



CITY COUNCIL STAFF REPORT



July 13, 2021

ITEM TITLE

Proposed Amendments to Otay Ranch Village 3 to Include the “FlatRock” Parcel and Change Land Use of Three Parcels of Land to Residential Uses, Resulting in an Increase From 1,597 to 1,638 Permitted Residential Units

Report Number: 21-0089

Location: Otay Ranch Village 3

Department: Development Services

Environmental Notice: The Project was adequately covered in previously adopted final Environmental Impact Reports (FEIRs) for the University Villages EIR (FEIR 13-01) (SCH #2013071077) and Otay Ranch Village 2, 3 and a Portion of 4 EIR (FEIR02-02) (SCH #2003091012), and only minor technical changes were required; therefore a Second Addendum to FEIR 13-01 has been prepared.

Recommended Action

Adopt ordinance A) approving the Sectional Planning Area (SPA) Planned Community District (Form Based Code) Regulations for Otay Ranch Village Three North and a Portion of Village Four **(Second Reading and Adoption)**; and B) approving the second amendment to the Development Agreements between the City of Chula Vista and C Village III Master, LLC and V Otay Land II, LLC and Otay Land Company, LLC and HomeFed Village 8, LLC. **(Second Reading and Adoption)**

SUMMARY

In May 2020, the City received an application from HomeFed Village III Master, LLC/Flatrock Land Company, LLC (Applicant) requesting amendments to the existing approvals for Otay Ranch Village 3. The request includes expanding the current boundary of the Village 3 North Sectional Planning Area Plan boundary to include a 48.6-acre parcel known as the “FlatRock” parcel located at the southeast corner of Heritage Road and Main Street, which is currently entitled as an 11.3-acre industrial site. The Applicant proposes the following land use changes: change the FlatRock parcel from industrial to residential; change the Village 3 R-19 office parcel to residential; and increase the residential density on the Village 3 R-6 residential parcel. In addition, the Applicant proposes to transfer 41 approved units from Otay Ranch Village 9 to Village 3, increasing the current approved Village 3 unit allocation from 1,597 to 1,638, without creating any new units in Otay Ranch.

ENVIRONMENTAL REVIEW

The City’s Director of Development Services has reviewed the Project for compliance with the California Environmental Quality Act (CEQA) and determined that the Village 3 Project is substantially covered in the previously certified Final Environmental Impact Reports for the University Villages EIR (FEIR 13-01) (SCH #2013071077) and that the FlatRock parcel is substantially covered in the Otay Ranch Village 2, 3 and a Portion of 4 EIR (FEIR02-02) (SCH #2003091012), that only minor technical changes or additions to FEIR 13-01 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 Director of Development Services has caused the preparation of an Addendum to FEIR 13-01 (IS20-0003) for consideration.

BOARD/COMMISSION/COMMITTEE RECOMMENDATION

On May 26, 2021, the City of Chula Vista Planning Commission recommended approval of the proposed amendments by a vote of 5-2 (Attachment 13).

DISCUSSION

Otay Ranch Village 3 (“V3” or “Escaya”) is located along Main Street and Heritage Road, east of the Otay Landfill, north of the Amphitheatre and Aquatica facilities and south of Otay Ranch Village 2 (Attachment 1).

V3 was approved on December 2, 2014, by Chula Vista City Council (Resolution No. 2014-234) as the Village 3 North and a Portion of Village 4 Sectional Planning Area (SPA) Plan and subsequent amendments were approved on December 6, 2016 (Resolution No. 2016-254). The approval authorized 1,597 residential units and a mix of commercial, office and industrial uses, as summarized in Table 2.

Due to ownership at the time of original approvals, the parcel known as the “FlatRock” property located at the southeast corner of Heritage Road and Main Street was not included in the 2014 approvals but rather was included in the Villages 2, 3 and a portion of Village 4 SPA Plan approved by the City Council in 2006 and is currently authorized as an 11.3-acre industrial site. A summary of all actions related to parcels subject of this hearing can be found as an attachment (Attachment 2).

