



## Staff Reports

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**File #:** 250-2024, **Version:** 1

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**To:** Honorable Mayor and Members of City Council

**From:** Vin Smith, Community Development Director

**Prepared By:** Vin Smith, Community Development Director

**TITLE:**

City-owned Surface Parking Lot Property at Southeast Corner of Pearl and Coombs Streets and Dwight Murray Plaza on First Street

**RECOMMENDED ACTION:**

Adopt a resolution:

(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.

**DISCUSSION:**

In 2022, Coombs Street LLC, (aka the 300 Venture Group) (“Developer”) purchased 1116 First Street (Kohl’s Parcel) from Zapoloski Real Estate and began pursuing plans to redevelop the site into a mixed-use project currently proposed to consist of: 77 residential condominium units; an alternative equivalent under NMC Chapter 15.92 to provide funding to assist the First United Methodist Church affordable housing project; 15,000 square feet of ground-floor commercial space; and, a 165-room upper-scale hotel with approximately 15,000 square feet of hotel-focused and residential accessory commercial uses on the ground and second floors. To accomplish this project, Developer proposes to purchase the City-owned surface parking lot/vacant bus station at the southeast corner of Pearl and Coombs Streets (Parking Lot Property), and to purchase the 0.17-acre Dwight Murray Plaza owned by the City in exchange for providing the City an easement for a new public plaza across a portion of the Kohl’s Parcel (New Plaza Property) and for new plaza improvements. By including the City-owned land within the project footprint, currently called First Street Napa Phase II (“Project”), Developer can locate buildings to create a public pedestrian plaza/walkway that continues what has been established in the existing First Street Napa center, connecting both projects with the 9/11

Memorial Park, and providing visibility into the new development and older center from Main Street. It is also Developer's intention to have the new buildings sited in a way to meaningfully engage and better define the existing pedestrian environment along First Street, the old Brown Street right-of-way, Napa Creek and the 9/11 Memorial Park. Developer proposes to do this by connecting newly created public spaces within the development to these existing underutilized public spaces.

### Parking: Existing Agreements

The City is currently obligated by License Agreement, to provide a designated number of non-exclusive parking spaces to Developer for use by the building currently occupied by the Kohl's department store. Kohl's voluntary termination of their lease with Developer would allow Developer to negotiate terms with the City by which the City would be relieved of its obligations under the license agreement and essentially "free-up" the surface parking lot for development of the proposed Project. The specifics about total number of parking spaces to be provided in the future Project have not yet been worked through. Under the terms of the attached Amended and Restated Agreement of Purchase and Sale ("PSA"), the property transfer does not close unless the City and Developer successfully negotiate a Development Agreement which will more particularly define the elements of the proposed Project. The Development Agreement will define Developer's obligations to address parking in a manner sufficient to mitigate impacts generated by the Project, taking into consideration credit to Developer for existing parking available to the existing uses on the site. It is anticipated that the parking solution for the Project will be a combination of subsurface/structured parking and surface parking.

### Purchase and Sale Agreement

On June 23, 2020, the City Council approved a purchase and sale agreement (City Agreement No. C2020-174) (PSA) for the Parking Lot Property with the former owner/developer (Napa Parkway Plaza LLC, which is controlled by Zapolski Real Estate. Napa Parkway Plaza LLC then sold the Kohl's Site to Developer, and City Council approved an assignment of the PSA from Napa Parkway Plaza LLC to Developer on July 19, 2022. The PSA was amended twice, with the First Amendment executed on September 27, 2022, and the Second Amendment executed on December 27, 2023. The Amended and Restated Agreement of Purchase and Sale ("Amended PSA") presented for Council's consideration would replace the original PSA, as amended by the First Amendment and Second Amendment.

Under the original PSA, the Developer obtained an appraisal for the Parking Lot Property and agreed to pay the established fair market value of \$870,000, which is the proposed purchase price in Amended PSA. The Amended PSA contains an annual escalator to the purchase price tied to the CPI which commences on August 1, 2026. The PSA required the Developer to remit a \$50,000 deposit to escrow prior to the expiration of the contingency period (which was completed), which will become non-refundable upon the execution of a mutually agreeable Development Agreement ("DA") for the proposed Project.

The close of escrow for both the Parking Lot Property and the Plaza Property is conditioned on the execution of the DA and issuance of building permits for the Project, with an outside closing date of December 31, 2037, which if necessary, may be extended by the City Manager based on the Developer's good faith efforts. The DA will document vested rights for the First Street Napa Plaza II Project and will be processed for approval concurrently with the development application. Project

design, use, intensity, maximum height and floor area, timing of construction, parking quantities and location, compliance with CEQA, and related matters will all be addressed through the DA and entitlement process.

### Public Benefits

At this initial stage, the public benefits of the proposed Project are namely replacing a large footprint use in downtown with new residential development, commercial square footage and an upper-scale hotel. The added sales taxes, transient occupancy taxes, improved physical building layout which better connects the existing First Street Napa Plaza, a better connection with the surface parking and Main Street, and the opportunity to execute some of the Brown Street Corridor planned improvements are all improvements that will benefit the City in the long term. In addition, adding residential uses in the downtown should have an indirect positive impact on both new and existing retail, food and beverage uses. Finally, as a component of the currently proposed Project, the public spaces provided as part of the future development would support and enhance the currently underutilized public spaces along Napa Creek, Brown Street pedestrian corridor and the 911 Memorial Park.

### Surplus Lands Act

Under the State Surplus Land Act (Government Code Sections 54220 - 54234; or “SLA”), when the City determines that City property is no longer needed for the City’s use, the City is required to declare the property either “surplus land” or “exempt surplus land” before taking action to dispose of the property. Land that qualifies as exempt surplus land is not required to follow the procedural requirements of the SLA. The SLA defines “Exempt Surplus Land” 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 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)).

As stated in the attached Resolution, by its adoption the City Council would be declaring the Parking Lot Property as exempt surplus land because it is subject to the parking license agreement, which a “valid legal restriction” as defined by Government Code Section 54221(f)(1)(J). Since July 31, 2020, when the City entered into the original PSA for the Parking Lot Property, the City has had ongoing conversations with the State of California Housing and Community Development Department (HCD) regarding the SLA exemption determination for the Parking Lot Property (See Exhibit D to Attachment 1), and the City Council has previously determined the Parking Lot Property to be exempt surplus land on that basis.

In addition, by adoption of the Resolution, Council would be declaring Dwight Murray Plaza as exempt surplus land on the following two 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).

**FINANCIAL IMPACTS:**

The City will receive approximately \$870,000 from the Buyer for the purchase of the Parking Lot Property and a larger public plaza upon close of escrow.

**CEQA:**

The Community Development Director has determined that the Recommended Action described in this Agenda Report is not in-and-of-itself a "project" (pursuant to CEQA Guidelines Section 15378) since it does not commit the City to a physical change in the environment. However, the Recommended Action is part of a larger "project" that will be subject to environmental review in accordance with CEQA at the "earliest feasible time" prior to "approval" consistent with CEQA Guidelines Sections 15004 and 15352. The larger "project" is the anticipated First Street Napa Plaza II (as described above) on the Subject Parcel, following close of escrow for sale of the property. The environmental review will be completed in accordance with CEQA prior to the City's approval of the Development Agreement described in this report, and prior to approval of any permits associated with the anticipated renovation.

**DOCUMENTS ATTACHED:**

- ATCH 1 - Resolution
- EX A - Graphic
- EX B - Exchange Agreement
- EX C - Third Amended PSA
- EX D - Letters to HCD

**NOTIFICATION:**

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