



**CITY OF SALINAS
COUNCIL STAFF REPORT**

DATE: AUGUST 22, 2023
DEPARTMENT: COMMUNITY DEVELOPMENT
FROM: LISA BRINTON, DIRECTOR
BY: MICHAEL GOMEZ, ECONOMIC DEVELOPMENT ANALYST
TITLE: DECLARATION OF CITY-OWNED REAL PROPERTY AT 1341 MERCER WAY AS EXEMPT SURPLUS LAND

RECOMMENDED MOTION:

A motion to approve a Resolution declaring city-owned real property at 1341 Mercer Way, immediately adjacent to the Salinas Municipal Airport, as Exempt Surplus Land pursuant to the Surplus Land Act California government code 54221.

EXECUTIVE SUMMARY:

The City of Salinas (City) is the owner of real property (13.25 acres) at 1341 Mercer Way located immediately adjacent to the Salinas Municipal Airport, bordered by Airport Boulevard, Skyway Boulevard, Mortensen Avenue, and Mercer Way, and identified as Monterey County Assessor’s Parcel Number (APN) 003-862-001-000 in the City of Salinas, California (Property), as more specifically described on the attached “Exhibit A” attached to the Resolution and incorporated by referenced herein. The Property is within the Airport Overlay District which prohibits the development of housing due to noise and safety concerns. The recommended action is for the City Council to declare the Property “Exempt Surplus” as a requirement of the Surplus Lands (SLA) Act to have the ability to enter into agreements for the private development of the Property with business industrial uses, which will lead to future revenue generation and job creation for the City.

BACKGROUND:

Surplus Lands Act. The SLA took effect on January 1, 2020, with the California Department of Housing and Community Development (HCD) issuing implementing Guidelines in April 2021. The Guidelines specify that any lease agreements with a term of five years or more are subject to the requirement of the SLA. This includes a requirement that a local jurisdiction declare property to be “Surplus Land” or “Exempt Surplus Land” prior to any disposition, including a lease.

Borelli Project Proposal. In October 2017 Borelli Investment Inc. (Borelli) indicated interest in developing the Property, and requested the City enter into an Exclusive Negotiating Rights Agreement (ENRA). Below is an outline of chronology of the Borelli Project Proposal for development of the

Property as an industrial business park.

- On February 20, 2018, City Council approved Resolution 21343 authorizing the execution of an ENRA with Borelli to develop the Property.
- On August 13, 2019, City Council approved Resolution 21672 authorizing execution of a First Restated Exclusive Negotiations Right Agreement (that represented an expansion of the scope of a previously adopted ENRA to include the possibility of a property exchange of the current Public Works Corporation Yard and potential construction of a new Public Works Corporation Yard for the City of Salinas.
- On May 12, 2020, City Council certified the Mitigated Negative Declaration (MND) and Mitigation Monitoring and Reporting Program (Resolution 21844) and approved a Ground Lease, Property Exchange Agreement, and Sublease (Agreements) with RNB Associates, Inc and Green Valley Corporation (Resolution 21845).

DISCUSSION:

The 2020 COVID-19 Pandemic halted the proposed project and the City decided not to move forward with the Property Exchange Agreement and the development of a new City Corporation Yard on the Property. Presently the City of Salinas continues to negotiate with Borelli to develop the entire Property as a business industrial park. As a result of the removal of the City Corporation Yard from the project scope, an Addendum to the ISMND and a new Lease Agreement is required.

At the time of approval of the Agreements, the Property was exempted under a grandfather clause however, the requirement was to complete the disposition/lease of the Property on or before December 12, 2022, and that deadline has passed. To continue ongoing project negotiations and to enter into new Agreements to develop the 13.25 Acre parcel with Borelli, the City must declare the land to be “Surplus Land” or “Exempt Surplus Land,” even if the land is not actually surplus.

The SLA provides that land that is subject to valid legal restrictions prohibiting the development of housing may be found to be “Exempt Surplus Land.” The Federal Aviation Administration (FAA) has, through its Order 5190.6B, prohibited the development of housing at federally obligated public use airports, due to noise and safety concerns, the FAA Order indicated that residential development is incompatible with airport operations (Section 20.3(a)), incompatible with public use airports (Section 20.3(b)), conflicts with federal grant assurance and surplus property requirements (Section 20.4(B)), and that the FAA will not release an airport from its federal obligations and allow residential development (Section 20.4(b)). This restriction is applicable to the entirety of the Airport Overlay District. Therefore, staff has determined that a finding that the Property directly adjacent to the Salinas Municipal Airport as “Exempt Surplus Land” is appropriate.

CEQA CONSIDERATION:

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). 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.

STRATEGIC PLAN INITIATIVE:

This item further promotes the City Council Goal of Economic Development as it is a required step to

allow the City to enter into agreements for the private development of the Property which would result in the creation of jobs and would generate additional revenues for the City and the Salinas Municipal Airport.

DEPARTMENTAL COORDINATION:

The Public Works Department's Airport Division and Legal Department also assisted with the preparation of this item.

FISCAL AND SUSTAINABILITY IMPACT:

The declaration of the Property as "Exempt Surplus Land" will have no financial impact upon the City. The "Exempt Surplus Land" declaration will provide the City the ability to continue negotiations and enter into agreements for the private development of the Property, as described in the report, which will lead to future revenue generation and job creation for the City.

ATTACHMENTS:

Proposed Resolution

Exhibit "A" Aerial Photo of Site