V3 is mostly built out or under construction, and only a few industrial parcels located west of Heritage Road and the parcels subject of this hearing remain vacant. In addition, all the amenities within the Escaya development have been built or are under construction, however due to COVID-19 some amenities are not currently open for resident use. The portion of Village 4 (V4) covered by this SPA contains open space and a future community park, however no changes are proposed to V4 via this amendment. A summary of the development status of all land uses is provided in Table 2.

Table 2
Existing Entitlements & Development Status

Land Use	2016 SPA Land Uses/2006 FlatRock		Development Status
	Acres	Units	
Village 3:			
Single Family	123.7	1,002	76 – Haciendas by Brookfield Residential 130 – Prado by Brookfield Residential 77 – Castellena by Lennar Homes 118 – Valencia by Lennar Homes 135 – Seville by Shea Homes 122 – Sierra by Shea Homes 111 – Indigo by Lennar Homes 44 – R-6 partially graded/vacant 189 – Unallocated SF Units
Multi-family	13.5	317	179 – Strata/Flora by Brookfield Residential & Shea Homes 138 – Unallocated MF Units
Residential Mixed Use	9.0	278	272 Apartments – The Residences at Escaya – fully leased 20,000 SF Commercial/Retail – constructed and leasing underway
Professional & Office Commercial	8.3		Graded/vacant
Community Purpose Facility	2.7		Harvest Wellness Center (gym) – Opened 2019 The Orchard Swim Club (3,700 square feet of clubhouse amenities) – Opened 2019 10,000 SF Community Purpose Facility – building constructed – vacant
Research & Limited Industrial	29.3		Chevron Gas Station and Convenience Store – Opened 2020 127,000 SF Self-Storage Facility – opening April 2021
Park	25.9		8.1 AC Neighborhood Park – under construction – open Summer 2021 17.8 AC Portion of Future Otay Ranch North 70-acre Community Park (future City CIP)
School	8.3		K-6 Elementary School under construction – Opening Summer 2022
Open Space Preserve	157.2		Otay Ranch Resource Management Plan Preserve
Open Space	40.1		Slopes, Water Quality Basins/Private Open Space (Paseo, Dog Park, trails, etc.) fully constructed
Internal Circulation	16.2		Internal Streets constructed
External Circulation	18.0		Heritage Road phased opened 2017/Portion of future Main Street
Subtotal	436.0	1,597	
FlatRock:			

Land Use	2016 SPA Land Uses/2006 FlatRock		Development Status
	Acres	Units	
Research & Limited Industrial	11.3		Existing Water Quality Basin
Open Space Preserve	29.8		Otay Ranch Resource Management Plan Preserve
Open Space	4.5		Future Slopes, Water Quality Basin
Circulation	3.0		Portion of Future Main Street
Subtotal	48.6		
TOTAL	484.6	1,597	

Necessity of Amendments

The Applicant has evaluated the viability of the office use on parcel R-19 and has unsuccessfully marketed the site to potential office developers since acquiring the V3 property in 2015. There have been no offers to purchase from potential office developers and the site remains graded but vacant. As presented in the *Otay Ranch Village 3 Market Analysis of Industrial and Office Uses*, prepared by HR&A Advisors (2021) as further discussed in the Proposed Amendments & Analysis, there is a surplus of office accommodating land uses within the City beyond anticipated demand through 2050, making this isolated office site less attractive than other sites within the City. Further, the Applicant has evaluated the viability of the FlatRock parcel as an industrial use. When originally entitled in 2006, the FlatRock parcel was part of the 176-acre V3 Business Park. When the City approved the 2014 plan for V3, a 29.3 acre industrial Business Park was approved within the northern portion of V3. The FlatRock Parcel was not part of the 2014 project, and it retained the industrial land use designation but is not contiguous to the remaining V3 Business Park. The isolated location makes it much less attractive to a potential business park developer. By providing additional moderately priced homes as well as apartment homes in V3, this project will help meet the region's current unmet need for housing.

Compliance with Council Policy No. 400-02 (Public Participation)

A virtual Community Meeting was held by the Applicant on March 3, 2021 via the platform, Zoom. The City's project manager attended the meeting along with over 60 members of the public. Residents asked various questions related to the Escaya Homeowners Association, preserve lands south of Main Street and amenities within Escaya. The main concern was over the addition of R-20 to the village and residents indicating that they were not aware this parcel was already approved for any type of development, but rather thought it was preserve land. All residents/owners within V3, as well as surrounding residents/owners within 500 feet and Homeowners Associations within 1,500 feet of V3 were notified of the Community Meeting, the Planning Commission hearing on May 26, 2021 and the City Council hearing.

