



CITY COUNCIL STAFF REPORT



April 26, 2022

ITEM TITLE

Community Facilities District Annexation: Election Regarding Annexation of Otay Ranch Village 3 Neighborhood R-20 into Community Facility District 18M

Report Number: 22-0094

Location: Located generally near the intersection of Main Street and Heritage Road, as shown more particularly on the annexation map

Department: Development Services

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

Recommended Action

Conduct the public hearing and adopt resolutions: A) Making certain determinations and authorizing submittal of the levy of special taxes to the qualified electors within proposed Annexation No. 1 to CFD 18M; and B) Declaring the results of the special election relating to the levy of special taxes within Annexation No. 1 to CFD 18M.

SUMMARY

In June 2021, the City Council approved amendments to the Otay Ranch Village 3 Sectional Planning Area (“SPA”) Plan. One of the amendments was to expand the Otay Ranch Village 3 SPA boundaries to add an adjacent property (Neighborhood R-20) owned by the Flat Rock Land Company, LLC (“Developer”) an affiliate of HomeFed Corporation. A Tentative Map (“TM”) condition of approval required Neighborhood R-20 to be annexed into two existing maintenance Community Facility Districts (“CFDs”) for long-term maintenance of landscaping, open space and lands within the Otay Ranch Preserve. The Developer has requested that the City conduct proceedings to consider annexing Neighborhood R-20 into Community Facilities District No. 18M (“Otay Ranch Village 3”) (“CFD 18M”).

On March 15, 2022, the City took the first step in the annexation process by declaring its intention to annex the territory and calling a public hearing relating thereto. Tonight’s actions are the next steps in the formal proceedings to annex Neighborhood R-20 of Otay Ranch Village 3 (referred to as “Annexation No. 1”) into

CFD No. 18M: (a) conducting a public hearing pertaining to the proposed annexation, and (b) immediately following such public hearing, conducting an election of the qualified electors of Annexation No. 1 regarding the authorization to levy special taxes within Annexation No. 1 and, following the canvass of the ballots received, declaring the results of such election.

Special taxes levied within CFD 18M fund the costs of maintenance and replacement of certain landscaping, stormwater facilities, walls, fences, and trails, as more particularly described below. 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 complete the formal proceedings to annex Annexation No. 1 to CFD 18M.

ENVIRONMENTAL REVIEW

The Director of Development Services has reviewed the proposed activity for compliance with CEQA and has determined that the activity is not a "Project" as defined under Section 15378 of the State CEQA Guidelines because it will not result in a physical change in 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.

BOARD/COMMISSION/COMMITTEE RECOMMENDATION

Not applicable.

DISCUSSION

Background

The Council formed CFD 18M in November of 2016 to fund the costs for maintenance and replacement of (a) landscaping, including without limitation trees, slopes, parkways, and medians; (b) facilities that are directly related to storm water quality control; (c) walls and fencing; and (d) trails within Otay Ranch Village 3 master planned community, in addition to certain administrative expenses.

Property to be Annexed

Neighborhood R-20 in Otay Ranch Village 3 (Tentative Map CVT-20-0005) is owned by the Developer and is proposed to be annexed into CFD 18M and developed with 116 multi-family units. Staff has reviewed the proposed annexation boundary map and has found it acceptable and ready for approval by City Council. The annexation map is included as Attachment 1.

Proposed Special Tax

The rate and method of apportionment calculates the total annual special tax for each parcel based on budgeted costs for labor, water, and asset replacement, as described more fully below and in the rate and method of apportionment. CFD 18M has four categories of taxation, as follows:

- Single-Family Detached Property
- Single-Family Attached Property
- Multi-Family Property
- Non-Residential Property

The proposed maximum special tax rates in the rate and method of apportionment were determined at the time of formation of CFD 18M in 2016.

Maximum Special Taxes

Typically, a community facilities district levies a special tax each year that is equal to the total cost of the services or facilities to be provided in that year. For CFD 18M, the maximum special tax in each year is calculated based on the “Maximum Special Tax Basis,” which is a formula to consider various cost components including labor, water, and asset replacement, and calculate total actual costs for services funded by CFD 18M. The Fiscal Year 2021-2022 Maximum Special Tax Basis is described and calculated in the table below:

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	\$1,038.98	\$409.79	\$287.40	\$1,736.17
Single-Family Attached Property	\$831.18	\$327.83	\$229.92	\$1,388.94
Multi-Family Property	\$83.11	\$32.77	\$23.00	\$138.87
Non-Residential Property	\$4,155.93	\$1,639.17	\$1,149.67	\$6,944.77

The maximum special tax for Fiscal Year 2021-22 is equal to the Fiscal Year 2021-22 Maximum Special Tax Basis. The Maximum Special Tax Basis is proposed to increase in subsequent years based on the components in the table above, as follows:

- i. 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
- ii. 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
- iii. 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.

Although the maximum special tax for Fiscal Year 2021-22 is equal to the Fiscal Year 2021-22 Maximum Special Tax Basis, this may not always be the case. To protect against volatility in the maximum special tax, the maximum special tax will increase by a minimum of 2% and by no more than 6% in any year. This will help make the maximum special tax more predictable for property owners.

The special taxes are proposed to be collected in the same manner and at the same time as ordinary *ad valorem* property taxes; provided, however, that the administrator of CFD 18M may directly bill the special tax and may collect special taxes at a different time or in a different manner if necessary.

Description of Tonight's Proceedings

Tonight's hearing is being held in accordance with Section 53339.5 et seq. of the California Government Code. The first step in tonight's proceeding is the public hearing. If the owners of one-half or more of the area of land in the territory included in the existing CFD 18M or Annexation No. 1 submit written protests against the annexation, the City will be prohibited from continuing proceedings for at least one year. Otherwise, the City may submit the question to the qualified electors in Annexation No. 1, which would be the property owner. The property owner has waived time limitations and requirements to comply with the Elections Code, as authorized in the CFD Law. Tonight's action completes Annexation No. 1.

There are two resolutions for this action item, which if approved would do the following:

- A) The Resolution making certain determinations and authorizing submittal of the levy of special taxes to the qualified electors is the formal action making determinations relating to the annexation, setting forth specific information about the annexation, and calling an election relating to the levy of special taxes within Annexation No. 1.
- B) The Resolution declaring results of the special election provides for the approval of the certificate of the City Clerk, acting as election official, relating to the canvass of votes on the annexation and, if the qualified electors approve the annexation, the Resolution would formally approve and authorize the annexation and the levy of special taxes within Annexation No. 1.

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 Councilmember, of any other fact that may constitute a basis for a decision-maker conflict of interest in this matter.

CURRENT-YEAR FISCAL IMPACT

There are no current year fiscal impacts to the General Fund or Development Services Fund as a result of this action. All costs of this annexation to the district are being borne by the developer and the on-going administration will be funded entirely by the district.

ONGOING FISCAL IMPACT

There is no ongoing fiscal impact to the General Fund or Development Services Fund as a result of this action. All costs of this annexation to the district are being borne by the developer and the on-going administration will be funded entirely by the district.

ATTACHMENTS

1. Boundary Map for CFD 18M, Annexation No. 1
2. Rate of Method of Apportionment ("RMA") for CFD 18M, Annexation No. 1

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