports the Economic Vitality goal, particularly City Initiative 2.1.3 (Promote and support development of quality master-planned communities). The proposed GP and GDP policies support the development of a quality master-planned community (as described above) with parks, jobs, transit, shopping, and other amenities, all within walking distance for residents. The Project also results in positive net economic benefit for the City as described in the FIA section.

CURRENT YEAR FISCAL IMPACT

The processing for the GP and GDP Plan amendments, Addendum, and all supporting documents were funded by a developer deposit account. This account funded city staff and consultants representing the City on the Freeway Commercial North project.

ONGOING FISCAL IMPACT

The Supplemental FIA for the Freeway Commercial North Amendment estimates that during years 0 and 1 there would be no difference between the base and proposed Project's fiscal impact of \$1.9 million net annual positive surplus because the hotels have not yet been constructed. From years 2 through 10 (build-out), when comparing the base to the proposed Project, there would be a net positive fiscal benefit to the City starting at approximately \$390,000 per year and increasing to over \$536,000 per year. If approved, the proposed Project will yield an overall estimated \$2.5 million annual net positive fiscal impact to the City at build-out, compared to an estimated \$2.0 million under the adopted plan.

File#: 15-0150, **Item#:** 8.

ATTACHMENTS

1. Locator Map
2. Planning Commission Resolution
3. Proposed GP/GDP Amendments (Provided on 4/30/15)
4. Addendum to FEIR 02-04 (Provided on 4/30/15)
5. Disclosure Statement
6. Development Agreement

Staff Contact: Stan Donn, Senior Planner, Development Services Department