Proposed Amendments & Analysis

The proposed amendments include expanding the V3 SPA boundary to include the FlatRock parcel, an approximately 48.6-acre area, south of Main Street (Village 3 South) which results in a 484.6-acre SPA Plan area. In addition, the proposed revisions would change the land use designations on three parcels:

- Parcel R-19 (APN # 644-061-10-00 and 644-061-11-00. 8.5 acres) from Professional & Office to 224 units High Residential;
- Parcel R-6 (APN # 644-062-01-00 through 644-062-47-00. 8.72 acres) from Medium Residential to 78 units Medium-High Residential; and
- Parcel R-20 (APN # 644-060-13-00. 48.6 acres) from Limited Industrial to 116 units Medium-High Residential.

The actions would increase the authorized units in V3 by transferring 41 multi-family units previously approved in Village 9 to V3 and allocating the 377 unallocated and unused V3 units to the three multi-family parcels within V3, resulting in no overall increase of units within Otay Ranch. The total authorized residential units within V3 would increase from 1,597 to 1,638 dwellings, as summarized in Table 3.

Table 3
Land Use Entitlements vs. Proposed Amendments

	2016 SPA Land Uses/2006 FlatRock		2020 Proposed Project Land Uses		Approved vs. Proposed Land Uses	
Land Use	Acres	Units	Acres	Units	Acres	Units
<i>Village 3:</i>						
Residential Medium	123.7	1,002	118.3	769	-5.4	-233
Residential Medium High	13.5	317	19.1	257	+5.6	-60
Residential High	0	0	8.3	224	+8.3	+224
Residential Mixed Use	9.0	278	9.0	272		-6
Professional & Office Commercial	8.3		0		-8.3	
Community Purpose Facility	2.7		2.7			
Research & Limited Industrial	29.3		29.3			
Park	25.9		25.9			
School	8.3		8.3			
Open Space Preserve	157.2		157.2			
Open Space	40.1		40.1			
Circulation	18.0		18.0			
<i>Subtotal</i>	436.0	1,597	436.0	1,522		-75
<i>FlatRock:</i>						
Research & Limited Industrial	11.3				-11.3	
Residential Medium- High			10.9	116	+10.9	+116

	2016 SPA Land Uses/2006 FlatRock		2020 Proposed Project Land Uses		Approved vs. Proposed Land Uses	
Land Use	Acres	Units	Acres	Units	Acres	Units
Open Space Preserve	29.8		29.8	0	0	
Open Space	4.5		4.9	0	-0.4	
Circulation	3.0		3.0		0	
Subtotal	48.6		48.6	116	0	+116
TOTAL	484.6	1,597	484.6	1,638	0	+41

Addendum to FEIR 13-01

The Final Environmental Impact Report (FEIR 13-01) for the University Villages (University Villages EIR) was certified by the Chula Vista City Council in December 2014. The FEIR contains a comprehensive disclosure and analysis of potential environmental effects associated with the implementation of V3.

The 2021 Addendum identifies all changed circumstances within the Project and provides the proposed modifications that were not analyzed in the FEIR (Attachment 3, Addendum to Environmental Impact Report EIR 13-01). As depicted in Table 3, prior approvals provided a larger number of single-family housing. The shift of over 200 units from single family to residential high/medium units decreases anticipated household size, thereby lowering impacts to schools, traffic and other facilities.

Specific to traffic, the proposed Project would result in a decrease in daily external trip generation of approximately 6,691 trips due to the changes in land use. The travel behavior of the Project would be similar to that previously analyzed as part of the FEIR.

The City has determined that the proposed changes will result in only minor technical changes or additions, with no new impacts or no more severe impacts than any that were disclosed in FEIR 13-01, so the City has prepared an addendum, pursuant to CEQA Guidelines Section 15164.

