



City of Chula Vista

Staff Report

File#: 16-0406, **Item#:** 2.

ORDINANCE NO. 3372 OF THE CITY OF CHULA VISTA APPROVING AMENDMENTS TO THE EASTERN URBAN CENTER PLANNED COMMUNITY DISTRICT REGULATIONS AND DESIGN PLAN (FORM BASED CODE) FOR 207 ACRES OF LAND IN THE EASTERN URBAN CENTER PORTION OF THE OTAY RANCH RELATING TO THE RELOCATION OF THE MILLENIA ELEMENTARY SCHOOL SITE, DELETION OF A PORTION OF MONTAGE AVENUE, REVISING THE PARKING RATES AND STANDARDS AND CLARIFYING THE APPROVAL PROCESS FOR THE PARKING MANAGEMENT PLAN, SUBSEQUENT PARKING RATES, AND FUTURE STREET DELETIONS (SECOND READING AND ADOPTION)

RECOMMENDED ACTION

Council adopt the ordinance.

SUMMARY

The Millenia project (formerly known as the Eastern Urban Center) includes approximately 207 acres of land and is located along the SR 125 tollway between Birch Road and the future Hunte Parkway/Main Street extension (Attachment 1). The project is approved for approximately 3.5 million square feet of non-residential uses, and 2,983 multi-family housing units.

The approved EUC SPA Plan (SPA) and Form Based Code (FBC) currently propose the primary location of the Elementary School site to be within the South-Central residential neighborhood (District 9). SLF IV/Millenia, LLC ("Applicant") filed an application to amend the approved Sectional Planning Area (SPA) Plan and Form Based Code (FBC) to move the school site to Tentative Map (TM) Lot 16 in the Mixed Use Civic/Office Core District (District 5). The School District has expressed a preference for the elementary school to be located in District 5 instead of District 9 due to its more central location and improved accessibility.

Staff is also seeking clarification of the Director of Development Services' authority to approve, at an administrative level, street deletions in the Millenia plan and to approve the Millenia Parking Management Plan. Both of these issues are discussed in more detail in the staff report.

As proposed, the Project will require amendments to the EUC SPA Plan, and FBC.

ENVIRONMENTAL REVIEW

Environmental Notice

The Project was adequately covered in previously adopted Final Second Tier Environmental Impact Report, EIR 07-01 and only minor technical changes were required; therefore Addendum IS-15-0003 has been prepared.

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 covered in previously adopted Final Second Tier Environmental Impact Report, EIR 07-01. The Director of Development Services has determined that only minor technical changes or additions to this document are necessary and that none of the conditions described in Section 15162 and 15164 of the State CEQA Guidelines calling for the preparation of a subsequent document have occurred; therefore, the Director of Development Services has prepared an addendum to the Final Second Tier Environmental Impact Report, EIR 07-01 (Attachment 2).

BOARD/COMMISSION RECOMMENDATION

On July 13, 2016, the Planning Commission conducted a public hearing and voted [4-0-3 Anaya, Fuentes, Gutierrez absent] that the City Council adopt the Resolution considering the Addendum to the Final Second Tier Environmental Impact Report, EIR 07-01 (IS-15-0003) and adopt the Ordinance approving the second amendment to the Eastern Urban Center (EUC) Sectional Planning Area (SPA) Plan and Form Based Code with the change that future revisions to parking rates (SPA Plan Parking Standards Table III-A) shall require review and approval by Planning Commission, until such time as the Parking District Council transfers from the Master Developer to the Community Association. Staff agrees with the Planning Commission's recommendation and their revision is reflected in the proposed amendments (Attachment 4).

DISCUSSION

SPA Plan and Form Based Code

The adopted SPA Plan, approved on September 15, 2009, establishes the vision for Millenia, and defines the land use character and mix, design criteria, transportation system, and public infrastructure requirements for the project. The SPA Plan proposes a flexible regulatory framework that provides for a variety of possible land use scenarios for each district and is intended to allow the project to respond to market cycles. The FBC incorporates both the PC District Regulations and the Village Design Plan and is based on the concept that the relationship between buildings and the public realm is more important than distinctions in land-use types.

