

RESOLUTION R2024-XX

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF NAPA, STATE OF CALIFORNIA, (1) DECLARING TWO CITY-OWNED PROPERTIES AS EXEMPT SURPLUS LAND UNDER THE STATE SURPLUS LANDS ACT PURSUANT TO GOVERNMENT CODE SUBSECTIONS 54221(F)(1)(B), (C), AND (J), INCLUDING: (A) APPROXIMATELY 0.75 ACRES OF REAL PROPERTY, GENERALLY INCLUDING THE SURFACE PARKING LOT LOCATED AT THE SOUTHEAST CORNER OF PEARL STREET AND COOMBS STREET; AND (B) APPROXIMATELY 0.18 ACRES OF REAL PROPERTY LOCATED AT THE NORTHWEST CORNER OF FIRST STREET AND BROWN STREET, KNOWN AS DWIGHT MURRAY PLAZA; (2) AUTHORIZING THE CITY MANAGER TO EXECUTE AN AMENDED AND RESTATED AGREEMENT OF PURCHASE AND SALE (AGREEMENT NO. C2020-174) FOR SALE OF THE PARKING LOT PROPERTY TO COOMBS STREET, LLC FOR \$870,000; AND (3) AUTHORIZING THE CITY MANAGER TO EXECUTE AN AGREEMENT FOR THE EXCHANGE OF REAL PROPERTY WITH COOMBS STREET, LLC, EXCHANGING DWIGHT MURRAY PLAZA FOR A NEW PLAZA PROPERTY OF EQUIVALENT SIZE TO EXPAND THE ADJACENT BROWN STREET CORRIDOR AND 9/11 MEMORIAL GARDEN AND ASSOCIATED IMPROVEMENTS

WHEREAS, the State Surplus Land Act (Government Code Sections 54220 – 54234; or “SLA”) generally requires local agencies (such as the City) to follow specific procedures to notify the public regarding the availability of “Surplus Land” before it is sold, to provide an opportunity for the public to propose and negotiate for the possible development of projects that meet the State’s goals, focused on the provision of affordable housing, and also including opportunities for the development of parks and schools; and

WHEREAS, to the extent property is not needed for the City’s use, before the City takes action to dispose of the property, the City is required under the SLA to declare the property either “surplus land” or “exempt surplus land”; and

WHEREAS, the SLA defines “Exempt Surplus Land” that is not required to follow the procedural requirements of the SLA to include (among other exemptions):

- (1) Surplus land that is less than one-half acre in area and is not contiguous to land owned by a governmental agency used for open-space or

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low- or moderate-income housing purposes (Government Code Section 54221(f)(1)(B)); and

(2) Surplus land that the City is exchanging for another property necessary for the City's use (Government Code Section 54221(f)(1)(C)); and

(3) Surplus land that is subject to valid legal restrictions that are not imposed by the local agency and that would make housing prohibited, unless there is a feasible method to satisfactorily mitigate or avoid the prohibition on the site (Government Code Section 54221(f)(1)(J)); and

WHEREAS, the City of Napa ("City") owns an approximately 0.75 acre surface parking lot with 52 parking stalls located at the southeast corner of Pearl Street and Coombs Street (APN's 003-166-008 &-011) ("Parking Lot Property"); and

WHEREAS, the City owns an approximately 0.18 acre property currently operated as the Dwight Murray Plaza located at the northwest corner of First Street and Brown Street (APN 003-166-017) ("Plaza Property"); and

WHEREAS, based on the facts, analysis, and determinations set forth in this resolution, both the Parking Lot Property and the Plaza Property are "exempt surplus land"; and

WHEREAS, Coombs Street LLC ("Owner") owns real property at 1116 First Street on which the Kohl's department store is currently located ("Kohl's Parcel"), and the Kohl's Parcel is immediately adjacent to the Parking Lot Property and the Plaza Property; and

WHEREAS, the Owner has proposed a consolidated redevelopment of the Kohl's Parcel to incorporate the Owner's acquisition of exempt surplus property from the City consisting of the Parking Lot Property and the Plaza Property, in return for which the Owner will grant a property interest to the City for public use of a "New Plaza Property" to be improved by the Owner with public amenities to enhance the existing public property adjacent to the Napa Creek including the 9/11 Memorial Garden and the Brown Street Corridor. The identification of each relevant property for the proposed redevelopment is graphically depicted on Exhibit A attached hereto and incorporated herein by reference; and

