



**CITY OF SALINAS
COUNCIL STAFF REPORT**

DATE: FEBRUARY 20, 2018
DEPARTMENT: OFFICE OF THE CITY MANAGER
FROM: ANDREW MYRICK, ECONOMIC DEVELOPMENT MANAGER
TITLE: EXCLUSIVE NEGOTIATING RIGHTS AGREEMENT WITH RN BORELLI INC. FOR PROPERTY LOCATED AT THE SALINAS AIRPORT

RECOMMENDED MOTION:

Staff recommends a motion to approve the Resolution and attached Exclusive Negotiating Rights Agreement.

RECOMMENDATION:

Staff recommends the approval of the Resolution and attached Exclusive Negotiating Rights Agreement in order to facilitate the development of approximately 13 acres of land at the Salinas Airport for the purposes of increasing Airport revenues and furthering the City's economic development efforts.

BACKGROUND:

The Salinas Municipal Airport is owned and operated through the City of Salinas as an Enterprise Fund. The Airport owns several parcels of land in addition to the parcel occupied by the Airport itself. One of these parcels is approximately 13 acres of land located at the corner of Airport and Skyway Boulevards, across Mortensen Avenue from the Airport's offices and the Flying Artichoke restaurant (see attached Aerial Photo of Site). Aside from some unmaintained paved roads and small structures, the site has been vacant for many years, with the last serious development proposal being reviewed by the City in 2008. The City has marketed the site and has entertained some parties with an interest in developing the property for aviation or other purposes; however, to date there has been no serious interest which has resulted in an actual project.

In October 2017, City staff was approached by representatives of Ralph Borelli regarding the subject property. Mr. Borelli is a developer based out of San Jose with over 45 years of experience in real estate. Mr. Borelli has developed projects in San Jose, Monterey, and elsewhere, and is currently working on several other projects, the most significant of which is a transit-oriented development in San Jose near the Berryessa BART Station which includes 120 acres to be developed with 3,635 residential units, 200,000 square feet of retail, and 1.5 million square feet of office space.

Mr. Borelli has indicated an interest in developing the airport property, and has requested that the City enter into an Exclusive Negotiating Rights Agreement (ENRA). Pursuant to the ENRA, Mr. Borelli would establish the level of market demand for potential types of businesses, design a project, identify financing, and perform whatever other due diligence is necessary. The City would be responsible for establishing the suitability of the site for development and determining whether there are any environmental or other constraints on the site which must be addressed. Once a feasible and mutually desirable project has been determined, the necessary environmental reviews would be undertaken. The process would culminate with Council's consideration of a Long-Term Lease and the associated environmental reviews. The developer will be responsible for covering all of the City's costs, including staff time, except for investigations related to the site itself, and will deposit funds with the City so that the City may draw from them during the project.

As the site is located on land owned by the Salinas Airport, there are several requirements for the project which distinguish it from development elsewhere. These distinctions include:

- 1) Any development will be subject to approval by the Federal Aviation Administration (FAA), and will need to be reviewed in accordance with both federal and state environmental laws.
- 2) The land may not be sold – as a result, the ENRA explores the possibility of a long-term lease, rather than the sale of land.
- 3) Any expenditures and revenues will be made through the Airport's Enterprise Fund – the City may not apply the revenues to its General Fund. Any revenues from development will be allocated to the Airport.
- 4) The project must provide financial benefits to the airport, and leases must be at market rate.
- 5) Any potential development will be subject to both the California Environmental Quality Act (CEQA) and the National Environmental Policy Act (NEPA).
- 6) The project will be subject to final approval by the FAA in addition to City approval.

During the early stages of the ENRA, the developer will conduct market research to determine potentially viable uses for the land. This will include an exploration of whether it would be possible to construct facilities that would support AgTech companies that have chosen to locate in Salinas. The final Long-Term Lease will include provisions relating to the permissible uses of the land, as well as the final configuration for buildings on-site.

CEQA CONSIDERATION:

Not a Project. The City of Salinas has determined that the proposed action is not a project as defined by the California Environmental Quality Act (CEQA) (CEQA Guidelines Section 15378). In addition, CEQA Guidelines Section 15061 includes the general rule that CEQA applies only to activities which have the potential for causing a significant effect on the environment. Where it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment, the activity is not subject to CEQA. Because the proposed action and this matter have no potential to cause any effect on the environment, or because it falls within a category of activities excluded as projects pursuant to CEQA Guidelines section 15378, this matter is not a project. Because the matter does not cause a direct or foreseeable indirect physical change on or in the environment, this matter is not a project. Any subsequent

discretionary projects resulting from this action will be assessed for CEQA applicability. Any development of the airport property will be subject to environmental review, prior to such development occurring.

STRATEGIC PLAN INITIATIVE:

If it leads to the ultimate development of the site, the ENRA would support the Council goals of Economic Diversity and Prosperity (through the development of badly-needed commercial/industrial space) and Effective, Sustainable Government (by providing additional revenue to support operations at the airport).

FISCAL AND SUSTAINABILITY IMPACT:

If adopted, the City would be obligated to expend funds from the Salinas Airport Enterprise Fund to conduct environmental site assessments and obtain a Title Report. These expenses are not expected to be significant, and in the unlikely event that they are, they would be limited to \$100,000. These studies would need to be conducted prior to any development of the site, and as such the expenditures are justifiable. All other City expenses would be reimbursed by the developer, so there would be no net costs to the City General Fund.

ATTACHMENTS:

Proposed RESOLUTION

Exhibit A: Exclusive Negotiating Rights Agreement
Aerial Photo of Site