

CITY OF SANTA ROSA
CITY COUNCIL

TO: MAYOR AND CITY COUNCIL
FROM: ALAN ALTON, CHIEF FINANCIAL OFFICER
FINANCE DEPARTMENT
JILL SCOTT, REAL ESTATE MANAGER
REAL ESTATE SERVICES
SUBJECT: DECLARATION OF CITY OWNED PARCELS IN THE
DOWNTOWN AS NON-EXEMPT SURPLUS LAND

AGENDA ACTION: RESOLUTION

RECOMMENDATION

It is recommended by the Finance, Planning and Economic Development and Transportation and Public Works Departments that the Council, by three separate resolutions, pursuant to Government Code Section 54221: 1) declare that each of the following City owned properties located at (a) 625 and 637 3rd Street, APNs 009-013-011 and 009-013-012 ("Garage 5"), (b) 500 5th Street, APN 010-053-028 ("Lot 11"), and (c) 730 3rd Street, APN 009-072-044 ("Lot 7", aka "Whitehouse Site", together with Garage 5 and Lot 11, collectively "Surplus Lands") are "non-exempt surplus land"; 2) direct Staff to prepare and submit Notices of Availability for the Surplus Lands; and 3) authorize the City Manager to take all necessary actions to comply with the Surplus Lands Act and carry out Council's direction in the disposition of the Surplus Lands.

EXECUTIVE SUMMARY

Staff recently completed a three-part Council study session series and received feedback and direction from Council on a surplus strategy for its Downtown City assets. As a result of Council direction to Staff, following City owned parcels: (a) the two parcels comprising Garage 5; (b) Lot 11; and (c) the Whitehouse Site are being brought forward for Council to declare "non-exempt surplus land". Additionally, Staff is requesting Council approval to prepare and submit a Notice of Availability for each parcel and to authorize the City Manager to take all necessary actions to comply with the Surplus Lands Act (SLA) and carry out Council's direction in the disposition of the Surplus Lands.

BACKGROUND

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Over the last several years, the City has considered avenues for investing and promoting investment in the Downtown area. This led to a 3-part Council Study Session series. The first session, on August 23, 2022, focused on a Parking District update that informed Council of the current parking surplus in the downtown, through an updated study conducted by Walker Parking Consultants (“Walker Study”), the financial state of the parking fund, and the need for deck reconstruction at both Garage 5 and Garage 9, with an estimated cost of approximately \$6 million for each garage. The second session, on September 13, 2022, reviewed the 2016 Housing Action Plan (HAP), that supported downtown infill development through a “housing for all” model. The HAP also represented a commitment by the City to activate its underutilized parcels, as supported in the current Downtown Station Area Specific Plan. As a component of activating City property, Staff also provided an update on the 2019 Santa Rosa Civic Center Feasibility Analysis, which addressed deferred maintenance on the current City Hall complex, laid out three options for rebuilding/redevelopment and informed on 2019 estimates for the cost to build and availability payment models. At the third and final session, on October 11, 2022, Staff reviewed the SLA and all downtown assets with Council.

Feedback from Council during this last study session gave Staff direction to declare several of the parking assets “non-exempt surplus land” to make way for affordable housing/mixed use and housing amenities in the Downtown, with the goal of bringing more activity to the area. This was supported by the Walker Study, which was reviewed in the first study session and showed an overabundance of parking available on a “Design Day” in the downtown, with design day conditions reflecting the recommended capacity for the parking system to accommodate typical busy parking conditions, outside of major holidays or events.

Additionally, Council requested that Staff bring forward actions to surplus, in addition to several of the parking assets, City Hall, City Hall Annex and adjacent structures on the City Hall Campus, as well as the Public Safety Building (PSB), and Municipal Services Center South (MSCS), with the condition to replace City Hall as well as Police and Fire facilities in the surplus action.

Lastly, Council directed Staff to bypass the City Council Surplus Policy and follow the Surplus Lands Act for disposition of its surplus properties.

Following that direction, if Council elects to declare Garage 5, Lot 11 and/or the Whitehouse Site parcels as surplus, Staff will submit a Notice of Availability for each parcel to the California Department of Housing and Community Development (HCD) and offer the Surplus Land(s) for development. HCD will add the Surplus Lands, with any of the City’s outlined development requirements, to HCD’s inventory of publicly owned surplus land and make this information available to affordable housing sponsors.

The City will negotiate with any respondents to the Notice(s) of Availability in good faith, with the intent of entering into an exclusive negotiation agreement (ENA) for development of the Surplus Lands. Under the SLA, any respondents will be required to include a

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minimum of 25% affordable housing and if stipulated in the resolution and applicable Notice of Availability, replacement of public parking. If an agreement is successfully negotiated with a respondent, Staff will bring the ENA to City Council for review, comment, approval, and adoption.

If the City is not successful in negotiations with affordable housing sponsor respondents for any of the Surplus Land(s), the applicable Surplus Land(s) may be made available for development by an RFQ/P to qualified developers. In this case, the development would still be required to provide a minimum of 15% affordable housing units, and Council could increase this baseline if it so chooses.

PRIOR CITY COUNCIL REVIEW

January 25, 2022, Council conducted a study session on creating a Downtown City Asset Surplus Strategy.

