



## **County of Santa Cruz Board of Supervisors**

### **Agenda Item Submittal**

**From:** Redevelopment Successor Agency

(831) 454-2280

**Subject:** 7th and Brommer Exclusive Negotiation Agreement Termination

**Meeting Date:** September 15, 2020

### **Recommended Action(s):**

1. Approve and authorize the County Administrative Officer to execute, on behalf of the Redevelopment Successor Agency, the Agreement to Terminate the Exclusive Negotiation Agreement for the 7th/Brommer Site with Green Valley Corporation, a California corporation dba Swenson Builder (Swenson Builder); and
2. Direct the Planning Director to return to the Board during Winter 2021 with a proposed strategy for creation of General Plan / Local Coastal Program land use policy amendments integrated with a process for disposition of the 7<sup>th</sup>/Brommer Site, consistent with the Coastal Act and applicable State Surplus Lands Act regulations.

### **Executive Summary**

Due to recent amendments to the State of California's (State) Surplus Lands Act, and impacts of the COVID-19 pandemic on the market for visitor accommodations (economic impacts which have been further complicated by the CZU Lightning Fires), Swenson Builder has requested termination of the Exclusive Negotiation Agreement (ENA) related to the 7<sup>th</sup> Avenue / Brommer Street Site. Staff recommends approval of the Agreement to Terminate the ENA between the Redevelopment Successor Agency and Swenson Builder. Staff also proposes to commence next steps that would lead to creation of land use policy amendments along with attraction of developer interest in the site, consistent with the Coastal Act and Surplus Land Act. Due to current CZU Lightning Fires disaster response priorities, consideration of next steps is proposed for discussion by the Board in Winter 2021.

### **Background**

The former Santa Cruz County Redevelopment Agency (RDA) acquired three parcels of land many years ago, located at the southwest corner of 7th Avenue and Brommer Street. The property has been known as the 7th Avenue Visitor Accommodation Site ("Site" or "7th / Brommer"). The RDA acquired the parcels to assemble property that had been designated for coordinated development by the General Plan (GP) and Local Coastal Program (LCP), with a particular objective of facilitating development of visitor serving accommodations and other beneficial uses. The GP/LCP identifies the Site as a Coastal Priority Site, and existing policies support parks/recreation and/or visitor accommodation / visitor commercial uses to be developed on the Site. GP/LCP Priority Land Use policies specify a minimum of 50% of the project to be devoted to "Type A"

traditional hotel use, as well as a minimum one acre for active or passive neighborhood park use.

Following the State's elimination of redevelopment agencies in 2011, the Redevelopment Successor Agency (RSA) adopted a Long-Range Property Management Plan (LRPMP) in 2013, which directed a managed sale of the Site consistent with the above-described GP/LCP policies, in a manner that would maximize sale proceeds and long-term economic and community benefits. The LRPMP called for meeting the State's requirements for disposition of the Site for "highest and best use", while also respecting the above-described GP/LCP policies for the Site which had been adopted in 1994 consistent with the Coastal Act. The managed sale of the Site was also designed to be consistent with and implement the County's 2014 Economic Vitality Strategy (EVS), specifically *Goal 3.19 Facilitate Development of Visitor Facilities at the Harbor* and *Goal 5.9 Encourage Lodging Development to Foster Visitor Services and Fiscal Revenues*.

On June 6, 2017, a Request for Qualifications (RFQ) was approved by the Board to seek qualified and experienced developers to enter into an exclusive negotiation agreement for the purchase and development of the Site for a landmark visitor-serving commercial development consistent with the Long-Range Property Management Plan. The RFQ included an appendix outlining the outcome of a community workshop held on April 27, 2016 to gather community input to guide the vision for the Site. On August 18, 2017, two responses to the RFQ were received: from Swenson Builder and from the Santa Cruz Port District. Upon review of the responses by an internal review group, Swenson Builder was recommended as the preferred developer.

On August 28, 2018, the Board approved an Exclusive Negotiation Agreement (ENA) with Swenson Builder. The ENA outlined terms and an approach for negotiation of a Disposition and Development Agreement (DDA) or other form of agreement that would define the terms of the future purchase and development of the Site by Swenson Builder for a landmark visitor-serving mixed-use development, containing lodging, other destination-oriented commercial uses, housing, and public park/open space. The term of the ENA was for four (4) years with options for two twelve (12) month extensions, which would allow time for refining a proposed project, preparing and submitting a development application, carrying out environmental review, obtaining approval of development permits, negotiating and approving a DDA, and transferring the property.

### **Analysis**

Since the execution of the ENA, Swenson Builder has developed and refined a proposed project consistent with the Long-Range Property Management Plan, the GP/LCP, current zoning, and the EVS. There has been ongoing consultation with the Coastal Commission, the County Planning Department, Parks, Open Space and Cultural Services, and the County Office of Economic Development. In March 2019 two community meetings were held by Swenson Builder to obtain public input, and in November 2019 Swenson Builder submitted preliminary project plans to the Planning Department for review through a pre-application process.

Late in 2019, the California Legislature enacted new legislation that significantly expanded the State's surplus lands requirements applicable to sale of publicly-owned properties, and imposed greater restrictions on public agencies' abilities to directly

negotiate with potential buyers and/or developers for the sale or lease of public properties. Pursuant to the new surplus lands requirements, if the RSA has not transferred the Site to Swenson Builder by December 31, 2022, the Site must be made available to various public and private entities for affordable housing, recreation, and open space uses. This has significantly impacted and reduced the time to complete development activities and transfer the site from the RSA to the developer.

During the same time frame that the State's new surplus lands requirements took effect and shortened the time frame for disposition of the property, the COVID-19 pandemic occurred. The economic impacts of the pandemic, particularly on the hotel industry, has greatly impacted the financial feasibility of visitor accommodations at the Site, especially for the "Type A" hotel product that is envisioned by the GP/LCP. At this time and for the foreseeable future, a Type A hotel is not feasible for the Site, and local Coastal Commission staff have indicated an understanding that the Site appears not to be suitable for development as envisioned by existing GP/LCP policies. Therefore, in order to dispose of the Site for a feasible development, it will be necessary to amend existing Coastal Priority Land Use Policies. The exploration of alternate proposed policies to guide future temporary and/or permanent uses of the Site will require extensive study and financial analysis, as well as neighborhood and stakeholder input. Ultimately, new GP/LCP polices are needed that would support a feasible development, in a manner consistent with the Coastal Act, Surplus Lands Act, economic and market realities, environmental constraints, and neighborhood/community character and desires. Because of the challenging time constraints imposed by the new Surplus Lands requirements, the market/economic challenges which are expected to be long-term, and the extensive financial resources that would be required to achieve the December 31, 2022 deadline for property transfer, Swenson Builder has submitted a request to terminate the ENA (Attachment A). A proposed Termination of Exclusive Negotiation Agreement is provided for the Board's consideration and approval in Attachment B. Staff supports termination of the ENA.

The Planning Department proposes to return to the Board in Winter 2021 with a strategy for creation of GP/LCP amendments that would be integrated with a process for disposition of the 7<sup>th</sup>/Brommer Site, consistent with the Coastal Act and applicable Surplus Lands Act regulations of the State, and including neighborhood/stakeholder input.

**Strategic Plan Elements:**

2.C (Attainable Housing: Local Inventory)

5.B (Community Vitality)

**Submitted by:**

Carlos J. Palacios, County Administrative Officer

**Recommended by:**

Edith Driscoll, Auditor-Controller-Treasurer-Tax Collector

**Attachments:**

- a Swenson Builder Letter
- b Termination of Exclusive Negotiation Agreement