



City of Chula Vista

Staff Report

File#: 16-0274, **Item#:** 4.

- A. RESOLUTION NO. 2016-197 OF THE CITY COUNCIL OF THE CITY OF CHULA VISTA ADOPTING A BOUNDARY MAP SHOWING THE BOUNDARIES OF THE TERRITORY PROPOSED FOR THE INCLUSION IN PROPOSED COMMUNITY FACILITIES DISTRICT NO.18M (OTAY RANCH VILLAGE 3)
- B. RESOLUTION NO. 2016-198 OF THE CITY COUNCIL OF THE CITY OF CHULA VISTA DECLARING ITS INTENTION TO ESTABLISH COMMUNITY FACILITIES DISTRICT NO. 18M (OTAY RANCH VILLAGE 3), AUTHORIZE THE LEVY OF A SPECIAL TAX THEREIN TO FINANCE CERTAIN SERVICES, SET THE PUBLIC HEARING TO CONSIDER THE ESTABLISHMENT OF THE PROPOSED DISTRICT, AND ORDER THE PREPARATION OF A CFD REPORT
- C. RESOLUTION NO. 2016-199 OF THE CITY COUNCIL OF THE CITY OF CHULA VISTA ADOPTING A BOUNDARY MAP SHOWING TERRITORY PROPOSED TO BE AUTHORIZED FOR ANNEXATION IN THE FUTURE INTO COMMUNITY FACILITIES DISTRICT NO.18M (OTAY RANCH VILLAGE 3)
- D. RESOLUTION NO. 2016-200 OF THE CITY COUNCIL OF THE CITY OF CHULA VISTA DECLARING ITS INTENTION TO AUTHORIZE THE ANNEXATION IN THE FUTURE TO COMMUNITY FACILITIES DISTRICT NO. 18M (OTAY RANCH VILLAGE 3)

RECOMMENDED ACTION

Council adopt the resolutions.

SUMMARY

Homefed Village III, LLC has requested that the City conduct proceedings to consider the approval of the formation of Community Facilities District No. 18M (Otay Ranch Village 3) (CFD 18M), northeast of the intersection of Heritage Road and Main Street. The conditions of approval of the tentative map for Otay Ranch Village 3 require that the community facilities district (CFD) be formed prior to issuance of the first production home building permit. This district will fund the maintenance and replacement of (a) landscaping, including, but not limited to, trees, slopes, parkways and medians; (b) facilities that are directly related to storm water quality control; (c) walls and fencing; and (d) trails. The City has retained the services of Willdan Financial Services as special tax consultant and Best, Best and Krieger, LLP as legal counsel to provide assistance during the proceedings. This action initiates the formal proceedings to consider the establishment of CFD No.18M and authorize the annexation in the future of certain territory to CFD No. 18M.

ENVIRONMENTAL REVIEW

Environmental Notice

The Project was adequately covered in previously adopted/certified Final Environmental Impact Report (EIR 13-01) for the Otay Ranch University Villages Project Comprehensive Sectional Planning Area (SPA) Plan Amendment.

ENVIRONMENTAL DETERMINATION

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 adopted/certified Final Environmental Impact Report (EIR 13-01) for the Otay Ranch University Villages Project Comprehensive Sectional Planning Area (SPA) Plan Amendment. Thus, no further environmental review or documentation is necessary.

BOARD/COMMISSION RECOMMENDATION

Not Applicable

RECOMMENDATION

That Council:

- Approve Resolution (A), Resolution Adopting the Boundary Map for Community Facilities District No. 18M (Otay Ranch Village 3), setting forth the boundaries of the territory proposed for inclusion in proposed Community Facilities District No. 18M;
- Approve Resolution (B), Resolution Declaring its Intention to Establish Community Facilities District No. 18M (Otay Ranch Village 3), authorize the levy of a special tax therein to finance certain services, set the date of the public hearing to consider the establishment and formation of the proposed district, and order the preparation of a CFD Report;
- Approve Resolution (C), Resolution Adopting a Boundary Map showing territory proposed to be authorized for annexation in the future to Community Facilities District No. 18M (Otay Ranch Village 3);
- Approve Resolution (D), Resolution Declaring its Intention to Authorize the Annexation in the Future to Community Facilities District No. 18M (Otay Ranch Village 3) and set the date of the public hearing to consider authorizing the annexation of territory in the future;

