



MEETING DATE: April 9, 2025

AGENDA ITEM: 6. Development Agreement- Annual Review- "Portola Highlands (Woodbridge at Portola)"

FROM: Senior Planning Consultant- Karen Downs & City Manager- Ryan Bonk

RE: Development Agreement- Annual Review- Portola Highlands (Woodbridge at Portola)

EXECUTIVE SUMMARY:

The Development Agreement (Article 4) calls for an Annual Review "demonstrating the Developer's good faith compliance with the terms and conditions of the agreement," in accordance with California Government Code Section 65865.1.

The purpose of the review is for the City and Developer to have an opportunity to review and discuss actions related to the Development Agreement. The City Council will have the opportunity to take one of the following actions:

1. **Approve** the annual review as complete; affirming that it demonstrates good faith compliance with the terms and conditions of the Agreement in accordance with the requirements of California Government Code Section 65865.1.
2. **Continue** any action to approve the annual review and seek additional information from either the Developer or City staff to further address whether or not there has been a good faith effort to comply with the terms and conditions of the Agreement in accordance with applicable rules and statutes.
3. **Reject** the annual review for the development citing specific deficiencies that exist between the progress made by the developer and the provisions of the Agreement. Direct staff to identify the legal remedies that may exist to resolve the deficiencies per the Agreement.

BACKGROUND:

The City of Portola adopted Ordinance No. 318 on January 24, 2007, approving the Woodbridge Development Agreement (effective date of February 24, 2007) between the City of Portola and Woodbridge at Portola. The Schomac Group, Inc. (Schomac) became a successor in interest to the Development Agreement in December 2014. The DA provides for the development of 398 acres of residential and commercial development, broken down as follows:

- Low Density Residential: 189 dwelling units
- Medium Density Residential: 522 dwelling units

- High Density Residential: 234 dwelling units
- Mixed use multi-family residential: 60 dwelling units
- Commercial Development: 170,000 square feet, including 25,500 square feet of retail, 68,000 square feet of office, and 76,500 square feet of light industrial.

The project acreage is comprised of: 339 acres of residential development, 19.9 acres of commercial development, 19.6 acres of Parks (PR), 112 acres of Open Space (OS) included in the LDR zone, and 2.6 acres Public/Quasi Public Use (P/QP).

In addition to the overall project development, Public Benefits are outlined in section 1.7 of the Development Agreement, and include affordable housing, 100 acres of open space, a 15 acre public park, water supply fee, and road improvements.

Term of Agreement: *20 years from the effective date (February 24, 2007) unless extended or earlier terminated as provided by the Development Agreement (Section 1.3.2)*

Termination for Inactivity: *City may terminate this Agreement on or after the fifth anniversary date of the Effective Date, (except as provided in Section 10.3) if construction has not commenced on average at least 30 Units of the Project for each year which has passed since the Effective Date, until construction of 150 of the Project's Units have either been completed or commenced. (Section 6.6.2)*

Project Status

Since the Development Agreement was approved, the project has undergone extensive public review, including an approved Mitigated Negative Declaration (MND), a General Plan Amendment, zoning changes, and approval of a Tentative Map, and work towards achieving map conditions. All of the Master Plan documents were brought forward to the Planning Commission and City Council at least once for consideration and public comment and have been approved.

The following list of previous meetings summarizes the Woodbridge at Portola review process since Development Agreement approval:

- **2007-2010** - Review and approval of Master Plans, Review and approval of Administrative Modifications to Project Approvals
- **June 27, 2012** - Annual review approved as complete
- **July 24, 2013** - Annual review approved as complete
- **December 30, 2013** - property was foreclosed and subsequently assigned title to RE Future, LLC
- **December 2014** - property was acquired by Schomac.
- **September 10, 2014** - Annual review approved as complete

Following acquisition of the property and at the developer's request, the City worked with Schomac regarding proposed amendments to the Development Agreement and associated documents to make the project financially feasible to construct (November 2015 to December 2016). The proposed amendments were reviewed at a public workshop on December 6, 2016. Ultimately, there were unresolved issues and the amendments were not approved. In October

2017, development discussions ended.