Chula Vista General Plan (GP) and Otay Ranch General Development Plan (GDP) Amendments

The Chula Vista GP identifies V3 as being a mixed-use village, comprised of single family residential, multi-family residential, mixed use residential, mixed use commercial, office and other village-serving uses. The Otay Ranch GDP currently authorizes the uses as designated in Table 2.

The Applicant's proposed amendments will remain consistent with the Chula Vista General Plan's Land Use & Transportation, Economic Development, Housing, Public Facilities & Services, Environmental and Growth Management objectives and policies (Attachment 4, Chula Vista General Plan Amendment Justification Report). The Project remains consistent with the Otay Ranch GDP land use goals and objectives of integration and compatibility within the village and with adjacent communities and natural resources (Attachment 5).

In order to analyze the impact of industrial land use conversion on other uses within the City, the City contracted with HR&A to provide an analysis of industrial uses (Attachment 4). The study summarizes the existing land available for industrial and office uses and provides an overview of the south bay region

market, future demand for such uses and resulting anticipated surplus or deficit within Chula Vista. This effort included an extensive examination at a parcel level of the existing land uses within the City that could potentially be developed for industrial use based on current zoning, as well as environmental and developable land considerations. As summary of the key findings include:

Employment Land Policy Findings

- Industrial:
 - *New industrial job growth will require newly developed space on industrial land.* Industrial properties outside of the Eastlake Business Park face historically low vacancies, and much of the development on industrial land within Eastlake has not been for industrial users.
 - *Approximately 428 acres of Chula Vista's land with industrial zoning is vacant and developable.* Given a range of floor-area-ratios from 0.25 to 0.40, this land could accommodate 4.7 to 7.5 million SF of development.
 - *Chula Vista currently has enough developable land to accommodate projected growth in industrial employment through 2050.* The City could see an increase in industrial employment of 1,475 to 3,125 new jobs, demanding 118 to 239 acres of developable industrial land through 2050. If that amount of land were developed, the City would still have 190 to 311 acres of surplus vacant developable industrial land.
 - *Industrial entitlements do not guarantee either industrial uses or job-intensive uses.* For example, the Eastlake cluster of industrial zoned land currently contains 69 acres of non-industrial uses, including some uses such as gyms that have low employment densities.
- Office:
 - *Office can locate in many types of commercial areas, including those not strictly designated for office use.*
 - *Approximately 1,079 acres of land that may accommodate office in Chula Vista is undeveloped.* Given the City's current average floor-area-ratio of 0.25, this land could accommodate up to 11.8 million square feet of new office development.
 - *Chula Vista currently has enough developable land to accommodate projected growth in office employment through 2050.* The City could see an increase in office employment of 5,723 to 9,367 new jobs, demanding 94 to 154 acres of office-accommodating land through 2050. If that amount of land were developed at a low density of 0.35 FAR, the City would, conservatively, have 381 to 653 acres of surplus vacant office-accommodating land. If developed at a higher density of 1.0 FAR—still far lower than the maximum 2.5 FAR proposed in the UI District's urban core—there would be between 830 and 920 surplus acres in 2050.
 - *Chula Vista does not currently see high demand for new employment-based office.* Although the citywide average vacancy for office space is just 6 percent, the rate for the City's five Class A office buildings is 17 percent. Furthermore, while Class A office makes up 37 percent of all office space in San Diego County, it comprises only 14 percent of Chula Vista's office inventory.
 - *A catalytic development will likely be necessary for the City to attract employment-based office development.* For example, the Millenia development is currently entitled for 3.3 million square feet of commercial space, however no office projects have been constructed to date.

Site-Specific Findings

- Industrial:
 - *The Village 3 Industrial Parcel represents 3 percent of Chula Vista's remaining developable industrial land.* The parcel contains 11.3 acres of industrial land, compared to 428 developable acres across the entire City.
 - *The Village 3 Industrial Parcel's size would be an advantage for an industrial developer.* The 11.3-acre parcel could potentially accommodate large floorplates and truck maneuverability and support economies of scale.
 - *The Village 3 Industrial Parcel is well located next to the freeway and existing industrial clusters.*
- Office:
 - *The Village 3 Office Parcels represent less than 1 percent of Chula Vista's remaining vacant office- accommodating land.* The Village 3 Office Parcels contain 8.3 acres of vacant office- accommodating land, compared to 1,079 across the entire City.
 - *The Village 3 Office Parcels' location is unlikely to attract employment-based office development.* Distance from existing and emerging regional office clusters limits the desirability of Village 3 as a location for more job- intensive, employment-based office tenants.
 - *The Office Parcels could be suitable for service-oriented office.* The approximately 1,600 residential units in Village 3 could provide a customer base for these office tenants.

