



6 February 2015

Mayor and Council Members
City of Santa Barbara
735 Anacapa Street
Santa Barbara, CA 93101

RE: Direct Relief, 6100 Hollister Avenue – Request for Designation as a Community Benefit Project

Dear Mayor and Council Members,

On behalf of Direct Relief, we are pleased to submit this letter requesting a Community Benefit designation by City Council and an allocation of 110,000 SF of non-residential floor area to the project from the Community Priority Category, which includes a reservation of 30,000 SF of floor area for a future warehouse expansion.

I. Direct Relief – Background and Mission

Direct Relief, founded in Santa Barbara in 1948, is among the world's largest nonprofit humanitarian aid organizations and is apolitical, secular in character, and privately funded. Over the past decade, Direct Relief has established the nation's largest charitable medicines program which serves as a critical resource in local, state and national emergencies. The mission of Direct Relief is to improve the health and lives of people affected by poverty or emergency situations by mobilizing and providing essential medical resources needed for their care. It works to strengthen the efforts of partner healthcare organizations by providing them with essential resources at no cost - medicines, supplies, and equipment. These materials enable healthcare providers to more effectively serve low-income and underserved people who otherwise would not be able to afford appropriate care or have access to critical medications.

Direct Relief's medical assistance programs equip health professionals working in resource-poor communities to better meet the challenges of diagnosing, treating, and caring for people without regard to politics, religion, gender, race, or ability to pay. Further, Direct Relief works with locally-run healthcare facilities in over 70 countries and each of the 50 U.S. states.

Direct Relief initiatives involve a wide range of functions that require specialized expertise and licensing. Capabilities include identifying key local healthcare providers; working to identify the unmet needs of people; mobilizing essential medicines, supplies,

and equipment that are requested and appropriate for the circumstances; and managing the many details inherent in storing, transporting, and distributing such goods to the partner organizations in the most efficient manner possible. Direct Relief enjoys the unique distinction of being the only nonprofit accredited and licensed to distribute prescription medications in all 50 states.

Existing Facilities

Direct Relief currently operates from their property located at 27 S. La Patera Lane, Goleta, at the northerly terminus of South La Patera Lane, adjacent to the Southern Pacific Railroad right of way and U. S. Highway 101. The property is 2.48 acres, zoned M-1, Light Industry, and is under the jurisdiction of the City of Goleta. The building was constructed in 1967 and is a metal industrial building with a total gross building area of 39,800 SF, which includes 13,200 SF of offices and 27,800 SF of warehouse area. There are 54 parking spaces, including three (3) ADA spaces, with an overflow area in the back lot that can accommodate 60 vehicles.

Additionally, Direct Relief leases the property located at 30 S. La Patera, which contains a 23,000 SF warehouse, 2 trailers that provide an additional 1,440 SF of office area, and there are 10 parking spaces.

Due to current demands to provide critical medical supplies to address the Ebola crisis, Direct Relief has recently leased another warehouse facility consisting of 17,442 SF on Los Carneros Road. This operational measure has had to be implemented various times over the course of the last 10 years to handle surge supplies and avoid an operational standstill when the existing warehouse facilities are full and there is insufficient space in which to stage, sort and pack supplies.

In summary, the existing Direct Relief facility operates with a total warehouse area of 50,800 SF, 14,640 SF of office space, and 64 parking spaces, with area at 27 S. La Patera to provide for an additional 60 vehicles along with a temporary warehouse area of 17,442 SF located on Los Carneros Road.

