

CITY OF SANTA ROSA  
CITY COUNCIL

TO: MAYOR AND CITY COUNCIL  
FROM: RAISSA DE LA ROSA,  
ECONOMIC DEVELOPMENT MANAGER  
SUBJECT: PLANNING AND ECONOMIC DEVELOPMENT DEPARTMENT  
APPROVAL OF AN EXCLUSIVE NEGOTIATING AGREEMENT  
WITH CORNERSTONE PROPERTIES FOR THE POTENTIAL  
ACQUISITION AND DEVELOPMENT OF CITY OF SANTA ROSA  
SURFACE PARKING LOT TWO, LOCATED AT 521 FIFTH STREET,  
SUBJECT TO APPROVAL OF A DISPOSITION AND DEVELOPMENT  
AGREEMENT FOR THE PROJECT

AGENDA ACTION: RESOLUTION

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RECOMMENDATION

It is recommended by the Planning and Economic Development Department that the Council, by resolution, approve an exclusive negotiating agreement with Cornerstone Properties, a California limited liability company, for the potential acquisition and development of City of Santa Rosa Parking Lot 2 at 521 Fifth Street, subject to approval of a disposition and development agreement for the project that is to include affordable housing.

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EXECUTIVE SUMMARY

One of the top City Council Goals is to address housing; a goal made more pressing by the Tubbs Fire that dramatically exacerbated Santa Rosa's housing shortage. Per the Department of Housing and Urban Development, prior to the fires Santa Rosa had an unmet rental housing demand of more than 1,700 units over the next three years, yet had only 401 housing units completed or in varying stages of construction, and an additional 845 in Building Plan Review as of the second quarter of CY2017. To meet the housing need, and as described in the Housing Action Plan, the City is looking aggressively at how to increase housing stock using City owned properties in the downtown core. In addition, the City is looking for creative solutions to redevelop its aging and/or underutilized infrastructure and facilities. The City owned parcel at 521 Fifth Street, currently used as a surface parking lot, is adjacent to and shares a common property line with 427 Mendocino Avenue, owned by Cornerstone Properties on which an office building and private parking lot are currently situated. Considering the City's housing goals, the desired use of the City and the privately held parcels is to increase density and retain the City-operated parking

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spaces while enhancing other community benefitting uses, including but not limited to market rate and affordable housing and ground floor retail.

### BACKGROUND

Currently the bulk of housing being developed in Santa Rosa are single-family small lot subdivisions that do not adequately address access to the market for middle and lower income households, nor provide the diversity of housing needs for the city and region. The Housing Action Plan (HAP) sets criteria for a new and proactive approach to public private partnerships designed to expedite desired housing development consistent with the General Plan, zoning regulations, and HAP objectives. Specifically, the City desires to see the redevelopment of underutilized properties in the downtown core in a manner that provides a higher intensification of land use, stimulating economic development and community identity while delivering much needed housing into the downtown core.

With an interest in maximizing the density development opportunity of 427 Mendocino Avenue in conjunction with the adjacent City property at 521 Fifth Street, Cornerstone Properties seeks this Exclusive Negotiating Agreement (ENA) with the City that will enable negotiation of a Disposition and Development Agreement (DDA). The goal will be to provide housing options that address a range of income levels, as well as other community benefitting uses that may include such uses as ground floor retail, communal open space, a hotel, and office space. As a condition of the potential DDA, the replacement of the City-operated parking spaces currently located at 521 Fifth Street will be included in any plan.

### PRIOR CITY COUNCIL REVIEW

Not applicable.

### ANALYSIS

Cornerstone Properties desires to enter into an ENA with the City for the potential acquisition and development of 521 Fifth Street. The ENA will allow City staff to negotiate with Cornerstone Properties with the intent to bring forward a DDA to authorize the development of the property in a mutually acceptable master-planned project entailing 521 Fifth Street and 427 Mendocino Avenue. The negotiation process will address all requisite environmental review and entitlements necessary for the proposed project. The proposed project is anticipated to include affordable housing units consistent with the requirements of Government Code section 37364. In short, this code would allow the City to entertain a less than market price for the City Property provided that the required deed-restricted affordable housing units were provided as part of the proposed development.

In 2015 the City commissioned an economic viability study that provided the economic data supporting a higher density mixed-use development approach in the downtown. The study showed that focusing development projects in areas of the city where adequate infrastructure already exists is more efficient and gains higher revenue per acre. Applying

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this approach to the bundled parcels identified in the proposed ENA would allow the City to increase the availability of city centered and transit oriented housing through utilization of a City property, generate revenue from underutilized public land, and maximize existing infrastructure investments.

The initial period of the ENA is 180 days commencing on the effective date, with an extension option in the discretion of the City Manager based on progress of the negotiations. During this time, the negotiations will cover the description, uses, configuration, and design of a mutually acceptable master-planned project, including the number of affordable housing units, the way the units will be restricted and managed, and other community benefitting uses. These additional community benefitting uses will include parking to replace the City-operated parking currently in existence at Lot 2. In addition, the ENA period will be used to prepare a mutually acceptable DDA for consideration and action by the Council, as well as address the necessary discretionary actions and entitlements for the proposed project and schedule. The DDA will require final approval by the Santa Rosa City Council.

#### 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, pursuant to CEQA Guideline section 15378.

#### ATTACHMENTS

- Attachment – Exclusive Negotiating Agreement
- Resolution

#### CONTACT

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