



CITY COUNCIL STAFF REPORT



June 11, 2024

ITEM TITLE

Community Facilities District: Declare Intention to Form Community Facilities District No. 2024-1 (Citrus Bay)

Report Number: 24-0124

Location: 565 Broadway, Southeast corner of “H” Street and 5th Avenue, immediately adjacent to the Chula Vista Center mall (former Sears site)

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 the following resolutions: A) approving the proposed boundaries of proposed Community Facilities District No. 2024-1 (Citrus Bay) (“CFD No. 2024-1”), declaring the intention of the City Council to authorize the formation of the proposed CFD No. 2024-1, levy a special tax, and set a time and place for the public hearing; and B) declaring necessity to incur bonded indebtedness.

SUMMARY

The owner of the Citrus Bay project, CWC BROADWAY CV 256, LLC, (“Developer”) is in the process of constructing 244 for-sale, market rate townhomes on the former Sears site at Chula Vista Center. In connection with this development, the Developer is required to construct a 0.5-acre public park and pay Development Impact Fees (“DIFs”) to mitigate project impacts to public facilities. The Developer has requested the formation of a new Community Facilities District, for the property to fund the public park and pay certain DIFs and other fees associated with the project. This action is the first step in the process to form a Community Facilities District. A Community Facilities District is a special financing district that will sell bonds to generate funds for the construction of the park, and financing of DIFs to construct public facilities. Special taxes will be levied to repay the bonds.

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 which 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. On April 28, 1998, the City Council, acting under its Charter authority, enacted the "Chula Vista Community Facilities District Ordinance" (the "CFD Ordinance"). The CFD Ordinance adopted the Mello-Roos Act with modifications to accomplish the following: (1) incorporate all maintenance activities authorized by the "Landscaping & Lighting Act of 1972" (the "1972 Act"); (2) include certain maintenance activities not listed in the Mello-Roos Act or the 1972 Act; and (3) establish an operating reserve fund for open space districts. On July 23, 2019, the City Council adopted an ordinance codifying the CFD Ordinance as Chula Vista Municipal Code Chapter 3.60 (Community Facilities Districts – General). On October 24, 2023, the City Council approved amendments to the Goals and Policies including allowing the financing of DIFs. The CFD proposed with this action is consistent with the City's Goals and Policies and the CFD Ordinance.

The Developer submitted a petition requesting that the City conduct proceedings to consider the approval of the formation of a CFD to finance the construction of a 0.5-acre public park and certain DIFs that mitigate project impacts to public facilities. The Citrus Bay project consists of 244 for-sale, market rate townhomes within 29 buildings on 12.6 acres. The project is located within the Chula Vista Center on the site of the former Sears building, located at 565 Broadway. Tentative Map No. TM22-0001 was approved January 25, 2023 to subdivide the site and the final map was recorded February 2024. Construction of the townhomes is anticipated to start in August 2024 with first home closings in the second quarter of 2025.

The proposed boundaries of CFD No. 2024-1 encompasses the majority of a single parcel comprising the Citrus Bay project, (Attachment 1). The Developer owns 100% of the property within the proposed CFD boundaries.

Proposed Special Tax

The Rate and Method of Apportionment of Special Tax (“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 taxable parcel within CFD No. 2024-1. The special tax is levied first on residential property for which a building permit is 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.

Table 1 below details the Assigned Special Tax Rates for fiscal year 2024-25.

Table 1
Fiscal Year 2024-25
Assigned Special Tax Rates for Developed Property

Land Use Class	Land Use Type	Building Sq. Footage	Assigned Special Tax
1	Residential Property	<1,201	\$2,702 per Residential Unit
2	Residential Property	1,201 to 1,400	\$2,752 per Residential Unit
3	Residential Property	1,401 to 1,600	\$2,802 per Residential Unit
4	Residential Property	>1,600	\$2,812 per Residential Unit

On each July 1, commencing July 1, 2025, and ending July 1, 2035, the Assigned Special Tax for Developed Property shall be increased by two percent (2.0%) of the amount in effect in the prior fiscal year.

Acquisition-Financing Agreement

An Acquisition-Financing Agreement which describes the facilities and DIFs that may be financed with the bonds and establishes the terms and conditions for acquiring and financing the public improvements will be presented at a future Council meeting. The expectation is that bonds will be issued in the future to pay for the improvement of a park and to satisfy the obligation of the developer for several of the City’s DIFs. The Acquisition-Financing Agreement provides the terms for the City to use the bonds proceeds to pay for the park and the satisfaction of the DIFs. It is expected that the bonds will be issued in two series, tax-exempt and taxable. The tax-exempt bonds will finance the cost of the park improvements and the taxable bonds will finance the facilities associated with the DIFs and will provide the City with flexibility in the manner of spending the funds associated with the DIFs.

Resolutions and Future Action

One of the resolutions associated with this action is known as the Resolution of Intention, declaring the City Council’s intent to establish the proposed CFD No. 2024-1 (Citrus Bay), setting forth the boundaries of the CFD, including the RMA and authorizing the levy of a special tax, setting the time and place for the public hearing, and ordering the preparation of a CFD Report. The CFD Report is a separate report with a description of the facilities and fees and an estimate of the cost of financing the facilities and fees, as well as the incidental expenses in connection therewith, including costs of the proposed bond financing, any

administration costs, and all other related costs. The boundary map (Attachment 1) will be recorded within 15-days of approval of the Resolution of Intention.

If the Resolution of Intention and Resolution Determining the Necessity to Incur Bonded Indebtedness are approved, a public hearing will be scheduled for the City Council meeting on July 16, 2024, at 5:00 pm. At that time the City Council will consider the adoption of a resolution forming and establishing CFD No. 2024-1 (Citrus Bay), and submission of the authorization for the levy of special taxes to the qualified electors, which in this case is the Developer.

The Resolution Declaring Necessity states the not-to-exceed amount of \$10,000,000 for bonds to be issued by the District. The Resolution Declaring Necessity also calls for a public hearing on the necessity of the District to incur a bonded indebtedness to be held on July 16, 2024. Such public hearing will be consolidated with the public hearing on the formation of the District noted above.

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

All CFD formation costs are borne by the applicant, resulting in no current-year fiscal impact to the General Fund or Development Services Fund.

ONGOING FISCAL IMPACT

There is no on-going fiscal impact as a result of this action. Once the Community Facility District is formed, the special taxes levied will pay annual administrative costs.

ATTACHMENTS

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

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