August 23, 2022, Council conducted a study session on the Parking Enterprise Fund which was item one in the three-part Downtown Asset Development Series.

September 13, 2022, Council conducted a study session on the 2016 Housing Action Plan and the 2019 Santa Rosa Civic Center Feasibility Analysis which was part two of the three-part Downtown Asset Development Series.

October 11, 2022, Council conducted the third and final study session in the three-part Downtown Asset Development Series which reviewed the Surplus Lands Act and the City's downtown assets.

ANALYSIS

Following the study session on October 11, 2022, with Council direction to Staff to surplus multiple City owned parcels that are currently used for public parking, Staff requested that Walker Consultants further analyze downtown parking, with the assumption that, if disposed of, some or all of the public parking at these locations would not be replaced. The following criteria informed the analysis:

- Determine future parking demand given new and denser development, as part of the update to the Downtown Station Area Specific Plan for near term opportunity parcels, including Lot 7/Whitehouse Site (3rd and E Streets), Lot 11 (5th and B Streets), and all or a portion of Garage 5 (3rd and D Streets).
- Determine the extent to which the current downtown parking surplus can accommodate a decrease in parking supply to accommodate current and future demand as development occurs.
- Determine the extent to which the future downtown parking surplus, given the removal of public parking on Lot 7/Whitehouse Site, Lot 11, and Garage 5, could accommodate future demand as development occurs.

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- Determine whether the existing parking surplus is sufficient to accommodate future parking demand and how this would change with the removal of the parking supply given potential development.
- Determine whether there are specific locations that may have a parking deficit, and whether or not there is an overall surplus of downtown parking. For example, in the future, as parking lots and garages are developed, would surplus parking only be available on the periphery of downtown?

The “Walker Memo” concluded that the Downtown parking system is adequate to sustain the future demand of proposed developments if no public parking were provided at Lot 11, Whitehouse Site and Garage 5.

Staff has chosen Lot 11, the Whitehouse Site and Garage 5 to surplus, as Lot 11 and the Whitehouse Site are underutilized surface lots that, with the activation of the airspace above, could allow for larger developments and Garage 5 is the City’s oldest and smallest garage, with significant deferred maintenance and capital investment needs.

With the proposed declaration of the Surplus Lands as “non-exempt surplus lands”, the Walker Memo findings would allow Council the flexibility to negotiate the replacement or non-replacement of parking at these sites.

Considering that the construction of any housing development is more financially feasible without the need to provide for replacement of public parking, and that the Walker Memo informs that the downtown has sufficient parking availability, Staff is recommending that Council not replace public parking at Lot 11 and the Whitehouse Site and replace only a portion of public parking at Garage 5. The number of spaces to be replaced and potential City investment thereto, would be negotiated as part of any agreement for the disposition of the property. Staff is, however, recommending that the City retain a minimum of 75 Stalls of public parking in connection with any future development of the Garage 5 site. This would provide some direction to interested parties to help understand the minimum amount of public parking they would have to retain in order for the City to consider initiating negotiations with them.

In the prior Study Sessions, Council also directed Staff to surplus the City Hall, City Hall Annex and adjacent buildings on the City Hall Campus, PSB, and MSCS sites, with the condition of a replacement Civic Center complex, PSB and Fire Station No. 1. During current due diligence, Staff discovered that as part of the 2007 building acquisition of 655 1st street and then later refinancing into the Courthouse Square reconstruction debt, City Hall Annex and associated buildings were added and are being held as collateral for this debt. MSCS and PSB are collateral against 1996 Redevelopment financing refunded in 2016. Although Staff is in the process of having MSCS and PSB released as collateral, due to the timetable, and in the absence of a fully vetted financial plan to cover the debt service of a new Civic Center, Staff is recommending that these sites not be declared surplus until a fully formed financial plan can be brought forward.

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With the Council declaration of Garage 5, Lot 11, and Whitehouse Site as “non-exempt surplus land”, Staff also requests authorization to prepare and submit Notices of Availability for each, and authorization for the City Manager to take all necessary actions to comply with the Surplus Lands Act and carry out Council’s direction in the disposition of these parcels.

FISCAL IMPACT

Approval of this action does not currently have a fiscal impact on the General Fund.

ENVIRONMENTAL IMPACT

This action 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 proposed action is also statutorily exempt from the CEQA pursuant to California Government Code section 65457 and CEQA Guidelines Section 15182 (c) as a potential residential project implementing the Downtown Station Area Specific Plan, and pursuant to California Public Resources Code Section 21155.4 and CEQA Guidelines Section 15182 (b) as a mixed use project that is consistent with the local Sustainable Communities Strategy, located within a transit priority area and consistent with the Downtown Station Area Specific Plan. The Environmental Impact Report for the Downtown Station Area Specific Plan was certified by the City Council in October 2020, and no events described in CEQA Guidelines Section 15162 have occurred to require additional environmental analysis.

BOARD/COMMISSION/COMMITTEE REVIEW AND RECOMMENDATIONS

Not Applicable

NOTIFICATION

Not Applicable

ATTACHMENTS

- Attachment 1 – Downtown Map
- Attachment 2 – Walker Memo
- Resolution 1 – Garage 5
- Resolution 2 – Lot 7 / White House Site
- Resolution 3 – Lot 11

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CONTACT

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