II. Proposed Project/Needs Assessment

In order to maintain its current and projected activities, two years ago Direct Relief began searching for a new site and ultimately identified the subject site as a potentially suitable location. It is important to note that Direct Relief continues to grow both in terms of an increase in staff as well as an increase in demand to provide critical medications and medical supplies domestically and internationally. Below is a summary and recap of the purchase agreement process that took place between the City of Santa Barbara and Direct Relief. Direct Relief contacted the City of Santa

Barbara Airport to evaluate a potential lease of the subject site (referred to as Parcel 22 and described in greater detail below). However, a 50-year lease option would not meet the future needs for Direct Relief so an offer was made to purchase a portion of Parcel 22. (See Attachment 1, City Council Agenda Report, August 5, 2014). Parcel 22 encompasses approximately 15 acres which includes:

- Approximately 8.5 acres needed to accommodate the new facility for Direct Relief¹;
- An area of approximately 4.72 acres that contains street frontage along Hollister Avenue that will be retained by the City of Santa Barbara Airport;
- A 0.52 acre area developed with a pocket park at the corner of David Love Place and Frances Botello Road; and,
- An area of approximately 0.62 acres that encompasses a proposed new public street.

City Council approved the purchase agreement on September 9, 2014. As part of the agreement terms, Direct Relief is currently in the midst of an 18-month due diligence period during which it is seeking to secure the necessary discretionary approvals. If it is necessary, a six month extension to the due diligence period is provided in the purchase agreement.

The project site is located at 6100 Hollister Avenue (APN 073-080-036), zoned A-I-1/A-I-2 Airport Industrial 1 and 2/Airport Specific Plan Designation, Industrial. The Direct Relief project proposes to construct a 100,000 SF warehouse structure with an attached two-story 25,000 SF administrative office building and a 30,000 SF warehouse expansion area that will be constructed in the future (for a total floor area of 155,000 SF) . Development of the site will include a secure truck yard and loading area with approximately 152 surface parking spaces that will include six (6) van accessible spaces, and approximately 118,871 SF of landscaped area (includes retention basin areas for storm water treatment). In addition, there will be an outdoor dining area of approximately 4,970 SF as an amenity for employees and volunteers.

The proposed structure will be designed to achieve compatibility with the surrounding manufacturing and industrial structures consistent with the Airport Specific Plan design guidelines and will be subject to review by the City's Architectural Board of Review. Green and sustainable and building design features and elements will be incorporated to the extent feasible.

¹ The Direct Relief design team is in the process of evaluating the minimum amount of lot area in which to develop the facility while taking into consideration adequate parking and storm water treatment and anticipates the total land area purchase may be less than the 8.5 acres available.

Existing Conditions and Development/Site History

The property is currently owned and operated by the City of Santa Barbara Airport Department. The site contains six (6) main buildings with five (5) outbuildings located haphazardly throughout the property. Existing uses range from general commercial, research and development to light industrial. The area surrounding the structures is paved and there are approximately 20 striped parking spaces.

Following approval of the Airport Specific Plan in 1997, several development projects on the subject property were processed by the City and two of these, Gateway Center and Citrix Centre, were approved but were never constructed. (Refer to Attachment 1 for additional site development history details).

Airport Specific Plan –Development Program

The Airport Specific Plan includes a development program which analyzed the total floor area available for new development within the Specific Plan Area based on Charter Section 1508 requirements. The analysis took into consideration a variety of factors consistent with the City's non-residential growth ordinance in effect at the time and included demolition of existing structures and minor and small addition allocations. In the case of the proposed development for the Direct Relief facility, Airport Staff has determined that 45,000 SF will be allocated from the Airport Specific Plan Development Program.

The site is currently developed with six (6) main buildings with five (5) outbuildings located haphazardly throughout the property. All existing structures are proposed to be demolished to make way for the proposed Direct Relief Facility. City Airport staff has confirmed the following floor area itemization breakdown:

• Existing development proposed for demolition	6,080 SF
• Previous structures demolished (% to Direct Relief)	25,000 SF
• Airport Demolition Bank (Specific Plan area, off-site)	5,420 SF
• Small Addition	2,000 SF
• Vacant Property (Distribution from Specific Plan Area)	<u>6,500 SF</u>
Total from Airport Specific Plan Area and Site	45,000 SF

The remaining 110,000 SF necessary to construct the new Direct Relief warehouse and administrative offices facility, (including the 30,000 SF warehouse expansion), is therefore requested to be allocated from the Community Benefit allocation category. It is possible, and preferable to Direct Relief, that the 30,000 SF warehouse expansion would be constructed at the same time as the rest of the facility. However, if funding is constrained, Direct Relief requests that the floor area for the expansion be reserved for

a five year period as provided in Section 1. D.(3). of Exhibit A to City Resolution No. 13-010.

