



CITY COUNCIL STAFF REPORT



March 19, 2024

ITEM TITLE

Community Facility District: Declare Intention to Form Community Facilities District 16M CFD (El Dorado Ridge) for Maintenance and Monitoring of Open Space

Report Number: 24-0079

Location: East of Brandywine, south of Sequoia Street and north of Main Street (APNs 644-010-61 and 644-010-62)

Department: Development Services

G.C. § 84308: Yes

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 a resolution approving the proposed boundaries of Community Facilities District 16M (“CFD 16M”), declaring the intention of the City Council to authorize the formation of the proposed CFD 16M, levy a special tax, and set a time and place for the public hearing.

SUMMARY

The owner of the El Dorado Ridge property, CVHI, LLC (the “Developer”) is required to finance the maintenance of on and offsite open space in perpetuity as mitigation for an approved Design Review permit (DR-05-22) to construction 104 townhomes (the “Project”). The approved townhome development included Conditions of Approval requiring that a long-term financing mechanism be in place prior to the issuance of the grading permit. This is the first step in the process to create a Community Facilities District which will levy special taxes to generate funds for the City to maintain the open space in perpetuity.

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 the proposed activity consists of a governmental fiscal/administrative activity which does 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.

BOARD/COMMISSION/COMMITTEE RECOMMENDATION

Not applicable

DISCUSSION

The Mello-Roos Community Facilities Act of 1982 (the "Mello-Roos Act") provides local jurisdictions with an alternative method of financing public capital facilities and services. Special tax districts formed pursuant to the Mello-Roos Act are referred to as Community Facilities Districts, or CFDs. As a prerequisite to forming CFDs, the local jurisdiction must adopt local goals and policies concerning use of the Mello-Roos Act. On January 13, 1998, the City Council adopted the Goals and Policies. The approval of this document ratified the use of CFDs in the City of Chula Vista as a public financing mechanism for (1) the construction and/or acquisition of public infrastructure and (2) the financing of authorized public services. In April 1998, the City Council enacted the "Chula Vista Community Facilities District Ordinance" ("the Ordinance"). On October 24, 2023, the City Council approved amendments to the Goals and Policies. The CFD proposed with this action is consistent with the Goals and Policies and the Ordinance.

The Developer has submitted a petition requesting that the City conduct proceedings to consider the approval of the formation of CFD 16M. The Project's Design Review permit conditions of approval require that a long-term financing mechanism be established to maintain open space prior to the issuance of a grading permit. The formation of a CFD meets this requirement.

The El Dorado Ridge Project will consist of 104 three-story attached townhomes on two vacant parcels comprising approximately 11.5 acres. A General Plan Amendment and rezone were approved by City Council on December 13, 2005 and January 17, 2006, respectively, to accommodate clustering of the townhomes to avoid sensitive species. A Tentative Map and Mitigated Negative Declaration were approved January 10, 2006 (PCS-03-01). The Project is required to create a 4-acre natural open space easement onsite to protect environmentally sensitive habitat. In addition to the onsite easement, the Project must provide an additional 5.5-acre offsite preserve to mitigate the Project's biological impacts. There is a Mitigation Monitoring and Reporting Program ("MMRP") for the Project that details the management and monitoring required each year to comply with federal and state environmental regulations for each parcel.

The CFD will fund the long-term maintenance of the mitigation areas in perpetuity by levying an annual special tax which will be collected on the property tax bill. The funds collected will be transferred to the City, which the City will use to perform the maintenance and monitoring of the open space mitigation areas.

The proposed boundaries of CFD 16M encompass two parcels comprising the El Dorado Ridge Project, located east of Brandywine Avenue, south of Sequoia Street, and north of Main Street (Attachment 1). The Developer owns 100% of the property within the proposed CFD.

