

CITY OF SANTA ROSA
CITY COUNCIL

TO: MAYOR AND CITY COUNCIL
FROM: JILL SCOTT, REAL ESTATE MANAGER
ALAN ALTON, CHIEF FINANCIAL OFFICER
SUBJECT: APPROVAL OF THE ACQUISITION OF 3012 DUTTON MEADOW
(APN 043-122-007) AND A FUND-TO-FUND LOAN FROM THE
WATER OPERATIONS FUND TO THE STORM WATER CREEK
RESTORATION FUND FOR FINANCING A PORTION OF THE
PURCHASE

AGENDA ACTION: RESOLUTION

RECOMMENDATION

It is recommended by the Transportation and Public Works Department, Finance Department and Santa Rosa Water that the Council, by resolution: (1) approve the acquisition of 3012 Dutton Meadow (APN 043-122-007, "Property") for construction of the Lower Colgan Creek Restoration Project- Phase 3 and the Lower Colgan Creek Neighborhood Park subject to all contract contingencies; (2) approve the demolition of the structures located thereon as the City Manager may deem necessary; (3) approve a fund-to-fund loan in the amount of \$960,000 from the Water Operations Fund to the Storm Water Creek Restoration Fund for financing a portion of the purchase of the Property necessary for construction of the Lower Colgan Creek Restoration Project- Phase 3; (4) authorize the City Manager or designee to execute all documents necessary to complete the acquisition; and (5) appropriate up to \$960,000 from the Water Operations Funds to the Storm Water Creek Restoration Fund for payment of the fund-to-fund loan.

EXECUTIVE SUMMARY

The City seeks to acquire the Property in order to construct the Lower Colgan Creek Restoration Project- Phase 3 and the Lower Colgan Creek Neighborhood Park (the "Project"). Staff seeks Council approval of the acquisition of the Property and of a fund-to-fund loan in the amount of up to \$960,000 from the Water Operations Fund to the Storm Water Creek Restoration Fund for financing a portion of the acquisition costs allocated to Storm Water and Creeks. The Project is consistent with City Council Goal 5, Build and Maintain Sustainable Infrastructure, by acquiring land to enhance habitat, water quality and flood capacity along a reach of Colgan Creek, as well as provide a new public recreation space and enable bicycle and pedestrian movement in southwest Santa Rosa.

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BACKGROUND

The Lower Colgan Creek Restoration Project is a three-phased project stretching along 1.3 miles of the creek in southwest Santa Rosa. The three phases are restoring the creek from a trapezoidal flood control channel to a healthier seasonal creek that includes riffles, pools, instream habitat structures, and native plantings; inclusion of a bicycle and pedestrian pathway; and increasing the flood capacity of the channel to carry the 100-year flood. Phase 1 near Elsie Allen High School was constructed in the summer of 2014. Phase 2 is located between Victoria Drive and Boron Avenue, and construction was completed in May of 2022. Phase 3 project limits are from Boron Avenue downstream to Dutton Meadow.

With construction of Lower Colgan Creek Restoration Project Phases 1 and 2 complete, staff from the Transportation & Public Works Department and Santa Rosa Water have begun working on the final design of Restoration Phase 3, and master planning for the Neighborhood Park will begin soon. In order to construct the Project, the acquisition of the Property and approval of the funding necessary to finance the acquisition of the Property is required.

On June 12, 2022, in closed session, Council gave direction to staff on price and terms for the purchase of the Property and the allocation of the funding by and between Parks and Storm Water and Creeks, as well as the mechanism for financing the acquisition.

PRIOR CITY COUNCIL REVIEW

On November 19, 2002, the City Council, by resolutions No. 25474 and 25475 adopted a mitigated negative declaration and adopted the Lower Colgan Creek Restoration Plan, and authorized staff to pursue acquisition of land needed to implement the Project.

On December 2, 2008, the City Council, by resolution No. 27267, amended the Lower Colgan Creek Restoration Plan.

On September 21, 2010, the City Council, by resolution No. 27736, adopted an updated mitigated negative declaration and authorized final design of the Colgan Creek Restoration and Neighborhood Park Project.

On May 6, 2014, the City Council, by Resolution No. 28475, authorized submittal of a grant application for partial funding of the Project to the Sonoma County Agricultural Preservation and Open Space District for \$995,360.

On February 24, 2015, the City Council, by Resolution No. 28606, authorized submittal of a grant application for partial funding of the Project to the California Department of Water Resources' Urban Streams Restoration Program for \$941,224.

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On September 22, 2015, the City Council, by Resolution No. 28693, authorized submittal of a grant application for partial funding of the Project to the California Resources Agency's River Parkways Program for \$494,903.

On April 19, 2016, the City Council, by Resolution No. 28769, authorized submittal of a grant application for partial funding of the Project to the Sonoma County Agricultural Preservation and Open Space District for \$617,710.

