



## CITY COUNCIL STAFF REPORT

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**TO:** City Council

**DATE:** June 9, 2025

**DEPARTMENT:** Administration

**PREPARED BY:** Isaac Whippy, City Manager & Walter Kieser, EPS

**PRESENTER:** Isaac Whippy, City Manager & Walter Kieser, EPS

**AGENDA TITLE:** Receive Report and Consider Adopting Resolution of the Fort Bragg City Council Directing Staff to Initiate Phase 2 of the Mill Site Master Development Agreement Planning Program

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### RECOMMENDATION/DIRECTION

1. Adopt a Resolution (Attachment 2) accepting the Mill Site Development Strategy Report as a guideline for subsequent Mill Site planning;
2. Direct staff and the Consultant Team, in coordination with the applicant, Mendocino Railway, to prepare a work plan, budget, and schedule for the Phase 2 MOU preparation; and
3. Select a date within the next 30 days to convene the first City Council Study Session focused on the proposed overarching approach to Mill Site land use approvals and the regulatory framework for rail-related uses.

### BACKGROUND

On October 15, 2024, the Fort Bragg City Council evaluated a recommendation from the City Manager to negotiate a Master Development Agreement (MDA) and complete a Local Coastal Program amendment for the reuse of the Mill Site. This was a strategic alternative to the ongoing and increasingly costly litigation with Mendocino Railway (MR). This shift in approach was informed by rising legal expenses and a shared interest in achieving timely redevelopment outcomes. A proposal outlining this MDA-based planning strategy was prepared by the Economic & Planning Systems consulting team. The recommended framework builds upon decades of prior planning work and reflects the mutual intent of both the City and MR to replace adversarial proceedings with a renewed partnership focused on unlocking the Mill Site's economic and community potential.

### DISCUSSION AND ANALYSIS

#### PHASE 1- INITIATION OF PLANNING PROGRAM.

In addition to incorporating prior planning efforts for the Mill Site, during the Phase 1 work effort, the planning team focused on resolving four key issues, including:

1. The configuration of the proposed natural area that will encompass the Mill Pond and related wetland area, and the delineation of two new parks in the southern district for active and passive recreation;
2. More precise delineation of the locations and definition of rail-related facilities;
3. A draft circulation network of roadways and trails connecting developed areas of the mill site to the rest of the city and the open space, parks, and the Coastal Trail corridor on the Mill site;
4. Detailing the potential future uses in the southern district and focusing on mixed-use zoning opportunities to meet both housing and employment needs.
5. The configuration of the proposed natural area that will encompass the Mill Pond and related wetland area, and the delineation of two new parks in the southern district for active and passive recreation.

This work was shared with the community at a public workshop held on February 25, 2025, which was attended by more than 100 residents and livestreamed via the City's website. The robust public participation and comments received during the workshop—along with additional input provided during City Council meetings on October 15, 2024, and March 10, 2025—offer valuable guidance for shaping the next phases of the Master Development Agreement and Planning Program.

The Fort Bragg Mill Site Development Strategy Report (Attachment 2) summarizes the outcomes of the first phase of this initiative and outlines a recommended path for Phase Two. This next phase will center on the preparation of a Memorandum of Understanding (MOU) between the City and Mendocino Railway, establishing the framework for a collaborative, long-term partnership to guide redevelopment of the Mill Site.

Over the first half of the litigation stay (April-May 2025), City staff, consultants, Ad-Hoc Committee, and legal counsel have worked diligently to clarify and address key regulatory considerations related to both rail and non-rail development activities. This effort has included close coordination with the planning team to refine the scope and process for the Master Development Agreement Program, particularly with respect to distinguishing the jurisdictional boundaries and permitting pathways for rail-related infrastructure. Notably, additional planning work has been undertaken to incorporate more detail around potential rail-related activities, including conceptual plans for the proposed Electric Trolley, ensuring that these elements are thoughtfully integrated into the overall development strategy while remaining compliant with applicable federal and state regulations.

## PHASE 2 - PREPARATION OF MEMORANDUM OF UNDERSTANDING

The *Illustrative Plan*, Guiding Principles, and other data and information assembled as part of the Phase 1 Development Strategy provide a foundation for negotiation of a Memorandum of Understanding (MOU) in Phase 2.

The MOU will establish a general framework, analysis, and agreements needed to proceed with the proposed Master Development Agreement and LCP Planning Amendment.

