



COUNTY OF SONOMA

575 ADMINISTRATION
DRIVE, ROOM 102A
SANTA ROSA, CA 95403

SUMMARY REPORT

Agenda Date: 7/8/2025

To: Board of Supervisors

Department or Agency Name(s): Sonoma County Public Infrastructure

Staff Name and Phone Number: Johannes J. Hoevertsz, 707-565-2550

Vote Requirement: Majority

Supervisorial District(s): Countywide

Title:

Acquisition of Real Property at 3850 and 3880 Brickway Boulevard, Santa Rosa

Recommended Action:

- A) Provide final approval and authorize consummation of the purchase of the property at 3850 and 3880 Brickway Boulevard in Santa Rosa for \$32,000,000, from current owner NGCRE Investment V, LLC, pursuant to that certain Purchase and Sale Agreement between the County and owner dated May 6, 2025, contingent on all remaining contingencies and conditions being satisfied as set forth therein.
- B) Authorize the Director of Public Infrastructure to prepare and execute all necessary and related transactional documents and to take all necessary actions to facilitate the acquisition and proceed to close escrow on the subject property, including without limitation, executing escrow instructions, tax related forms, bill of sale, assignment of warranties, certificate of acceptance to title for the property, originals of all exhibits to the Purchase and Sale Agreement, and similar instruments and documents, all in a form approved by County Counsel.

Executive Summary:

On May 6, 2025, your Board authorized execution of a contingent Purchase and Sale Agreement (“PSA”), for acquisition of the property located at 3850 and 3880 Brickway Boulevard, Santa Rosa (the “Property”), for a purchase price of \$32,000,000. County Public Infrastructure executed the PSA, and as required thereunder, the County deposited the initial earnest money deposit of \$350,000 into escrow. That deposit remains refundable to the County in the event your Board determines not to acquire the Property and consummate the transaction under the PSA. If the purchase is approved, the deposit amount will be credited against the purchase price amount due.

The PSA provides County with a due diligence/determination period for title records review and preparation and review of an American Land Title Association level survey through June 4, 2025, and for property condition assessments, review of seller provided information and all other investigations through June 30, 2025.

In accordance with that timeline, due diligence investigations are complete; after careful review and analysis, including the information presented in this report, staff are recommending that your Board approve

acquisition of the Property on the terms and conditions set forth in PSA, and that the transaction proceed to escrow for eventual closing and conveyance of the Property to County. For the reasons discussed below, staff are not recommending that an adjustment to the purchase price for the Property be pursued.

In accordance with approval granted by your Board at its meeting on March 25, 2025, a Notice of Intent of the County to Purchase Real Property was first published in the Press Democrat newspaper on March 28, 2025. The Notice ran once a week for six successive weeks, with the final publishing occurring on May 2, 2025.

If the acquisition is approved by your Board, the PSA requires the County to make a second deposit of \$350,000 into escrow, to be credited against the purchase price. Close of escrow shall occur within 30 days of your Board's approval of the acquisition, subject to remaining conditions as set forth in the PSA. The outside date for closing is August 7, 2025, subject to a short extension if needed as part a standard "defeasance" process related to seller's financing situation.

The balance of the purchase price (approximately \$31,650,000) and associated closing costs, less interest accrued on all deposits held in escrow, will be paid from County Modernization Fund. Appropriations for the needed improvements and operating the Property were included in the FY 2025-26 3850 & 3880 Brickway Blvd. Capital Project (23057-4080660) Adopted Budget as a supplemental budget adjustment and was approved by the Board during the June 2025 budget hearings.

Discussion:

PROPERTY FOR ACQUISITION

The Property consists of two legal parcels each improved with a two-story commercial building as follows: 3850 Brickway Boulevard, Santa Rosa, California, improved with a building of approximately 63,720 square feet of office/industrial space, which parcel contains 4.05 acres, and identified as Assessor's Parcel No. 059-360-008; and 3880 Brickway Boulevard, Santa Rosa, California, which parcel contains 3.71 acres, improved with a building of approximately 62,865 square feet of office/industrial space and identified as Assessor's Parcel No. 059-360-007. The buildings together total 126,585 square feet, which would potentially accommodate up to 525 employees and related County facility needs. The site is within walking distance of the SMART train and other transit options.

At your Board meeting on May 2, 2025, your Board approved the execution of a contingent PSA which contained timeframes within which County is to undertake all its due diligence investigations and studies. Since that May 2, 2025, meeting, County Public Infrastructure has completed due diligence on the Property, including obtaining title review, an American Land Title Association (ALTA) survey, a facility condition assessment for each building, and a Phase I Environmental Assessment Report. These efforts are in addition to previously completed due diligence activities, including a review of the seller-provided disclosure documents and other standard measures for acquiring a real property asset.

