



# CITY COUNCIL STAFF REPORT



August 23, 2022

## ITEM TITLE

Affordable Housing: Balanced Communities Affordable Housing Agreements to Transfer a 38-Unit Obligation from Otay Ranch Village 3 to Otay Ranch Village 8 East

**Report Number:** 22-0096

**Location:** Otay Ranch Village 3 and Otay Ranch Village 8 East

**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) Approving a first amendment to the existing Balanced Communities Affordable Housing Agreement for Otay Ranch Village 3 to transfer a 38-unit affordable housing unit obligation to Otay Ranch Village 8 East and (B) Approving an affordable housing transfer agreement between the City and HomeFed Otay Land II, LLC , to move the 38-unit obligation from Otay Ranch Village 3 to Otay Ranch Village 8 East.

## SUMMARY

On June 15, 2021, the City Council approved amendments to the approvals for Otay Ranch Village 3 North and a Portion of Otay Ranch Village 4 for HomeFed Village III Master, LLC and Flat Rock Land Company, LLC (collectively the “Applicant” or “Owner”) (the “2021 Amendment”). The approvals included a condition that the Applicant enter into an amended Balanced Communities Affordable Housing Agreement (the “AHA”) prior to first building permit, for any of the parcels subject to the amendments, in order to address the remaining Otay Ranch Village 3 affordable housing obligation.

Tonight’s action would satisfy the condition by transferring the remaining obligation of thirty-eight (38) units generated by the 2021 Amendment from Otay Ranch Village 3 to Otay Ranch Village 8 East, owned by HomeFed Otay Land II, LLC, increasing the Village 8 East obligation to 366 units.

## 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 City of Chula Vista Housing Element and associated Guidelines to the Balanced Communities Policy requires that 10% of each housing development of 50 or more units to be affordable to low and moderate-income households, with at least half of those units (5% of project total units) being designated for low-income households (the “Affordable Housing Obligation” or “AH Obligation”).

### Otay Ranch Village 3 Balanced Communities Affordable Housing Agreement

The original Otay Ranch Village 3 AH Obligation was based on the Village 3 Sectional Planning Area (“SPA”) Plan entitlement authorizing up to 1,597 units within the Village. The Otay Ranch Village 3 AH Obligation required a total of 160 affordable housing units, 80 for low-income households and 80 for moderate-income households.

On December 6, 2016, the City approved Tentative Subdivision Map CVT-16-02 for Otay Ranch Village 3 North and a Portion of Otay Ranch Village 4, Resolution Number 2016-255, containing 1,265 mapped units, with a corresponding AH Obligation of 127 affordable housing units, 64 for low-income households and 63 for moderate-income households. The City of Chula Vista and HomeFed Village III Master, LLC, entered into a Balanced Communities AHA for the 127-unit obligation on December 6, 2016, and recorded December 21, 2016 (Document No. 2016-0700046).

To satisfy a portion of the Otay Ranch Village 3 AH Obligation, the Otay Ranch Village 3 Owner transferred a total of 97 affordable housing units, 33 units for moderate income households and 64 units for low-income households, to Otay Ranch Village 8 West, pursuant to the Affordable Housing Transfer Agreement recorded December 21, 2016, (Document No. 2016-0700047). Additionally, in 2019, the Otay Ranch Village 3 Owner provided 30 affordable housing units for moderate income households in Otay Ranch Village 3 via the project, The Residences at Escaya, committed through a Declaration of Covenants on September 25, 2019, recorded the same day (Document No. 2019-023693).

On June 15, 2021, the City approved an amendment to the Otay Ranch Village 3 and a Portion of Otay Ranch Village 4 SPA Plan, by Resolution No. 2021-122, which authorized amendments to the land use designations for Neighborhoods R-6, R-19 and R-20 resulting in an increase in the number of residential units planned for the Otay Ranch Village 3 SPA. Additionally, the amendment to the Otay Ranch Village 3 and a Portion of Otay Ranch Village 4 SPA Plan, allowed for the transfer of 41 approved units from Otay Ranch Village 9 to Otay Ranch Village 3, increasing the current approved Otay Ranch Village 3 residential housing unit allocation from 1,597 to 1,638, without creating any new units within the Otay Ranch planning area.

The following land use changes were approved:

- Change land use designation of the Flat Rock parcel from industrial to residential;
- Change land use designation of the Otay Ranch Village 3 R-19 parcel from office to residential; and
- Increase the residential density on the Otay Ranch Village 3 R-6 parcel.

Based on the above stated actions for Otay Ranch Village 3 and prior satisfactions, the Owner is now obligated to provide an additional 38 affordable housing units, 19 units for low-income households and 19 units for moderate-income households, as provided in the summary of this report and below in Table 1.