DISCUSSION

On January 13, 1998, Council adopted the "City of Chula Vista Statement of Goals and Policies regarding the establishment of Community Facilities Districts" (the "Goals and Policies"). The approval of this document ratified the use of CFDs as a public financing mechanism for (1) the

construction and/or acquisition of public infrastructure, and (2) the financing of authorized public services. Taxes levied by maintenance districts, such as CFD No. 18M, are currently excluded from the 2% maximum tax criterion set forth in the Goals and Policies.

On April 28, 1998, Council, acting under its Charter authority, enacted the "Chula Vista Community Facilities District Ordinance" (the "Ordinance"). The Ordinance adopted the Mello-Roos Act with modifications to accomplish the following: (1) incorporate all maintenance activities authorized by the "Landscaping & Lighting Act of 1972" (the "1972 Act"); (2) include certain maintenance activities not listed in the Mello-Roos Act or the 1972 Act; and (3) establish an operating reserve fund for open space districts.

Homefed Village III, LLC has requested that the City conduct proceedings to consider the approval of the formation of Community Facilities District No. 18M (Otay Ranch Village 3) (CFD 18M). The conditions of approval of the tentative map for Otay Ranch Village 3 require that said CFD be formed prior to issuance of the first production home building permit. This district will fund the maintenance and replacement of (a) landscaping, including, but not limited to, trees, slopes, parkways and medians; (b) facilities that are directly related to storm water quality control; (c) walls and fencing; and (d) trails. The City has retained the services of Willdan Financial Services as special tax consultant and Best, Best and Krieger, LLP as legal counsel to provide assistance during the proceedings. Tonight's action will initiate the formal proceedings to consider the establishment of CFD No. 18M and the designation of territory subject to annexation in the future to CFD No. 18M.

CFD No. 18M will provide the necessary funding for the operation and maintenance of public landscaping, storm water quality, walls, fencing, and trails, by levying an annual "special tax" which is collected from the property owners within CFD No. 18M in conjunction with property taxes or via direct billing. All expenses related to the district administration, including levying and collecting the special taxes, are also funded from such special taxes.

Resolutions C and D consider the authorization of the annexation in the future of certain territory to CFD No. 18M. In general, these future annexation proceedings consider the adoption of the proposed boundary map that identifies the future annexation area (the "Future Annexation Area") and declare the City Council's intent to authorize the annexation of such territory into CFD No. 18M in the future. The services to be financed by CFD No. 18M are similar to those that will be necessary in the Future Annexation Area.

Area of Benefit

The proposed boundaries of CFD18M encompass parcels located within Otay Ranch. Otay Ranch Village 3 is approximately four hundred and twenty-three (423) acres located just south and east of the Otay Landfill and Village Two, west of the existing light industrial uses in the City of Chula Vista and north of the Otay River Valley. Homefed Village III, LLC owns 100% of the property within the proposed district. The project is proposed for approximately 702 single-family units and 563 multi-family units, 7.9 acres of office use, and 16.8 acres of industrial use. Staff has reviewed the proposed boundary map (the "Boundary Map") and has found it acceptable and ready for approval by Council. A reduced copy of the Boundary Map is presented in Attachment "1".

