



City of Chula Vista

Staff Report

File#: 16-0019, **Item#:** 7.

CONSIDERATION OF AUTHORIZING THE ANNEXATION IN THE FUTURE OF A CERTAIN TERRITORY TO CFD NO. 17-I (THE "FUTURE ANNEXATION AUTHORIZATION PROCEEDINGS")

- A. RESOLUTION NO. 2016-019 OF THE CITY COUNCIL OF THE CITY OF CHULA VISTA ADOPTING A BOUNDARY MAP SHOWING TERRITORY PROPOSED TO BE AUTHORIZED TO BE ANNEXED IN THE FUTURE TO COMMUNITY FACILITIES DISTRICT NO. 17-I (WESTERN CHULA VISTA DIF FINANCING PROGRAM)
- B. RESOLUTION NO. 2016-020 OF THE CITY COUNCIL OF THE CITY OF CHULA VISTA DECLARING ITS INTENTION TO AUTHORIZE THE ANNEXATION IN THE FUTURE OF A CERTAIN TERRITORY TO COMMUNITY FACILITIES DISTRICT NO. 17-I (WESTERN CHULA VISTA DIF FINANCING PROGRAM), AND SETTING THE PUBLIC HEARING TO CONSIDER SUCH ANNEXATION

RECOMMENDED ACTION

Council adopt the resolutions.

SUMMARY

In April, 2015, the City Council adopted an amendment to the municipal code that allowed the City Council to defer development impact fees for projects within Western Chula Vista. The deferral of impact fees can be accomplished by agreement or by projects annexing into a Community Facilities District. At that time, staff indicated that it would return at a later date with the current action to establish such a Community Facilities District that would be available to projects located in industrial, commercial and high density residential zones located throughout Western Chula Vista and the Main Street Auto Park. This is the second of several actions required by the City Council to consider the formation of the Community Facilities District which is proposed to be designated as Community Facilities District No. 17-I (Western Chula Vista DIF Financing Program) (the "CFD")..

ENVIRONMENTAL REVIEW

Environmental Notice

The activity is not a "Project" as defined under Section 15378 of the California Environmental Quality Act State Guidelines; therefore, pursuant to State Guidelines Section 15060(c)(3) no environmental review is required.

Environmental Determination

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 the activity consists of a

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governmental fee deferral agreement program and/or annexation activity which does not involve any commitment to any specific project which may result in a potentially significant physical impact on 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. Although environmental review is not required at this time, once the scope of potential individual projects has been defined, environmental review will be required for each project and the appropriate environmental determination will be made.

BOARD/COMMISSION RECOMMENDATION

Not Applicable

DISCUSSION

Investment in Western Chula Vista continues to present a financing challenge for potential investors and developers. Financing challenges derive primarily from the lending industry's increased equity requirements imposed upon infill development projects in Western Chula Vista. To help address the additional equity burden being placed on infill development in the subject area, the City Council adopted an Ordinance in April 2015 that allows the deferral of impact fees to incentivize future investment in this area. Subsequently, staff enlisted the legal services of Warren Diven, Best, Best & Krieger, and financial services firm Willdian Financial Services, to assist staff in preparing and bringing forward this item to initiate the future annexation proceedings.

The deferral of the payment of certain impact fees will reduce the additional equity burden by an amount equal to such fees. The CFD will also enable the developer to shift such impact fee burden from the construction/development cost side of their ledger to the operating side of the development. The CFD will not be utilized as a mechanism to issue debt but rather as a way to finance the payment of such impact fees over time. The CFD will be available for a five year window in which property owners can elect to annex into the CFD, unless the availability of the CFD is extended by the City Council. It is anticipated that this limitation will provide enough time for projects currently in process and those previously approved to be constructed, sold and/or leased out. These projects will provide the comparables necessary to reduce the risk to the lending industry. Once lending standards are in accordance with other markets, the CFD financing mechanism will no longer be necessary.

The resolutions proposed with this report are the second of several actions to be taken by the City Council in the consideration of the authorization of the annexation in the future of certain territory to the CFD. In general, these Future Annexation Proceedings will consider the adoption of the proposed Boundary of Future Annexation Areas and declare the City Council's intent to authorize the annexation of such territory into the CFD in the future.

More specifically, Resolution A is a map of all properties eligible to annex into the CFD. All multi-family, commercial and industrial land between Interstate 5 and 805, as well as the Auto Park and adjacent industrial land east of Interstate 805 will be within the CFD (See Attachment A - Boundary Map). A future City Council action will require the adoption of a map to expand the boundaries of the CFD as any parcel is annexed into the CFD. While this Exhibit establishes the eligible properties, a property owner must voluntarily elect to annex individual project sites into the CFD.

Resolution B describes the impact fees that will be deferred as well as the Rate and Method of Apportionment of the special taxes that will be levied against the projects located in the Future Annexation Area that are annexed into the CFD in the future to pay the deferred impact fees (Exhibit A of Resolution B) if the owners of such parcels have elected to have such parcels annexed into the CFD. The proposed terms for projects that annex into the CFD would allow for the deferral of the Public Facilities Development Impact Fee, Parkland Acquisition and Development Fee and the eligible portion of the Transportation Development Impact Fee. There will be no special tax payments due for 10 years from the time the project receives a certificate of occupancy, but will accrue interest at two percent (2%) per annum from the date of issuance of the certificate of occupancy. Special tax payments toward the deferred impact fees will be due following the tenth (10th) anniversary of the date of the certificate of occupancy and will continue until such fees have been paid in full by the 30th year. The balance of the deferred fee and the accrued interest will bear 2% current interest during the 20 year term of the levy of the special tax. Prepayment of the deferred fees applicable to a parcel is available at any time by prepaying the special tax obligation for such parcel.

Resolution B also sets a public hearing on March 15, 2015 to allow the public the opportunity to testify regarding the consideration of authorizing the annexation of territory within the Future Annexation Area to the CFD, the rate and method of apportionment of the special tax proposed to be levied against any territory within the Future Annexation Area that annexes to the CFD, and all other matters as set forth in the resolution of intention..

DECISION-MAKER CONFLICT

Staff has reviewed the property holdings of the City Council members and has found that, Mayor Salas, and City Council members Bensoussan and McCann have real property holdings within 500 feet of the boundaries of the property which is the subject of this action. Consequently, pursuant to California Code of Regulations Title 2, sections 18700 and 18702.2(a)(11), this item presents a disqualifying real property-related financial conflict of interest under the Political Reform Act (Cal. Gov't Code § 87100, et seq.) for the above-identified member.

In addition to the above, staff has determined that a potential conflict of interest may exist for Councilmember Miesen 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 deferral of impact fees furthers the Economic Vitality initiative 2.1.2 to "foster opportunities for investment in Western Chula Vista" by removing impediments for development projects in the subject area, accelerating the completion of planned and future developments.

CURRENT YEAR FISCAL IMPACT

All consultants and staff time related to this action are being funded by the Economic Development

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Department's General Fund budget.

ONGOING FISCAL IMPACT

There is no ongoing fiscal impact as a result of this action. Previously, the City Council directed the Director of Public Works to prepare or cause to be prepared the Community Facilities District Report to be presented to the City Council, generally setting forth and containing the DIF Obligations, Cost Estimate and the rates and methods of apportionment of the special taxes proposed to be levied within the District. This report will address the impacts of the future fee deferrals.

ATTACHMENTS

None

Staff Contact: Craig Ruiz, Principal Economic Development Specialist