

CITY OF SANTA ROSA
CITY COUNCIL

TO: MAYOR AND CITY COUNCIL
FROM: JILL SCOTT, REAL ESTATE MANAGER
REAL ESTATE SERVICES
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SUBJECT: DOWNTOWN CITY ASSET SURPLUS STRATEGY

AGENDA ACTION: STUDY SESSION

RECOMMENDATION

It is recommended by the Department of Planning and Economic Development, Transportation and Public Works and Real Estate Services that Council hold a Study Session to receive information, ask questions, discuss, provide feedback and give direction to staff regarding the downtown City asset surplus strategy.

EXECUTIVE SUMMARY

Over the last several years the City has contemplated alternatives to invest and promote investment in the downtown area, specifically identifying downtown infill development under a “housing for all” model within the 2016 Housing Action Plan. Concurrently, the City continues to contemplate options to manage the organization’s significant infrastructure deficit associated with ageing and deferred facilities maintenance. With these goals in mind, several options have been studied for incorporation into a downtown asset surplus strategy. One alternative identified is to surplus underutilized downtown City Assets (Property), making this property available for affordable housing/housing focused and mixed-use development through the Surplus Lands Act notice of availability and the request for proposals open process. Staff has reviewed and considered all downtown City owned assets, assessing the facility maintenance needs and costs alongside the site’s potential to be market tested for housing development with replacement of public parking for parking assets. Staff is seeking feedback and direction from Council on the findings and overall Downtown City Asset Surplus Strategy.

BACKGROUND

In 2016 Council approved the Housing Action Plan (HAP) outlining five program initiatives developed to address the City’s ongoing unmet housing needs and to

implement the City's General Plan Housing Element. The Plan recognizes that an active housing market is a key component of the city's economic development, with a stated mission of: The City of Santa Rosa will facilitate the construction of "Housing for All;" specifically, meeting the housing needs of the full spectrum of household income groups including those currently living within the city and those relocating to the city in the future. The Plan's initiatives are:

- Program 1 – Increase inclusionary affordable housing
- Program 2 – Achieve "affordability by design" in market-rate projects
- Program 3 – Assemble and offer public land for housing development
- Program 4 – Improve development readiness
- Program 5 – Increase affordable housing investments and partnerships.

This study session focuses primarily on Program 3 and is influenced by Program 5 of the Housing Action Plan.

Furthermore, with Housing and Affordable Housing identified as a priority council goal starting in 2015, and specifically calling out downtown housing as a tier 1 Council goal from 2017-2019 as an integral component of the post-Tubbs Fire recovery and resiliency strategy, Council took action to incentivize building in priority development areas (including the Downtown core). Under Council direction, staff identified City owned parking lots, garages and old buildings for potential disposition and development agreements and/or public-private partnerships. With this, the City hosted developer convenings including the Council of Infill Builders, out of which the 2018 report "Accelerating Infill in Santa Rosa and Sonoma County: Options to Address the Housing Shortage and Wildfire Rebuilding Effort" was produced, and the 2019 Bay Area Council developer tour. This, in combination with significant policy updates, fee incentives, and process streamlining, resulted in an influx of new infill-experienced developer interest in Santa Rosa.

Specific to Program 3 of the Housing Action Plan (assembling and offering public land for housing development), after the Plan's 2016 adoption, the State made updates to the Surplus Land Act in 2019, prioritizing affordable housing. The Surplus Land Act (SLA) aims to increase the availability of real property for affordable housing development by requiring the prioritization of affordable housing when selling public lands no longer necessary for agency use.

The SLA, along with the ongoing need for downtown housing, and the continued interest from affordable housing developers and other experienced infill housing developers that necessitates a City Asset Surplus Strategy. Underutilized downtown City assets have been identified and the opportunity to make this property available for development through the Surplus Lands Act notice of availability, and the request for proposals open process clearly exists.

Related to this for inclusion in the surplus strategy is the ongoing discussion on and opportunities specific to a public private partnership (P3) to address the growing deferred maintenance issues of the City buildings, while also promoting housing and development goals in the downtown. The goal of the P3 concept, studied since 2019 with JLL Real Estate Consulting Firm, is to increase downtown land availability for housing and mixed-use development through the consolidation of government services

into denser land use, thus providing streamlined access to services. Per the JLL produced draft feasibility analysis, two downtown sites were identified as viable locations: the current City Hall complex site, and the parking lot located at 730 3rd Street (aka the old White House site). Additional opportunities exist on privately owned parcels but have not been specifically studied.