The Boundary Map also depicts an area designated as the Future Excluded Area which is intended to be excluded from CFD 18M. This area is currently included within the boundaries of CFD 18M because the Future Excluded Area does not currently exist as a separate legal parcel, but is a part of the legal parcel identified on the Boundary Map as Assessor's Parcel No. 644-060-27-00. The Mello-Roos Act provides that the boundary of a community facilities district may not bisect an existing legal parcel. In order to include that portion of Assessor's Parcel No. 644-060-27-00 that is intended to be included in CFD 18M it is necessary to include the whole of such parcel in the Boundary Map until a legal parcel is created for the Future Excluded Area. The Boundary Map contains a notation that provides that the Boundary Map may be amended by resolution of the City Council adopted following recordation of the Final Subdivision Map that creates a parcel depicting the Future Excluded Area to reflect such parcel as being excluded from CFD No. 18M.

Attachment "2" is a map of the Future Annexation Area and shows all properties eligible to annex into CFD No. 18M in the future.

Cost Estimate

The estimated annual budget for CFD 18M is approximately \$1,591,750. This budget includes \$1,284,555 for landscape, storm water quality, walls and fencing, and trails; and \$269,676 that is set aside for the replacement of the amenities as they reach the end of their useful life. In addition, the budget includes \$37,519 for CFD administration (preparing reports, levying and collecting taxes, public assistance, etc.) by the Engineering Division of the Public Works Department or their designee.

Proposed Special Tax

CFD 18M has four proposed categories of taxable property, as follows:

- Single Family Detached Property, which include all parcels of residential property consisting of a single Dwelling Unit.
- Single Family Attached Property, which includes all parcels of for-sale residential property consisting of one or more Dwelling Unit(s) that share common walls with one or more other Dwelling Unit(s), including, but not limited to, duplexes, triplexes, townhomes, and condominiums.
- Multi-Family Property, which includes all parcels of residential property consisting of two or more for-rent Dwelling Units that share common walls, including, but not limited to, apartments and townhomes that are not for sale to an end user and are under common management.
- Non-Residential Property, which include all parcels of developed property for which a building permit(s) has been issued for a structure or structures for non-residential use.

The Exempt Category that is not taxed includes (i) Public Property, (ii) Property Owner Association Property, (iii) CPF Property, (iv) Assessor's Parcels with public or utility easements making impractical their utilization for other than the purposes set forth in the easement, including but not limited to property designated for open space, trails, pathways, parks or park and recreation related facilities, and (v) property reasonably designated by the City or CFD Administrator as Exempt Property due to deed restrictions, conservation easement, or similar factors.

Developed Property are those parcels for which a building permit has been issued prior to March 1st preceding the Fiscal Year in which the Special Tax is being levied. The proposed maximum special tax rate in the RMA on all Developed Parcels was determined by dividing the estimated annual budget at build out (plus a capital replacement allocation, initially equal to 20.9% of the annual budget) by the total estimated development (EDUs) at build out.

Collection of Taxes

At the beginning of each fiscal year the City shall determine the amount of the Special Tax Requirement for the CFD. Then, the special taxes will be levied on all taxable Property of the CFD until the total amount of Special Tax levied equals the Special Tax Requirement. The Special Tax shall be levied Proportionately on each Assessor's Parcel of Developed Property within the CFD, up to 100% of the Maximum Special Tax.

The Maximum Special Tax Basis and the Maximum Special Tax shall be subject to annual escalation as follows, and as fully described in the Rate and Method Apportionment (RMA) of Special Tax: (See Attachment "3" for full description of RMA):

- The Maximum Special Tax Basis shall be equal to the sum of Maximum Special Tax Basis for Labor, Maximum Special Tax Basis for Water and Maximum Special Tax Basis for Asset Replacement;
- The annual percentage change of the Maximum Special Tax Basis for Labor shall be equal to the annual percentage change in the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W); and
- the annual percentage change of the Maximum Special Tax Basis for Water shall be equal to the annual percentage change in the Otay Water District Commodity Rate; and
- the annual percentage change of the Maximum Special Tax Basis for Asset Replacement shall be equal to the annual percentage change in the Engineering News Record Construction Cost Index for the Los Angeles Area.