WHEREAS, the Owner proposes the consolidated redevelopment of the properties identified in this resolution to be subject to the City Council's consideration and discretionary approval at a future public hearing of a development agreement which is planned to include the development of 77 market-rate for sale condominiums, funding assistance for an affordable housing project planned in downtown on property owned by the First United Methodist Church, a 165-room upper-upscale hotel, 15,000 square feet of stand-alone retail, and 15,000 square feet of hotel and residential accessory commercial space (hereinafter the "Project"); and

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WHEREAS, the Owner proposes to acquire the Plaza Property from the City in exchange for the Owner's conveyance to the City of an easement for the New Plaza Property, and the Plaza Property (0.18 acres in area) is exempt from the SLA on two independent bases: (a) it is less than one-half acre and it is not contiguous to land owned by a governmental agency used for open-space or low- or moderate-income housing purposes, pursuant to Government Code Section 54221(f)(1)(B); and (b) it is being exchanged for the New Plaza Property, which is of equal or greater size, that is necessary for the City's use to enhance public pedestrian circulation on the historic grid pattern in the downtown area as well as to create a new public plaza at a uniquely picturesque location along the Napa Creek and adjacent to the existing 9/11 Memorial Garden pursuant to Government Code Section 54221(f)(1)(C); and

WHEREAS, the Owner proposes to exchange the Plaza Property for the New Plaza Property, as summarized above, under the terms of the "Agreement for Exchange of Real Property and Joint Escrow Instructions," as set forth on Exhibit B, attached hereto and incorporated herein by reference (which may be referred to herein as "Exchange Agreement"); and

WHEREAS, the Owner proposes to purchase the Parking Lot Property from the City for its appraised value, and the City Council has previously determined that the Parking Lot Property is "exempt surplus land" based on a "valid legal restriction" as defined by Government Code Section 54221(f)(1)(J): (1) as a part of the Council's initial approval on July 31, 2020, of an Agreement of Purchase and Sale and Joint Escrow Instructions (City Agreement No. C2020-174, which may be referred to herein as the "PSA"), and (2) as a part of the Council's approval on July 19, 2022, of an assignment of the PSA to the current Owner pursuant to Resolution No. R2022-069; and

WHEREAS, on February 1, 2000, the City entered into a License Agreement (City Agreement No. 7583; hereinafter "License Agreement") with the then-owner of the Kohl's Parcel by which the City is contractually obligated to provide a minimum of 317 parking stalls for the benefit of the department store during its lease term, which currently expires on July 31, 2031; and

WHEREAS, the real property on which the City is required to provide parking for the benefit of the department store is defined in the License Agreement as the "Parking Areas," generally located within walking distance of the Kohl's Parcel, and it includes the Parking Lot Property; and

WHEREAS, the License Agreement is a valid legal restriction on the City's use of the Parking Lot Property since the City is legally obligated to provide publicly available parking on the Parking Lot Property, which means housing is prohibited (as it is in conflict with a surface parking lot use), the City did not impose the property restriction as it was a requirement of an integrated project for the department store and the City may not modify the current obligation to provide parking without negotiations with, and the agreement of, the owner of the Kohl's Parcel; and

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WHEREAS, on July 31, 2020, as noted above, the City entered into a Purchase and Sale Agreement (City Agreement No. C2020-174; hereinafter “PSA”) with Napa Parkway Plaza, LLC (the then-owner of the Kohl’s Parcel), by which: (a) the owner committed to providing alternative parking solutions for the department store that would result in a termination of the License Agreement; in return for which (b) the City would sell the Parking Lot Property to the owner for the planned purpose of developing a mixed-use project on the combined sites of the Kohl’s Parcel and the Parking Lot Property; and

WHEREAS, when the City Council approved the PSA on June 23, 2020, it included Recital E which provided: “City has determined that the purchase and sale transaction contemplated by this [PSA] Agreement is exempt from the requirements of the Surplus Lands Act (California Government Code section 54220, et seq.) because the [Parking Lot] Property is subject to valid restrictions to satisfy the Kohl’s Parking Obligation;” and

WHEREAS, Napa Parkway Plaza, LLC has sold its interests in the Kohl’s Parcel to the Owner, and the Owner has been working with good faith diligence with the City to pursue the project proposed under the PSA, including the incorporation of the Plaza Property and the development and conveyance to the City of the New Plaza as a part of the Owner’s consolidated redevelopment of the Kohl’s Parcel, and the Owner has made substantial progress toward negotiating and drafting the Development Agreement contemplated by the PSA; and

