



Staff Reports

File #: 2206-2019, **Version:** 1

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

RECOMMENDED ACTION:

Authorize the City Manager to finalize and execute a Purchase and Sale Agreement between the City, as seller, and Napa Parkway Plaza LLC, as buyer, for the surface parking lot and vacant bus terminal located at the southeast corner of Pearl and Coombs Streets (APN's 003-166-008 &-011).

DISCUSSION:

Local real estate development company Zapolski Real Estate (ZRE), owns several properties in downtown including the First Street Napa commercial center which includes the existing Kohl's department store. ZRE (which is the ownership group of Napa Parkway Plaza LLC) proposes to create a mixed-use project consisting of: 120 residential rental units, of which 15% (18 units) would be dedicated for income levels up to 120% of Area Median Income; 25,000 square feet of ground-floor commercial space; and a 200 room upper-scale hotel. To accomplish this project, ZRE proposes to purchase the City-owned surface parking lot/vacant bus station at the southeast corner of Pearl and Coombs Streets. By including the City-owned land within the project footprint, currently called First Street Napa Phase II ("Project"), ZRE can locate buildings to create a pedestrian plaza/walkway that continues what has been established in the existing center, connecting both projects with the 9/11 Memorial Park and providing visibility into the center from Main Street. It is also ZRE's intention to have the new buildings sited in a way to meaningfully engage and better define the existing pedestrian environment along Napa Creek and the old Brown Street right-of-way. ZRE proposes to do this by connecting newly created public spaces within the development to these existing underutilized public spaces.

Kohl's and Parking

ZRE has been working with Kohl's over the past several months on a plan to relocate the use to another location within the City limits. Another real estate development company is actively developing a site in the City that is intended to accommodate the relocation of Kohl's; and ZRE has supported the relocation of Kohl's to this new site. Relocation would require early termination of Kohl's lease in its current location, an action that is also supported by ZRE.

As long as the Kohl's building is used as a department store (through the year 2041), the City is obligated by License Agreement to provide a designated number of non-exclusive parking spaces to

ZRE for use by the building. If Kohl's voluntarily terminates its lease with ZRE, the City and ZRE could negotiate terms 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 draft Purchase and Sale Agreement ("PSA"), the property transfer does not close unless the City and ZRE successfully negotiate a Development Agreement which will more particularly define the elements of the proposed Project. The Development Agreement will define ZRE's obligations to address parking in a manner sufficient to mitigate impacts generated by the Project and replace public parking lost at the existing surface parking lot, taking into consideration credit to ZRE 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

The Developer obtained an appraisal for the Subject Parcel which determined the fair market value of \$870,000, which is the proposed purchase price in the Purchase and Sale Agreement ("PSA"). The PSA includes a 60-day contingency period during which the Developer will investigate the condition of the property and title. The PSA requires the Developer to remit a \$50,000 deposit to escrow prior to the expiration of the contingency period, which will become non-refundable upon the execution of a mutually agreeable Development Agreement ("DA") for the proposed Project. The close of escrow is conditioned on the execution of the DA and issuance of building permits for the Project, with an outside closing date of December 31, 2035, which if necessary, may be extended by the City Manager for up to two years 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, and a better connection with the surface parking and Main Street, 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.

City staff recommends that the City Council authorize the City Manager to finalize and execute the proposed Purchase and Sale Agreement in substantial conformance with the terms summarized in this staff report and more particularly described in Attachment 1.

FINANCIAL IMPACTS:

The City will receive approximately \$870,000 from the Buyer for the purchase of the property 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 - Purchase and Sale Agreement

ATCH 2 - Appraisal of properties

NOTIFICATION:

Zapolski Real Estate c/o Andrew Mazotti