

COUNCIL AGENDA REPORT

TO: City Council

FROM: Interim City Manager Alex Posada

BY: Assistant City Manager Chuen Wu

SUBJECT: Conceptual Review of Proposed Downtown Redevelopment by the Vernon Group on City-Owned Parcels

The City Council will provide comments to address the applicant's request and provide further direction to City staff regarding the proposed downtown redevelopment as part of a future sales and disposition agreement between Vernon Property Group, LLC and the City of Santa Maria.

BACKGROUND:

The City Council has consistently identified the revitalization and redevelopment of Santa Maria's downtown as a goal and priority. The City has adopted plans to establish a vision and to facilitate the redevelopment of downtown, including an update to the Downtown Specific Plan in 2015 and the adoption of the Downtown Streetscape Plan in 2019.

To further stimulate Downtown redevelopment, the City identified specific City-owned parcels for development, including the northerly parking lot adjacent to the old Fallas/Mervyn's building and Broadway (Lot 1), the northeast and southeast corners of Main and Broadway (Lot 2 and 3, respectively), and the parking lot east of the Ruffoni building adjacent to Lincoln (Lot 4). The City and the Chamber of Commerce worked together to issue a Request for Proposals (RFP) in September 2020, and four proposals were received in response to the RFP. In January 2021, the City selected the Vernon Property Group, LLC (Vernon Group) based on their submitted project design and team qualifications. The proposed project design included several hundred multi-family housing units, ground-floor commercial retail, and other public amenities, including plazas and open spaces (see Attachment A). This mix of housing, commercial, and gathering spaces, within close proximity to each other, meets the vision of a vibrant and pedestrian-friendly downtown.

In the summer of 2021, the City completed State Surplus Lands Act requirements, including all required notifications and good-faith negotiations. In 2022 and 2023, City staff and Vernon Group continued to work together toward a global sales and disposition agreement that includes all four identified City-owned lots. The City and Vernon Group also discussed Surplus Lands Act requirements with State Housing and Community Development (HCD), including the requirement of setting aside 25 percent of all proposed housing units as income-restricted affordable housing. State HCD had initially communicated to the City that each City-owned lot would need a 25 percent housing set

aside, but after additional discussion, HCD agreed that the requirement for affordable housing could be achieved through consolidation by building one affordable housing development on Lot 2 (see Attachment B). While Lot 2 will include affordable units, Lot 1 will include most of the community amenities of commercial uses, plazas and open spaces, thereby mitigating the displacement of open space at Perlman Park.

During the past two years, Downtown Permits were approved for other projects in downtown, including Heritage Walk Lofts (former Fallas/Mervyn's), Alvin Newton Apartments (Lot 3), and Cook Street Apartments. The construction plans for Heritage Walk Lofts are currently in review by the City, while the construction plans for Alvin Newton Apartments are currently being drafted for submittal to the City later this year. Both projects could break ground later in 2024.

DISCUSSION:

City staff invites comments on the overall project design and for the drawings drafted for Lot 1 and Lot 2. As mentioned, Lot 3 includes the previously approved project of Alvin Newton Apartments. Lot 4 is considered as a future option after progress on Lots 1, 2, and 3. The overall project design also includes new parking spaces, but at a reduced count, compared to what is typically required in the City's development standards. The Downtown Specific Plan allows for reduced parking if the project is located within close proximity to the City's existing parking garages located at Town Center. The City also recognizes the necessary tradeoffs for achieving the stated downtown vision of a pedestrian-friendly city center. This tradeoff includes the addition of housing, commercial uses, and gathering spaces in exchange for land and spaces that would otherwise be used for creating parking spaces. The development proposal incorporates an approach that maximizes the value and potential of a limited infill land area.

Staff is working with the Vernon Group on finishing the draft sales and disposition agreement to include the four City-owned parcels. This agreement will include project descriptions, design expectations, affordability components, and performance measures for completion. This agreement will be presented to the City Council for action at a future meeting.

Attachment:

Attachment A: Overall Site Map
Attachment B: Lot 2 Plans