RESOLUTION NO. ___________

RESOLUTION OF THE COUNCIL OF THE CITY OF SANTA ROSA APPROVING THE REAL PROPERTY EXCHANGE AGREEMENT BETWEEN THE CITY OF SANTA ROSA AND MUSEUM ON THE SQUARE, LLC, ADOPTING CEQA FINDINGS, AND AUTHORIZING THE CITY MANAGER TO EXECUTE THE EXCHANGE AGREEMENT AND ALL RELATED TRANSACTION DOCUMENTS

WHEREAS, the City owns certain real property located at 90 Santa Rosa Avenue (0.7 acres), 100 Santa Rosa Avenue (6.125 acres), 631 1st Street (0.33 acres), and 655 1st Street (0.41 acres) consisting of APNs 009-073-023, 009-191-021, 009-073-019, 009-073-020, 009-073-021, 009-073-022 and 009-073-018 (collectively, “City Hall Campus”); and

WHEREAS, multiple facility assessments and operations evaluations have consistently concluded that the City Hall Campus has reached the end of its practical service life; and

WHEREAS, on June 16, 2026, the City Council held a Study Session on the Downtown Economic Development Strategy and staff presented an analysis comparing three strategic alternatives for addressing the state of the City Hall Campus, demonstrating that continued reinvestment in or reconstruction of the City Hall Campus was financially unfeasible within the City’s fiscal capacity; and

WHEREAS, Council recognized that a real property exchange presented an alternative capable of reducing long-term public costs while simultaneously creating long-term community value through private reinvestment, and directed Staff to continue negotiations on a property exchange and to finalize transaction terms for formal consideration; and

WHEREAS, in accordance with Council direction, the City has negotiated that certain Real Property Exchange Agreement attached hereto as Exhibit A (“Exchange Agreement”) with Museum on the Square, LLC (“MOTS LLC”), and seeks City Council approval to exchange the City Hall Campus less 1.61 acres retained for public purposes (the approximately 5.96 acre portion to be exchanged being referred to herein as the “Exchange Property”) for that certain real property owned by MOTS LLC and located at 520 3rd Street (aka 521 2nd Street), Santa Rosa, CA, 95401 consisting of APNs 10-063-019 and 010-063-027 (“520 3rd Street”) for City’s use as a new consolidated City Hall pursuant to the terms of the Exchange Agreement and the Transaction Documents (as defined herein) that may be necessary or appropriate for consummation of the exchange (the “Exchange”); and

WHEREAS, pursuant to the California Environmental Quality Act (Public Resource Code § 21000 et seq.) (“CEQA”), and the State CEQA Guidelines (14 Cal. Code Regs. §§ 15000 et seq.), the City certified an Environmental Impact Report in 2007 for the Downtown Station Area Specific Plan (“DSASP EIR”) (SCH NO. 2006072104), which evaluated potential environmental impacts associated with implementation of the Downtown Station Area Specific Plan (“DSASP”); and

WHEREAS, in 2020, the City approved updates to the DSASP and certified a Supplemental Environmental Impact Report ("2020 SEIR") evaluating the environmental effects of those updates, which were intended to accommodate and guide additional housing development in downtown Santa Rosa by promoting a denser, walkable, transit-oriented urban core with stronger connections, commercial and cultural activity, and expanded residential opportunities; and

WHEREAS, pursuant to CEQA, when a lead agency takes subsequent discretionary actions related to a project for which an EIR has been certified, the lead agency must determine whether any of the circumstances described in Public Resources Code section 21166 and CEQA Guidelines Section 15162 require preparation of a subsequent or supplemental EIR or other additional environmental review; and

WHEREAS, City staff evaluated the Exchange in light of the standards for subsequent environmental review outlined in Public Resources Code section 21166 and CEQA Guidelines section 15162; and

WHEREAS, based on staff's evaluation, the City Council finds that the Exchange would not result in substantial changes to the DSASP or the circumstances under which the DSASP is being implemented, and would not involve new information of substantial importance that would require major revisions to the DSASP EIR or 2020 SEIR due to new significant environmental effects or a substantial increase in the severity of previously identified significant effects. Accordingly, no subsequent or supplemental EIR or additional environmental review is required; and

WHEREAS, approval of the Exchange will require the appropriation of $4,546,868 (the exchange differential value) in one-time funding from assigned General Fund Reserves to satisfy the net real property exchange price required at escrow close; and

WHEREAS, there are certain leases in place at 520 3rd Street for which City may undertake tenant relocation plans, assignments, buyouts, or other existing tenant-related arrangements in connection with the Exchange and City staff seeks Council approval for the City Manager or designee to negotiate with the existing tenants and return to Council in a separate public meeting for funding appropriations; and

WHEREAS, certain tenant improvements will be required to be made to 520 3rd Street to accommodate City occupancy after Closing and Staff has negotiated a tenant improvement work letter with MOTS, LLC which sets forth the framework for scope, pricing, scheduling, payment, allowance assumptions, and performance requirements for the City TI Work and is included as an exhibit to the Exchange Agreement ("TI Work Letter"), which work shall be performed by MOTS LLC or an affiliated entity, and for which Staff will return to Council in a separate public meeting for funding appropriations; and