Millenia is divided into 10 Community Districts, and the SPA contains a Table of Requirements for each District that identifies the dominant land use, number of dwelling units, non-residential square footage permitted (office and retail), building setbacks, and other requirements and limitations.

Relocation of the Millenia School Site

The Public Facilities Section of the SPA Plan states that the projected 2,983 residential dwelling units will generate approximately 624 elementary students at full build-out according to the Chula Vista Elementary School District (CVESD).

The SPA plan approved by the City in September of 2009 included two potential school sites: A preferred site in the Central Southern Neighborhood District (District 9) and an alternative site in the Southwestern Neighborhood District (District 10). In September 2012, the CVESD provided formal confirmation that the alternative site in District 10 was no longer needed; therefore, in March 2013 a

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SPA plan amendment included the elimination of the alternative school site (Resolution 2013-038 and ordinance 3257).

Since then, the School District and the Applicant have discussed a concept for a potential joint-use elementary school and YMCA facility. The Applicant and the CVESD concluded that one of the challenges to locating a potential joint-use facility was the size of the school site in TM Lot 26 in District 9, which is approximately 6.5 acres of usable area. The discussions then focused on an alternative site which could accommodate a potential joint-use facility with the YMCA or a similar compatible use. Negotiations on the joint-use facility are ongoing and may or may not be realized.

The Applicant is proposing to move the site for the elementary school from its current location in District 9 to TM lot 16 (8.5 acres in size) in the Mixed-Use Civic/Office Core District (District 5) (Please see Attachment 4, EUC SPA Plan Amendment).

Per the SPA Plan, Section 02.03.001, District 5 is intended to be the heart of Millenia and to function “as the symbolic and ceremonial focus of community government and culture”. It has a target density of 200 residential units, 900,000 square feet of non-residential uses, a Public Library, a Fire Station, a CPF site, and a 1.62-acre park (see Attachment 4, Site Utilization Plan, pages 5 and 6 of 31). The City has received a Design Review application from Chesnut Properties for TM Lot 7 which forms the northern half of District 5. That application proposes approximately 318,000 square feet of Class A office space along with a four-story parking structure. Discussions are ongoing regarding the siting of the Millenia library in one of the proposed buildings.

The CVESD has submitted the attached letter dated April 21, 2016 formally supporting TM Lot 16 as the site for the Millenia elementary school due to its “more central location and improved accessibility” (Attachment 3). The applicant is in agreement with this position and if approved, the proposed SPA plan would delete any reference to TM Lot 26 as a potential school site.

a. Proposed School Site Land Use

The proposed school site is an 8.5-acre parcel located in the southern portion of District 5 and is of sufficient size to accommodate a potential joint use facility. This District already contains a requirement for a CPF site to be developed within it.

While not within a residential district, the proposed school site is both immediately adjacent to other residential districts and is centrally located within Millenia. This site will have direct access to a 1.62-acre planned park P-2, the Regional Trail, an extensive sidewalk and bicycle network, and is also in close proximity to the planned City library, which provides added land use synergies.

The parcel within District 5 contains a building height designation of MH3 which requires that a minimum average height of three stories be maintained. The CVESD has indicated that the maximum height of the school will be two stories. It should be noted, however, that the Regulating Plan for Minimum Average Building Heights (Attachment 4, Exhibit III-49, pages 24 and 25 of 31) indicates that the potential school site location is not subject to height averaging calculations.

The Millenia plan provides a range of land uses for each District, and contemplates that the range of residential and non-residential land uses in each District are flexible. The Site Utilization Plan provides Low (minimum), High (maximum) and Target densities within each District. While the target amount is the anticipated density at the time of SPA approval, any value between the low and high amounts is consistent with the SPA Plan. Per Section 04.05.000 of the EUC FBC, residential and non-residential uses not meeting the target intensity could be reallocated as an intensity transfer to another District.

