

RESOLUTION NO. 2025-20

CITY COUNCIL AUTHORIZING THE CITY MANAGER TO EXECUTE A
PUBLIC IMPROVEMENT AND REIMBURSEMENT AGREEMENT WITH
SHEA HOMES FOR THE REHABILITATION OF THE MARINA ARTS
VILLAGE

WHEREAS, A component of the University Villages Specific Plan includes an area designated as a proposed Arts District envisioned as a combination of individual studio spaces, galleries, or shops for artists, retail sales, food shops, and co-worker spaces; and

WHEREAS, This property was transferred back to the City in December 2019 and the primary component is a 60,000 square foot warehouse structure that is decaying over time; and

WHEREAS, This warehouse structure has value to the community to develop in the future as an Arts Village or Marina Arts and Innovation Center; and

WHEREAS, Both the City and Shea Homes are jointly interested in stabilizing and securing the structure in a manner to keep the original architectural integrity and will jointly share the costs in doing this; and

WHEREAS, The total cost is estimated to be \$2,700,000 and the City has previously approved Capital Project No. EDF 2008 and allocated \$1,350,000 for the rehabilitation of the Arts Village warehouse.

NOW, THEREFORE BE IT RESOLVED by the City Council of the City of Marina that the City Manager is authorized to execute a Public Improvement Agreement with Shea Homes for the rehabilitation of the Marina Arts Village, subject to review and approval by the City Attorney.

PASSED AND ADOPTED by the City Council of the City of Marina at a regular meeting duly held on the 1st day of April 2025, by the following vote:

AYES: COUNCILMEMBERS: McAdams, McCarthy, Visscher, Delgado

NOES: COUNCIL MEMBERS: Biala

ABSTAIN: COUNCIL MEMBERS: None

ABSENT: COUNCIL MEMBERS: None

Bruce C. Delgado, Mayor

ATTEST:

Anita Sharp, Deputy City Clerk

April 1, 2025

Item No. **13b**

Honorable Mayor and Members
of the Marina City Council

City Council Meeting
of April 1, 2025

**CITY COUNCIL TO CONSIDER ADOPTING RESOLUTION NO. 2025 –
AUTHORIZING THE CITY MANAGER TO EXECUTE A PUBLIC
IMPROVEMENT AND REIMBURSEMENT AGREEMENT WITH SHEA
HOMES FOR THE REHABILITATION OF THE MARINA ARTS
VILLAGE.**

REQUEST:

It is requested that the City Council:

1. Adopt Resolution No. 2025-, authorizing the City Manager to execute a Public Improvement and Reimbursement Agreement with Shea Homes Limited Partnership for the rehabilitation of the Marina Arts Village, subject to review and approval by the City Attorney.
2. Give direction to the City Manager on the Council's preferred alternative to include in the Agreement and authorization for additional funding for an amount certain from Unallocated General Fund Balance if needed.

BACKGROUND:

Shea Homes is currently developing The Dunes, a single-family home subdivision adjacent to a 60,000 square foot deteriorated building that was previously used for dry goods storage by the Army. The condition of the structure is dire, with significant issues including dry rot, cave-ins on the roof, graffiti, and overall structural deterioration. Moreover, the surrounding land is plagued by unkempt weeds, deteriorated pavement, and issues with homeless encampments. Without intervention, the building poses risks for further vandalism and safety concerns within the community.

The project for years has been envisioned as a destination site that could support the city's economic development efforts by appealing to tourism, supporting local businesses, leveraging connections with educational institutions and the arts community. The site has always been envisioned for more than just arts studio, art class and art gallery space. It was envisioned to include other uses including retail, entertainment, performing arts, museum, coworking space, food outlets, and other uses.

The City Council several years earlier approved a Capital Improvement Project for the stabilization of the building and allocated \$1.3 million for this project.

For the past several months the City Council has been considering options regarding the stabilization of the building with City Council meetings held on December 17, 2024, January 22, 2025, and February 4, 2025, along with a site visit on January 7, 2025.

The Arts Village is a component of the University Village Specific Plan and is designated as a proposed Arts District.

The Council's previous discussions have ranged from demolishing the entire structure to stabilizing parts of or stabilizing the whole structure.

ANALYSIS

To address the building's deteriorating state, the City proposes a two-phase rehabilitation plan. Phase One consists of stabilizing the structure through the following actions:

- Replace all dry rot and fortify the building for structural integrity.
- Remove and replace exterior siding and roofing material, including roof sheathing.
- Clear the surrounding land and plant low-maintenance vegetation to improve aesthetics.

This initial rehabilitation will provide a safe and visually appealing foundation to preserve the building until funding is available for Phase Two. Phase Two would focus on a complete remodel for an Arts Village that could house artist studios, educational space, museum, entertainment and potential retail or dining options.

Shea Homes has conducted a thorough assessment and presented a well-detailed cost estimate of \$2.7 million for Phase One. They have offered to finance half of this cost, up to a maximum of \$1.35 million and the City would fund the remaining cost. This is beneficial as Shea has no obligation to contribute and stands to gain only from the increased value of the Dunes homes in the area. Shea Homes will contribute to this project only if they perform the stabilization work through a Public Improvement and Reimbursement Agreement with the City. The City will still retain control over the design and approval of costs and invoices under the Reimbursement Agreement.

The City Council directed staff to verify Shea's estimate and seek competitive bids. Public Works staff worked with two contractors to obtain alternative estimates. Unfortunately, both contractors indicated that detailed assessments required extensive inspections, which they were unwilling to undertake for free, given the custom milling needed for true dimension lumber replacements, which is significantly more expensive than commercially available lumber. Given these challenges, Shea Homes remains the only entity with a concrete proposal ready for immediate action, conditioned on the City accepting their offer. Staff has reviewed the estimate by Shea Homes and verified it to be thorough, well-detailed, and accurate.

Staff needs direction from the Council on the following or other alternatives:

Alternative 1. Stabilize the Arts Village with the removal of the Building 3 section with the existing foundation still in place. Total estimated cost \$2,706,000, with the Shea splitting the cost equally with the City with each party contributing \$1,353,000 to the cost.

Alternative 2. Same as Alternative 1 except the foundation would be removed from the Building 3 section which will be an additional estimated cost of \$93,650 to be paid by the City.

Alternative 3. Stabilize the entire Arts Building structure including the Building 3 middle section. This would be an additional estimated cost of \$505,000 to be paid by the City.

Alternative 4. Stabilize the Arts Village with removal of the two southern sections, reducing the building's footprint from 60,000 sq ft to approximately 36,000 sq ft. The estimated cost is \$2.4 million with both Shea Homes and the City contributing \$1.21 million.

Alternative 5. Shea Homes has also offered to fund 100% of the cost to demolish the structure including the concrete foundation with an estimated cost of \$752,000.

The attached letter from Shea Homes reflects the revised proposal to the City for Alternative 4.

FISCAL IMPACT:

Currently the City has \$ 1,350,000 budgeted in our Capital Improvement Program for this project. Any additional funding needed would have to come from Unallocated General Fund Balance.

Respectfully submitted,

Ismael Hernandez
Public Works Director
City of Marina

Layne Long
City Manager
City of Marina