III. Community Priority and Needs Assessment

As stated above, the mission of Direct Relief is to improve the health and lives of people affected by poverty or emergency situations which involve a wide range of functions. The proposed new facility will provide nearly double the warehouse and office area from which Direct Relief current operates. Direct Relief's purpose and operation is very much aligned with the intent and purposes of a Community Priority development as set forth in the City's Municipal Code. A Community Priority "is a project that has a broad public benefit, is not principally operated for private profit, and is necessary to meet a present or projected need directly related to public health, safety or general welfare." The proposed project is necessary for Direct Relief to continue to provide support services that serve the Santa Barbara region, the United States as well as the global community. Direct Relief clearly meets the criteria which qualify it as a Community Priority Project.

We respectfully request City Council to designate Direct Relief as a Community Benefit project and for a floor area allocation of 110,000 SF from the Community Priority category which includes a reservation of 30,000 SF of floor area for a future warehouse expansion.

On behalf of the applicant and project team, we thank you for your consideration of Direct Relief's proposed project.

Sincerely,
SUZANNE ELLEDGE
PLANNING & PERMITTING SERVICES, INC.



Suzanne Elledge
Principal Planner

Attachment 1: Council Agenda Report, August 5, 2014



CITY OF SANTA BARBARA

COUNCIL AGENDA REPORT

AGENDA DATE: August 5, 2014

TO: Mayor and Councilmembers

FROM: Administration, Airport Department

SUBJECT: Introduction Of Ordinance For Purchase And Sale Agreement For Sale Of Land Located At 6100 Hollister Avenue

RECOMMENDATION:

That Council introduce and subsequently adopt, by reading of title only, An Ordinance of the Council of the City of Santa Barbara Approving and Authorizing the City Administrator to Execute the Purchase and Sale Agreement and Related Agreements Between the City of Santa Barbara and Direct Relief, a California nonprofit public benefit corporation, at a base price of \$25 per square foot of land area.

EXECUTIVE SUMMARY:

The City adopted the Airport Specific Plan, City Parcel Map No. 20,608, in 1997 which included the land north of Hollister Avenue incorporating a total of 88 acres. Since 1997 the Airport has received numerous unsolicited proposals for development of portions of this area and has issued two Requests for Proposals to develop a 15-acre parcel in the Specific Plan Area. All development efforts have been unsuccessful for a variety of issues, but primarily due to the Santa Barbara City Charter restriction that limits leases to 50 year terms.

The Airport, at Council direction, investigated developing the property independently. Although construction of small flexible buildings over a five-year interval in phases was possible, financing of the development would require outside financing and the debt service requirements did not provide for a realistic return on investment.

Direct Relief International has submitted a proposal to purchase Airport land at a "fair market value" to construct new offices and a warehouse. The sale of Airport land would set a precedent; however, the proceeds would provide the Airport with the funds necessary to construct debt-free industrial buildings, thereby strengthening the Airports revenue base.

DISCUSSION:

Property Description

The land at 6100 Hollister Avenue, bounded by Hollister Avenue, Frederic Lopez Road, Francis Botello Road and David Love Place, (Parcel 22 of the Airport Specific Plan [City Parcel Map No. 20,608], along with the adjacent 74 acres was transferred to the City by Grant Deed from the War Assets Department in 1949 to be used for the operation, maintenance and capital improvement of the Santa Barbara Airport.

