



STAFF REPORT – CITY COUNCIL MEETING

TO: Honorable Mayor and City Council Members

FROM: David Loya, Community Development Director

PREPARER: David Loya, Community Development Director

DATE: December 17, 2025

TITLE: Adopt Resolution No. 256-26 Declaring Approximately Eight Acres of the City Owned Property at Happy Valley (Assessor’s Parcel No. 507-081-038) Surplus Land – Not a Project Pursuant to the California Environmental Quality Act.

RECOMMENDATION:

Staff recommends the Council Adopt Resolution No. 256-26, A Resolution of the City Council of the City of Arcata Declaring Approximately Eight Acres of the City Owned Property at Happy Valley (Assessor’s Parcel No. 507-081-038) Surplus Land – Not a Project Pursuant to the California Environmental Quality Act (CEQA).

INTRODUCTION:

Effective January 1, 2020, Assembly Bill (AB) No.1486 amended the State Surplus Land Act (SLA) to require a local agency to formally declare publicly owned property no longer used for the agency’s express purpose as surplus land before beginning the disposition process. Unless the land is exempt from the SLA, the declaration must be made by the legislative body of the local agency and should be supported by written findings. Surplus land must follow a statutory noticing and negotiation period with certain designated entities, including eligible housing sponsors defined by the California Department of Housing and Community Development (HCD).

BACKGROUND:

AB No. 1486 amended the SLA with the aim to “connect developers who are interested in building more affordable homes on surplus local public land that is both available and suitable for housing development.” The Act now requires that prior to the disposition of public lands, the City declare lands “Surplus” or “Exempt Surplus.” If the lands are not found to be exempt, the City must comply with the noticing requirements of the SLA prior to disposition.

The City must provide a Notice of Availability (NOA) to the State Housing and Community Development Department, specific housing sponsors, and any other public entities within whose jurisdiction surplus land is located. Entities or associations interested in developing the surplus land for affordable housing will have 60 days to respond to the NOA. If the City receives a written notice of interest from a proper entity within this 60-day period, then a 90-day good faith negotiation period begins on the day after the end of the 60-day notice period.

During this 90-day period, the City must document that it has negotiated in good faith with interested entities. The City may not restrict residential use of the surplus land as a condition of sale. If the City does not come to an agreement during the negotiation period with an eligible entity, or if no eligible entity responds to the NOA, the City may dispose of the land outside of the SLA pursuant to an affordability covenant should housing be developed on the land.

DISCUSSION:

In 2009, The Arcata Community Development Agency acquired the Happy Valley property through Resolution No. 10-03, which states the purpose of the acquisition was to provide economic development opportunities for the City of Arcata.

In 2016, the City authorized the transfer of the property assets to the City of Arcata for future development for economic development purposes and disposition according to the Implementation Plan, Economic Development Strategic Plan, General Plan, and Land Use Code.

Most recently, in 2024, the City finalized the Compensation Agreement, where the former Taxing Entities agreed to the value of the property as direct compensation with the balance of the agreed value invested in developing the property. With the Compensation Agreement executed and proceeds distributed to the former taxing entities, the property is eligible for disposition.

The City has since been approached by a real estate developer that is interested in purchasing an approximately 8.2-acre portion of the site, as shown in exhibit 1. It is now necessary to declare the property a surplus land in compliance with the Surplus Land Act prior to disposition. After the noticing requirements of the Surplus Land Act have been satisfied, if no agreement has been reached with an interested developer or sponsor of affordable housing, may staff enter negotiations with the interested real estate developer regarding the disposition of the property.

This property is designated for Industrial-Limited use. Section 103(b)(3)(G) of the Surplus Land Act Guidelines provided by HCD states, “An existing nonresidential land use designation is not per se a legal restriction that would make housing prohibited. Therefore, despite the zoning, the Surplus Lands Act compels the City to negotiate in good faith with affordable housing developers or sponsors who respond to the Notice of Availability. As Industrial-Limited zoning disallows both single and multi-family housing, further action would be needed should a housing developer or sponsor acquire this property. Amending the zoning for property to allow for the development of affordable housing would result in spot zoning. Staff are inclined to avoid this outcome. Staff would explore possible avenues to work with interested parties given zoning restrictions as part of good faith negotiations.

POLICY IMPLICATIONS:

This action will help implement the City’s Long-Range Property Management Plan and the long-standing goal to develop the property for economic development and job growth purposes.

COMMITTEE/COMMISSION REVIEW:

None.

ENVIRONMENTAL REVIEW (CEQA):

Initiating the Surplus Lands Act process is not a “project” pursuant to CEQA. The various actions, including subdivision and development on the property may be subject to CEQA.

BUDGET/FISCAL IMPACT:

Declaring the property surplus does not have a budget impact. However, future sale of the property would generate revenue for the Successor Agency Project Fund.

RECOMMENDED COUNCIL ACTION:

Motion to adopt Resolution No. 256-26, A Resolution of the City Council of the City of Arcata Declaring Approximately Eight Acres of the City Owned Property at Happy Valley (APN 507-081-038) Surplus Land – Not a Project Pursuant to CEQA. Consent Calendar vote.

ATTACHMENTS:

A. Resolution 256-26