WHEREAS, the Owner proposes to purchase the Parking Lot Property under the terms of the PSA, as modified to align its terms with the proposed Exchange Agreement related to timing of close of escrow and the description of the Project to be developed by the Owner on the Kohl’s Parcel, and the modified terms of the PSA are set forth in the Amended and Reinstated Agreement of Purchase and Sale and Joint Escrow Instructions,” as set forth on Exhibit C, attached hereto and incorporated herein by reference (which may be referred to herein as “Amended PSA”); and

WHEREAS, the City has previously summarized the bases for concluding that the Parking Lot Property is exempt surplus land based on the “valid legal restriction” of Section 54221(f)(1)(J) as set forth in letters to the California Department of Housing and Community Development (“HCD”) from the City’s Community Development Director dated July 21, 2022, and from the City’s legal counsel (Burke Williams & Sorensen, LLP) dated October 27, 2022, December 5, 2022, and April 14, 2023, all of which are attached hereto as Exhibit D, attached hereto and incorporated herein by reference; and

WHEREAS, after the City’s communications to HCD summarized in the previous recital, the State enacted an amendment to the SLA (AB-480; Chapter 788, Statutes of 2023, effective January 1, 2024) which included two relevant amendments to definitions of exempt surplus land including: (1) established the exemption for land less than one-half acre in area under Government Code Section 54221(f)(1)(B) (which was previously an exemption for land generally less than 10,000 square feet in area); and (2) added

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specific examples of “valid legal restrictions” to include “existing leases, or other contractual obligations or restrictions” if the terms were agreed to prior to September 30, 2019” (which directly applies to the valid legal restrictions imposed on the Parking Lot Property through the License Agreement agreed to on February 1, 2000); and

WHEREAS, the City is supportive of continuing negotiations with the Owner of a proposed Development Agreement, to be presented to Council for consideration at a future Council meeting, that will be a critical condition precedent to close of escrow for the property transactions contemplated by the Amended PSA and the Exchange Agreement; and

WHEREAS, the City Council has considered all information related to this matter, as presented at the public meetings of the City Council identified herein, including any supporting reports by City Staff, and any information provided during public meetings.

NOW, THEREFORE, BE IT RESOLVED, by the City Council of the City of Napa, as follows:

1. The City Council hereby finds that the facts set forth in the recitals to this Resolution are true and correct, and establish the factual basis for the City Council’s adoption of this Resolution.
2. The City Council hereby declares the Plaza Property “exempt surplus land” pursuant to Government Code Section 54221(f)(1)(B). The Plaza Property is approximately 0.18 acres in area, it is less than one-half acre in area, and it is not contiguous to land owned by a governmental agency that is used for open-space or low- or moderate-income housing purposes. Therefore, pursuant to Government Code Section 54222.3, the City may dispose of the Plaza Property without further complying with the requirements of the SLA.
3. The City Council hereby declares the Parking Lot Property “exempt surplus land” pursuant to Government Code Section 54221(f)(1)(J). As described in the recitals to this resolution, the Parking Lot Property is subject to a “valid legal restriction” since the License Agreement requires the Parking Lot Property to be used for parking purposes, which makes housing prohibited. The License Agreement is an existing contractual obligation that was approved February 1, 2000 (prior to September 30, 2019, as set forth in Government Code Section 54221(f)(1)(J)(ii)(III)). Therefore, pursuant to Government Code Section 54222.3, the City may dispose of the Parking Lot Property without further complying with the requirements of the SLA.
4. The City Council hereby authorizes the City Manager to execute the “Agreement for Exchange of Real Property and Joint Escrow Instructions” with Coombs Street, LLC (“Exchange Agreement”) in substantial conformance with Exhibit B. Among other terms, the Exchange Agreement sets forth terms by which the City will convey the Plaza Property to the Owner in return for the

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Owner's conveyance of an easement for the public use of the New Plaza Property.

5. The City Council hereby authorizes the City Manager to execute the "Amended and Reinstated Agreement of Purchase and Sale and Joint Escrow Instructions" (Agreement No. C2020-174, "PSA") with Coombs Street LLC in substantial conformance with Exhibit C. Among other terms, the Amended PSA sets forth terms by which the City will convey the Parking Lot Property to the Owner in return for the Purchase Price, which is defined in the PSA based on the appraised value of the Parking Lot Property.

6. This Resolution shall take effect immediately upon its adoption.

I HEREBY CERTIFY that the foregoing Resolution was duly adopted by the City Council of the City of Napa at a public meeting of said City Council held on the 16th day of July, 2024, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

ATTEST: _____
Tiffany Carranza
City Clerk

Approved as to form:

Sabrina S. Wolfson
Interim City Attorney