A DA review was scheduled in 2019 but was put on hold because there was a buyer interested in the property. The City has not received additional communication regarding development from Schomac.

The attached communication from Schomac is provided as their annual review.

RECOMMENDATION:

The City Council may approve, continue, or reject the Annual Review.

ATTACHMENTS:

- A. WOODBRIDGE - PORTOLA HIGHLANDS RESPONSE 12.13.24



December 13, 2024

Sent Via Electronic Mail

Ryan N. Bonk, City Manager
City of Portola
35 Third Ave
Portola, CA 96122

RE: Portola Highlands (Woodbridge at Portola)

Dear Mr. Bonk,

Congratulations on being hired as the City Manager of Portola (“City”).

The story of the Woodbridge / Portola Highlands (“Woodbridge”) property is a long one, and we suspect you have taken some time to review the City’s file.

Schomac Group, Inc. (“Schomac”) became involved in 2014, when it purchased the property out of receivership. Schomac immediately commenced discussions with the City, notably with the then City Manager Robert Meacher and Karen Downs, who is copied on this communication.

While considerable progress was made in amending the development documents to at least attempt to make the project feasible, the talks inevitably broke down over cost burdens of the development, who should shoulder them and when. That was in 2017.

Since that time, the City unfortunately experienced considerable turnover at the City Manager position. Schomac also became more focused on other aspects of its business (out of state), as its myriads of Plumas County investments proved more challenging than anticipated due to economic, regulatory, and legal hurdles.

Schomac has been in communication with your predecessors over the years including Leslie Chrysler, Lauren Knox, and Jon Kennedy with the goal of formally extending the Development Agreement per the Annual Review process you suggest. Unfortunately that did not occur, so we are glad that you have reached out.

Woodbridge presents a unique, entitlement rich development opportunity at a scale rarely seen in the Sierra. The entitlements, and the negative declaration on the Environmental Impact Report for the project, are what makes it attractive to real estate developers and investors. Schomac also believes Woodbridge may present the best pathway toward positively transforming the City of Portola for generations to come. As you know, the entitlements do not just provide for considerable housing; it is

the diversity of that housing (single-family homes, multi-family, senior housing), along with the commercial, industrial, recreational, and natural space aspects that make it so extraordinary.

Because the entitlements depend on the extension of the Development Agreement, a decision that Schomac recognizes is at the sole discretion of the City, Schomac believes granting that extension is in our mutual best interests; if only to preserve the most favorable array of possible outcomes.

Ryan, much has changed from both a micro and macro perspective at Schomac, Plumas County and the world in general since we acquired Woodbridge over a decade ago. While we remain strong believers in Woodbridge, Portola, and Plumas County in general, we currently believe that developing a master planned community such as Woodbridge may no longer be in our purview. Furthermore, Schomac needs to continue to focus on its two other major assets in Plumas County, Nakoma Resort and Feather River Inn, each of which have their own challenges and opportunities.

In our opinion, the ideal outcome for the Woodbridge project is for Schomac to divest of the property to an investment firm whose core business is the development of master planned communities. This will not only likely result in an expedited timeline for the project, but would bring in an additional party to the City and Plumas County willing to make a substantial capital investment. This should benefit all of us.

Schomac believes the best way to do that is to extend the Development Agreement to preserve the existing entitlement package, and then work together to secure the right development partner for the City. The objective for us all should be the long-term success of the City and ensuring the goals of the community are secured and accomplished for future generations. Toward that end, Schomac can be patient as we work through the disposition process to identify the ideal partner for the City.

Again, congratulations on your new position as City Manager of Portola. Woodbridge represents a singular opportunity to transform the community and place it on a sustainable path to success. Schomac looks forward to working with you and your colleagues to achieve the most favorable outcome for all.

Sincerely,



Ryan M. Schoff
President
Schomac Group, Inc.

cc:

W. Michael Schoff, mschoff@schomacgroup.com
Karen Downs, kdowns@manhard.com
Susan Scarlett scarlettbiz@yahoo.com