SPA Plan Amendments (MPA20-0017)

The adopted SPA Plan, approved in December 2014, established the vision for V3 and a Portion of V4 and defined the land use character and mix of uses, design criteria, circulation system, and public infrastructure requirements for the Project.

The SPA is now being amended in order to expand the SPA boundary to include the approximately 48.6-acre FlatRock parcel, located south of Main Street (Village 3 South) which results in a 484.6-acre SPA Plan area, and further change the land use designations on three parcels as follows:

- 1) Parcel R-19 from Professional & Office to 224 units High Residential (APN # 644-061-10-00 and 644-061-11-00);
- 2) Parcel R-6 from Medium Residential to 78 units Medium-High Residential (APN # 644-062-01-00 through 644-062-47-00); and
- 3) Parcel R-20 from Limited Industrial to 116 units Medium-High Residential (APN # 644-060-13-00) (Project). (Attachment 6, Village 3 and a Portion of Village 4 SPA Plan Amendment and Attachment 6a, SPA Planned Community District Regulations).

Amendments to the Village 9 SPA and associated Tentative Map would revise the Village 9 Site Utilization Table to reduce the multi-family units within the Urban Center land use category from 1,912 to 1,871 DUs and reduce the total authorized units in Village 9 from 4,000 to 3,959 dwelling units (MPA20-0017 and PCS20-0006).

The following appendices to the Village 3 and a Portion of Village 4 SPA would also be updated (Attachment 6b):

Public Facilities Financing Plan (PFFP)

The Supplemental Public Facility Finance Plan (Supplemental PFFP) addresses changes to the public facility needs associated with the amendments. The original PFFP was prepared consistent with the requirements of the Chula Vista Growth Management Program and Chapter 9 of the Otay Ranch GDP. The original PFFP prepared in 2014 and amended in 2016 remains intact.

The preparation of the Supplemental PFFP is required in conjunction with the preparation of the SPA Plan Amendment for the Project to ensure that the phased development of the Project is still consistent with the overall goals and policies of the Chula Vista General Plan (CVGP), the City's Growth Management Program, and the Otay Ranch GDP to ensure that the development of the Project will not adversely impact the City's Quality of Life Threshold Standards.

The Supplemental PFFP is based on the updated phasing and Project information presented in the proposed 2021 GP, GDP, and Village 3 and a Portion of Village 4 SPA Amendments. The Applicant prepared technical analyses to supplement the technical reports associated with the original Project approvals and 2014 PFFP, to determine whether the Project's proposed amendments resulted in any changes to financing, constructing or maintaining public facilities within Village 3 and a Portion of Village 4. The technical analyses and updates demonstrate that the proposed changes to the Project do not result in changes to Mitigation Measures, Conditions of Approval or Thresholds established in the 2014 PFFP.

The Village 3 and a Portion of Village 4 Fiscal Impact Analysis was also updated in March 2021. The fiscal model assumed full build out of 769 single-family units, 597 multi-family units, and 272 multi-family residential units and 20,000 SF of commercial in a mixed-use setting; 8.3 acres for a school; 29.3 acres of industrial land use; 2.7 acres of Community-Purpose Facilities (CPF); 25.9 gross acres of parkland; and 27.5 acres of open space. The results generated from the fiscal model meet the requirements of Chula Vista Municipal Code (CVMC) 19.09.040 and demonstrate that the proposed Project will generate a fiscal surplus in all years.

The Supplemental PFFP shows that the Project meets the regulatory documents' growth management policy objectives.

Design Plan

The Village 3 Design Plan guides planning and development by defining intended character and design elements of the village. It provides guidance for developers and designers in creating the village. Minor amendments to reflect the proposed changes were made to the original Design Plan.