This area has been leased for commercial industrial uses and is separated from the active airfield by Hollister Avenue. In 1983, the City requested that all land north of Hollister Avenue, 88 acres, be released from the FAA requirement that the land be used for aviation purposes. The Federal Aviation Administration approved the release on October 30, 1984 but maintained the requirement that the revenue generated from the land must be at "fair market value" and be used for the operation, maintenance and capital improvement of the Airport.

Development History

In 1997, Council approved the Airport Specific Plan to guide development of the Airport's commercial/industrial zoned property for light industrial and yard uses, commercial recreation, and economic development.

The Airport's efforts to develop this land in accordance with the Specific Plan via long-term lease included:

- 1997 and 2004 - two unsuccessful single tenant development Requests for Proposals
- 2007 – one industrial condo ownership proposal with up to 19 buildings
- 2009 – one 4-acre parcel for Verizon a maintenance and storage facility
- 2010 – one hotel proposal for a portion of the parcel
- 2004- 2010 – four proposals from Target for a retail facility
- 2010 – one proposal from Deckers Corporation for corporate offices

In all cases the proposals were unsuccessful for a variety of reasons, but one major limiting factor is the Charter requirement that any lease be limited to 50 years.

Airport Small Parcel Development

Based on the failure of long-term lease development, on June 15, 2010 Council directed staff to pursue the small parcel development for industrial and commercial tenants consistent with the approved Airport Specific Plan. This approach would continue the Airport's niche in small light industrial space and could be phased in over a period of years. Staff undertook a comprehensive feasibility study including a site layout plan,

stakeholder input on the market as well as political sensitivity, and examination of financial Proforma on leasing and self development for the potential development of this 15 acre parcel.

Local consultants designed a layout plan that fully utilized all available land on Parcel 22 resulting in 13 lots with buildings ranging in size from 6,000 – 15,000 square feet with required parking, landscaping, and on site drainage. Input from stakeholders, including UCSB, Goleta Chamber of Commerce, City of Goleta, local real estate brokers, and others indicated that there had not been any new industrial buildings constructed in the last 25 years and that the size and design would meet the needs for this market with small commercial/industrial units with expansion opportunities.

The financial Proforma was based on outside financing to construct the 13 buildings in four phases, at five-year intervals, assuming pre-leasing and full occupancy upon completion. While possible, this approach to development had a high risk, with a low 50-year return on investment.

Unsolicited Proposal from Direct Relief International (DRI)

Direct Relief, founded in Santa Barbara in 1948, is a nonprofit, nonpartisan organization that provides medical assistance to people around the world who have been affected by poverty, natural disasters, and civil unrest. DRI is currently located at 27 South La Patera Lane and also leases space in a warehouse across the street from DRI offices. DRI employs 57 staff and has 20-25 volunteers daily.

DRI is seeking to build a new state of the art facility consisting of approximately 125,000 square feet in size, of which 100,000 square feet would serve as warehouse and distribution (with 45 foot height) and 25,000 square feet would serve as offices. As is typically required for development in proximity to the Airport, an "Avigation easement" in favor of the City would be required at the time of development to protect the aviation rights at the Airport.

DRI would require 6 to 8.5 acres of land for the new facility which will be determined upon final survey when development plans are more fully prepared. DRI plans to initiate a fundraising campaign for the development project.

DRI and the City explored the option of a long-term 50-year lease on Parcel 22, however, leasing was not an option. DRI subsequently offered to purchase the land at an appraised market value.

FAA Consultation on Airport Land Sale

Inasmuch as the land north of Hollister Avenue was acquired by the military during WWII and conveyed to the City, staff contacted the Compliance Officer with the Los Angeles

Airport District Office to inquire if there were any FAA restrictions on the potential sale of Airport property.

FAA responded that with the 1984 Instrument of Release eliminating all airport/aviation obligations, the land could be sold and converted to another use. Proceeds from the sale must, however, be used for airport purposes.