**Table 1**  
**Affordable Housing Obligation Summary for Otay Ranch Village 3**

<b>Description</b>	<b>Moderate Income Units</b>	<b>Low Income Units</b>	<b>Total Affordable Units</b>
<b>Village 3 AHA Obligation (2016) *</b>	<b>63</b>	<b>64</b>	<b>127</b>
<b>Transfer Agreement to Village 8 (2016)</b>	<b>-33</b>	<b>-64</b>	
<b>Village 3 Mixed Use Site (2019)</b>	<b>-30</b>	<b>0</b>	
<b>Amended Village 3 Obligation (2021) **</b>	<b>82</b>	<b>82</b>	<b>164</b>
<b>Remaining Village 3 Obligation</b>	<b>19</b>	<b>19</b>	<b>38</b>

*\*Based on anticipated build out of 1,265 units*

*\*\*Based on build out of 1,638*

On June 15, 2021, the City approved the Tentative Subdivision Map CVT-20-0004 for Otay Ranch Village 3 R-19, by Resolution No. 2021-123 and Tentative Subdivision Map CVT-20-0005 for Otay Ranch Village 3 R-6 and R-20 by Resolution No. 2021-124. The Tentative Maps both included a condition which requires that the Otay Ranch Village 3 Owner enter into an amended Balanced Communities AHA with the City of Chula Vista prior to the issuance of any residential building permits for these identified parcels. The AHA describes the terms and conditions for Village 3 to meet its Affordable Housing Obligation and is presented as Attachment No. 1.

As set forth in the Otay Ranch Village 3 SPA Plan, the Otay Ranch Village 3 Affordable Housing Obligation may be deferred to a future village or location within the Otay Ranch planning area owned by the Owner or its affiliate. It is the intent of the Otay Ranch Village 8 East Owner and the City, by execution of these Amendments to the Village 3 Agreement, to allow the transfer of the remaining Otay Ranch Village 3 Affordable Housing Obligation for 38 housing units total, 19 for low-income households and 19 for moderate-income households, to Otay Ranch Village 8 East.

The City finds that the public interest would be served by allowing the Transferred Affordable Housing Obligation to be produced or operated within Otay Ranch Village 8 East based upon proximity to the following:

- Public transit;
- Employment;
- Services and entertainment; and
- Proposed University.

The provision of the Transferred Affordable Housing Obligation within Otay Ranch Village 8 East will not be significantly detrimental to achieving balanced residential communities and will provide at a minimum the equivalent number of required affordable units with comparable rent and occupancy restrictions.

## Otay Ranch Village 8 East Affordable Housing Transfer Agreement

On December 2, 2014, the City approved the Tentative Subdivision Map for Chula Vista Tract No. 19-03 for Otay Ranch Village 8 East, Resolution Number 2014-238, approving a Tentative Map to subdivide 575.3 Acres into parcels supporting up to 943 single-family residential units, 2,217 multi-family residential units, and a minimum of 20,000 square feet of retail uses. Condition 32 of the Tentative Map requires the Applicant to enter into a Balanced Communities Affordable Housing Agreement prior to the approval of the first Final Map for the Project.

On February 18, 2020, the City approved a Revised Tentative Map for Chula Vista Tract 13-03 for Otay Ranch Village 8 East. The Revised Tentative Map removed 284 residential dwelling units from the approved Village 8 East Tentative Map, and Section Planning Area, resulting in a total of 3,276 residential units and an affordable housing obligation of 328 (164 low income and 164 moderate income) units.

The transfer of 38-units as proposed tonight in the Transfer Agreement to Otay Ranch Village 8 East, Attachment No. 2, will bring the total obligation for Otay Ranch Village 8 East to 366 units (183 low income and 183 moderate income) as summarized in Table 2.

**Table 2**  
**Affordable Housing Obligation Summary for Otay Ranch Village 8 East**

<b>Description</b>	<b>Moderate Income Units</b>	<b>Low Income Units</b>	<b>Total Affordable Units</b>
<b>Village 8 East AHA Obligation (2020)</b>	<b>164</b>	<b>164</b>	<b>328</b>
<b><i>Village 3 Transfer Agreement</i></b>	<b><i>+19</i></b>	<b><i>+19</i></b>	<b><i>+38</i></b>
<b>Amended Village 8 East Obligation</b>	<b>183</b>	<b>183</b>	<b>366</b>

### Conclusion

This action will enable the Owner to continue development of the Otay Ranch Villages, by approving the First Amendment to City of Chula Vista and HomeFed Village III Master, LLC - Balanced Communities AHA for Otay Ranch Village 3 approved on December 6, 2016, and recorded December 21, 2016, as Document No. 2016-0700046, and adopting the Otay Ranch Village 8 East Transfer Agreement.

### **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 18705.2(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.

### **CURRENT-YEAR FISCAL IMPACT**

There is no current year fiscal impact to the General Fund as a result of this action. The costs associated with the project are borne by the Applicant.

## **ONGOING FISCAL IMPACT**

There is no ongoing fiscal impact to the General Fund as a result of this action. The costs associated with the project are borne by the Applicant.

## **ATTACHMENTS**

1. First Amendment to the Otay Ranch Village 3 AHA
2. Otay Ranch Village 8 East Transfer Agreement

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