



# CITY COUNCIL STAFF REPORT



March 15, 2022

## ITEM TITLE

Community Facilities District (CFD) Annexations: Initiate Annexation of Otay Ranch Village 3 Neighborhood R-20 into CFD 97-2 and CFD 18M

**Report Number:** 22-0063

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

**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

Adopt resolutions A) setting forth the boundaries of the proposed Annexation No. 12 to CFD 97-2, Improvement Area "C"; B) declaring the intention of the City Council to authorize the proposed Annexation No. 12 to Improvement Area "C" of CFD 97-2, levy a Special Tax and set a time and place for the public hearing; C) setting forth the boundaries of the proposed Annexation No. 1 to CFD 18M; and D) declaring the intention of the City Council to authorize the proposed Annexation No. 1 to CFD 18M, levy a Special Tax and set a time and place for the public hearing.

## SUMMARY

In June 2021, the Chula Vista City Council ("City") approved amendments to the Otay Ranch Village 3 Sectional Planning Area ("SPA") Plan. One of the amendments was to expand the 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. This action initiates the process of annexation into these districts as required by the TM.

The Developer has requested that the City conduct proceedings to consider annexing Neighborhood R-20 into Improvement Area “C” of Community Facilities District No. 97-2 (Preserve Maintenance District) (“CFD 97-2”), and into Community Facilities District No. 18M (Otay Ranch Village 3) (“CFD 18M”). The City has retained the services of Willdan & Associates as special tax consultant and Best Best and Krieger LLP as legal counsel to provide assistance with the Developer’s request. For efficiency, tonight’s action will jointly initiate the formal proceedings to consider the annexation of Neighborhood R-20 into both CFD 97-2, Improvement Area “C” (Annexation No. 12), and CFD 18M (Annexation No. 1). However, future actions, including public hearings and elections, will be conducted separately for each CFD.

## **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**

The Developer requests to annex Neighborhood R-20 in Otay Ranch Village 3 into both CFD 97-2, Improvement Area “C”, and CFD 18M.

### **CFD 97-2, Improvement Area “C”, Annexation No. 12**

#### *Background*

The Council formed CFD 97-2 in July of 1998 to establish a long-term financing mechanism to monitor and maintain open space within the Otay Ranch Preserve. CFD 97-2 initially was divided into two Improvement Areas – Improvement Area “A” and Improvement Area “B”. Improvement Area “A” and Improvement Area “B” both fund the costs of the Resource Monitoring Program. Improvement Area “B” also funds costs associated with Preserve Operations and Maintenance. Improvement Area “C” pays for both the Resource Monitoring Program and Preserve Operations and Maintenance and was formed to include lands not originally contemplated to be included within the territory of CFD 97-2.

#### *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 97-2, Annexation No. 12, and developed with 116 multi-family units. City staff has reviewed the proposed annexation boundary map and has found it acceptable and ready for approval by City Council. A reduced copy of the map is provided as Attachment 1 to this report.

#### *Maximum Special Taxes*

The approved maximum special tax rates for Fiscal Year 2021-2022 for Improvement Area “C” of CFD No. 97-2 are as follows:

**Table 1 – Maximum Special Tax for Monitoring**

<b>Special Tax Category</b>	<b>Maximum Special Tax (Monitoring)</b>
Category I – Residential (per square foot)	\$0.0085
Category I – Non-Residential (per acre)	\$138.72
Category II – Final Mapped Property (per acre)	\$138.72
Category III – Undeveloped Property (per acre)	\$89.54

**Table 2 – Maximum Special Tax for Operations & Maintenance**

<b>Special Tax Category</b>	<b>Maximum Special Tax (Operations &amp; Maintenance)</b>
Category I – Residential (per square foot)	\$0.0136
Category I – Non-Residential (per acre)	\$220.23
Category II – Final Mapped Property (per acre)	\$220.23
Category III – Undeveloped Property (per acre)	\$142.14

The rates for special taxes shown above are proposed to be increased each fiscal year, beginning Fiscal Year 2022-23, by a factor equal to the annual percentage change in the San Diego Metropolitan Area Consumer Price Index for All Urban Consumers (CPI-U, All Items) or zero percent (0%), whichever is greater. 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 97-2 may directly bill the special tax and may collect special taxes at a different time or in a different manner if necessary.

**CFD 18M, Annexation No. 1**

*Background*

The Council formed CFD 18M in November of 2016 to fund the 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 the Otay Ranch Village 3 master planned community.

*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, Annexation 1, and developed with 116 multi-family units. City staff has reviewed the proposed annexation boundary map and has found it acceptable and ready for approval by Council. A reduced copy of the map is provided as Attachment 3 to this report.

*Maximum Special Taxes*

The maximum special tax rates for Fiscal Year 2021-2022 for CFD 18M are equal to the Fiscal Year 2021-2022 Maximum Special Tax Basis, described 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 Basis, which represents the actual costs for services funded by the CFD, 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.

The maximum special tax for Fiscal Year 2021-22 is proposed to equal the Fiscal Year 2021-22 Maximum Special Tax Basis. In each subsequent fiscal year, the maximum special tax is proposed to be increased by an amount not less than two percent (2%) and not greater than six percent (6%) that results in a minimal absolute difference from the Maximum Special Tax Basis for that fiscal year.

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 97-2 may directly bill the special tax and may collect special taxes at a different time or in a different manner if necessary.

## Resolutions

There are four resolutions for this action item, which if approved would accomplish the following:

- A) The Resolution adopting the boundary map for CFD 97-2 is the formal action adopting the map and setting forth the boundaries of proposed Annexation No. 12 to CFD 97-2, Improvement Area “C”.
- B) The Resolution of intention to annex territory to CFD 97-2 is the jurisdictional resolution declaring the intention of the City Council to authorize proposed Annexation No. 12 to Improvement Area “C” of CFD 97-2, authorize the levy of a Special Tax, and set the time and place for the public hearing.
- C) The Resolution adopting the boundary map for CFD 18M is the formal action adopting the map and setting forth the boundaries of proposed Annexation No. 1 to CFD 18M.

- D) The Resolution of intention to annex territory to CFD 18M is the jurisdictional resolution declaring the intention of the City Council to authorize proposed Annexation No. 1 to CFD 18M, authorize the levy of a Special Tax, and set the time and place for the public hearing.

### **Future Actions**

The public hearings and consideration of the adoption of separate resolutions annexing territory to CFD 97-2, Improvement Area “C”, and CFD 18M, and submitting the authorization for the levy of special taxes to the qualified electors of each CFD, are scheduled for the City Council meeting of April 26, 2022.

As noted above, tonight’s action is being done as a single agenda item for purposes of efficiency. However, future City Council actions with respect to the annexations into CFD 97-2, Improvement Area “C”, and CFD 18M, will be conducted as separate proceedings, including through separate public hearings and elections.

### **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 the Development Services Fund as a result of this action. All costs of this annexation to the districts are 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 as a result of this action.

### **ATTACHMENTS**

1. Boundary Map for CFD 97-2, Improvement Area C, Annexation No. 12
2. Rate of Method of Apportionment (“RMA”) for CFD 97-2, Improvement Area C, Annexation No. 12
3. Boundary Map for CFD 18M, Annexation No. 1
4. RMA for CFD 18M, Annexation No. 1

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