

CITY OF SANTA ROSA
CITY COUNCIL

TO: MAYOR AND CITY COUNCIL
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SUBJECT: SANTA ROSA CIVIC CENTER PROJECT FEASIBILITY
ANALYSIS REVIEW

AGENDA ACTION: STUDY SESSION

RECOMMENDATION

It is recommended by the Planning and Economic Development, Transportation and Public Works, and Finance Departments that the Council hold a study session to discuss the Santa Rosa Civic Center Feasibility Analysis and provide an opportunity for Council to ask questions, discuss and provide feedback to Staff.

EXECUTIVE SUMMARY

This presentation is Part 2 of 3 scheduled Downtown City Asset Study Sessions, this one covers the 2019 Santa Rosa Civic Center Feasibility Analysis performed in conjunction with Jones, Lang, LaSalle (JLL), and the potential redevelopment opportunities of select City assets. The analysis contemplates the viability of building and financing a new City Hall Complex using the alternative delivery method of a public-private partnership and requests direction from Council on the next steps and site analysis. The report also provides an initial high-level assessment and ranking of the viability of downtown assets for disbursement and redevelopment as part of that financing package.

BACKGROUND

Between 2015-present, Housing and Affordable Housing was identified as a priority Council goal. Downtown housing was specifically called out as a Tier 1 Council goal between 2017-2019 as an integral component of the post-Tubbs Fire recovery and resiliency strategy. In 2016, the City Council engaged in a series of study sessions that

ultimately formed the basis upon which the City's Housing Action Plan (srcity.org/HAP) was adopted. In 2018, the Economic Development team partnered with the Council of Infill Builders to host a developer convening, out of which the "Accelerating Infill in Santa Rosa and Sonoma County: Options to Address the Housing Shortage and Wildfire Rebuilding Effort" report was produced. In 2019, the City worked with the Bay Area Council to host a developer tour for 50 out-of-area developers. This tour highlighted downtown and Roseland area infill opportunity sites in alignment with the City's new downtown housing initiatives, leading to an investment in long- stagnant sites and a number of infill housing applications.

Housing Action Plan (HAP)

The City's Housing Action Plan (HAP) outlines five program initiatives 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.

HAP Program Initiatives:

- 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

Program 3 included specific public land objectives: a) Seek affordable housing units in pending public land disposition projects; and b) Identify City (and other publicly owned) parcels suitable for housing production.

In support of the Housing Action Plan, the City also addressed key issues for developing downtown housing – time, cost, and certainty – through a series of Council adopted process and fee initiatives. Examples of these initiatives include:

- Reduced review authority for design review and use permits for housing projects in downtown and the City's PDAs (Priority Development Areas).
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- Adopted a Downtown High-Density Residential Incentive Program including reduction of city impact fees for high density development Directed 100% of park fee revenue from high density and affordable downtown housing projects towards the creation, expansion and/or enhancement of downtown parks and recreational facilities
- Adopted the Downtown Station Area Specific Plan Update & Environmental Impact Report (EIR)
 - Permitted multi-family housing by right throughout downtown

- Increased flexibility for development by implementing Floor Area Ratio instead of dwelling units per acre and height limitations to regulate maximum density
- Eliminated residential parking requirements
- Streamlined environmental review process for projects proposed within the Specific Plan area
- Reduced Inclusionary Housing requirements for downtown multifamily housing to incentivize inclusionary units over the payment of in-lieu fees
- Implemented an expedited permitting process for downtown infill housing development and affordable housing projects
- Adopted a Density Bonus program allowing up to 100% density bonus in the Downtown and North Station Area Specific Plans

Public-Private Partnership (P3)

In January 2019, Council approved staff to move forward with a Request for Proposals (RFP) process to pursue a public-private partnership (P3) feasibility study and financial analysis. Broadly speaking, a P3 is a contract between a public entity and a private entity that outlines the provision of assets, finances, and the delivery of services. It provides an alternative procurement structure for public infrastructure projects using a variety of financial and delivery options packaged for a specific project that may include all, or some of the Design, Build, Finance, Operate and Maintain components.