- The MOU will be a non-binding agreement between the City and MR and may reference and incorporate related agreements with other agencies and entities, all geared toward identifying key terms and conditions, testing feasibility, identifying roles and responsibilities, and resolving the general structure and approach of a potential subsequent Master Development Agreement (which would be a binding contractual agreement, if approved at a later time) and its related planning components.
- The MOU, as negotiated, will focus on the overall feasibility of Mill Site development from a physical, regulatory, and financial perspective.
- It will flush out any 'fatal flaws', limitations, and constraints to achieving the vision presented in the Illustrative Plan.
- It will form the basis for launching the substantial, time-consuming, and costly effort of developing a potential Master Development Agreement, an LCP Amendment, and a related financing strategy. It is likely, given its expected scope, that the MOU will require several months to prepare.

The preparation and negotiation of the MOU, if initiated, will include:

- Ongoing Council oversight and community engagement.
- The technical preparation of the MOU components will occur as a cooperative effort between the City (with assembled consultants and legal advisors) and MR, along with its planning and legal team.
- This effort will be augmented with input from the Coastal Commission and other involved regulating agencies and affected entities. It is proposed that the City Council Ad Hoc Committee will continue to provide oversight and that there will be regular updates to the entire Council and public throughout the agreed upon duration of the stay and any additional time needed to complete, review, and adopt the MOU.

Once assembled in draft form, the proposed Memorandum of Understanding (MOU) will be presented at a regularly scheduled City Council meeting, where it will be reviewed in a public hearing and either approved or denied at the Council's discretion.

Adoption of the MOU could initiate the start of phase III of this project, namely development of a Master Development Agreement (MDA), which would also be subject to public hearings and either approved or denied at the Council's discretion. The MDA could include the following technical components: planning entitlements for specific projects, including CEQA approval, a strategy for infrastructure financing, and possible real property transactions. On a parallel basis, the City will also complete the LCP Amendment submittal (application) to rezone the Mill Site and establish regulatory policies in the Coastal General Plan and regulation modifications to the Coastal Land Use and Development Code. The City will then submit this LCP Amendment request to the Coastal Commission for their review and consideration.

As a cooperative, agreement-based approach, the Master Development Agreement would help the City to achieve the City's long-term vision for the redevelopment of the Mill Site, which includes the following general objectives: delivering exemplary public coastal access; protecting and enhancing open space, sensitive natural, archaeological, and historical resources; enhancing downtown revitalization and visitor-serving amenities; creating a diverse range of housing options; and establishing space for job-generating commercial, service, and industrial uses.

## **FISCAL IMPACT**

The fiscal impact associated with Phase Two of the Master Development Agreement Program is estimated at \$60,000. The cost will be shared equally between the City of Fort Bragg and Mendocino Railway (MR), with each party contributing 50%, or \$30,000. Funding for the City's share could be allocated from the City's legal services budget for FY 24/25. This effort is a strategic alternative to ongoing litigation.

Additional costs for technical services will likely be required during the MOU Phase 2 effort. Such additional costs will be brought back to the City Council for their approval.

## **ENVIRONMENTAL ANALYSIS**

Council acceptance of the Development Strategy Report is exempt from CEQA pursuant to 14 CCR 15262 "Feasibility and Planning Studies. The Report provides a non-binding guideline for the parties to continue their discussions to resolve their dispute and acceptance of the report does not commit the City or Mendocino Railroad to any development of the property. Appropriate environmental studies will be completed when the binding Development Agreement is presented to the Council at a future public hearing. In addition, this project is exempt pursuant to 15061(b)(3) which provides that "CEQA applies only to projects 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."

## **PUBLIC OUTREACH**

Community engagement remains a foundational of the Mill Site Master Development Agreement Program. During Phase One, the City hosted a well-attended public workshop on February 25, 2025, which drew over 100 participants and was livestreamed to expand accessibility. In addition, public input was received during City Council meetings held on October 15, 2024, and March 10, 2025. These forums provided valuable feedback that informed the Development Strategy Report and helped shape the recommended next steps.

As the City transitions into Phase Two, continued outreach efforts will ensure ongoing transparency and public participation. The City will host a series of community meetings in June and July 2025 to provide updates, gather input, and foster dialogue around the forthcoming Memorandum of Understanding (MOU) and future planning components. Regular updates will also be presented at public City Council meetings to ensure that residents and stakeholders remain informed and engaged throughout the process.

These outreach efforts reflect the City's commitment to inclusive planning and meaningful public involvement in shaping the future of the Mill Site.

## **ATTACHMENTS**

- Exhibit A - Resolution
- Exhibit B - Development Strategy Report