

Ordinance No. 2026-6227

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF SANTA BARBARA APPROVING AND AUTHORIZING EXECUTION OF (1) THE PASEO NUEVO REDEVELOPMENT PROJECT DEVELOPMENT AND DISPOSITION AGREEMENT BETWEEN THE CITY OF SANTA BARBARA AND PNSB REAL ESTATE, LLC, (2) THE PASEO NUEVO REDEVELOPMENT PROJECT DEVELOPMENT AND DISPOSITION AGREEMENT BETWEEN THE CITY OF SANTA BARBARA AND DSP SANTA BARBARA SUB LLC, AND (3) RELATED AGREEMENTS NECESSARY OR CONVENIENT FOR IMPLEMENTATION OF THE PROJECTS DESCRIBED THEREIN, INCLUDING TRANSFER OF FEE TITLE TO EXEMPT SURPLUS CITY OWNED PROPERTY – APNs 037-400-001; 037-400-002; 037-400-003; 037-400-004; 037-400-005; 037-400-006; and 037-400-019

THE CITY COUNCIL OF THE CITY OF SANTA BARBARA DOES ORDAIN AS FOLLOWS:

Section 1

Background and Purpose.

A. The City is the owner of multiple parcels of real property associated with the Paseo Nuevo Shopping Center in downtown Santa Barbara that it acquired from the Successor Agency of the Redevelopment Agency of the City of Santa Barbara pursuant to Successor Agency Resolution No. 15-099, City Council Ordinance No. 5731, and Grant Deed No. 61-456 recorded February 19, 2017 as Instrument No. 2016-0007814 in the Official Records of the County of Santa Barbara (“Paseo Nuevo Property”).

B. The Paseo Nuevo Property is encumbered by numerous “Paseo Nuevo Agreements” as such term is defined in the *Assignment and Assumption of Paseo Nuevo Documents*, recorded in the Official Records of the County of Santa Barbara as Instrument No. 2018-0031878, including the long-term ground leases and a long-term Construction, Operation and Reciprocal Easement Agreement (REA).

C. Paseo Propco, LLC, is the current ground lessee of portions of the Paseo Nuevo Property including the Inline Retail Parcel, the Lot 1 Parcel, and the Former Macy’s Parcel.

D. DSP Santa Barbara Sub, LLC, is the current ground lessee of the portion of the Paseo Nuevo Property known as the Former Nordstrom Parcel.

E. On March 5, 2024, the City Council adopted Resolution No. 24-016, A Resolution Of The City Council Of The City Of Santa Barbara Declaring Designated Parcels Of City-Owned Property To Be Exempt Surplus Land Pursuant To Subparagraph (J) Of Paragraph (1) Of Subdivision (F) Of California Government Code Section 54221 – Paseo Nuevo, pertaining to the Paseo Nuevo Properties.

F. By letter dated March 18, 2024, the California Department of Housing and Community Development notified the City that the Paseo Nuevo Property and Lot 2 Parcel qualify as “exempt surplus land” under Government Code section 54221, subdivision (f)(1)(j), due to existing constraints under contractual rights.

G. The Paseo Nuevo Property has been developed with an outdoor regional shopping center commonly referred to as the Paseo Nuevo Shopping Center. Due to changed economic circumstances, including closure of two anchor tenants, the Paseo Nuevo Shopping Center no longer provides the financial or community benefits originally envisioned by the City or the lessees. The City, Paseo Propco, LLC (Propco), DSP Santa Barbara Sub, LLC (DSP), and PNSB Real Estate, LLC (Yardi) desire to transform the Paseo Nuevo Shopping Center into a mixed-use development that includes a new housing development by DSP on the Former Nordstrom Parcel and reuse of the former Macy’s building as Yardi System, Inc.’s downtown Santa Barbara corporate offices on the Former Macy’s Parcel, along with a continuation of certain retail, parking, and other uses consistent with the City’s general plan and zoning (the Project).

H. Accomplishment of the Project requires that the Former Nordstrom Parcel be transferred in fee by the City to DSP and the remainder of the Paseo Nuevo Property be transferred in fee by the City to Yardi. As encumbered by the Paseo Nuevo Agreements, the City’s fee interest in the Paseo Nuevo Property has limited monetary value to the City. Therefore, the agreements for transfer of the City’s interest to Yardi and the DSP, respectively, provide for the transfer of the City’s fee interest for zero monetary consideration, but instead provide other for good and valuable consideration, including substantial community benefits along with contractual commitments for the benefit of the

City. Yardi has entered into a purchase and sale agreement with Propco to acquire all Propco's rights, title and interest in and to the Former Macy's Parcel, the Inline Retail Parcel, and the Lot 1 Parcel. City staff have negotiated a development and disposition agreement between the City and Yardi (Yardi DDA) and a development and disposition agreement between the City and DSP (DSP DDA). The parties have negotiated agreements for termination of the existing ground leases, the REA, and existing restrictive parking covenants. The parties have also negotiated new parking agreements with respect to City Lots 2 and 10. Implementation also requires a restated easement relating to non-vacated De La Guerra Street. All of these agreements, and others referred to in each of the DDAs, are necessary to implement the Project.

I. On June 2, 2026, the City Council heard a presentation regarding the Project and unanimously directed staff to bring back the final DDAs and related agreements for Council consideration and approval.

Section 2

CEQA Findings and Determinations

A. Concurrently with the approval of this Ordinance, the City Council has considered and approved the determinations of the City's Environmental Analyst as follows:

1. The project is consistent with the adopted General Plan and zoning regulations. The project is consistent with applicable goals, policies, and implementation measures of the adopted General Plan because the project includes continuation of existing retail, parking, and other uses consistent with the City's General Plan and zoning. The proposed mixed-use and residential uses align with the adopted Housing Element goals and the Adaptive Reuse Ordinance, as well as with adopted General Plan land use designation and zoning regulations.