The Maximum Special Tax will initially be equal to the Maximum Special Tax Basis. The Maximum Special Tax Basis will be increased each year as described above. The Maximum Special Tax will be increased by an amount not less than 2% and not more than 6% each year, based on the absolute difference between the Maximum Special Tax Basis for that Fiscal Year.

Proposed Maximum Special Taxes

The proposed maximum special tax rates for fiscal year 2016/17 for a typical dwelling unit within CFD 18M are as follows:

Land Use Class	Maximum Special Tax Basis for Labor	Maximum Special Tax Basis for Water	Maximum Special Tax Basis for Asset Replacement	Maximum Special Tax Basis
Single Family Detached Property	\$912.16	\$341.42	\$255.70	\$1,509.28
Single Family Attached Property	\$729.73	\$273.14	\$204.56	\$1,207.43
Multi-Family Property	\$72.97	\$27.31	\$20.46	\$120.74
Non-Residential Property	\$3,648.64	\$1,365.68	\$1,022.82	\$6,037.13

RESOLUTIONS

There are four resolutions on today's agenda that, if adopted, will accomplish the following:

The RESOLUTION ADOPTING THE BOUNDARY MAP is the formal action adopting the map and setting forth the boundaries of the proposed Community Facilities District No. 18M.

The RESOLUTION OF INTENTION is the jurisdictional resolution declaring the intention of the City Council to establish the proposed Community Facilities District No. 18M, authorize the levy of a Special Tax, set the time and place for the public hearing, and order the preparation of a CFD Report.

The RESOLUTION ADOPTING A BOUNDARY MAP SHOWING TERRITORY PROPOSED TO BE AUTHORIZED FOR ANNEXATION IN THE FUTURE is the formal action adopting the map and setting forth the boundaries of the proposed Future Annexation Area for Community Facilities District No. 18M

The RESOLUTION DECLARING ITS INTENTION TO AUTHORIZE THE ANNEXATION IN THE FUTURE to Community Facilities District No. 18M declares the intention of the City Council to establish the proposed Future Annexation Area and annex such area in the future.

FUTURE ACTIONS

The public hearing and consideration of the adoption of a resolution forming and establishing CFD No. 18M, and submitting the authorization for the levy of special taxes to the qualified electors are scheduled for the City Council meeting on November 8, 2016, at 5:00 P.M. The public hearing and consideration of authorizing the annexation of territory in the Future Annexation Area to CFD No. 18M, the rate and method of apportionment of the special tax proposed to be levied against any territory within the Future Annexation Area that annexes into CFD No. 18M, and all other matters set forth in Resolution D is also scheduled for the City Council meeting on November 8, 2016, at 5:00

P.M.

DECISION-MAKER CONFLICT

Staff had reviewed the property holdings of the City Council and has found no property holding within 500 feet of the boundaries of the property which is the subject of this action. Staff is not independently aware, nor has staff been informed by any City Councilmember, 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. Once the District is formed, the proceeds will serve three City Strategic Plan majors goals: Operational Excellence and Healthy Community by ensuring a new and dedicated revenue stream to provide for the ongoing maintenance the public improvements and facilities being constructed in association with the development of Village 3, and Connected Community by way of maintaining the trails and pedestrian oriented facilities associated with the development.

CURRENT YEAR FISCAL IMPACT

All costs of formation of the District are being borne by the developers and the on-going administration will be funded entirely by the district. The City will recover the full cost of staff time expended in district formation and administration activities in perpetuity.

Staff anticipates that the majority of the CFD No. 18M administration will be contracted out. The CFD administration cost is estimated not to exceed \$37,060 annually.

ONGOING FISCAL IMPACT

The costs to administer the District, if established, shall be paid from the proceeds of special taxes to be levied within the District. There is, therefore, no ongoing fiscal impact on the City's General Fund or Development Services Fund by this action.

ATTACHMENTS

- 1.CFD Boundary Diagram
- 2.Future Annexation Area Boundary Diagram
- 3.CFD Rate and Method of Apportionment

Staff Contact: Dave Kaplan, Development Services Department