

CITY OF SANTA ROSA
CITY COUNCIL

TO: MAYOR AND CITY COUNCIL
FROM: JASON NUTT, ASSISTANT CITY MANAGER
SUBJECT: APPROVAL TO ENTER INTO AN EXCLUSIVE NEGOTIATION AGREEMENT BETWEEN THE CITY OF SANTA ROSA AND ROGAL PROJECTS FOR THE REAL PROPERTY LOCATED AT 625 AND 637 3RD STREET, SANTA ROSA, CA, ALSO KNOWN AS ASSESSOR PARCEL NUMBERS 009-013-011 AND 009-013-012 OR GARAGE 5

AGENDA ACTION: RESOLUTION

RECOMMENDATION

It is recommended by Real Estate Services that the Council, by resolution: 1) approve entering into an Exclusive Negotiation Agreement with Rogal Projects, a sole proprietorship, for the potential disposition and development of the real property located at 625 and 637 3rd Street, Santa Rosa, CA, also known as Assessor Parcel Numbers 009-013-011 and 009-013-012 or Garage 5 (collectively, the "Property"), declared surplus by Council in December 2022; 2) authorize the City Manager to execute an Exclusive Negotiation Agreement and any amendments thereto, subject to approval as to form by the City Attorney's Office; and 3) direct staff to initiate negotiations to enter into a Disposition and Development Agreement for the Property.

EXECUTIVE SUMMARY

Council directed staff in December 2022, to declare the the real property located at 625 and 637 3rd Street, Santa Rosa, CA, "non-exempt surplus land", to prepare and submit a Notice of Availability for the Property, take all necessary actions to comply with the Surplus Lands Act, and carry out Council's direction in the disposition of the Property.

The City circulated a Notice of Availability for the Property in January 2023, and Rogal Projects ("Developer"), together with Freebird Development Company, LLC, ("Freebird") responded with a Notice of Interest that included the Property, following which the City entered into negotiations with the parties, in compliance with the Surplus Lands Act. Staff was not able to agree to terms with Developer and Freebird, but Developer remains interested in acquiring the Property for future development. Staff is now seeking Council's approval to enter into an Exclusive Negotiation Agreement ("ENA") with Developer.

APPROVAL TO ENTER INTO AN EXCLUSIVE NEGOTIATION AGREEMENT
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PROPERTY LOCATED AT 625 AND 637 3RD STREET, SANTA ROSA, CA, ALSO
KNOWN AS ASSESSOR PARCEL NUMBERS 009-013-011 AND 009-013-012 OR
GARAGE 5
PAGE 2 OF 4

BACKGROUND

The Property is approximately 27,878 square feet and currently improved with a 3-level parking garage containing 199 public parking stalls.

Following a determination that the City does not have a public use for the Property, on December 6, 2022, in a regular public meeting, Council declared the Property as surplus, provided that any disposition of the Property be conditioned upon retaining some public parking as part of any future development.

On January 23, 2023, at Council's direction, City issued a Notice of Availability to affordable housing developers, among others, for the Property as required by the Surplus Lands Act, Government Code section 54220, for a 60-day notice of interest period which ended on March 24, 2023.

Freebird (an affordable housing developer) together with Developer (collectively, "Freebird/Rogal") submitted a bid on the Property as well as bids on two other properties (together with the Property, the "Surplus Sites") for which the City issued Notices of Availability.

Pursuant to Government Code Section 54223, the City and Freebird/Rogal entered 90 days of negotiation. Through the initial 90-day negotiation period, the Freebird/Rogal bids did not meet the Surplus Lands Act awarding criteria for the other two Surplus Sites, which gave first priority to the proposal with the greatest number of affordable units proposed, but Freebird/Rogal did meet this criteria for the Property, as the only respondent.

Due to economies of scale, with the other two Surplus Sites no longer part of the proposal package, Freebird Development, LLC did not want to move forward with the proposal for the Property only, and the City failed to come to terms with Freebird/Rogal during this initial 90 day negotiation period.

Developer is still interested individually in purchasing or leasing, and developing, the Property.

Staff is now bringing to Council the recommendation to enter into an ENA with Developer for a specific, limited period of time to negotiate the terms of a future agreement between the parties governing the potential disposition and development of the Property ("DDA").

PRIOR CITY COUNCIL REVIEW

On December 6, 2022, the City Council, by Resolution No. RES-2022-234, declared the Property "non-exempt surplus land"; directed Staff to prepare and submit a Notice of

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PROPERTY LOCATED AT 625 AND 637 3RD STREET, SANTA ROSA, CA, ALSO
KNOWN AS ASSESSOR PARCEL NUMBERS 009-013-011 AND 009-013-012 OR
GARAGE 5
PAGE 3 OF 4

Availability for the Property; and authorized 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 Property.

On December 13, 2022, in closed session, Council gave direction to staff on price and terms of long term sale or lease of the Property.

On June 20, 2023, in closed session, Council gave direction to staff on price and terms of payment.

ANALYSIS

Staff and Council have met in closed session to discuss the terms of negotiation and the parties have reached a point where they wish to enter into an ENA for potential disposition and development of the Property for housing and community benefiting uses. The ENA will allow City staff to negotiate with Developer with the intent to bring forward to Council a Disposition and Development Agreement ("DDA") to develop the Property.

The initial period of the ENA will be for ninety (90) days, commencing on the effective date, during which the parties will negotiate the terms of a DDA, which initial 90 day period may be extended by the City Manager by an additional 90 days if she deems, in her sole discretion, that sufficient progress is being made toward agreement of a term sheet. If the parties fail to reach agreement on the term sheet by the 90-day deadline (as extended, if applicable), the ENA will expire. If the parties agree on a term sheet by the deadline set forth, the ENA will continue, and the parties will have an additional 60 days to negotiate and execute the DDA (the initial 90-day period together with any extensions, if applicable, the "Negotiation Period").

The Negotiation Period will be used to prepare a mutually acceptable DDA for consideration and action by the Council and staff may return to Council in closed session during this time. Once an agreement has been reached, the DDA will be brought to Council in open session for approval.

FISCAL IMPACT

Approval of this action does not 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,

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GARAGE 5
PAGE 4 OF 4

pursuant to CEQA Guidelines Section 15378.

In the alternative, if this action is deemed to be a project, it is statutorily exempt from 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

- Resolution

PRESENTER

Jill Scott, Real Estate Manager