Air Quality Improvement Plan

Changes have been made to the Air Quality Improvement Plan (AQIP) consistent with the City's Growth Management Program. The revised AQIP reflects changes in the Village 3 and a Portion of Village 4 SPA plan and changes in Building and Energy Codes. Code references and greenhouse gas

reduction measures have been updated, but changes proposed with the Project do not result in changes to the 2014/2016 PFFP.

Non-Renewable Energy Conservation Plan

Changes have been made to the Non-Renewable Energy Conservation Plan to reflect the changes in the Village 3 and a Portion of Village 4 SPA plan and to Building and Energy Codes. None of the proposed changes to the Non-Renewable Energy Conservation Plan result in changes to the 2014/2016 PFFP.

Preserve Edge Plan

Changes are proposed to the Preserve Edge Plan, including the minor reconfiguration of lots and land uses along the Preserve Edge adjacent to the parcels subject to the amendments. The revised Tentative Maps maintain the required 100-foot Preserve Edge within the Village 3 development footprint outside of the Preserve. None of the proposed changes to the Preserve Edge Plan result in changes to the 2014/2016 PFFP.

Water Conservation Plan

Minor changes have been made to the Water Conservation Plan to reflect the changes in the Village 3 and a Portion of Village 4 SPA Plan. Although an increase in residential units is proposed, due to a lower irrigation demand factor (per Otay Water District), the net effect is a reduction in projected water use by approximately 17 percent compared to the 2016 SPA Amendment. None of the proposed changes to the Water Conservation Plan result in changes to the 2014/2016 PFFP.

Fire Protection Plan

An amendment has been provided to the 2014 Fire Protection Plan (FPP). The Fire Protection Plan amendment reflects the changes in the Village 3 and a Portion of Village 4 SPA plan and the findings of the 2014 FPP remain applicable and valid with some minor changes. The 100' Fuel Modification Zones will remain the same throughout the V3 Project area, however, the addition of a minimum 100-foot wide fuel modification zone around Parcel R-20 is proposed based on the results of the recent fire behavior models. None of the proposed changes to the Fire Protection Plan result in changes to the 2014/2016 PFFP.

Affordable Housing Plan

Minor amendments to the Affordable Housing Plan are proposed, to reflect changes to the Village 3 and a Portion of Village 4 SPA plan, the increase in residential units, and changes to Housing Policies in the City of Chula Vista and the State of California. None of the proposed changes to the Affordable Housing Plan result in changes to the 2014/2016 PFFP.

Tentative Maps for Parcels R-19, R-6 & R-20 (PCS20-0004 & PCS20-0005)

The subject Tentative Maps (the "TMs") identify lot numbers, gross acreage, land use, and allocate residential units for each parcel. The TMs also provide notes for condominiums, fuel modification zones, waivers, etc. Street sections and street layouts ensure construction of the pedestrian, bicycle and transit-friendly complete streets envisioned in the SPA Plan (Attachment 7 and 8).

Tentative Map for Village 9 (PCS20-0006)

The subject Tentative Map has been updated to reflect changes to the lotting table to reduce the approved units on Lot D to 407, reducing the overall Village 9 approved units from 4,000 to 3,959 dwelling units (Attachment 9).

Village 3 Master Precise Plan (MPA21-0008)

The Master Precise Plan (MPP) provides design guidelines that establish a framework for creating a Village that promotes healthy and active lifestyles, diverse housing choices, and opportunities for a high-quality of living while providing the tools to enable flexibility for future growth. It links approved policies and land use designations of the SPA Plan with subsequent project-level approvals within the Village 3 Planning Area. The MPP coordinates the interaction and spatial relationships between buildings, structures, landscaping, and public spaces and activities while providing a unified design theme for signage, lighting and street furniture to implement the SPA's vision of a pedestrian friendly destination (Attachment 10).

Village 3 Development Agreements

The amendments cause the need to update two Development Agreements, as follows:

- **Second amendment to restated and amended pre-annexation development agreement -**

In March 1997 the City entered into a Development Agreement with *HomeFed Village III Master, LLC and HomeFed Otay Land II, LLC* by Ordinance No. 2700 (City Clerk Document No. C097-014). On January 14, 2015, the First Amendment to this agreement was recorded as Document No. 2015-0015682 with the San Diego County Recorder's Office. This second amendment proposes to *update Section 2 of the Owner's Financial Contribution*, based upon the current amendment requests (Attachment 11a).

