



CITY OF SANTA BARBARA

COUNCIL AGENDA REPORT

AGENDA DATE: December 10, 2013

TO: Mayor and Councilmembers

FROM: Engineering Division, Public Works Department

SUBJECT: Entrada De Santa Barbara Owner Participation Agreement, Substantial Encroachment And Land Development Agreements

RECOMMENDATION: That Council:

- A. Authorize the City Administrator to execute an Amendment to the April 2004 Owner Participation Agreement with 35 State Street Hotel Partners, LLC, in a form of agreement approved by the City Attorney;
- B. Authorize the Public Works Director to execute a standard City Land Development Agreement (and related subsidiary agreements), in a form of agreement approved by the City Attorney, for the remaining public improvements associated with the Entrada Project; and
- C. Authorize the Public Works Director to execute a standard City Substantial Encroachment Agreement for the Entrada Project's Hotel Arcade on East Mason Street.

DISCUSSION:

BACKGROUND

On August 21, 2001, Council approved the Entrada de Santa Barbara Project (Project) with the former Project owner/developer, S.B. Beach Properties, L.P, after an appeal of the Planning Commission's approval of the Project. The current property owner is 35 State Street Hotel Partners, LLC (Owner). The Project involves development of portions of three City blocks north of Cabrillo Boulevard, including 123 hotel rooms, 19,926 square feet of commercial floor area, a 2,400 square foot Visitor Information Center (VIC) and a 264-space parking structure, as well as public improvements along State and Mason Streets and Helena Avenue.

The Project has received several Substantial Conformance Determinations (SCDs) in the manner allowed for such determinations by the Planning Commission's Guidelines.

The latest SCD was on June 27, 2013. In accordance with the latest SCD, the Owner is required to submit all architectural and engineering plans and reports necessary to obtain City building permit(s) for the entire on-site Project by May 15, 2014. The Owner must also obtain issuance of City building permits for the entire onsite Project within seven months of the submittal for building permits. Further, the Owner is required to obtain a City Public Works construction permit for the remaining offsite public improvements by September 1, 2015. Under the June 2013 SCD, the entire Project, including public improvements, must be completed by June 30, 2016.

On August 22, 2013, the Owner completed construction of the Stage 1 public improvements along the west side of State Street between Cabrillo Boulevard and the Union Pacific Railroad tracks south of Yanonali Street, and along West Mason Street between State Street and Kimberly Avenue.

OWNER PARTICIPATION AGREEMENT AMENDMENTS:

On April 13, 2004, the City executed an Owner Participation Agreement (OPA) with the former owner of the Entrada Project in order to document the somewhat minor role the former City Redevelopment Agency (RDA) was to play in the development of the Entrada Project. The original OPA was a three-way agreement between the City, the RDA of the City of Santa Barbara, and the property owner. Subsequently, the RDA was dissolved by the State of California and the City is its successor agency. It is necessary to amend and clarify the OPA to reflect the City and the Owner as parties to the agreement and to reflect the current Project conditions as they have evolved through the City's SCD process and to reflect the realities imposed on the OPA as a result of the dissolution of the RDA by the State under ABIX26. Consequently, the OPA amendments include the following Project aspects:

1. The Owner will construct on the subject real property a commercial Visitor Information Center (VIC) structure of approximately 2,400 square feet with public restrooms.
2. The Owner will construct a parking facility available for use by the public in accordance with Project approvals.
3. The construction of certain public street right of way improvements along the property frontages between 36 State Street and the State Street Mission Creek bridge, generally consisting of curb, gutter, sidewalk and utility improvements (including street furniture and street landscaping) along the east side of State Street as depicted on the City-approved Public Works C-1 drawings for the Project. The Successor Agency to the RDA will reimburse Owner for pro-rated costs based on the overall cost of such State Street sidewalk improvements made by the Owner in connection with this Project for those portions of the sidewalk outside of the Entrada area (i.e., between Area B and Mission Creek on the east side of State Street.) This reimbursement amount was recognized by the RDA Oversight Board as an enforceable obligation of the former RDA and has

been approved by the State Department of Finance as a "Recognized Enforceable Obligation of the Agency."

A transfer of fee title to an approximate 800 square foot portion of City-owned real property along the Area C State Street Right of Way for its incorporation into the Project and a related monetary credit in the amount of \$60,000 to the City for the cost of the sidewalk improvements along State Street (Item 3 above).

SUBSTANTIAL ENCROACHMENT AGREEMENT

A Substantial Encroachment Agreement is necessary for the hotel arcade encroachment on East Mason Street. Said encroachment would be constructed as part of the approved Project as reflected on approved Public Works C-1 construction drawings. Further, Minor Encroachment Permits will be required for the private communication lines for the Entrada Project within the State and Mason Street rights of way and for the private storm clarifiers. These encroachments are shown on the approved C-1 construction drawings. Minor Encroachment Permit approval is ministerial and will be authorized by the Public Works Director.

LAND DEVELOPMENT AGREEMENT ("PUBLIC IMPROVEMENTS AGREEMENT")

The public improvements on the west side of State Street and West Mason Street have been constructed. The east side of State Street and the East Mason Street and Helena Avenue public improvements (including the undergrounding of the adjacent overhead utilities) must be constructed by June 30, 2016. It is necessary to execute a standard Land Development Agreement with the Owner of the Project, and obtain new public improvement securities in the name of the Owner, for the benefit of the City. Staff recommends Council authorize the Public Works Director to execute the Land Development Agreement. This will also include amendments to other related Project agreements in order to reflect changes to the Project since it was originally approved. For example, since the original Project was proposed as a vacation timeshare arrangement, certain amendments to the existing Project agreements are appropriate to reflect that the Project is now a "hotel project."

BUDGET/FINANCIAL INFORMATION:

The City and the Successor Agency will be required to reimburse the Owner for the reasonable pro rata cost to construct a portion of the east side State Street public improvements outside the boundaries of the Entrada Area D as identified in Item 3 above. The construction cost estimate for this work is estimated to be approximately \$280,000. To cover these costs, the Successor Agency to the RDA has an existing "enforceable obligation" under the original 2004 OPA which will allow it to obtain funds up to \$335,000 as part of a Recognized Obligation Payment Schedule previously approved by the state Department of Finance. Further, the \$60,000 credit to the City identified in Item 4 above can be applied to the cost of said public improvements. Consequently, no additional City funds are anticipated.

Council Agenda Report

Entrada De Santa Barbara Owner Participation Agreement, Substantial Encroachment
And Land Development Agreements

December 10, 2013

Page 4

PREPARED BY: John Ewasiuk, Principal Civil Engineer/kts

SUBMITTED BY: Rebecca Bjork, Acting Public Works Director

APPROVED BY: City Administrator's Office