Considered cumulatively, the Target non-residential square footage in each District corresponds to the total 3.5 million non-residential square feet approved for the Millenia project. The gap between the Target and High densities reflect the capacity for each District to absorb non-residential square footage displaced from another District via intensity transfer. The non-residential transfer absorption capacity varies by District, ranging from 50,000 square feet (District 10) to 368,000 square feet (District 4).

If relocation of the school site is approved, the current school site in District 9 would revert to its underlying residential land use, as designated on the Site Utilization Plan. No additional residential units are being proposed at this time and there is sufficient capacity to absorb the displaced non-residential uses in other Districts. Prior to build out of District 5, an administrative intensity transfer of these units to another District must be conducted in accordance with the provisions contained in Section 04.05.000 of the FBC.

While final land uses are not known for TM lot 16 in District 5, if the School District does move forward with construction of the Millenia school, it would displace other non-residential uses planned for that District. No intensity transfer has been proposed at this time; however, there is sufficient capacity in the other Districts to absorb the non-residential uses that will be displaced from District 5.

To evaluate the potential fiscal impacts associated with a pure displacement scenario (no intensity transfer to another District), the Applicant prepared a fiscal study to analyze the possible loss of 450,000 square feet of office uses in the Civic District. That study compares the City's costs associated with the office use with anticipated revenues to generate a net fiscal impact to the City. Please refer to the Ongoing Fiscal Section of this report for an analysis of the fiscal impacts.

b. Proposed School Site Circulation

The proposed school site will be bound on three sides by roads, including the four-lane Millenia Avenue (Street A) to the west, Montage Avenue to the east and Strata Street to the south. The site is bordered on the north by the future Civic Park (P-2) and the planned City Library site on Lot 7. While no site plan has been provided to indicate the layout of the school site, with streets at pad level on three sides, there is the potential to provide for access and circulation patterns in and around the elementary school. Signalized access to the school site will be provided via a planned traffic signal on Millenia Avenue between Optima Street and Strata Street.

The City's Transportation Engineer has reviewed the previous traffic studies prepared for the EUC and concluded that traffic impacts of providing a school site in District 5 would be minimal to none.

While there may be temporary heavy traffic during morning and afternoon peak hours, there will be enough capacity on the roadways and intersections to handle these temporary peaks. Further, because the Millenia community is laid out in a grid pattern of smaller unclassified streets that provide a number of ways to get to any destination within the site, the City's Transportation Engineer has indicated that Millenia Avenue will not create a substandard level of service as a result of the alternative school site location.

Street Deletion Authority

Section 04.06.000 of the Millenia FBC includes specific Subdivision Standards and Procedures that allow new streets to be added by Final Map with the approval of the "Director of Planning and Building (now Director of Development Services) and the City Engineer", regardless of whether those streets were shown on the original Tentative Map. The intent of the proposed amendment is to add clarifying language to allow streets to also be deleted with approval of a Final Map with the Director of Development Services and the City Engineer's approval (Attachment 4, page 31 of 31). Any request would need to be supported by a technical study evaluating the impact of the deletion on the Millenia circulation system, surrounding arterials and adjacent properties.

a. Montage Avenue Segment Deletion

In addition to the proposed amendment discussed above, the Applicant is proposing to delete Montage Avenue between Strata Street and Avant Street. In 2014, the City Council approved the SPA Plan and related entitlements for the Otay Land Company's Village Nine project. Those entitlements eliminated the southerly extension of Montage Avenue from the future Hunte Parkway/Main Street extension across the Otay Land Company property. This action had the impact of rendering this segment of Montage Avenue on the Millenia site unnecessary. A technical study dated August 13, 2013 was prepared by Darnell and Associates and showed that the deletion of the street segment would not adversely impact either the circulation or levels of service (LOS) in the project. That study was reviewed and approved by City Staff.