2. The environmental effects of the project were examined in the certified EIR prepared for the Plan Santa Barbara General Plan Update (State Clearinghouse No. 2009011031). The project is consistent with the density and land use assumptions analyzed in the certified General Plan EIR.

3. An Environmental Checklist was prepared to assess the applicable environmental resource topics and determine whether the project would result in any peculiar impacts, substantially more severe impacts, newly feasible mitigation measures or alternatives, or new significant environmental effects. The Environmental Checklist provides the basis for the environmental determination and is part of the administrative record.

4. The Project impacts are not peculiar to the parcel or project, have been addressed in a prior EIR, or can be substantially mitigated with implementation of uniformly applied development policies or standards. There are no impacts peculiar to the project site that would exceed what was previously disclosed in the General Plan EIR. Further, there are no new direct or cumulatively considerable impacts of the proposed project.

5. Pursuant to Public Resources Code Section 21083.3 and CEQA Guidelines Section 15183, no further environmental review is required.

B. Concurrently with the approval of this Ordinance, the City Council has directed that a Notice of Determination be filed under Public Resources Code Section 21152 and CEQA Guidelines Section 15094.

Section 3

Approval and Authorization for Execution and Implementation.

A. The Paseo Nuevo Redevelopment Project Development and Disposition Agreement between the City of Santa Barbara and PNSB Real Estate, LLC (Yardi DDA), on file with the City Clerk, is approved. The City Administrator is authorized and directed, for and in the name of the City, to execute and deliver the Yardi DDA along with all related agreements attached as exhibits thereto, in the form and content submitted to the City Council in the agenda packet for its meeting of June 16, 2026, with such minor changes, insertions, and omissions as the City Administrator may require or approve as necessary or convenient to implement the action of the City Council at its meeting of June 16, 2026, and as approved as to form by the City Attorney.

B. The Paseo Nuevo Redevelopment Project Development and Disposition Agreement between the City of Santa Barbara and DSP Santa Barbara Sub, LLC (DSP DDA), on file with the City Clerk, is approved. The City Administrator is authorized and directed,

for and in the name of the City, to execute and deliver the DSP DDA along with all related agreements attached as exhibits thereto, in the form and content submitted to the City Council in the agenda packet for its meeting of June 16, 2026, with such minor changes, insertions, and omissions as the City Administrator may require or approve as necessary or convenient to implement the action of the City Council at its meeting of June 16, 2026, and as approved as to form by the City Attorney.

C. The Restated Non-vacated De La Guerra Street Easement between the City of Santa Barbara and PNSB Real Estate, LLC (Restated Easement), on file with the City Clerk, is approved. The City Administrator is authorized and directed, for and in the name of the City, to execute, deliver, and record the Restated Easement in the form and content submitted to the City Council in the agenda packet for its meeting of June 16, 2026, with such minor changes, insertions, and omissions as the City Administrator may require or approve as necessary or convenient to implement the action of the City Council at its meeting of June 16, 2026, and as approved as to form by the City Attorney.

D. The City Administrator, in consultation with the City Attorney, is authorized and directed to implement the Yardi DDA and the DSP DDA according to their terms and this paragraph. Whenever either DDA references City approval, consent, or waiver, the written approval, consent, or waiver of the City Administrator shall constitute the approval, consent, or waiver of the City, except where City Council approval is expressly required by the applicable DDA. The City Council authorizes the City's Administrator to deliver such approvals or consents as are contemplated by either DDA, or to waive requirements under either DDA, on behalf of the City, except where City Council approval is expressly required by the applicable DDA, and further, except where an approval, consent, or waiver will have the effect of precluding concurrent closing of the transactions contemplated by both the Yardi DDA and the DSP DDA. Any material amendment or modification to the Yardi DDA or DSP DDA as determined by the City Attorney shall require approval by the City Council. The City Administrator or City Attorney are authorized to execute ancillary agreements, instructions, or other documents necessary or convenient to the closing of the transactions contemplated by the Yardi DDA and the DSP DDA.

E. The City Administrator is authorized and directed to accept on behalf of the City the community benefit contributions identified in the Yardi DDA and to deposit and appropriate those contributions to the City accounts or funds designated in the Yardi DDA or as otherwise required to carry out the purpose of the contribution.

F. The City Administrator is authorized and directed to accept on behalf of the City the community benefit contributions identified in the DSP DDA and to deposit and appropriate those contributions to the City accounts or funds as designated in the DSP DDA or as otherwise required to carry out the purpose of the contribution.

G. As used in this Section, City Administrator and City Attorney includes an Assistant City Administrator or Assistant City Attorney or any City officer or employee designated in writing by the City Administrator or City Attorney, respectively.

ORDINANCE NO. 2026-6227

STATE OF CALIFORNIA)
)
COUNTY OF SANTA BARBARA) ss.
)
CITY OF SANTA BARBARA)

I HEREBY CERTIFY that the foregoing ordinance was introduced on June 16, 2026, and adopted by the Council of the City of Santa Barbara at a meeting held on June 30, 2026, by the following roll call vote:

AYES: Councilmembers Eric Friedman, Oscar Gutierrez, Meagan Harmon, Mike Jordan, Kristen W. Sneddon, Mayor Randy Rowse.

NOES: None.

ABSENT: None.

ABSTENTIONS: Councilmember Wendy Santamaria

IN WITNESS WHEREOF, I have hereto set my hand and affixed the official seal of the City of Santa Barbara on June 30, 2026.



Sarah P. Gorman, MMC
City Clerk Services Manager

I HEREBY APPROVE the foregoing ordinance on June 30, 2026.

Randy Rowse
Mayor