



Mission Statement

"We Care for Our Residents by Working Together to Build a Better Community for Today and Tomorrow."

**CITY OF ROHNERT PARK
CITY COUNCIL AGENDA REPORT**

Meeting Date: August 27, 2024
 Department: City Administration
 Submitted By: Marcela Piedra, City Manager
 Prepared By: Kevin King, Sr. Management Analyst
 Agenda Title: **Approve Recommendation to Select CenterCal Properties, LLC, as the Developer for 6400 State Farm Drive**

BACKGROUND:

The City is the owner of an approximately 29.88-acre parcel of real property, commonly known as 6400 State Farm Drive, Rohnert Park (Assessor Parcel Number 143-051-072-000). The property is located within the Central Rohnert Priority Development Area Plan ("PDA Plan"), with an approved Environmental Impact Report ("PDA EIR") prepared in accordance with the requirements of the California Environmental Quality Act ("CEQA") and a Mitigation Monitoring and Reporting Plan ("PDA MMRP"). In addition to being in the PDA, 6400 State Farm Drive is located within the Station Center Subarea and Downtown District Amenity Zone ("DDAZ") as designated in the PDA Plan.

On March 4, 2023, the City Council adopted Resolution No. 2023-019, determining the Property is "exempt surplus land" pursuant to provisions of the Surplus Land Act (SLA), Government Code Section 54221; and on April 14, 2023, the State of California, Department of Housing and Community Development (HCD), notified the City that it concurred with the City's determination.

On November 1, 2023, the City issued a Request for Qualifications (RFQ) for development of the property. An RFQ was issued by the City to maintain a transparent and competitive process. The City's RFQ invited qualified development teams to express their interest in the development of the "Downtown Rohnert Park" project. Included in the RFQ, was the City's vision for the project which is a walkable, mixed-use district with:

- 300-500 residential units (25% of which are required to be deed-restricted affordable housing at or below 80% of Area Median Income in accordance with the "exempt surplus land" determination);
- Unique/non-formula food, art, and beverage destinations;
- A signature boutique hospitality venue;
- A rich and interesting public realm consisting of walkable streets; and
- A central community plaza or square

Outreach was performed by emailing the RFQ to a list provided by HCD of housing developers, which totaled 769 at send, per requirements of HCD and the SLA. In addition, the City advertised the RFQ in a commercial real estate publication through print ads, online ads, and email.

As of the RFQ application closing on January 18, 2024, the City received five submissions. A selection committee comprised of City staff and other external reviewers evaluated the submissions and identified the highest ranked firms which were three out of the five submissions. Those three firms were: CenterCal Properties LLC, The Grupe Co./Rogal, and City Ventures/Related Cos./Burbank Housing.

The three highest ranked firms proceeded to the interview process. Following the interview process, City staff toured properties developed by each of the three development groups to evaluate project experience and consistency with the City's vision for the downtown project.

ANALYSIS:

The desire of the City is to engage with an experienced development team to create a vibrant mixed-used downtown, anchored by a residential community with market rate and affordable housing, and highlighted commercial uses focused on local and regional merchants and restaurateurs, a signature boutique hospitality venue, a central community space and seamless connections to regional transit and the surrounding community. The vision for the project is to engage the Rohnert Park community, centered around people and experiences, not the automobile.

In order to select the most qualified development team the City identified six categories each firms interested in the project needed to meet. Those categories are as follows:

1. Development Team Experience
2. Financial capacity
3. Project Understanding and Approach
4. Local Workforce Protections
5. Sustainability Plan
6. Project References

Below is a summary of the three highest ranked firms the selection committee determined to be responsive to the criteria listed above.