On June 12, 2022, in closed session, Council gave direction to staff on price and terms for the purchase of the Property and the allocation of the funding by and between Parks and Storm Water and Creeks as well as the mechanism for financing the acquisition.

On June 23, 2022, the City Council, by Resolution No. RES-2022-127, authorized submittal of a grant application for land acquisition required for the Project to the Sonoma County Agricultural Preservation and Open Space District for \$1,500,000.

On August 23, 2022, the City Council, by Resolution No. RES-2022-186 authorized the application, acceptance, and execution of a Department of Water Resources Urban Streams Restoration Program Grant for design, construction, and education and outreach for the Lower Colgan Creek Restoration- Phase 3 Project.

ANALYSIS

On June 12, 2022, in closed session, staff requested direction regarding price and terms in order to move forward with the possible purchase of the Property as necessary for completion of the Project.

Staff is proposing that financing of the purchase be accomplished by allocating payment for purchase of the Property and closing costs between Parks and Storm Water and Creeks, in the manner of 59% and 41% respectively. While Parks has immediate funds available for its allocated portion of the costs, Storm Water and Creeks does not. Staff proposes that those necessary funds be provided pursuant to a fund-to-fund loan from the Water Operations Fund to the Storm Water Creek Restoration Fund. The Water Operations Fund is currently invested, earning interest in the City's investment fund at an average rate of interest of 1.57% which includes all asset classes of the City's portfolio. Such available funds are projected to remain available. The proposed interest rate of 4.72% is based on the most recent yield to maturity at market in the City's investment fund. This rate is an average of the individual securities yields at market and represents a more current opportunity cost. The variance in these two rates shows the difference in older lower interest rate securities maturing and the higher interest rate securities entering our portfolio in today's dynamic rate environment.

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The Water Department has agreed to a loan from the Water Operations Fund and interest rate of 4.72% per annum simple interest from the date the funds are received by the Storm Water Creek Restoration Fund to be amortized over 10 years with annual payments beginning December 13, 2023, and no prepayment penalty. This financing is advantageous to the Water Operations Fund.

The Water Operations Fund will benefit from the loan by being able to earn a reasonable interest rate on undesignated funds that is higher than average from the City's investment fund rate.

The City is a strong contender for inclusion in the Sonoma County Agricultural Preservation and Open Space District's (SCAPOS) Matching Grant Program in the amount of \$1,500,000. If the Project is approved to be included as part of the Matching Grant Program, then the grant money would be allocated proportionately and used to repay a portion of the funds used by Parks for the acquisition as well as to repay a significant portion of the loan made by the Water Operations Fund to the Storm Water Creek Restoration Fund, as used by Storm Water and Creeks to pay for its allocation of the purchase costs. The SCAPOS will make final award decisions at their December 13, 2022, meeting.

On November 16, 2022, the State Department of Water Resources announced the Draft Award List for the Fall 2022 Draft USRP Grant Awards, which included \$4,368,066 for the Lower Colgan Creek Restoration- Phase 3 Project. Final awards will be posted in December 2022.

Staff has negotiated a purchase agreement, executed by the owner, to purchase the Property for Two Million Two Hundred Ninety Thousand Dollars (\$2,290,000), within the approved price and terms provided by Council, subject to Council approval of the purchase and also contingent upon Council approval of the fund-to-fund loan financing.

Once the Property is acquired, development of the Project will require removal of some or all of the structures on the Property.

FISCAL IMPACT

The purchase price of \$2,290,000 and associated acquisition costs will be allocated between Parks and Storm Water and Creeks, 59% and 41% respectively. Parks will use funds from JL Key 09566, Southwest Community Park for its proportion. The remainder proportion allocated to Storm Water and Creeks will be funded by a fund-to-fund loan from the Water Operations Fund for up to \$960,000. The Storm Water Creek Restoration Fund will pay an interest rate of 4.72% per annum, simple interest from the date the funds are received by the Storm Water Creek Restoration Fund to be amortized over 10 years

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with an annual payment of \$122,640, due beginning December 13, 2023, and with no prepayment penalty.

Approval of this action does not impact the General Fund.

ENVIRONMENTAL IMPACT

The action of approving a fund-to-fund loan is exempt from the California Environmental Quality Act (CEQA) because it is not a project which has a potential for resulting in either a direct physical change in the environment, or a reasonably foreseeable indirect physical change in the environment, pursuant to CEQA Guidelines Section 15378.

The Council approved and adopted, by Resolution No. 27736, a Mitigated Negative Declaration for the Colgan Creek Restoration and Park project on September 21, 2010.

BOARD/COMMISSION/COMMITTEE REVIEW AND RECOMMENDATIONS

Not applicable

NOTIFICATION

Not applicable

ATTACHMENTS

- Resolution

CONTACT

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