

RESOLUTION NO. RES-2021-090

RESOLUTION OF THE COUNCIL OF THE CITY OF SANTA ROSA APPROVING THE SALE OF PROPERTY LOCATED AT 410 B STREET, ALSO KNOWN AS 521 FIFTH STREET AND PARKING LOT 2, TO CORNERSTONE PROPERTIES LLC

WHEREAS, the City of Santa Rosa is the owner of that certain real property located at 410 B Street, also known as 521 Fifth Street and Parking Lot 2 (the “City Property”) which consists of approximately 1.49 acres and is currently used as a surface parking lot with approximately 144 spaces; and

WHEREAS, Cornerstone Properties, a California limited liability company (“Cornerstone”) is the owner of that certain real property located at 427 Mendocino Avenue (the “Cornerstone Property”) which consists of approximately 1.37 acres and is adjacent to and shares a boundary with the City Property; and

WHEREAS, on November 20, 2018, the City and Cornerstone entered into an Exclusive Negotiation Agreement, pursuant to which the parties agreed to negotiate exclusively with one another in good faith for the sale of the City Property to Cornerstone, to develop a consolidated mixed use project on the City Property and the Cornerstone Property to include residential units with not less than fifteen percent of those units allocated to affordable to lower income households, community benefitting uses on the ground floor of the development, while also ensuring continued availability of public parking to serve the public’s need; and

WHEREAS, pursuant to Council’s direction on price and terms, staff has diligently negotiated the terms of conveyance to ensure compliance with the City codes and objectives and is now seeking approval of the Council for the real property conveyance; and

WHEREAS, the negotiated purchase price for the City Property is \$1,340,000 which is equal to the appraised fair market value; and

WHEREAS, concurrently with the close of escrow for the City Property, Cornerstone will grant a Parking Easement to the City, which will allow the City to continue to maintain and operate the City Property as a public parking lot until such time that Cornerstone commences construction of the development project, and the City and Cornerstone have entered into a long-term parking agreement to ensure that replacement of public parking is incorporated into the project; and

WHEREAS, the City will receive all revenue from the parking lot located on the City Property during the time of the Parking Easement; and

WHEREAS, within 6 months after the close of escrow, Cornerstone must submit building plans and applications to the City for (1) the 109-unit mixed use project at 556 Ross Street (the “Ross Street Project”) and (2) the first phase of Cornerstone’s mixed use project at 34 6th Street, consisting of 114 residential units (the “SMART Site Project”); and

WHEREAS, within one year of the issuance of building permits for the Ross Street Project and the first phase of the SMART Site Project, Cornerstone will begin and diligently pursue construction of both projects; and

WHEREAS, Cornerstone plans to undertake development of a mixed-use project to be located on the City Property and the adjacent Cornerstone Property located at 427 Mendocino Avenue (the “Project”); and

WHEREAS, the Purchase and Sale Agreement for the conveyance of the City Property (the “Purchase and Sale Agreement”) requires that the Project include specific components, which will be commemorated in a covenant recorded against the Property; and

WHEREAS, the Project must incorporate 144 public parking stalls for a term of at least 40 years to replace the parking currently located on the City Property; and

WHEREAS, Cornerstone will operate and maintain this long-term public parking as part of their larger parking structure, and will provide the City with its pro-rata share of net revenue from the parking included in the Project, with further details to be set forth in a long-term parking agreement; and

WHEREAS, at least 15% of the housing units included in the Project shall be rented or sold to lower income households for as term of not less than 55 years; and

WHEREAS, the Project will include “Public Benefit Space”, which includes a range of uses that would be available for the general public to encourage further activity in the downtown; and

WHEREAS, within 18 months after close of escrow, Cornerstone shall submit applications for planning and zoning entitlements for the Project; the applications must be consistent with the existing land use regulations for the Property as of the effective date of the Purchase and Sale Agreement; and

WHEREAS, within two years after approval of the planning and zoning entitlements for the Project, Cornerstone must apply for building permits for the Project, and within 6 years after approval of entitlements, Cornerstone must commence construction on the Project; and

WHEREAS, if Cornerstone is in material default of any of its obligations described above, then the City will have the right to repurchase the City Property from Cornerstone for the Purchase Price (the “Call Right”); and

WHEREAS, before exercising the Call Right, the City must provide Cornerstone with a notice of the default and an opportunity to cure and must hold a public hearing to determine whether Cornerstone is in material default of its obligations; and

WHEREAS, once Cornerstone submits its planning and zoning entitlement applications for the Project to the City, the City will process and consider Cornerstone’s applications within

two years after filing of the applications, subject to certain extensions for delays that are outside of the City's control; and

WHEREAS, if the City fails to take action on Cornerstone's applications within this two year timeframe (and any applicable extensions), or if the City denies Cornerstone's entitlement applications, then Cornerstone may resell the City Property to the City (the "Put Right") for an amount equal to the Purchase Price, plus one-half of the reasonable third party out-of-pocket costs that Cornerstone incurs after the effective date of the Purchase Agreement; and

WHEREAS, the City's share of the out-of-pocket costs is capped at 25% of the Purchase Price (\$335,000); and

WHEREAS, the maximum repurchase price if Cornerstone exercises the Put Right is \$1,675,000; and

WHEREAS, the Purchase Price (\$1,340,000) will go to the City's Parking Enterprise Fund.

NOW, THEREFORE, BE IT RESOLVED that the Council of the City of Santa Rosa approves the sale of the real property located at 410 B street, Santa Rosa, APN 010-045-025 to Cornerstone Properties LLC for the purchase price of \$1,340,000, subject to the reservation of a public parking easement and the execution of the Purchase and Sale Agreement substantially in the form attached as "Exhibit A," with both documents subject to City Attorney approval.

BE IT FURTHER RESOLVED that the Council authorizes the City Manager to execute the Purchase and Sale Agreement and all necessary documents related to the sale, subject to approval by the City Attorney.

IN COUNCIL DULY PASSED this 8th day of June, 2021.

AYES: (7) Mayor C. Rogers, Vice Mayor N. Rogers, Council Members Alvarez, Fleming, Sawyer, Schwedhelm, Tibbetts

NOES: (0)

ABSENT: (0)

ABSTAIN: (0)

ATTEST: _____ APPROVED: _____
City Clerk Mayor

APPROVED AS TO FORM: _____
City Attorney

Exhibit A - Purchase and Sale Agreement