WHEREAS, to ensure seamless municipal service delivery during the Exchange transition, staff has negotiated a post-closing leaseback of 100 Santa Rosa Avenue for up to two years and 90 Santa Rosa Avenue for up to one- year from MOTS LLC at a rate of $1.00

per year, which will allow operations to continue unimpeded while tenant improvements are completed at 520 3rd Street ("Leaseback") and seeks Council approval to enter into same; and

WHEREAS, in order to facilitate the early transfer of certain City staff and operations to 520 3rd Street, the City desires to enter into an Assignment of Lease Agreement relating to the premises currently leased by MOTS LLC to Dickenson Peatman & Fogarty, PC ("DPF") that will provide for City occupancy beginning September 1, 2026; payment by the City of 100% of the rent payable under the DPF lease during the pre-closing period; a separate payment of $55,877.50 for the furniture fixtures & equipment ("FF&E") remaining in the premises and agreed upon by the parties, representing 50% of the parties' agreed value of such FF&E; and automatic termination of the assignment and occupancy arrangement upon closing of the Exchange (the "Lease Assignment") and seeks Council approval to enter into same.

NOW, THEREFORE, BE IT RESOLVED that the Council of the City of Santa Rosa hereby finds and declares the above recitals are true and correct and are a substantive part of this Resolution and findings of the Council.

BE IT FURTHER RESOLVED that the Council directs the Chief Financial Officer to increase the General Fund appropriations for Fiscal Year 2026-27 by a total of $4,546,868. This increase shall be funded using $4,500,000 from Assigned General Fund Reserves and $46,868 from Unassigned General Fund Reserves.

BE IT FURTHER RESOLVED that as the decision-making body for the Exchange Agreement, the City Council has reviewed and considered the previously certified DSASP EIR and 2020 SEIR, any oral or written comments received, and the administrative record prior to making any decision on the Exchange Agreement. The Council finds that the DSASP EIR and 2020 SEIR contain a complete and accurate reporting of all of the environmental impacts associated with the Exchange.

BE IT FURTHER RESOLVED that based on the substantial evidence set forth in the record, including but not limited to, the previously certified DSASP EIR, the 2020 SEIR and all related information presented to the City Council, the Council finds, pursuant to Public Resources Code section 21166 and CEQA Guidelines Section 15162 that no subsequent or supplemental EIR or additional environmental review is required for the approval of the Exchange as described in this Resolution because the action does not involve any of the following:

(a) Substantial changes in the project which will require major revisions of the DSASP EIR or the 2020 SEIR.

(b) Substantial changes with respect to the circumstances under which the project is being undertaken which will require major revisions in the DSASP EIR or the 2020 SEIR.

(c) New information, which was not known and could not have been known at the time the DSASP EIR and 2020 SEIR were certified as complete, becomes available and shows that the proposed project would have new or more significant impacts.

BE IT FURTHER RESOLVED that having considered the administrative record, the previously certified DSASP EIR, the 2020 SEIR and all written and oral evidence presented to the City Council, the Council finds that the environmental impacts associated with the implementation of the DSASP, as relevant to this action, have been adequately addressed within the DSASP EIR and 2020 SEIR. The Council further finds that this Resolution does not require new or additional mitigation measures or alternatives, and there is no substantial evidence in the administrative record showing that the Exchange Agreement would result in significant environmental effects beyond those analyzed in the DSASP EIR and 2020 SEIR or a substantial increase in the severity of previously identified significant effects.

BE IT FURTHER RESOLVED that the Council finds that the acquisition and disposition of the subject properties contemplated by the Exchange Agreement conform to the City of Santa Rosa General Plan.

BE IT FURTHER RESOLVED that the Council approves the Exchange Agreement and hereby authorizes the City Manager or designee to execute the Exchange Agreement.

BE IT FURTHER RESOLVED that the Council hereby authorizes the City Manager to execute the TI Work Letter, Leaseback, Encroachment Agreement, Lease Assignment and all other documents necessary to complete the Exchange on behalf of the City, including but not limited to grant deeds, escrow instructions, title insurance commitments, work letters, parking agreements, documents necessary to carry out City's relocation obligations in connection with existing leases for 520 3rd Street, the assignment and assumption of existing leases for 520 3rd Street, bills of sale, general assignments, tenant notice letters, estoppels, sublease or early occupancy approvals (collectively, the "Transaction Documents"), subject to approval as to form by the City Attorney.

BE IT FURTHER RESOLVED that the Council hereby authorizes the City Manager to approve minor modifications to the Transaction Documents that do not materially increase the City's obligations or reduce the public benefits set forth in the Exchange Agreement, subject to approval as to form by the City Attorney.

BE IT FURTHER RESOLVED that the Council direct staff to prepare, execute and file with the Sonoma County Clerk and the State Clearinghouse a Notice of Determination within five (5) working days of the adoption of this Resolution, reflecting the Council's reliance on the previously certified DSASP EIR and 2020 SEIR and its determination, pursuant to Public Resources Code section 21166 and CEQA Guidelines section 15162, that no subsequent or supplemental EIR or other additional environmental review is required.

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BE IT FURTHER RESOLVED that the Custodian of Records for these proceedings is the City Clerk whose address is 100 Santa Rosa Ave, Santa Rosa, CA 95404.

IN COUNCIL DULY PASSED this 18th day of August, 2026.

AYES:

NOES:

ABSENT:

ABSTAIN:

RECUSE:

ATTEST: ______________________ APPROVED:

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City Clerk Mayor

APPROVED AS TO FORM: ______________________

City Attorney

Exhibit A – Real Property Exchange Agreement