



**STAFF REPORT**  
**2/26/2020**

**TO:** Honorable Mayor and City Council Members

**FROM:** Luis Lopez, Development Services Director

**SUBJECT:** Ordinance No. 1155 approving the La Entrada Development Agreement (First Amendment) to allow additional time to commence construction activities and amend the provisions for affordable housing for the La Entrada Project. PSAV, LLC and LLSE Holdings LLC, Co-Applicants. (*2<sup>nd</sup> Reading*)

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**STAFF RECOMMENDATION:**

Staff recommends that the City Council adopt Ordinance No. 1155 approving the La Entrada Development Agreement – First Amendment allowing for additional time to commence construction activities and to amend the provisions for affordable housing.

**DISCUSSION/ANALYSIS:**

On February 12, 2020 the City Council introduced for first reading, Ordinance No. 1155 which would grant an additional time to commence construction activities, pursuant to the original La Entrada Development Agreement (DA). The first amendment to the DA will allow the owners to delay construction for five years. In exchange, the owners will increase the amount of affordable housing from 500 units to 1,000 units over the various phases of the project. The Planning Commission reviewed and recommended approval of this request in December 2019.

**FISCAL IMPACT:**

The La Entrada Development Agreement (DA) is a complex land entitlement that granted mutual benefits, and imposed mutual obligations, between the City and the Owner, over a 25-30 year period. The fiscal impacts are numerous and difficult to quantify. Some of the major mutual benefits and obligations that have a fiscal impact on the City are as follows:

- 1) The DA will require all future homebuilders to pay the City a \$2,500 “Development Agreement” fee at the time of issuance of a Certificate of Occupancy. This will provide up to \$19.5 million of General Fund revenues over the life of the project.
- 2) The DA will require the City to freeze all Development Impact Fees for the first 2,000 dwelling units of the project. These fees would be based on the City’s updated nexus study expected in 2020 and will affect Phases 1 and 2 of the project. Depending on the level of

construction activity for the project, the City may be put in a position of collecting the 2020 fees even after a post-2020 nexus study is in place.

- 3) The DA commits the City to facilitate the creation of Community Facility Districts to issue bonds that will pay for the City's General Government Facilities component of the development impact fees. The City will collect \$4.75 million as part of the 1st series of financing districts. The City will then collect the remaining \$4.75 million as part of the subsequent series of financing districts. These financing districts are anticipated to be completed during the first phases of construction of each of the three villages (Central, Gateway, and Hillside), as these funds will be used for backbone infrastructure.
- 4) Any transfer, sale or assignment that involves the sale of less than 1,000 lots will require the transferring party to pay the City a fee of \$5,000. Any transfer, sale or assignment that involves 1,000 to 2,500 lots will require the transferring party to pay the City a fee of \$25,000. Any transfer, sale or assignment that involves the sale of more than 2,500 lots will require the transferring party to pay the City a fee of \$50,000. Therefore, land investor and resale activity will have positive fiscal effects for the City.

Overall, staff believes the La Entrada DA is a fair agreement that provides positive fiscal impacts with adequate risk protection for the City, while providing the developer with the certainty of entitlements, adequate city services, and development incentives to make the project a success.

**RECOMMENDED ALTERNATIVE(S):**

Staff recommends adoption of Ordinance No. 1155.

Attachments: Ordinance No. 1155 (2<sup>nd</sup> Reading)