



Agenda Item: 4.B.

Meeting Date: February 23, 2022

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Reviewed By: Scott M. Duiven
Scott M. Duiven
Community Development Director

REQUEST FOR PLANNING COMMISSION ACTION

PROPERTY ADDRESS: 1804 Healdsburg Avenue; APN 091-310-010 (Healdsburg Fire Substation Site)

PROPERTY OWNER: Sonoma Luxury Resort, LLC (Note: Title to the Fire Substation parcel will be transferred to the City of Healdsburg in accordance with the Saggio Hills Development Agreement prior to commencement of construction.)

DEVELOPER: CCS Healdsburg, LLC

SUBJECT: Second Amendment to the Development Agreement by and between the City of Healdsburg and CCS Healdsburg, LLC for the North Village Project (DA 2020-01.02)

RECOMMENDED ACTION:

By motion, it is recommended that the Planning Commission:

- 1) Approve Resolution No. 2022-04 (Exhibit 1) recommending that the Healdsburg City Council approve the proposed Second Amendment to the Development Agreement by and between the City of Healdsburg and CCS Healdsburg, LLC for the North Village Project.

AMENDMENT DESCRIPTION:

The proposed Second Amendment to the Development Agreement by and between the City of Healdsburg and CCS Healdsburg, LLC for the North Village Project ("Second Amendment") addresses the remaining obligations of CCS Healdsburg, LLC ("Developer") relating to the Healdsburg Fire Substation as established in the existing Development Agreement ("DA"). Exhibit 2 shows the location of the Fire Substation site, as referenced in this report. Developer's obligations for the Fire Substation, as established in Section 5.6 of the DA, include the following:

- Prepare construction drawings for the Fire Substation; and
- Construct the Fire Substation using the "City Fire Substation Contribution" (i.e., the remaining \$1,500,000 developer contribution for the Fire Substation from the Montage project) and the "Developer Fire Substation Contribution." The Developer Fire Substation Contribution is capped at \$2,000,000 with an annual percentage increase based on the Consumer Price Index for All Urban Consumers: San Francisco-Oakland-Hayward.

In accordance with the DA, any costs to construct the Fire Substation that exceed the City Fire Substation Contribution plus the Developer Fire Substation Contribution (the "Total Fire Substation Contribution") are the City's sole responsibility.

The proposed Second Amendment is attached to the Resolution (Exhibit 1) and includes the following modifications to the terms of the DA:

- Developer is required to complete the Fire Substation Construction Plans and revise such plans until such time as the City has determined that the Plans are ready for issuance of construction permits ("Developer Fire Substation Design Completion");
- City assumes responsibility for conducting the public bid process; procuring contractor(s) and overseeing construction of the Fire Substation;
- A process and timeframes are established for documentation and agreement on the Developer's Fire Substation Costs and the balance due from Developer to City for the Developer Fire Substation Contribution.

Per State and local law, prior to the City Council acting on a development agreement or a substantial amendment to a development agreement, the Planning Commission must provide a recommendation to the City Council addressing the consistency of the proposal with the general plan and any applicable area plan or specific plan. This item is brought forward to the Planning Commission for that purpose.

BACKGROUND:

The City and the Developer entered into the DA for the North Village Project on May 6, 2020. The DA provides the Developer with certain assurances that it may proceed with a development project that includes the following key components:

- Senior Living Community with 221 independent living units, 54 assisted living/memory care beds, and ancillary uses;
- 30 multi-family apartments for workforce housing;
- 108-key hotel with a fitness facility, spa, dining facilities and meeting spaces;
- Mixed use development with 12,000 SF of ground floor commercial square footage and 45 multi-family residential units;
- Infrastructure improvements including streets, utilities, a gated secondary emergency vehicle access, a traffic signal at the project entry, an extension of the Foss Creek Pathway, and a Perimeter Trail.

The Developer is required to pay fees and costs associated with certain project improvements as identified in the DA. The term of the DA is for a period of 10 years unless extended or terminated by mutual agreement of the City and Developer.

DISCUSSION/ANALYSIS:

The Developer completed the 100% Design Development plans for the Fire Substation last fall and the 50% Construction Documents in January 2022. The 100% Construction Documents are nearing completion. Following the plan check/permitting process and the public bid and contracting process, construction of the Fire Substation is anticipated to commence this summer.

Construction cost estimates prepared last fall projected that the Fire Substation will cost approximately \$5.6 million. An updated cost estimate will be prepared based on the 100% Construction Documents, prior to soliciting bids for construction of the Fire Substation. Based on the last cost estimate, it is

clear that the Fire Substation costs will exceed available developer contributions thus necessitating a funding contribution by the City.

When the North Village DA was negotiated in 2019, it was expected that the Fire Substation could be built without public funds as the Developer would achieve economies of scale by building the facility concurrent with the North Village development. Now, however, because the project will utilize public funds, it is subject to the Public Contracts Code and those efficiencies cannot be realized. Furthermore, construction costs have sky-rocketed in the past two years due to pandemic-related inflation, escalation of labor costs, and supply chain issues.

