



City of Santa Clara

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Agenda Report

21-1217

Agenda Date: 10/19/2021

REPORT TO COUNCIL AND SUCCESSOR AGENCY TO THE FORMER REDEVELOPMENT AGENCY OF THE CITY OF SANTA CLARA

SUBJECT

Action on Resolution Declaring Two Successor Agency Sites located at 5101 and 5201 Great America Parkway as Surplus Land as Required by State Law [APNs: 104-55-012 and 104-55-013]

COUNCIL PILLAR

Enhance Community Engagement and Transparency

EXECUTIVE SUMMARY

The Successor Agency owns two former Redevelopment Agency sites that are required to be sold under State Redevelopment Dissolution Laws (Techmart Office Parcel located at 5201 Great America Parkway and Hyatt Hotel Parcel located at 5101 Great America Parkway). Under separate State Laws, these same properties are also considered to be no longer necessary for the Successor Agency's use and are therefore "eligible for development" (Attached - List of the Surplus Properties).

Effective January 1, 2020, Assembly Bill (AB) No. 1486 amended the State Surplus Land Act (SLA) to require a local agency to formally declare publicly-owned property no longer used for the agency's expressed purpose as surplus land before beginning the disposition process. Unless the land is exempt from the SLA, the declaration must be made by the legislative body of the local agency and should be supported by written findings. Surplus land must follow a statutory noticing and negotiation period with certain designated entities, including eligible housing sponsors defined by the California Department of Housing and Community Development (HCD).

BACKGROUND

Successor Agency Properties and Long-Range Property Management Plan

Under 2011 Redevelopment Dissolution Laws, all former Redevelopment Agencies in California were required to sell their assets, retire all debt and dissolve. Any net unrestricted proceeds earned by the Successor Agencies prior to dissolution are to be distributed to the taxing entities (e.g., County, school districts, and special districts) on a pro rata basis.

Ownership of the properties owned by the former Redevelopment Agency of the City of Santa Clara (Santa Clara RDA) was assumed by the Santa Clara Successor Agency.

Per State Dissolution Laws, Santa Clara Successor Agency prepared a Long-Range Property Management Plan (LRPMP) which was subsequently approved by the Santa Clara Oversight Board and the California Department of Finance. The LRPMP directs the Successor Agency to sell the

properties subject to the LRPMP expeditiously and for *maximum value* pursuant to Health and Safety Code Section 34181(a).

Since that time, the Successor Agency (with Oversight Board review and approval) has been selling its properties in accordance with State Law. To date, former Santa Clara RDA land under the Santa Clara Gateway Parcel 2, Santa Clara Hilton, North-South Parking Lot, Great America Theme Park and Convention Center/Convention Center common area have all been sold. The City of Santa Clara purchased the North-South parking lot and the Convention Center/Convention Center common area. The Martinson Day Care parcel was transferred to the Santa Clara Unified School District at no cost. The other properties were sold to private interests.

The two Successor Agency parcels remaining to be sold are the Techmart parcel and the Santa Clara Hyatt Regency parcel. All debt of the Santa Clara RDA has been extinguished and therefore net sale proceeds are distributed to taxing agencies on a pro rata basis upon the sale of property.

The SLA and the Surplus Land Declaration

Effective January 1, 2020, Assembly Bill (AB) No. 1486 amended the SLA by prohibiting local agencies from commencing negotiations over the sale or lease of surplus property prior to sending notices about available, surplus local public land to designated entities (Eligible Entities), including:

- California Department of Housing and Community Development (HCD).
- Any local public entity within the jurisdiction where the surplus local land is located.
- Developers who have notified HCD of their interest in developing affordable housing on surplus local land.

Importantly, AB 1486 now requires a local agency to declare property as “surplus land” before taking any actions to dispose of such property, including issuance of a NOA or request for proposals (RFP). The declaration must be made by the legislative body of the local agency.

Following the declaration of surplus, the Successor Agency must provide a NOA to the Eligible Entities for specified uses, including affordable housing, parks and recreation, and schools. An Eligible Entity desiring to purchase or lease the surplus land for any of the purposes described above must notify the Successor Agency in writing of its intent to purchase or lease the land within 60 days after the receipt of the Successor Agency's notification of intent to dispose of the land.

If the Successor Agency receives notice of interest from any Eligible Entities, the SLA mandates a 90-day negotiation period with any designated entities that submit timely offers. If no notice of interest is received or negotiations do not result in a disposition, the City may proceed with disposing of the land. The SLA **does not** require the Successor Agency to dispose of surplus land at less than fair market value. (In fact State Dissolution Laws require that the Successor Agency dispose of the property at the highest value.) However, the SLA requires that, at a minimum, any subsequent development of 10 or more residential units on the site must designate at least 15 percent of units as affordable.

