



**AGENDA SUMMARY
EUREKA CITY COUNCIL**

TITLE: Strategy for Development of C-to-F Properties

DEPARTMENT: Development Services

PREPARED BY: Rob Holmlund, Director of Development Services

PRESENTED FOR: Action Information only Discussion

RECOMMENDATION: Receive staff report and provide a recommendation to Staff.

FISCAL IMPACT

No Fiscal Impact Included in Budget Additional Appropriation

OVERVIEW: The City owns most of the vacant lands around the boardwalk, which is some of the most valuable undeveloped land in Humboldt County. Known as the “C-to-F” area because the property spans from C Street to F Street, the property consists of three consecutive City blocks on the waterfront north of 1st Street. In 2015, the City engaged the community in a week-long design charrette that consisted of several stakeholder meetings, public site tours, envisioning workshops, and community-led design sessions in which citizens worked in groups to develop their own concept for development of the site. The charrette culminated in the collation and compilation of the community’s collective vision into a set of six conceptual development alternatives.

The community’s envisioned development of the site included dense, multi-story buildings developed in a pattern akin to the existing built-environment located to the south of the site along F Street and Second Street. The concepts show the site divided into three city blocks, with buildings at the back of sidewalks, retail storefronts on the first floor, and office/residential units on the upper floors. The concepts show very little internal parking spaces, emphasizing instead the same type of development patterns that make Old Town such an excellent pedestrian-friendly shopping district.

The City’s development strategy was to sell the City-owned properties through a competitive process. It was assumed that the City would receive multiple proposals and that the City would then be able to select the proposal that was most closely inspired by the community’s vision. However, for several reasons outlined below, the Development Services Department has delayed the development process longer than had been originally planned. In the months that passed since the conclusion of the design charrette,

the following challenges that have slowed the City's ability to accomplish the project within the timeline originally envisioned. The primary challenges identified include:

1. City-mandated parking standards would require such a substantial amount of parking spaces for the buildings proposed that at least half of the buildings shown in any of the concepts would have to be eliminated and replaced with parking lots.
2. The City's development standards in the General Plan and Coastal Land Use Plan would greatly limit the bulk of buildings at the site and would not allow the development to occur as envisioned.
3. Frequent coordination with the California Coastal Commission to identify potential permitting obstacles that development of the site may pose.

In an effort to solve the first problem, the City Council recently expanded the boundaries of the Parking Assessment District to include the C-to-F area. While this solution took some time, the first problem is now effectively solved. The second challenge has proven to be especially problematic and will present substantial barriers towards the accomplishment of the community-envisioned designs. At the very least, this challenge will delay the development process longer than had been originally planned. The primary obstacle is that the General Plan's required maximum floor-area-ratio greatly limits the total size of buildings that can be constructed at the site and would likely lead to the development of one-story buildings, which is completely out of alignment with the community envisioned concepts. Other development standards would also be a hindrance. Increasing the allowable floor-area-ratio and modifying the other development standards can only be achieved through a General Plan Amendment (GPA) and subsequent Coastal Land Use Plan Amendment (LUPA), which combined typically require a minimum of one year of effort. Instead of conducting a separate GPA/LUPA, the Development Services Director decided to rectify the sub-standard development standards through the General Plan Update and Zoning Code Update. The General Plan is scheduled to be adopted by City Council in September of 2018 and then must be subsequently certified by the Coastal Commission, which could take an additional six months or more.

While sorting through the challenges above, two other challenges have slowed the timeline:

4. Filling the site with the envisioned retail, craft manufacturing, and entertainment uses may be challenging based on a detailed analysis of vacancy rates in the Old Town and Downtown districts coupled with preliminary evaluations of market demand.
5. Regular communication with investment groups and developers that have expressed interest in developing on the site indicate that the greatest demand is for a waterfront hotel. It appears that when the city releases a competitive request for proposals, the majority of proposals will be for corporate hotels with large parking lots that effectively consume the entire site. While a corporate hotel could fit very well within the community-envisioned concepts, filling up the entire project area with one building and a large parking lot does not fit within the community vision.

One strategy to resolve these two additional challenges would be the construction of a waterfront hotel that is nearby the C-to-F site but not located at the C-to-F site. The construction of a 100+ room hotel on the waterfront located near the C-to-F area would likely lead to a much higher probability of success for the development of retail, craft manufacturing, and entertainment uses at C-to-F. It is safe to assume that a 100 room hotel on the waterfront would have a 100% occupancy throughout the summer. With an average occupancy of two people per room, such a hotel could bring 200 people each day to Old Town and the C-to-F area, which should lead to a reduction in existing vacancy rates in existing buildings and should also supply sufficient additional foot traffic to support the development of new businesses in new buildings.

There is sufficient space for such a hotel on the waterfront between G Street and I Street (just to the east of the C-to-F site). The site is owned by Union Pacific Railroad, who recently cleaned the site from environmental contamination. The City also recently worked with Union Pacific to acquire land on the south side of the property to connect the gap in the street and sidewalks of Waterfront Drive (First Street). Staff believes that the Union Pacific site is an ideal location to develop a large waterfront hotel for several reasons: the site has sufficient space for a hotel with 100+ plus rooms and sufficient space to provide all the parking that such a hotel would need; the City's pending project to connect Waterfront Drive and eliminate the roadway gap would make the site more developable and would make connecting utilities to the site far easier than it otherwise would have been; the site is connected to the boardwalk and is a very short walk to the C-to-F site and would complement the development envisioned for that site.

When prospective hotel developers call the City and ask about the potential of developing at the C-to-F area, the Director of Development Services always refers them to Union Pacific. To date, at least four different potential hotel developers have been referred. In each case, Union Pacific has indicated that may be willing to sell but that they are seeking more than double the appraised value of the site. Each prospective hotel developer then calls the City, indicates that they cannot justify the sale price of the Union Pacific site, and then asks again if they can develop a hotel at the C-to-F site. Staff's answer is that a development plan with a large parking lot dominating the site is not in alignment with the community vision, but that City Council may consider such a proposal.

The purpose of the staff report is to provide background information of the challenges that have been faced to date in accomplishing the vision established through the charrette and to receive direction from City Council regarding preferred next steps. Possible next steps include:

1. Release an RFP immediately. This option requires the City to accept the fact that the City's current development standards (especially floor-area-ratio) will lead to the development of small buildings or one three-story building with a large parking lot consuming the remainder of the space. In addition, it is safe to assume with this option that that proposals submitted to the City will likely consist predominately of large hotels with large parking lots consuming the majority of the site.
2. Complete the City General Plan, fix the development standards, and release an RFP in 2019.

3. Continue to coordinate with Union Pacific regarding their property with the intent of trying to steer development towards that site.

Staff's current plan is to continue working on items #2 and #3. However, staff would like to know if the City Council would like to switch to option #1 above or would like to switch to an alternate strategy not listed.

REVIEWED AND APPROVED BY:

- City Attorney
- City Clerk/Information Services
- Development Services
- Finance
- Fire
- Parks and Recreation
- Personnel
- Police
- Public Works

ATTACHMENTS: A. SITE LOCATION MAP