Over the last several months, City staff and the Developer have discussed the public bidding, contracting and construction process for the Fire Substation. Initially, the parties considered phasing construction of the Fire Substation so that the Developer could build a "cold shell" with the available developer contributions and the City could then complete the interior of the Fire Substation with additional public funds. In the end, staff concluded that a phased approach would increase the risk of construction-related disputes, result in added costs, and ultimately could result in the delivery of an inferior product. The most efficient and effective means of managing the construction process will be for the City's Public Works Department to oversee construction of the Fire Substation. This will allow the City to exercise close control over costs, ensure quality assurance, and oversee an efficient and smooth delivery of the project.

The Second Amendment is necessary to modify the responsibilities of the parties. As presented in the attachment to Exhibit 1, the Second Amendment reflects City staff's recommendations and agreements negotiated with the Developer.

FINDINGS:

Chapter 17.20.030(C) of the Healdsburg Municipal Code requires the City Council to make the following findings when approving a proposed development agreement or an amendment thereto:

- The development agreement is consistent with the Healdsburg General Plan, any applicable specific plan and the zoning ordinance. This finding may be satisfied by a determination that the development agreement is consistent through provisions that are to be adopted concurrently with approval of the development agreement; and
- The development agreement will provide Healdsburg with tangible benefits beyond those that may be required by the City through project conditions of approval; and
- Any environmental impacts related to the development agreement have been reviewed and considered in accordance with the provisions of the California Environmental Quality Act.

Accordingly, staff recommends the following findings which are incorporated into the Resolution presented for Planning Commission consideration (Exhibit 1):

1. The Development Agreement and its Second Amendment are consistent with the Healdsburg 2030 General Plan, the North Entry Area Plan, and the Land Use Code. The City Council made findings of consistency in its action to adopt Ordinance No. 1202, approving the Development Agreement and the Second Amendment does not modify the Development Agreement in any way that would conflict with the goals and policies of the Healdsburg 2030 General Plan and the North Entry Area Plan, and requirements of the City's Land Use Code.
2. The Development Agreement and its Second Amendment will provide Healdsburg with tangible benefits including: 105 units of Affordable and Middle Income Housing; a \$2,000,000 contribution for construction of a Fire Substation; contribution of \$250,000 to the City for

connectivity improvements; annual payments to the City of approximately \$334,000 per year from the Senior Living Community for lost tax revenue and increased demands for services; remittance of a 1/2% Hotel Add-On Fee (beginning 10 years after issuance of a certificate of occupancy for the hotel); and other improvements.

3. Any environmental impacts related to the Development Agreement have been reviewed and considered in accordance with the provisions of the California Environmental Quality Act. On May 20, 2019, the City Council certified the Final Environmental Impact Report ("EIR") for the North Entry Area Plan (State Clearinghouse No. 2018062041) and adopted related findings, a Mitigation Monitoring and Reporting Program, and a Statement of Overriding Considerations which can be found in the Planning Department's files for the North Village Project at 401 Grove Street, Healdsburg, CA 95448. In accordance with the California Environment Quality Act (CEQA) Guidelines Section 15162, no further environmental review is required for the Second Amendment because (i) there are no changes involving new significant environmental effects or a substantial increase in the severity of previously identified significant effects/impacts, (ii) there are no changes with respect to the circumstances under which the project is taken which will require major revisions to the EIR due to the involvement of new significant environmental effects or a substantial increase in the severity of previously identified significant effects/impacts, and (iii) there is no new information of substantial importance that was not known at the time the EIR was certified which shows (a) the project will have one or more significant effects not discussed in the EIR, (b) significant impacts/effects will be substantially more severe than shown in the EIR, (c) mitigation measures or alternatives previously found not to be feasible would in fact be feasible and would substantially reduce one or more significant effects/impacts, or (d) mitigation measures or alternatives which are considerably different from those analyzed in the EIR would substantially reduce one or more significant effects/impacts on the environment.

ENVIRONMENTAL ANALYSIS:

No further environmental review would be required for the Second Amendment because (i) there are no changes involving new significant environmental effects or a substantial increase in the severity of previously identified significant effects/impacts, (ii) there are no changes with respect to the circumstances under which the project is taken which will require major revisions to the EIR due to the involvement of new significant environmental effects or a substantial increase in the severity of previously identified significant effects/impacts, and (iii) there is no new information of substantial importance that was not known at the time the EIR was certified which shows (a) the project will have one or more significant effects not discussed in the EIR, (b) significant impacts/effects will be substantially more severe than shown in the EIR, (c) mitigation measures or alternatives previously found not to be feasible would in fact be feasible and would substantially reduce one or more significant effects/impacts, or (d) mitigation measures or alternatives which are considerably different from those analyzed in the EIR would substantially reduce one or more significant effects/impacts on the environment.

FISCAL INFORMATION:

The North Village project is a privately funded development that will generate property tax, transient occupancy tax, and sales tax revenues which will help to offset the City's costs of providing services to the project. The project will provide other long-term fiscal benefits to the community through the provision of up to 301 units of special needs and affordable housing.

EXHIBITS:

1. Resolution No. 2022-04 - Recommendation to the City Council regarding Second Amendment to the Development Agreement by and between the City of Healdsburg and CCS Healdsburg, LLC for the North Village Project (DA 2020-01.02)
Attachment A: Second Amendment to the Development Agreement by and between City of Healdsburg and CCS Healdsburg, LLC
2. Site Location Map- Fire Substation