Grupe Company / Rogal + Partners

Grupe Co. and Rogal + Partners would act as co-master developers of a group featuring Runyon Group (for retail), Impact Residential Group and Tableau Development (for affordable housing). Grupe is a housing developer of single-family and multifamily homes, with over 40,000 homes built and being part of 23 master planned communities. Rogal is known for the 27-acre Carneros Inn, located along Highway 121 on the Napa side of the of the Sonoma/Napa border. In addition, Rogal is in the middle of construction on Napa Pipe development (945 housing units, a hotel, retail, and a public park); and a commitment to redeveloping a parking structure in downtown Santa Rosa into housing or mixed-use; as well as a commitment to build Sonoma Development Center near the City of Sonoma (also with Grupe).

Grupe/Rogal proposes a plan where housing is integrated into three-quarters of the space, with approximately 75,000 square feet of retail, 100,000 square feet for a hotel that faces Rohnert Park Expressway and the Rohnert Park-Cotati Library, with 400 housing units. Of the housing, 125 units would be over retail, 115 would be affordable and adjacent to the rail line, and 160 would be townhomes making up the southern half of property. Parking would be situated within the townhomes,

along newly formed streets, and near the retail and mixed-use buildings. The town square would be surrounded by streets on all sides and be positioned on the western portion of the site, closest to State Farm Drive. Grupe/Rogal placed a timeline of five years to go from selection to completion, with phased construction taking two years.

Grupe/Rogal has experience in housing (Grupe) along with luxury hospitality (Rogal) projects, and partner Tableau can build out the affordable housing component that is key to the project due to the requirements of Surplus Land Act. The proposal suggests delivering a luxury experience to Rohnert Park, which raises a question of fit for the city; however, the team is dedicated with experience in the two of the three key areas of the project (housing and hospitality) and marked ambitions of delivering the third (retail).

Site visits included Casa Arabella (Oakland), Carneros Inn in (Napa, Calif.), and 20PQR (Sacramento), which are housing and hotel sites.

Individually, each member of the Grupe/Rogal team shows exemplary ability and experience for site creation and housing development; however, there was a lack of cohesion and team synergy on their vision for this site, and how it aligned with the city's vision, when their individual members were pressed. In interviews and in site visits, the team gave no solid examples of retail creation, highlighting concerns over whether the most requested component of the downtown—the retail and community experience around that retail—could be delivered.

City Ventures / Burbank Housing / Related Cos.

City Ventures is a housing developer of multifamily units and townhomes, mainly in California and the Bay Area, with many recent projects in Sonoma County, making them uniquely qualified for this project to understand the scope of the development of the site. City Ventures would act as master developer of the project, working with Related California and Burbank Housing on the affordable housing; Sonari Capital Partners on the hotel; and did not name a retail developer for the retail side, implying they'd lean on city staff for vision.

Site visits from the City included Ascend (Novato, Calif), Cherry Blossom Row (Richmond, Calif.), Laurel at Perennial Park (Santa Rosa, Calif), and Laurel at Perennial Park (Santa Rosa); all of which exuded an attention to detail and great ability of the developer to build housing on any parcel and under varied conditions.

The biggest challenge with partnering with the City Ventures team will be the retail component, arguably the central element of a downtown. As stated, the team has housing development bona fides; however, the retail component in their experience—both stated and proposed—is lacking. To be fair, City Ventures has been transparent and upfront about this area of need and would rely on city staff to aid in design or find a retail developer to bring the retail component to life. While housing is key to move this project forward due to the SLA, a central retail area, with a vibrant public space, is also critical to the project's success as a community center. The elements of retail has topped any public survey and what residents want and expect the City to produce for the site. The City—staff, public, council—has repeatedly requested a developer with the ability to deliver such an experience.

CenterCal Properties, LLC [Staff Recommended]

A retail-focused master developer with over 20 years of experience, CenterCal is an all-in-one development group who aims to keep all elements of its development in-house, preferring partnerships and consultants. CenterCal operates 17 retail centers in California, Idaho, Washington, and Utah, with some properties that were purchased and refurbished (Bay Street Emeryville) and some developed (or

redeveloped) from the ground up (The Village at Totem Lake in Kirkland, Wash.). Site visits included trips to the Kirkland property and two sites in Utah -- Mountain View Village and Station Park.