The following is a summary of the results and findings of the due diligence investigations.

RESULTS OF DUE DILIGENCE INVESTIGATIONS

Facility Condition Assessment (FCA):

As part of due diligence, County contracted with Kitchell CEM (Kitchell) to conduct a Facility Condition Assessment (FCA) of the Property, which included a walk-through survey of the architectural, mechanical, and electrical systems and the sub-components to determine their capabilities, capacities, and remaining useful life to obtain deficiency evaluations; to propose corrective and maintenance recommendations; and to prepare budget estimates for any corrective work for the facilities.

The Kitchell assessment was performed in January 2025 in accordance with ASTM E2018-24 guidelines. The FCA identified those items in need of repair, retrofit, or replacement necessary to preserve the existing building and facilities and enhance their safety and longevity for the next five years. Budget estimates (“Capital Renewal Costs”) were developed for observed deficiencies and were categorized with priority groups ranging from “Immediate” to “Potential,” using the following rubric:

Priority 1: Conditions in this category require immediate action to: a) correct a cited safety hazard, b) stop accelerated deterioration, and/or c) return the element/asset to operation. Deficiencies in this category should be addressed in 0-12 Months.

Priority 2: Conditions in this category, if not corrected expeditiously, will become critical within a year. Situations within this category include: a) intermittent operations, b) rapid deterioration, and c) potential life safety hazards. Deficiencies in this category should be addressed in Years 1-2.

Priority 3: Conditions in this category require appropriate attention to preclude predictable deterioration or potential downtime and the associated damage or higher costs if deferred further. Deficiencies in this category should be addressed in Years 2-3.

3850 Brickway Condition Score and Capital Renewal Costs by Priority

3850 Brickway was given a Condition Score of “A” and a Condition Rating of “Good,” with a Capital Renewal Cost of \$1.8 million.

Priority 1 conditions: *Project Cost: \$0.*

Priority 2 conditions: *Project Cost: \$96,172.* The main elements of required work under this category include replacement of interior and exterior doors and replacement of an electric water heater which is approaching the end of its expected useful life.

Priority 3 conditions: *Project Cost: \$1.7 million.* The main element of required work under this category is roofing repair/replacement.

3880 Brickway Condition Score and Capital Renewal Costs by Priority

3880 Brickway was given a Condition Score of “A” and a Condition Rating of “Good,” with a Capital renewal Cost of \$978,684.

Priority 1 conditions: *Project Cost \$97,879.* The main element of required work under this category is HVAC distribution repair/replacement and ventilation /roof exhaust fan replacement; facility power generation (generator switch replacement).

Priority 2 conditions: *Project Cost: \$485,994.* The main elements of required work under this category are: domestic water/water filtration equipment approaching end of life (only if needed for County operations then repair/replacement is needed), and facility power generation (variable frequency drive replacement approaching end of life - may need replacement) and elevator repair/maintenance.

Priority 3 conditions: *Project Cost: \$ 277,332.* The main elements of required work under this category are: exterior window repair- replace sealant, roof repairs, entrance door replacement, and exterior system air dryer work (only if needed for County operations then repair/replacement is needed).

The parking lot pavement surrounding both buildings appears to be in good condition. Some areas of wear and cracking from normal age and uplift were noted during the assessment but nothing that needs to be addressed over the next five years. The concrete pedestrian walkways are in good condition. No life safety hazards were identified during the assessments.

Summary of FCA: Identified Capital Needs Reflect Normal Wear, Not Material Deficiencies

The FCA confirmed that both facilities are in good condition with a Condition Score of “A.” The identified capital renewal needs—primarily roofing work, door replacements, and HVAC upgrades—are consistent with the age and type of the buildings and do not represent unusual or hidden deficiencies. Importantly, no safety issues, failures, or other immediate or major concerns were found at either building, and all conditions are modest and expected for a property of this nature.

The anticipated improvements are classified as routine and foreseeable maintenance and renewal investments rather than conditions that typically would justify a downward adjustment to the purchase price.

The buildings have been vacant for several months. The limited deferred maintenance identified is consistent with expectations for commercial properties that have been unoccupied for a period. The County retains the ability to address these issues over time and has verified that the current condition supports continued safe and effective use. These capital costs were anticipated and **appropriately factored into the County’s internal financial analysis**, and do not warrant seller participation or price modification.

While the County has no reason to expect any changed conditions at the Property, it retains the right to re-enter to confirm there are no changed conditions that warrant action by Seller and County will perform further walkthroughs with ISD and staff prior to any acquisition.