Of these sites, developing City Hall on the White House site would allow the City to master plan the current City Hall complex site (100 Santa Rosa Avenue, 90 Santa Rosa Avenue, and the other City owned buildings fronting First Street) to allow for a large residential mixed-use project with the potential for additional public amenities such as childcare, and arts and culture facilities. Important, too, is the opportunity to daylight the creek, extending the Prince Memorial Greenway creek path.

As noted, potentially viable privately held parcels provide another alternative to the City's P3 options. In this scenario, a private developer would rebuild the City offices at a site owned by the developer, allowing the City to redevelop the current City Hall Site.

All options would alleviate the City of millions of dollars of deferred maintenance concerns associated with the current City Hall facilities and would advance the concept of the City investing in the downtown and spurring other developers to follow.

Staff originally reviewed and considered all downtown assets for viability and marketability. Three Parking assets were identified as having the most interest and potential for redevelopment with inclusion of the replacement of public parking: 1) 625 and 637 3rd Street (Third Street Garage/Parking Garage 5); 2) 700 5th Street (Parking Lot 10); and 3) 500 5th Street (Parking Lot 11), collectively known as the "Parcels". The White House Site was and is not being considered at this time, until Council is able to hear a full presentation on the P3 concept as part of the overall downtown asset strategy.

Currently, Staff has assessed the viability of all three locations and, due to market conditions, lot size, and specific needs of the surrounding area, we believe that Garage 5 (Third Street Garage) is the best opportunity to market test for redevelopment, with replacement of public parking.

If the Council decides to move forward, The Surplus Land Act (SLA), Government Code Section 54222 requires that all government owned property be declared surplus by its governing Council or Board (even with the replacement of public parking requirement), and be made available to housing sponsors for affordable housing through a notice of availability to the State Department of Housing and Community Services (HCD) prior to being offered to private developers through a request for proposal, qualifications (RFPQ) process. Additionally, City Council Policy 000-10 for sale or long-term lease of surplus land requires that City owned land capable of independent development, be referred to the Housing Authority pursuant to Government Code 54222. The Parcels will also be referred to the Planning Commission for a similar recommended action, prior to City Council declaring the parcel Surplus.

PRIOR CITY COUNCIL REVIEW

Not applicable.

ANALYSIS

Following Housing Authority and Planning Commission recommendations, the City Council will be asked to declare the Parcels surplus, as required by the SLA, and require that future development of the parcels be subject to replacement of public parking, reservation of the appropriate right of way and subject to the General Plan, Zoning Code, Downtown Station Area Plan and the Bicycle/Pedestrian Master Plan.

If the City Council elects to declare the parcels as surplus, Staff will submit a notice of availability to HCD as required by Government Code Section 54222 and offer the Parcel(s) for development. HCD will add the Parcels, with their above outlined development restrictions, to their inventory of publicly owned surplus land and make available to affordable housing sponsors.

The City will negotiate with any respondents to the notice of availability, in good faith, with the intent of entering into an exclusive negotiation agreement (ENA) for development of the Parcels. If the City is successful, staff will bring the ENA to City Council for comment, review, approval, and adoption.

If the City is not successful in negotiations with affordable housing sponsors, the parcels may be made available for development by a request for proposal/qualifications for qualified developers. In this case, the development could still be required to replace all public parking and a minimum of 15% affordable housing units would be required as well as reservations of right of way and subject to the General Plan, Zoning Code, Downtown Station Area Plan, the Bicycle/Pedestrian Master Plan.

If Council directs Staff to move forward with surplus action of a Parcel, they may elect to have Staff follow Council Surplus Policy 000-10 and direct staff to bring the action to Housing Authority for reconsideration and then Planning commission for recommendation, or they may bypass this and direct Staff to bring the item directly to Council for consideration of surplus action.

FISCAL IMPACT

This is a study session and no action will be taken.

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 Guideline section 15378. Any future development proposals would be subject to CEQA review.

BOARD/COMMISSION/COMMITTEE REVIEW AND RECOMMENDATIONS

On September 27, 2021 The Housing Authority reviewed the three Parcels for potential recommendation to Council for Surplus status.

NOTIFICATION

Not applicable.

ATTACHMENTS

none

CONTACT

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