CenterCal proposes to bring an upscale concept to Rohnert Park, with an emphasis on adding new retail of as much as 150,000 square feet. CenterCal proposes a site that is consistent with the City's vision for the site—where building fronts facing into the site—and instead opts for parking along Rohnert Park Expressway, with businesses facing the street, while the residential component would be tucked off the Expressway and along Enterprise Drive and State Farm Drive. The proposed hotel would be located adjacent to the SMART stop and abutted by the city public works lot on the southeast end of the area. Housing would be made up of 420 rental units (100 of which would be affordable). It is worth noting that this element of the proposal would need to be modified to 105 affordable units in order to conform with the requirements of the SLA.

CenterCal is a retail developer, with a history of ownership and development in the space. All portions of development planning and tenant management are handled in-house. This generally allows CenterCal to take a path of managing potential tenants—commercial and residential—into its development plans, as well as maintains management of those tenants for a longer hold on the property. This streamlined approach makes them ideal for understanding of how the property works and works together as a mixed-used concept over a long period of time.

Overall, CenterCal has the experience, ability, and thoroughness to create and manage what will ultimately be the most dynamic component of this property: the retail. While the other developers showcased incredible ideas and ease with the other commercial property types, CenterCal's proposal, knowledge, experience, and capacity in retail highlighted a company ready to move forward on the site and move forward swiftly. More importantly, they align with the City's values and bring a shared vision to Rohnert Park.

Following the RFQ process and taking into account interviews and subsequent site visits, City staff is ultimately recommending the selection of CenterCal Properties LLC for the development of the downtown project at 6400 State Farm Drive. If the selection is approved by Council at this meeting, staff will bring forward an item to recommend approval of an Exclusive Negotiating Agreement (ENA) so that CenterCal and the City can immediately begin negotiating the next phases of the project, including but not limited to a disposition and development agreement (DDA) outlining the disposition of the property, scope of work, project schedule, and other important terms and conditions.

ENVIRONMENTAL ANALYSIS:

The selection of CenterCal Properties, LLC, as the Developer for 6400 State Farm Drive is exempt from the California Environmental Quality Act ("CEQA") because it does not qualify as a "project" pursuant to Public Resource Code Section 21065 and CEQA Guidelines Sections 15320, 15378 and 15061(b)(3), because it can be seen with certainty that there is no possibility the City's action would cause either a direct physical change in the environment or a reasonably foreseeable indirect physical change in the environment.

The real property located at 6400 State Farm Drive, is located within the Central Rohnert Priority Development Area Plan ("PDA Plan"). Further, the property is located within the Station Center Subarea and Downtown District Amenity Zone ("DDAZ") as designated in the PDA Plan. The City previously certified and approved an Environmental Impact Report ("PDA EIR") prepared in accordance with the requirements of the California Environmental Quality Act ("CEQA") and a

Mitigation Monitoring and Reporting Plan (“PDA MMRP”), in connection with the approval of the PDA Plan and the DDAZ.

STRATEGIC PLAN AND COUNCIL PRIORITIES ALIGNMENT:

This action is consistent with Council Strategic Plan Goal 2 (“Community Quality of Life”) and is Council Priority No. 1 for FY24/25 (“Continue to Make Progress on a Downtown”).

OPTIONS CONSIDERED:

1. Approve recommendation to select CenterCal Properties, LLC, as the developer for the development of 6400 State Farm Drive. **(recommended)**
2. Withdrawal consideration of all submitted applications and consider discussion on disposing 6400 State Farm Drive at a later hearing. **(not recommended)**.

FISCAL IMPACT/FUNDING SOURCE:

To be determined. The City is relying on CenterCal to fund the construction of the project.

Code Compliance Approval Date: N/A

Department Head Approval Date: 8/22/2024

Finance Approval Date: N/A

Human Resources Approval Date: N/A

City Attorney Approval Date: 8/23/2024

City Manager Approval Date: 8/23/2024

Attachments:

1. Presentation on Selection of a Developer for 6400 State Farm Drive