Cost for Maintenance

The budget for the annual monitoring and maintenance of both open space parcels totals \$70,787. Administrative costs include: City administrative fees, administration of the special tax and capital reserves. An allowance of 5% of the total costs is included to cover any temporary financial loss created by potential delinquencies until payments are made. The total annual budget for CFD 16M for Fiscal Year 2023-24 is \$81,820 and will likely increase from year to year. See budget details below:

| CFD 16M Annual Costs | FY 2023-24 |
|---|-------------------|
| Maintenance Costs | |
| Onsite Open Space Easement Maintenance | \$ 40,798 |
| Offsite Open Space Easement Maintenance | \$ 29,989 |
| Subtotal Maintenance | \$ 70,787 |
| | |
| Administration | |
| City Administration/County Collection Fee | \$ 3,406 |
| Special Tax Administration | \$ 1,000 |
| Capital Reserve | \$ 2,731 |
| Subtotal Administration | \$ 7,137 |
| | |
| Total Maintenance and Administration | \$ 77,924 |
| Allowance for Delinquencies @ 5% | \$ 3,896 |
| | |
| Grand Total | \$ 81,820 |

Proposed Special Tax

The Rate and Method of Apportionment (“RMA”) sets forth how the special taxes will be levied and in what amount (Attachment 2). Each year the Annual Special Tax Requirement, as defined in the RMA, is determined, and then apportioned to each parcel within CFD 16M. The Annual Special Tax Requirement reflects the amount necessary to fund the services provided by CFD 16M. The special tax is levied first on residential property for which a building permit was issued prior to June 30 of the preceding fiscal year. If additional monies are needed to satisfy the Annual Special Tax Requirement after the first step has been completed, an amount will be levied on each parcel of undeveloped property. In no event shall the tax be levied in an amount higher than the Maximum Special Tax. The Project does not propose the construction of Accessory Dwelling Units but if they were added later, they would not be subject to the special tax. See table of Maximum Special Tax Rates for fiscal Year 2023-24 below:

**MAXIMUM SPECIAL TAX RATES
FISCAL YEAR 2023-24**

| Description | Maximum Special Tax | Per |
|-------------------------|----------------------------|---------------|
| Residential Property | \$787.00 | Dwelling Unit |
| Accessory Dwelling Unit | \$0.00 | Dwelling Unit |
| Undeveloped Property | \$13,262.00 | Acre |

On July 1 of each Fiscal Year, commencing on July 1, 2024, the Maximum Special Tax rates shall be increased by a factor equal to the greater of the positive percentage change in the San Diego-Carlsbad, CA, Consumer Price Index for All Urban Consumers (CPI-U) for the month of May, or 0%. These increases account for inflation and will allow the City to address increased costs for providing maintenance of on and offsite open space in perpetuity.

Since the Developer is required to maintain and monitor the open space for five years prior to the City taking over the maintenance responsibility, it is anticipated that the special tax will be lower in the first few years. The CFD may only collect the amount needed to perform the work described in the resolution and RMA. The expected maximum special tax at project build-out is shown in the table below:

**PLANNED DEVELOPMENT AND TOTAL EXPECTED MAXIMUM SPECIAL TAX
FISCAL YEAR 2023-24**

| Description | Planned Development | Expected Maximum Special Tax |
|----------------------|---------------------|------------------------------|
| Residential Property | 104 Dwelling Units | \$81,848.00 |

(The total Expected Maximum Special Tax of \$81,848 is \$28 higher than the annual budget, \$81,820 because the special tax rate is rounded to the nearest dollar.)

Resolution and Future Action

The resolution associated with this action, known as the Resolution of Intention, declares the City Council’s intent to establish the proposed CFD 16M, sets forth the boundaries of the CFD, authorizes the levy of a special tax, sets the time and place for the public hearing and orders the preparation of a CFD Report. The boundary map (Attachment 1) will be recorded within 15 days of approval of the Resolution of Intention.

If the Resolution of Intention is approved, a public hearing and consideration of the adoption of a resolution forming and establishing CFD 16M, and submission of the authorization for the levy of special taxes to the qualified electors are scheduled for the City Council meeting on May 7, 2024 at 5:00 pm.

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 of, nor 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 fiscal-year impact to the General Fund or Development Services Fund as a result of this action. All CFD formation costs are borne by the applicant.

ONGOING FISCAL IMPACT

There is no ongoing fiscal impact to the General Fund or Developments Services Fund as a result of this action. Once the CFD is formed, ongoing maintenance and district administration will be funded by the special tax levy.

ATTACHMENTS

1. Proposed Boundary Map
2. Rate and Method of Apportionment

*Staff Contact: Kim Elliott, Facilities Financing Manager
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