The Development Agreement includes a financial contribution of \$4.0 million to the City to facilitate the creation of high-quality jobs and economic growth within the SR-125 corridor through development of sites within the University Innovation District SPA, Millenia (formerly Eastern Urban Center) SPA, the Otay Ranch Village 9 SPA, Otay Ranch Village 8 East SPA and/or the Otay Ranch Village 10 SPA by attracting industries and businesses that can accommodate high technology and large manufacturing businesses or academic, institutional, and innovation-related businesses that contribute to the diversification and stabilization of the local economy (the "Economic Development Uses"). Of the \$4.0 million total contribution, a minimum of \$1.0 million will be used for future planning, engineering, or marketing costs associated with development of University and Innovation District land.

- **Second amendment to restated and amended pre-annexation development agreement -**

In May 1997 the City entered into a Development Agreement with *Otay Land Company, LLC and HomeFed Village 8, LLC* recorded on May 12, 1997, as Document No. 1997-0219970 with the San Diego County Recorder's Office. On October 15, 2014, the First Amendment to this agreement was recorded as Document No. 2014-0446474 with the San Diego County Recorder's Office. This second amendment proposes to *update the date of the "Term" in Section 3*, based upon the current amendment requests (Attachment 11b).

Conclusion

Within V3, the proposed integrated land uses and development intensities directly implement the provisions of the City's GP and the Otay Ranch GDP that foster Smart Growth. The proposed project provides all of the public facilities required by the Otay Ranch GDP. The rezoning of the office and industrial land to residential use do not significantly impact the city's ability to meet the demand for such uses in the long-term and the FlatRock parcel (R-20) does not align with the city's current plan for clustering of industrial uses. A summary of the Otay Ranch Village 3 and Village 9 amendments is included (Attachment 12).

DECISION-MAKER CONFLICT

Staff has reviewed the property holdings of the City Council members and has found no property holdings within 1,000 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)(7) or (8), 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.

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 in the current fiscal year.

ONGOING FISCAL IMPACT

Based on the adjusted Fiscal Model, the proposed Project is estimated to generate between approximately \$600,000 and \$1.2 million per year in net City municipal revenues during the first 20 years of operation and a cumulative total net revenue of approximately \$17.4 million over the same period as summarized in Table 4, when compared with the current land use (Attachment 4, Appendix B - Village 3 Fiscal Impact Analysis Summary Report).

Table 4
Summary of Net Fiscal Revenue of Proposed Project vs. Existing Land Uses
(Adjusted Annual Net Fiscal Revenue)

Year	Proposed Project	Existing Land Uses	Difference
1	\$ 602,744	\$ 648,067	\$ (45,323)
2	686,965	629,687	57,278
3	708,271	637,246	71,025
4	684,234	623,382	60,852
5	667,991	618,211	49,780
6	636,487	597,726	38,761
7	639,136	613,226	25,910
8	762,606	752,868	9,738
9	829,273	774,336	54,937

(Adjusted Annual Net Fiscal Revenue)

Year	Proposed Project	Existing Land Uses	Difference
10	861,082	796,868	64,214
11	874,744	810,258	64,486
12	888,157	823,527	64,630
13	901,296	836,659	64,637
14	912,179	848,187	63,992
15	922,645	859,474	63,171
16	1,100,472	1,040,755	59,717
17	1,162,362	1,130,775	31,587
18	1,182,697	1,162,243	20,454
19	1,195,931	1,256,381	(60,450)
20	1,208,682	1,289,714	(81,032)
TOTAL	\$ 17,427,955	\$ 16,749,589	\$ 678,366

The proposed Development Agreement amendment obligates the Developer to contribute an additional \$4.0 million toward Economic Development Uses.

ATTACHMENTS

1. Village 3 and a Portion of Village 4 SPA Plan Amendment
 - a. SPA Planned Community District Regulations
2. Development Agreements
 - a. HomeFed Village III Master, LLC and HomeFed Otay Land II, LLC
 - b. Otay Land Company, LLC and HomeFed Village 8, LLC

*Staff Contact: Tiffany Allen, Director of Development Services
Stacey Kurz, Senior Project Coordinator*