



CITY COUNCIL STAFF REPORT



July 16, 2024

ITEM TITLE

Community Facilities District Annexation: Election Regarding Annexation of Otay Ranch Village Eight East into Community Facilities District No. 97-2

Report Number: 24-0169

Location: Located generally adjacent to State Route 125, south of Main Street, and north of the Otay River, as shown more particularly on the annexation map.

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

Conduct a public hearing and A) adopt a resolution making certain determinations and authorizing submittal of levy of special taxes to the qualified electors within proposed Annexation No. 13 to Community Facilities District No. 97-2 ("CFD No. 97-2"), Improvement Area "C" and B) adopt a resolution declaring the results of the special election relating to the levy of special taxes within Annexation No. 13 to CFD No. 97-2, Improvement Area "C."

SUMMARY

On May 14, 2024, the Chula Vista City Council approved amendments to the Otay Ranch Village Eight East ("Village Eight East") Sectional Planning Area Plan, including associated regulatory documents and a Tentative Map. Tentative Map Condition No. 61 specifies that the applicant shall annex the project into CFD No. 97-2, Improvement Area "C". HomeFed Otay Land II, LLC (the "Applicant") formally requested that the City commence annexation proceedings in a letter addressed to the Director of Development Services dated June 6, 2023. This action initiated the process of annexing Village Eight East into CFD No. 97-2.

On May 28, 2024, Council took the first step in the annexation process by declaring its intention to annex the territory and calling a public hearing relating thereto. Tonight's actions are the next steps in the formal proceedings to annex Village Eight East (referred to as "Annexation No. 13") into CFD 97-2 and Improvement

Area “C” thereof: (a) conducting a public hearing pertaining to the proposed annexation, and (b) immediately following such public hearing, conducting an election of the qualified electors of Annexation No. 13 regarding the authorization to levy special taxes within Annexation No. 13 and, following the canvass of the ballots received, declaring the results of such election.

Special taxes levied within Improvement Area “C” fund the costs of the Resource Monitoring Program as well as Preserve Operations and Maintenance consistent with the requirements of the Otay Ranch Resource Management Plan Phases I and II, plus a pro-rata share of Administrative Expenses of CFD No. 97-2. The City has retained the services of Harris & Associates as special tax consultant and Best Best & Krieger LLP as legal counsel to provide assistance during the proceedings. Tonight’s action will complete the formal proceedings to annex Annexation No. 13 to CFD No. 97-2 and Improvement Area “C” thereof.

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. Thus, no environmental review is required.

BOARD/COMMISSION/COMMITTEE RECOMMENDATION

Not applicable.

DISCUSSION

Background

The City Council formed CFD No. 97-2 in July of 1998 to establish a long-term financing mechanism to monitor and maintain open space within the Otay Ranch Preserve (“Preserve”). CFD No. 97-2 was initially divided into two improvement areas, designated as Improvement Area “A” and Improvement Area “B”. Both improvement areas were established to fund the costs of the Resource Monitoring Program. Improvement Area “B” also funds costs associated with Preserve Operations and Maintenance. Improvement Area “C” was subsequently formed in 2003 in connection with the annexation of Otay Ranch Village 11 (Annexation No. 3) into CFD No. 97-2. Improvement Area “C” was established to include lands not originally contemplated to be contained within the territory of CFD No. 97-2, and it funds both the Resource Monitoring Program and Preserve Operations and Maintenance activities.

There have been 12 previous annexations into CFD No. 97-2 to date, as listed below:

1. Otay Ranch Village 1 West (2000)
2. Otay Ranch Village 6 (2002)
3. Otay Ranch Village 11 (2003)
4. Otay Ranch Village 12 (2005)
5. Otay Ranch Village 7 (2005)
6. Otay Ranch Village 2 (2006)
7. Otay Ranch Planning Area 12 (2013)
8. Otay Ranch Millenia (2013)

9. Otay Ranch Village 8 West (2014)
10. Otay Ranch Village 3 (2016)
11. Bonita Glen (2020)
12. Otay Ranch Village 3, Neighborhood R-20 (2022)

Property to be Annexed

Village Eight East (Tentative Map No. TM22-0005), consisting of 3,276 residential units on 572.9 acres, is owned by the Applicant and is proposed as Annexation No. 13 into CFD No. 97-2. City staff has reviewed the proposed annexation boundary map and has found it acceptable and ready for consideration by City Council. The boundary map (which was approved by Council on May 28, 2024, and which was recorded at the San Diego County Assessor/Recorder/County Clerk’s office on June 6, 2024) is provided as Attachment 1 to this report.