The deletion of the segment of Montage Avenue south of Strata Street, which would be deleted by the Director of Development Services if the proposed amendment is approved, will not impact pedestrian or other alternative modes of circulation as sufficient sidewalks and bike accessibility is provided to the lots adjacent to the deleted street segments via Millenia Avenue, Orion Avenue and Strata Street. The removal of this segment will also not impact any planned transit routes or facilities.

Parking Management Plan

The Parking Standards Section 03.15.003 of the EUC FBC requires that projects within Millenia comply with the parking rates outlined in Table III-A of said section until such time as the revised parking rates are adopted as part of a Parking Management Plan (PMP). The FBC did not specify an approval authority for the adoption of the PMP. The proposed SPA amendment intends to clarify the approval authority for the PMP, as well as, to adopt revised parking rates from the proposed PMP which will replace those currently shown in Table III-A of the EUC FBC (Attachment 4, pages 27, 28, and 29 of 31).

The PMP, prepared by Linscott, Law & Greenspan (LLG), is currently under City review and is now nearing completion. The PMP's purpose is to provide a mechanism to manage the parking allocation for Millenia and to implement the provisions of the SPA Plan with an overall goal of managing the parking demand and supply within the non-residential areas of the project. The PMP would not apply to residential parking within private lots; however, it does apply to residential parking on public streets. The management of the residential lots, and any specific residential permit parking program implemented within those private lots, would be under the sole purview of each individual Homeowner's Association (HOA). Shared parking will not be a requirement for any residential development, although the option to enter into a private agreement to share parking is open via a private agreement between the sharing parties.

a. *Parking District*

Per Section 03.15.010 of the EUC FBC, a Parking District shall be formed and a management entity established in order to actively implement and update a parking management plan. The Declaration of Covenants, Conditions and Restrictions and Establishment of Easements of Millenia (Community Declaration) recorded December 18, 2013 as document number 2013-0727255 states that the Community Association will form a Parking District Council (PDC) to implement the Parking Management Plan which shall be prepared by the Master Developer and shall be updated on a semi-annual basis in accordance with the requirements of Community Entitlements and the provisions of Article 4 of the Community Declaration. The PDC may also include representatives of the City.

The PMP will be implemented by either the Master Developer, during the initial build-out of the project in accordance with the Community Declaration, or the PDC. Duties include the requirement to conduct an inventory and occupancy study every two years to determine the number of available spaces in the Parking District during peak periods and to evaluate their shared parking effectiveness. The study shall be used to update the PMP, including the development of new parking rates for projects within the District. The new rates would apply to all development projects in the district during the following two-year period.

b. *Parking Rates*

The revised parking rates in the PMP differ from those described in Table III-A of the SPA in that they represent more appropriate ratios for the current market conditions as primarily reflected in the base rates found in the *ULI's Shared Parking (2nd Edition)* and *ITE's Parking Generation (4th Edition)*. The revised parking rates will be incorporated as Appendix B in the Parking Management Plan. These rates will be used until a future parking survey is conducted and updated parking rates adopted every two years. For projects requesting parking lower than the amount required by the PMP or parking greater than the amount required by the PMP by more than 10%, a parking study is required as part of their Design Review application.

The proposed amendment would give the Director of Development Services authority to approve the initial Parking Management Plan and future changes to the Plan. The amendment would also allow future revisions to non-residential parking rates based on results of the required periodic parking surveys. During the public hearing held on July 13, 2016, the Planning Commission recommended that all further revisions to parking rates shall require prior review and approval by Planning

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Commission prior to replacing those contained in the Parking Management Plan and as shown in Table III-A of the EUC SPA Plan, until such time as the Parking District Council transfers from the Master Developer to the Community Association. Staff agrees with this recommendation.

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 intent of this amendment is to provide support for the Millenia project as it develops into a thriving and safe destination with strong connections to the surrounding communities while providing active and passive recreation for residents thus enabling a healthy, strong and secure community to develop.