The potential value of a P3 to the City could be seen in leveraging real estate for housing and commercial development thus improving economic vitality and community vibrancy, consolidating City administrative functions and service delivery, reducing growing deferred maintenance expense obligations, and establishing a financially viable, long-term approach to space and operational needs.

Through the competitive RFP process, JLL was selected as the lead consultant with Laura Blake Architect, AECOM, and SCB rounding out their subconsultant project team. Financing options for the City were developed by PFM, the City's financial advisor, in coordination with JLL. Under JLL's leadership, programming moved forward with a scope of work encompassing five general elements:

- Analysis
- Visioning and goal setting
- Development of recommendations for a procurement strategy

From the start, staff established check ins with Council, providing opportunities to pause or expedite the process as desired, or an offramp if such an action is directed. The phasing of the effort is as follows, allowing Council to decide at each step whether to fund and move forward with the next phase:

- **Phase 1: Feasibility Study and Financial Analysis – Completed**

- Phase 2: RFP Creation – for the selection process of a P3 project team and site selection
- Phase 3: Update on RFP process (selection panel) and public engagement
- Phase 4: Selection of, negotiation and contracting with P3 consultant team
- Phase 5+: P3 project phases begin

ANALYSIS

The project team, inclusive of City staff, collected and reviewed data and opportunities in alignment with the Downtown Station Area Specific Plan (DSASP), information on City land and existing buildings in the downtown area such as those within the City Hall compound, the City owned library and the public safety buildings and associated parcels on and around Sonoma and Brookwood Avenues. The team also reviewed staff counts, parking counts and public safety requirements.

Using the collected data and market knowledge, and informed by the central objective of the Downtown Station Area Specific Plan (DSASP) – to enhance the role of downtown as an energetic commercial and cultural center with a range of housing, employment, retail and restaurant options in a vibrant, walkable environment – site analyses and valuations were performed on the identified properties noted in the analysis report (Attachment 1 – JLL Analysis Report). These sites were vetted through the City's Executive Team and the Economic Development Subcommittee. At various points in the analysis, this team, along with an internal technical advisory committee comprised of representatives from all City departments, reviewed preliminary site analysis, initial program sizing and test fits. JLL also developed a financial framework and proforma for the project, from which PFM developed financing scenarios. In addition to the City's Executive Team, the financial framework and proforma was presented to the Long-Term Finance Subcommittee.

The City Hall and Public Safety Program sizing includes the City's general government services (i.e. operational functions/staffing needs were not considered), public safety, and the Sonoma County Central Library. Current staff counts, building areas and parking counts (primarily for fleet vehicle needs) were projected at a high level in order to do a preliminary site analysis and to test the fit for facilities roughly of the size anticipated.

Test fits were developed to determine which of the target City owned sites have the capacity for the estimated program size. Nine City-owned properties were identified by staff to analyze related to the P3 project. At the time of the study, only City owned property was considered. Since that time, several private sites have been proposed to the City but the viability of purchasing or leasing a privately owned site has not been analyzed. Based on the original analysis, program test fits and multiple discussions with City staff, Executive Team, Technical Advisory Committee, and subcommittees, three site alternatives were developed.

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All options are based on City goals, with emphasis placed on stated Council goals and those outlined in the Housing Action Plan and DSASP, as reflected in the project objective to increase downtown land availability for housing and mixed use development through the consolidation of government services into denser, more potent land use, thus providing streamlined access to services and relieving the City of growing deferred maintenance obligations.

Given this, the option titled Urban Core was the team recommendation. This option minimizes disruption to City administrative functions by avoiding the need for “swing space” – the temporary relocation of staff and services during construction. In addition, it encourages the densification of downtown, creates an urban impression at the southern gateway into downtown by allowing redevelopment of the current City Hall campus for housing and mixed uses, and creates a “warm” emergency operations center immediately adjacent to the new City Hall at the relocated Fire Station No. 1, both sited for the Second and E Street Lot, also known as the White House Site.

Options B and C both propose redeveloping City Hall at its current location, thus requiring swing space during build out. All three options would incorporate the Central Library and accommodate Police and Fire needs. The desired daylighting the creek at City Hall would be possible in all scenarios but that project cost is not contemplated in the financing scenarios.