DISCUSSION

The Successor Agency land for sale are two parcels which are burdened by long term ground leases. As the Successor Agency properties are not available for development by a potential buyer until the ground leases expire (Techmart in 2053 plus possible two 1-year extensions and Hyatt in 2035 plus possible four 10-year extensions), the City Attorney's Office reached out to HCD to request an exemption from the SLA process. The SLA process requires notification to affordable housing developers of the availability of property. Although the properties are built out with an office building and hotel, and the land may not be available for development for more than 50 years, the Successor Agency's request for an exemption was denied.

In compliance with State law, staff recommends that City Council acting as the governing board of the Successor Agency declare the Surplus Properties as "surplus land" to begin the process for disposition. The anticipated process is outlined below.

Notices of Availability and Noticing Period

Per the SLA, after City Council issues the surplus declaration, staff will issue NOAs to the Eligible Entities, beginning a minimum 60-day noticing period. Staff will release NOAs. During the 60-day noticing period, the SLA restricts Successor Agency discretion in negotiating with potential buyers, prioritizing NOA responses, and limiting project design features. State law requires the Successor Agency to first respond exclusively to Eligible Entities and to give priority to proposals that provide at least 25 percent of a project's housing units affordable to lower-income households (at or below 80 percent of area median income). If multiple proposals provide at least 25 percent affordable units, State law requires prioritizing the project with the greater number of affordable units. If multiple proposals contain the same number of affordable units, staff are required to prioritize projects that provide the deepest average level of affordability for its affordable units. The Successor Agency is also prevented from negotiating terms that would prevent residential use (even if not permitted by the existing zoning), reduce density below what is allowed by zoning, or impose design requirements that would have a substantial adverse effect on viability for affordable housing.

90-Day Negotiation with Eligible Entities

If staff receives a notice of interest from one or more Eligible Entity, staff will begin negotiations for a period of no less than 90 days.

Project Selection and Return to Council

If negotiations lead to development of a potential project, staff will return to Council acting as the governing board of the Successor Agency to present the recommended project proposal for public comment and Council authorization for an Exclusive Negotiation Agreement (ENA). If no notices of interest are received or if negotiations conclude with no recommended project proposals, the Successor Agency can proceed with its regular process for disposition of the Successor Agency properties.

ENVIRONMENTAL REVIEW

Nothing in this action declaring the Properties "surplus land" should be interpreted as an approval or pre-commitment to approve, now or in the future, of the disposition of the City's interest in the Properties to any particular party, on any particular terms, or for any particular purposes. Any proposed disposition of the Property, whether made pursuant to the NOA or otherwise, will require

further discretionary actions of the City Council, and the City retains full discretion, following conclusion of the response and negotiation periods set forth in the Notice of Availability and the SLA to proceed with disposition of its interest in the Property in compliance with CEQA. As such, this action will not result in a direct or indirect physical change in the environment and does not in-and-of-itself constitute a “project” pursuant to CEQA Guidelines § 15378.

FISCAL IMPACT

There is no fiscal impact related to the declaration of the Surplus Properties as surplus land or to the release of NOAs. Fiscal impacts of received and staff-recommended proposals will be assessed in future reports brought before the City Council.

COORDINATION

This report has been coordinated with the Office of the City Attorney to understand the legal requirements of the SLA.

PUBLIC CONTACT

Public contact was made by posting the Council agenda on the City's official-notice bulletin board outside City Hall Council Chambers. A complete agenda packet is available on the City's website and in the City Clerk's Office at least 72 hours prior to a Regular Meeting and 24 hours prior to a Special Meeting. A hard copy of any agenda report may be requested by contacting the City Clerk's Office at (408) 615-2220, email clerk@santaclaraca.gov <<mailto:clerk@santaclaraca.gov>> or at the public information desk at any City of Santa Clara public library.

RECOMMENDATION

That the City Council acting as the governing board of the Successor Agency to the Former Redevelopment Agency of the City of Santa Clara adopt a Resolution declaring two Successor Agency properties located at 5101 Great America Parkway [APN 104-55-012 and 5201 Great America Parkway [APN 104-55-013] as “Surplus Land” pursuant to Government Code § 54221(b)(1).

Reviewed by: Ruth Mizobe Shikada, Assistant City Manager

Approved by: Deanna J. Santana, City Manager

ATTACHMENTS

1. Successor Agency Surplus Land Site List
2. Resolution