Purchase and Sale Terms

Following FAA's reply, staff entered into negotiations with DRI regarding the possible sale of between 6 and 8.5 acres of land zoned for commercial industrial development. The following summarizes the key terms and conditions of the Purchase and Sale Agreement:

- **Purchase Price:** Twenty-five dollars (\$25) per square foot (net). This amount reflects the value determined in the City's February 2014 appraisal. Total purchase price will be determined based upon net square footage acquired by DRI but will range from \$6.5 to \$8.5 million. City appraisal may be updated 90-days prior to close of escrow. DRI may either (i) accept City's updated value, or (ii) update DRI's appraisal (\$20/sf) in which case the new purchase price is determined by the average between the two new opinions of value as follows: (i) if the average opinion of value is less than the original base purchase price, the original purchase price remains the purchase price, (ii) if the average is greater than the original purchase price by 10% or less, the average becomes the new purchase price (iii) if the average is more than 10% above the original purchase price, the purchase price is increased by 10%.
- **Deposit:** Within 30 days after execution of Purchase and Sale Agreement, DRI will deposit \$500,000 into escrow which, at the end of an 18-month feasibility period, becomes liquidated damages or returned to DRI if the transaction does not close escrow.
- **Feasibility Period:** 18-month period for DRI to conduct due diligence with regard to the property. Close of escrow 90-days after end of feasibility period. DRI may choose to terminate transaction or extend the 18-month due diligence period for an additional period of 6 months if DRI has not secured approval of all discretionary permits necessary to develop the property with its intended development.
- **Operation of Property:** The Airport shall continue to use property in the usual manner until close of escrow.
- **Right of First Offer:** After close of escrow, if DRI determines to sell the property, it must first offer sale property back to City. City may offer to re-purchase based upon the then appraised value less 10%. Disagreement on the value is to be resolved by the average of three values. After 21 years, and for 10 years thereafter, 10% reduction to repurchase price is decreased by 1%.

- **Community Support Payment:** 12 months after issuance of the certificate of occupancy, DRI shall begin making annual payments to the City in the amount of 12.5% of 1.03% of the sum of the purchase price plus the construction costs (example: \$20,000,000 x 12.5% x 1.03% = \$25,750) increased annually by 2%. The payment is a personal obligation of DRI and terminates upon sale of the property.
- **Access Road:** DRI shall construct, or pay the City the sum of \$473,000 to construct, an access road in accordance with City standards extending from Frederick Lopez Road along the southern frontage of the purchased property. City shall reimburse DRI 50% of the road construction cost upon construction and occupancy of any structures located between the access road and Hollister Avenue on City-retained property.

Utilities: Water service shall be provided to the property by the Airport through a sub-meter connected to the City's meter connection to Goleta Water District. Sewer service shall be provided to the property by the City and connected through the City's facilities to the Goleta Sanitary District.

The Purchase and Sale Agreement and related agreements are available for public review at the City Clerk's Office and at Airport Administration.

Environmental Review

The City's Environmental Analyst has determined that the sale of this City land is categorically exempt from Environmental Review under California Environmental Quality Act Sec. 15312 (MST2011-00255).

Impact of Sale on Airport

While the proposed sale of Airport land is unprecedented, it would provide the necessary space for DRI, a long established local non-profit, to construct a state-of-art facility meeting DRI's unique space needs not available in other facilities.

Equally important to the City, the proceeds from the sale will allow the Airport to begin building out of the remaining land with light industrial uses, thereby strengthening the Airport's revenue base with debt-free buildings.

Escrow

Upon approval of the Purchase Agreement, an escrow account will be opened and administered by Fidelity National Title Company. Title insurance costs will be provided by the City. Upon close of escrow, and the effective date of the approving ordinance, Fidelity National Title Company will be authorized to record the Grant Deed in the Official Records, Santa Barbara County, and transfer of title will be completed.

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SUBMITTED BY: Hazel Johns, Airport Director

APPROVED BY: City Administrator's Office