



CITY COUNCIL STAFF REPORT



April 23, 2024

ITEM TITLE

Agreement: Approve a First Amendment to the Acquisition/Financing Agreement Relating to California Municipal Finance Authority's Community Facilities District No. 2021-11 (Otay Ranch Village 8 West) and Authorize Related Actions

Report Number: 24-0032

Location: Otay Ranch Village 8 West

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 first amendment to the Acquisition/Financing Agreement for California Municipal Financing Authority ("CMFA") Community Facilities District 2021-11 (City of Chula Vista - Otay Ranch Village 8 West) and related actions.

SUMMARY

The Acquisition/Financing Agreement dated October 1, 2021 for CFD No. 2021-11 Otay Ranch Village 8 ("Acquisition Agreement") is a three-party agreement between the City of Chula Vista, CMFA and HomeFed Village 8, LLC ("Developer") (Attachment 1). The purpose of the Acquisition Agreement is to establish the policies and procedures under which CFD No. 2021-11 (City of Chula Vista - Otay Ranch Village 8 West) (the "Village 8 West CFD") may acquire public improvements constructed by the Developer as well as pay development impact fees to the City. The City and the Developer have identified several changes to the Agreement that are mutually desirable.

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 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. Thus, no environmental review is required.

BOARD/COMMISSION/COMMITTEE RECOMMENDATION

Not applicable.

DISCUSSION

Background

The Bond Opportunities for Land Development Program (the “BOLD Program”) is a program offered by the California Municipal Finance Authority (“CMFA”) to provide its members a means to accommodate formation of community facilities districts (“CFDs”) and bonding within their jurisdiction. On August 10, 2021, the City Council authorized the use of the BOLD Program and authorized CMFA to form CFDs within the boundaries of the City.

Subsequently, on August 10, 2021, at the request of the Developer of the Otay Ranch Village 8 West development project (the “Village 8 West”), the City Council authorized the formation of the Village 8 West CFD. The Village 8 West CFD is authorized to finance capital improvements to be constructed by the Developer and acquired by the City (“Acquisition Improvements”). Additionally, Developer is obligated to pay certain development impact fees (“City Fees”) to be paid to and then used by the City to pay for constructing additional capital improvements (“City Infrastructure”) and, together the City Fees and Acquisition Improvements (the “Facilities”) are authorized to be financed under the Mello-Roos Community Facilities Act of 1982, as amended (the “Act”).

The City, CMFA, and the Developer entered into the Acquisition Agreement, which took effect on October 1, 2021. The Acquisition Agreement set forth the terms and conditions pursuant to which the Acquisition Improvements may, upon completion of the construction thereof, be acquired by the City using proceeds of Special Tax Bonds (the “Bonds”). The Acquisition Agreement has additional terms and provisions relating to the City Fees.

CMFA issued the Bonds in 2022. City staff, CMFA, and Developer have determined that it is prudent to amend the Acquisition Agreement to more clearly delineate how proceeds of the Bonds should be segregated to pay for each component of the Facilities. Tonight’s action will consider the adoption of a resolution approving the first amendment to the Acquisition Agreement (Attachments 2 and 3).

On October 24, 2023, the City Council discontinued future participation in the BOLD program by adopting Resolution No. 2023-171. However, the Village 8 West CFD was financed through BOLD prior to the City’s discontinuation in the BOLD program.

Village 8 West

Otay Ranch Village 8 West, located generally in the vicinity of La Media Parkway and Main Street, is a 300-acre site with residential and commercial land uses, community purpose facilities, a community park, town square, a neighborhood park, open space and preserve areas.

The project's approved tentative map allows 2,334 residential units. Residences will include affordable apartments, market rate apartments, town homes, triplexes, clustered motor court detached homes, and conventional single-family detached homes. Commercial uses will range from a low of 117,000 square feet of building space to as much as 300,000 square feet. Construction commenced in late 2018 and approximately 1,500 units have been built to-date.

CMFA Bonds and Amendment to the Acquisition Agreement

In July of 2022, CMFA issued its first series of Bonds in the amount of \$39,380,000. Of this amount, \$34,316,719 was deposited in the Project Fund. Amounts on deposit in the Project Fund are available to pay for the Facilities, upon CMFA providing a requisition to the trustee for the Bonds for costs incurred.

City staff, CMFA, and Developer recommend amending the Acquisition Agreement in order to allocate the proceeds of the Bonds to specific accounts, in order to better track the portion of the Bond proceeds allocable to the Acquisition Improvements and the portions allocable to City Fees. The First Amendment to Acquisition/Financing Agreement (the "Amendment") will accomplish this goal, as well as provide clarifications to the Acquisition Agreement. Some of the most significant actions accomplished by the Amendment are set forth below:

1. Amends Exhibit B of the Acquisition Agreement to identify each discrete phase of construction of Acquisition Improvements,
2. Clarifies the procedure for Developer to be reimbursed for Acquisition Improvements,
3. Directs the trustee for the Bonds to amend the indenture for the Bonds to establish three separate accounts within the Project Fund – the City Construction Account, the DIF Acquisition Account, and the Non-DIF Acquisition Account:
 - a. The trustee will transfer \$8,000,000 to the City Construction Account to be used for City Infrastructure
 - b. The trustee will transfer \$18,200,000, less amounts already disbursed to Developer, to be used for Acquisition Improvements including La Media Parkway and Main Street
 - c. The trustee will transfer the remaining funds in the Project Fund to the Non-DIF Acquisition Account, to be used toward Avenida Caprise.

Next Steps

Approval of the Resolution would approve the form of the Amendment. Upon approval, the Amendment will be executed, and CMFA and the trustee for the Bonds will amend the Bonds' indenture to effectuate the direction set forth in the Amendment.

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

There is no current-year fiscal impact to the General Fund or the Development Services Fund as a result of this action. All expenses incurred by the City in considering participation in the BOLD Program and the Amendment will be reimbursed from a deposit made by the Developer.

ONGOING FISCAL IMPACT

There is no ongoing fiscal impact as a result of this action. The City is not liable to repay the Bonds issued by CMFA or the special taxes imposed on the participating properties within the Village 8 West CFD, and the City has no contractual relationship with Bond owners or the Bond trustee.

The Bonds are issued through CMFA, with no involvement of the City other than the duties under related agreements. The Developer has made a deposit to cover the City's expenses in the formation of the Village 8 West CFD, approval of the Acquisition Agreement, Amendment and related actions. Execution and implementation of the Amendment will result in \$8,000,000 from Bond proceeds deposited into a separate account available to pay for City Infrastructure.

ATTACHMENTS

1. Acquisition/Financing Agreement
2. First Amendment to Acquisition/ Financing Agreement
3. Attachment No. 2 to Acquisition/Financing Agreement

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