Agenda Item #13.2
For Council Meeting of: September 30, 2025

CITY OF SANTA ROSA
CITY COUNCIL

TO: MAYOR AND CITY COUNCIL
FROM: JASON NUTT, ASSISTANT CITY MANAGER
CITY MANAGERS OFFICE
SUBJECT: APPROVAL OF AN EXCLUSIVE NEGOTIATION AGREEMENT WITH LH GPM, LLC FOR THE DEVELOPMENT OF CITY-OWNED PROPERTY LOCATED AT 730 3RD STREET, SANTA ROSA.

AGENDA ACTION: MOTION

RECOMMENDATION

The City Manager's Office recommends that the Council, by motion, approve an Exclusive Negotiation Agreement (“ENA”) with LH GPM, LLC for the development of City-owned property located at 730 3rd Street, Santa Rosa, also known as Assessor Parcel No. 009-072-044 or White House Site ("Property") and authorize the City Manager to make non substantive changes to the ENA, subject to approval by the City Attorney, and execute the ENA and any amendments. This item has no impact on current fiscal year budget.

EXECUTIVE SUMMARY

Following completion of the Surplus Lands Act process, the City issued a Request for Qualifications and Proposals (RFQ/P) for the development of 730 3rd Street in Santa Rosa. Five proposals were received from qualified developers, and after a thorough review, staff are now recommending approval of an Exclusive Negotiation Agreement (ENA) with LH GPM, LLC to initiate formal negotiations for development of the Property.

GOAL

This item relates to Council Goal #3 - Promote Citywide Economic Development and Goal #5 – Plan for and Encourage Housing for All and Reduce Homelessness. Entering into an ENA with a developer to build housing on city-owned surplus property directly supports economic development by leveraging public land for investment and job creation, while advancing inclusive housing solutions.

BACKGROUND/PRIOR COUNCIL REVIEW

The Property is a 58,370-square-foot parcel currently developed as a municipal parking lot with 113 public stalls. After determining the Property was no longer needed for public use, the City Council declared the property surplus on December 6, 2022, in a regular meeting, by Resolution, RES-2022-235, to support housing and economic development goals and maximize its beneficial use. In compliance with the Surplus Land Act (SLA), a Notice of Availability was issued on January 23, 2023, initiating a 60-day interest period for affordable housing developers. Despite extended negotiations, no agreement was reached during that phase.

Following confirmation from the California Department of Housing and Community Development in March 2025 that the City had satisfied all applicable requirements of the SLA, the City issued a Request for Qualifications and Proposals (RFQ/P), soliciting proposals for the development of the Property, in April 2025. Five proposals were received, and after a competitive review process, three proposals were presented to the City Council. Based on panel recommendations and Council direction, staff now seek approval to enter into an Exclusive Negotiation Agreement with LH GPM, LLC for the potential development of the Property.

ANALYSIS

The proposed ENA with LH GPM, LLC, represents a critical step toward the redevelopment of the City-owned surplus Property. The ENA allows the City and Developer to enter into a defined negotiation period to evaluate project feasibility, conduct due diligence, and collaboratively shape a development proposal that aligns with City housing and economic development goals. The Property, currently a 113-stall municipal parking lot, was declared surplus to support the production of housing, optimize land use, and further economic development goals, consistent with Council Goals #3 and 5 and the City's adopted Housing Element, the Downtown Station Area Specific Plan, and the Economic Development Strategic Plan.

Key features of the ENA include a negotiation term of 5 months with one extension option of 90 days upon mutual agreement between the parties, authority for the City Manager to execute the extension, performance milestones, and provisions for financial analysis.

Alternatives to entering into the ENA include reissuing the RFQ/P, retaining the Property for municipal use, or selecting a different development proposal. However, the recommended developer was identified as the top candidate through a competitive review. Choosing an alternative at this stage could delay the process. The proposed ENA is consistent with the Surplus Lands Act, the City's Housing Action Plan, and broader regional efforts to address housing affordability. Staff recommend approval to advance negotiations and support the City's strategic housing objectives and economic development goals.

FISCAL IMPACT

This item has no impact on the FY 2025-2026 budget; current budgets within the Real Estate Services project budget JL 17636 will meet the requirement for appropriations.

ENVIRONMENTAL IMPACT

Authorizing this ENA does not constitute a project or project approval for purposes of the California Environmental Quality Act (CEQA). The ENA is a general framework for good faith negotiations only. The ENA does not commit the City to a particular course of action, nor does it preclude alternatives, mitigation measures, or a “no project” alternative. Moreover, ENA authorization does not foreclose meaningful environmental review in the future. Environmental review for resultant project approval, if any, will be conducted in accordance with CEQA.

BOARD/COMMISSION/COMMITTEE REVIEW AND RECOMMENDATIONS

Not applicable.

NOTIFICATION

Not applicable.

ATTACHMENTS

- Attachment 1 - ENA

PRESENTER(S)

Jill Scott, Real Estate Manager