



APPROVAL OF THE REAL PROPERTY SALE OF 410 B  
STREET ALSO KNOWN AS 521 FIFTH STREET AND  
PARKING LOT 2, SANTA ROSA, APN 010-045-025 TO  
CORNERSTONE PROPERTIES, LLC

City Council Meeting  
June 8, 2021

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Real Estate Services

# BACKGROUND

- In February 2018, the City entered into an Exclusive Negotiation Agreement with Cornerstone Properties, LLC for the sale and development of City owned parcel located at 410 B street, also known as Parking Lot 2 (the “Property”)
- Cornerstone proposes to develop a consolidated mixed use project on the Property and the adjacent parcel already owned by Cornerstone, located at 427 Mendocino Avenue
- The envisioned development will include long term replacement of public parking, a mixed use project with a minimum of 15% of housing units dedicated to lower income households and the inclusion of public benefit space (the “Project”)

# BACKGROUND

- Pursuant to City Council's direction on price and terms, Staff has negotiated the terms of conveyance to ensure compliance with the City codes as well as the City's stated housing and economic objectives
- Staff is here today seeking approval of the Council for the real property conveyance.

# Purchase and Sale Agreement

The Purchase and Sale Agreement (PSA) includes the following price and terms:

- Purchase price of \$1,340,000 which is equal to the appraised fair market value of the property
- Conveyance of the 144 space surface parking lot, consisting of approximately 1.49 acres
- Parking easement in place until construction of the Project
- Long term public parking agreement to ensure replacement of public parking within the proposed Project

# Purchase and Sale Agreement

- The Project must be consistent with current City Codes and Plans and must include:
  - 144 replacement public parking stalls to be maintained and operated by Cornerstone for 40 years, with City receiving its pro-rata share of parking revenues
  - A mixed use project to include at least 15% of housing units to be sold or rented to low income households for 55 years
  - A minimum of 10,000sf of public benefit space to encourage further activity in the downtown
- Envisioned as part of a broader downtown revival, the Agreement also provides timelines for two other pending Cornerstone developments

# Additional Provisions

The Purchase and Sale Agreement establishes the following timelines:

- 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 6<sup>th</sup> Street, consisting of 114 residential units (the “SMART Site Project”)
- Within one year of issuance of building permits for those projects, Cornerstone must begin and diligently pursue that construction
- Within 18 months after Close of Escrow, Cornerstone must submit applications for planning and zoning entitlements for the Project at 410 B Street
- If entitlements are approved, Cornerstone must apply for building permits for the Project within 2 years after the approval, and within 6 years after approval of entitlements, Cornerstone must commence construction on the Project.

# Additional Provisions

The City and Cornerstone agreed to “Call / Put” provisions, as follows:

- If Cornerstone is in material default of any of its obligations then the City will have the right to repurchase the Property from Cornerstone for the Purchase Price (the “Call Right”).
- If the City fails to take action on Cornerstone’s planning and zoning applications within two years of receipt of the applications (subject to extensions for delays outside the control of the City) or if City denies Cornerstone’s entitlement applications, then Cornerstone may resell the Property to the City (the “Put Right”) for an amount equal to the Purchase Price, plus one-half of third party out-of-pocket costs that Cornerstone incurs.
- The City’s share of the out-of-pocket costs are capped at 25% of the Purchase Price (\$335,000). Therefore, the maximum repurchase price if Cornerstone exercises the Put Right would be \$1,675,000.

# RECOMMENDATION

It is recommended by the Transportation and Public Works, Finance and Planning and Economic Development Departments that the Council, by resolution, approve the real property sale of 410 B Street, also known as 521 Fifth Street and Parking Lot 2, Santa Rosa, APN 010-045-025 , to Cornerstone Properties, LLC, subject to the reservation of a public parking easement and the execution of a Purchase and Sale Agreement substantially in the form attached as Exhibit A and subject to City Attorney approval.



# QUESTIONS?