Proposed Special Tax

The rate and method of apportionment of the special taxes authorized to be levied within the existing boundaries of CFD No. 97-2 includes the following four categories of taxation:

- All developed residential (including single-family and multi-family residences for which a building permit has been issued) are taxed based on the square footage of the structure. Non-residential (including developed industrial and commercial) developed parcels are taxed on the acreage of the parcel.
- All parcels (including residential, industrial and commercial parcels) for which a final map has been recorded but a building permit has not been issued (“Final Mapped Property”) are taxed based on the acreage of the parcel.
- Parcels not categorized as either Developed or Final Mapped Property are taxed based on the acreage of the parcel.
- Exempt property includes parcels owned, conveyed or irrevocably offered for dedication to a public agency, land which is in the public right-of-way, certain unmanned utility easements, common areas, private streets and parks, and open space lots. These are not subject to the special tax.

The proposed maximum special tax rates in the rate and method of apportionment were determined at the time of formation of CFD No. 97-2 in 1998.

Maximum Special Taxes

The approved maximum special tax rates for fiscal year 2023-24 for Improvement Area “C” of CFD No. 97-2 are as follows:

Table 1 – Maximum Special Tax for Resource Monitoring

Special Tax Category	Maximum Special Tax (Resource Monitoring)
Category I – Residential (per square foot)	\$0.0090
Category I – Non-Residential (per acre)	\$145.77
Category II – Final Mapped Property (per acre)	\$145.77
Category III – Undeveloped Property (per acre)	\$94.0856

Table 2 – Maximum Special Tax for Operations & Maintenance

Special Tax Category	Maximum Special Tax (Operation & Maintenance)
Category I – Residential (per square foot)	\$0.0143
Category I – Non-Residential (per acre)	\$231.42
Category II – Final Mapped Property (per acre)	\$231.42
Category III – Undeveloped Property (per acre)	\$149.3685

The total maximum special tax that can be levied on a parcel is the sum of the maximum special tax for resource monitoring, and the maximum special tax for operation and maintenance, as set forth in Table 3 below:

Table 3 – Combined Maximum Special Tax

Special Tax Category	Combined Maximum Special Tax (Resource Monitoring and Operation & Maintenance)
Category I – Residential (per square foot)	\$0.0232
Category I – Non-Residential (per acre)	\$377.19
Category II – Final Mapped Property (per acre)	\$377.19
Category III – Undeveloped Property (per acre)	\$243.45

The rates for special taxes shown above are proposed to be increased each fiscal year, beginning fiscal year 2024-25, 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 No. 97-2 may directly bill the special tax and may collect special taxes at a different time or in a different manner if necessary.

Description of Tonight’s Proceedings

Tonight’s hearing is being held in accordance with California Government Code Section 53339.5 et seq. The first step in tonight’s proceeding is the public hearing. If a majority protest exists, the City cannot move forward with the annexation, and will be prohibited from continuing proceedings for at least one year. A majority protest exists if written protests are submitted by (a) the owners of one-half or more of the area of land in the territory included in the existing CFD No. 97-2 or Annexation No. 13; or (b) 50% or more of the registered voters (or 6 registered voters, whichever is greater) within either the existing CFD No. 97-2 or Annexation No. 13. Otherwise, the City may submit the question to the qualified electors in Annexation No. 13, which would be the property owner. The property owner has waived time limitations and requirements to comply with the Elections Code, as authorized in the CFD Law. Tonight’s action completes Annexation No. 13.

There are two resolutions for this action item, which if approved would do the following:

- A) A Resolution making certain determinations and authorizing submittal of the levy of special taxes to the qualified electors is the formal action making determinations relating to the annexation, setting forth specific information about the annexation, and calling an election relating to the levy of special taxes within Annexation No. 13.

- B) A Resolution declaring results of the special election provides for the approval of the certificate of the City Clerk, acting as election official, relating to the canvass of votes on the annexation and, if the

qualified electors approve the annexation, the Resolution would formally approve and authorize the annexation and the levy of special taxes within Annexation No. 13.

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

All costs of this annexation are borne by the developer and the ongoing administration will be funded entirely by CFD No. 97-2, resulting in no current-year fiscal impact to the General Fund or Development Services Fund.

ONGOING FISCAL IMPACT

The costs of ongoing administration of CFD No. 97-2 will be funded entirely by the district, resulting in no ongoing fiscal impact to the General Fund or Development Services Fund.

ATTACHMENTS

1. Boundary Map for CFD No. 97-2, Improvement Area C, Annexation No. 13
2. Rate of Method of Apportionment ("RMA") for CFD No. 97-2, Improvement Area C, Annexation No. 13

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