CURRENT YEAR FISCAL IMPACT

All application fees and processing costs are borne by the Applicant, resulting in no net impact to the General Fund or the Development Services Fund.

ONGOING FISCAL IMPACT

The Millenia Fiscal Impact Analysis, which is included as Attachment 5, indicates that the analysis is based on a previous development program evaluated in connection with a fiscal analysis for the EUC SPA Plan which envisioned the delivery of the 450,000 gross square feet of office space near the end of the project's 20-year absorption period. The Analysis further indicates that fiscal impacts referenced in the Analysis at an illustrative year 5 and year 10 would be realized by the City approximately 20 years in the future. The Analysis concludes that for a mid-rent scenario (\$2.70 per square foot) the net negative fiscal impact to the City of removing 450,000 square feet of office from the Civic/Office District would average \$29,000 (2015 dollars) on an annual basis. The loss of office space would also result in a loss of approximately 1,900 jobs at buildout of the project. This analysis assumes that there is no transfer of this capacity to other Districts within the project (worst-case scenario).

The study estimates that at project buildout, the removal of the office component under consideration would result in the loss of less than one percent (0.5) of the total net City revenues generated by the Millenia project. On a gross revenue basis, this represents an annual loss of approximately \$732,000 in year 10 of the buildout scenario. The lost revenues are largely offset by annual expenditure savings projected to total \$703,000, resulting in the above described net annual fiscal impact of

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\$29,000. The estimated fiscal impact does not include any offset associated with the residential that will be constructed in the previously designated school site, as no increase of the total residential units for the project is proposed.

The net negative fiscal impact associated with this action reduces the revenues available to finance City services. Furthermore, the City will absorb the estimated gross revenue loss in perpetuity unless an equivalent land use is restored within the Millenia project that compensates for the removal of 450,000 square feet of office space as proposed. The current action neither requires nor precludes the transfer of the planned 450,000 square feet of office space elsewhere in the Millenia project. Prior to build out of District 5, an administrative intensity transfer to another District must be conducted in accordance with the provisions contained in Section 04.05.000 of the FBC. There is sufficient capacity in the other Districts to accommodate the required transfer, and should such a transfer occur in the future, it would potentially offset the negative fiscal impact associated with this action.

While other Millenia Districts have sufficient capacity to absorb the transfer of 450,000 square feet of non-residential from District 5, the practicality of said absorption should be considered. Projects approved to date, or in process for approval, are consistently failing to meet the non-residential square footage targets. While these reduced densities are allowed under the plan, they may negatively impact the fiscal performance of the project.

Pursuant to Section 4.5 (Operating Deficit) of the Millenia Development Agreement, the Master Developer will cover the City's net operating deficit during the initial years of the project (excluding fire services), up to a cumulative maximum of \$500,000. The amount of the deficit is to be determined via a fiscal study to be prepared by the City at the Master Developer's cost. Per the Development Agreement, the first fiscal analysis "shall be conducted following the end of the fiscal year which is two (2) years following the first occupancy within the Property, and annually thereafter at the end of each fiscal year." The first Millenia certificate of occupancy was issued to Fairfield Residential, on October 23, 2015. Based upon this date, the first fiscal analysis shall be conducted after June 30, 2018.

When the operating deficit fiscal analysis is conducted, the Master Developer will be required to provide a plan demonstrating the project's ability to meet the total target non-residential square footage, including intensity transfers between Districts.

ATTACHMENTS

1. Locator Map
2. Addendum to Second Tier Final Environmental Impact Report EIR 07-01 (IS-15-0003)
3. Letter from the Chula Vista Elementary School District Dated April 21, 2016
4. EUC SPA Plan 2nd Amendment
5. Fiscal Impact Study Dated May 27, 2016
6. Planning Commission SPA Resolution MPA15-0009
7. Draft City Council SPA Plan Resolution
8. Draft City Council Ordinance

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