Associated with the site analysis, the Project Team developed financial proformas to compare the three site alternatives using 2019 construction costs and operating costs for projected new facilities, offset by any potential property dispositions. All three options were relatively similar, in order of magnitude, for the project costs (not including daylighting the creek at City Hall) and disposition values, resulting in \$261 million to \$269 million remaining to finance.

Annual debt service payments would be roughly \$12.4 million to \$12.8 million per year, plus an additional \$5.7 million annually in operating and maintenance costs and capital renewal contributions.

For comparison and consideration, at the time, annual City Hall maintenance was budgeted at \$1M. The estimated maintenance deficit, with estimates only a portion of the areas of concern, was well over \$50M, and likely much higher if a complete estimate was acquired. If Council chooses not to pursue a P3 option for rebuild at this time, Staff recommends acquiring a complete, holistic estimate of structural and seismic needs for the current City Hall complex.

These estimates, for the P3 and deferred maintenance at City Hall, are now several years old and are not inclusive of the wide sweeping changes we have seen in the market for land values nor in construction materials, labor costs, financing costs, and overall increases due to supply chain issues etc.

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If the Council were to direct Staff to continue with next steps in the P3 study, Staff would recommend updating the financial analysis and market sounding prior to moving to Phase 2 of the process. It should be noted, however, that the General Fund currently does not have the capacity to pay for the additional debt service costs totaling almost \$18.5 million per year based off of the 2019 estimates nor do we have the funds to cover the deferred maintenance costs at the current City Hall complex.

Fiscally, these additional expenditures would need to be offset with significant increases in revenue, or substantial expenditures reductions. Revenue offsets of this magnitude would be difficult, and expenditure reductions would have a crippling effect on General Fund operations.

Because Option A, titled "Urban Core" located at the White House Site, was the Staff recommendation of the studied options, and best demonstrates the Council's goals for the downtown, City Staff held the White House Site from current consideration for redevelopment, in the Downtown City Asset Development Strategy, until Council was able to review the full feasibility analysis presented here.

Staff seeks direction from Council on:

- 1) The feasibility of moving forward with the Civic Center Project at this time
- 2) Whether Staff should release the White House Site for consideration for redevelopment as part of the Downtown City Asset Strategy or continue to hold the site for a potential future Civic Center use.

Next Steps include the third in the series of three Downtown City Asset Study Sessions scheduled on October 11 and will include reviewing the Surplus Lands Act (SLA) and how its effects development of City assets. It will also incorporate any Council direction from the first two Study Sessions, Part 1- Downtown Parking Asset study session and Part 2 – covering the 2019 Santa Rosa Civic Center feasibility analysis and related sites. Additionally, Staff will provide an overview of all Downtown City Assets available for redevelopment, review each asset and request direction from Council on which assets to move forward with surplusing for future redevelopment.

If the Council directs Staff to not move forward with the P3 options at this time, next steps would include a recommendation for an additional future study session on deferred maintenance of the current City Hall Complex and strategies for funding.

PRIOR CITY COUNCIL REVIEW

On January 29, 2019, The City Council approved a motion to begin Phase 1 of the Government Center Analysis

On April 27, 2021, the City Council conducted a study session to review the Government Center Project Feasibility Analysis Update

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FISCAL IMPACT

This study session has no fiscal impact on the general fund.

ENVIRONMENTAL IMPACT

This Study Session is exempt from the provisions of the California Environmental Quality Act (CEQA) under CEQA Guidelines Section 15061(b)(3) and 15378 in that there is no possibility that this Study Session may have significant effects on the environment, and no further environmental review is required.

BOARD/COMMISSION/COMMITTEE REVIEW AND RECOMMENDATIONS

In 2019 the Long-Term Finance Committee reviewed the JLL feasibility Analysis

NOTIFICATION

ATTACHMENTS

- Attachment 1 – 2019 JLL Santa Rosa Civic Center Feasibility Analysis
- Attachment 2 – City Hall Seismic Hazard Report

CONTACT

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