



## AGENDA SUMMARY EUREKA CITY COUNCIL

**TITLE:** Exempt Surplus Property Resolution for Sunset Heights

**DEPARTMENT:** Development Services

**PREPARED BY:** Alexandra Gonzalez, Assistant Planner

**PRESENTED FOR:** Action Information only Discussion

### **RECOMMENDATION**

Adopt a Resolution of the City Council of the City of Eureka finding the Sunset Heights property (APNs 008-052-024, -025, -026, and -032) is exempt surplus land pursuant to California Government Code Sections 54221(f)(1)(A) and/or 54221(f)(1)(F) because the property is to be disposed of for development of deed-restricted affordable housing.

### **FISCAL IMPACT**

No Fiscal Impact Included in Budget Additional Appropriation

### **COUNCIL GOALS/STRATEGIC VISION**

- **General Plan Housing Element Goal H-2:** The City government actively facilitates the creation of a range of new affordable and market rate housing units to accommodate future growth and to address the needs of all socioeconomic segments of the community.

### **DISCUSSION**

On September 5, 2023, City Council authorized a Memorandum of Understanding (MOU) with Rural Communities Housing Development Corporation (RCHDC) for the sale and development of the City-owned Sunset Heights Property as affordable housing. The property, located between West Harris and Henderson Streets, west of Fairfield and upslope and east of Broadway, consists of four contiguous legal parcels. A lot line adjustment has been approved and will soon be recorded to reconfigure the property into two legal parcels. To proceed with the disposition, the City must first re-declare the Sunset Heights Property as exempt surplus land.

To help address the local housing crisis, the City's 2019-2027 Housing Element includes Implementation Program IMP H-34: Affordable Housing on City-Owned Properties (Imp H-34). This program designates fourteen City-owned parcels across

eight sites for sale or lease to affordable housing developers, aiming to facilitate the construction of at least 332 deed-restricted affordable housing units by 2028.

When the 2019-2027 Housing Element was originally adopted in December 2019, IMP H-34 included 12 properties, five of which - the three Linc Housing sites and two Wiyot Tribe/ Dishgamu Humboldt Community Land Trust sites - remain on the current list. Changes were made to Imp H-34 after Pierson Properties & Development, LLC proposed swapping three City-owned parking lot sites originally included in IMP H-34 (4th and G, 5th and H, and 5th and K) for the Sunset Heights Property. As amended, Imp H-34 requires the Sunset Heights Property to be sold or leased and developed with deed-restricted units, including at least 60 units for very low-income households and 20 for low-income households.

The Surplus Land Act is a “right of first refusal” law requiring local agencies to offer surplus land for sale or lease to affordable housing developers and certain other eligible entities before selling or leasing the land to any other individual or entity. Under this law, the governing board of a local agency - in this case the City Council - must declare the Sunset Heights Property as “exempt surplus land” at a regular public meeting prior to its disposition.

On February 1, 2022, the City Council declared the Sunset Heights Property exempt surplus land for affordable housing development under Government Code Section 54221(f)(1)(A). However, on March 4, 2022, the California Department of Housing and Community Development (HCD) informed the City that this designation was premature and requires an amendment to the Housing Element before the exemption could be finalized. In response, the City Council amended the Housing Element on October 18, 2022, to formally include the Sunset Heights Property in IMP H-34, and HCD certified the amendment on November 10, 2022. The City is now attempting to re-declare the Sunset Heights Property exempt land under Government Code Section 54221(f)(1)(A) and/or under Government Code Section 54221(f)(1)(F).

The City’s MOU with RCHDC requires the developer record a regulatory agreement that ensures at least 80 housing units remain affordable to lower-income households for a minimum of 55 years. On December 11, 2024, the Planning Commission conditionally approved Design Review, Density Bonus concessions, and Lot Line Adjustment, to allow for the development of four separate buildings with a total of 88 units (See Attachment 2 for copy of Planning Commission Resolution No. 2024-27). As part of these approvals, the Planning Commission also recommended that the City Council declare the Sunset Heights Property exempt surplus land and collaborate with the future property owner to establish an easement for a potential pedestrian and bicycle bridge across Broadway/Highway 101. Prior to Planning Commission approval on December 3, 2024, the City Council authorized the City Manager to enter into a Disposition of Development Agreement (DDA) with RCHDC. City Staff is currently working with RCHDC to ensure the DDA includes language about retaining any necessary public easements, which will be recorded prior to the final sale and property transfer.

RCHDC is actively pursuing project financing, including an Affordable Housing and Sustainable Communities (AHSC) program grant/loan and a Multifamily Housing Program (MHP) low-interest loan. When ranking applicants, these programs provide scoring points for projects located on sites officially designated as surplus land by a local agency. However, since the City did not adopt a final resolution declaring Sunset Heights as surplus land after HCD's March 4th letter, RCHDC is currently ineligible for these scoring points, making them less competitive for state funding.

City Staff has consulted with HCD Staff responsible for implementing the Surplus Land Act, who confirmed the City can come into compliance by retroactively adopting a resolution declaring the Sunset Heights Property as exempt surplus land and providing a copy to HCD. The Sunset Heights Property qualifies as exempt land under California Government Code Sections 54221(f)(1)(A) and/or 54221(f)(1)(F) because the approved development will be 100% affordable housing, except for manager's units, with at least 60 of the 88 units affordable to very-low income households and 20 affordable to low-income households. A covenant will be recorded to ensure that these affordability restrictions remain in place for at least 55 years, as required by law.

For these reasons, Staff recommends City Council adopt the attached resolution declaring the Sunset Heights Property as exempt surplus land to enhance the development's competitiveness state grant and loan funding.

### **ENVIRONMENTAL**

The proposed Sunset Heights project is subject to the provisions of the California Environmental Quality Act (CEQA) and was found to be exempt from CEQA by the Planning Commission on December 11, 2024, pursuant to CEQA Guidelines Section 15332 (Class 32; In-Fill Development Projects) and CEQA Guidelines Section 15194 / Public Resources Code Section 21159.23 (Affordable Housing) exemptions. The surplus itself also qualifies for CEQA exemption pursuant to CEQA Guidelines Section 15312 (Class 12; Surplus Government Property Sales).

### **ATTACHMENTS:**

Attachment 1: Resolution

Attachment 2: Planning Commission Resolution No. 2024-27

### **REVIEWED AND APPROVED BY:**

- City Attorney
- City Clerk/Information Technology
- Community Services
- Development Services
- Finance
- Fire
- Human Resources
- Police
- Public Works