Phase I Environmental Assessment Findings:

Staff engaged EBA Engineering to perform a Phase I Environmental Site Assessment (ESA) in conformance with the scope and limitations of ASTM Practice E 1527-21. This assessment revealed no evidence of Recognized Environmental Conditions (RECs) at or in connection with the Property. Permit Sonoma records were also viewed, from 2005 to present. The available information includes records of tenant’s improvements and subsequent occupancy of the Property. No issues of environmental concern were noted in the available information.

Additionally, the ESA found:

- Based on a review of information available in Surrounding Properties Regulatory Records, due to distances and topographic considerations relative to the Property and/or information obtained from a review of available regulatory files, there are no documented offsite facilities that appear to represent a threat of adverse environmental impact to the Property.
- An evaluation for vapor encroachment conditions (VECs) was performed using methodology established in ASTM Standard of Practice E2600-10; there have been documented releases of petroleum hydrocarbons and volatile organic compounds at properties in the vicinity of the Property. A review of available information indicates that those properties are located to the south and west of the Property, which is hydraulically down or side gradient with respect to groundwater flow and contaminant transport. Also, the identified sites were fully investigated to determine the extent of contaminants and there is no indication that any of the releases impacted the Property. Based on this information, EBA opined that a VEC can be ruled out at the Property at this time.
- The Property is not listed on the California Dept of Toxic Substances Control or the State Water Resources Control Board Geotracker database.
- In its conclusions, EBA stated that “Based on conclusions from the environmental records search, historical data review, and the site reconnaissance we find no Recognized Environmental Condition in connection with the subject property.”

Title Review, Survey Review and Natural Hazard Disclosure Statement:

County has completed review of title, survey and other required disclosures. The following is a summary of those efforts and conclusions:

1. County and its consultants have reviewed documents delivered by Seller and the title company, including entitlements, existing contracts affecting the Property, easements and encumbrances, governmental requirements, and tentative map conditions. County reviewed financial statements describing common area maintenance expenses, planned activities and reserves, all maps, plans, reports, permits (including use permits and building permits) to understand the full costs associated with the Property’s business park common area maintenance expenses.
2. The prior long-term tenant at the Property, Medtronic, vacated the Property at least one year prior to this Board item, and its lease agreement with the Seller expired on its terms as of March 31, 2025. There will be no tenant or other occupant in possession of either building at the time of closing; this is also a representation of Seller under the PSA. Medtronic was obligated to undertake certain restoration activities at the buildings prior to conclusion of its lease and Seller has provided County with reports regarding what work was undertaken, all of which has been reviewed by County staff and is acceptable especially in light of the improvement work County will conduct post-closing for county department occupation.
3. The title report for the Property indicates it is encumbered with certain access and utility easements which both burden and benefit the Property, as well as Conditions, Covenants and Restrictions (CCRs) related to the business park the Property is within, and CCRs related to landscape and maintenance. The dues associated with both sets of CCRs is reflected in the operating expenses described herein. The landscaping dues are approximately \$3,500 per year per parcel, the business park association dues are approximately \$7,000 per year per parcel and are generally expected to remain the same. Also, as part of a recorded easement maintenance agreement, the owner of the Property is required to share in maintenance responsibilities and costs related to the access driveways and drive aisles. Costs related to this obligation

previously totaled approximately \$40,000, for ad hoc needed work (in 2017) to reseal, resurface, and restripe the driveway and parking areas. All financing encumbrances incurred by Seller will be removed at or before closing.

4. County obtained an American Land Title Association (ALTA) survey of the Property to better understand where third party uses, easements and public utilities are located and if there are any encroachments onto the Property. County also obtained an ALTA title commitment for the Property based on this survey, to provide greater protection to the County during its ownership. No key concerns were found or identified in the ALTA Survey.

5. Seller delivered to County a statutorily required Natural Hazard Disclosure Statement, which of the required disclosure of hazards only disclosed that the property is in a "Special Flood Hazard Area." This condition was previously identified by County and discussed with Permit Sonoma, and does not appear to affect any county operations unless some major damage or destruction would require rebuilding of the buildings.

ESTIMATED UTILITY AND OPERATING EXPENSES:

The follow regular expenses are expected on an annual basis, based on prior tenant Property-related expenses, Seller’s expenses, and estimates from Risk Management and SPI facility Operations at the Property, however actual use of buildings by County could result in different, higher amounts:

Gas and Electricity (PGE/Sonoma Clean Power)	\$375,000 (\$.1886 to \$.3079/per square foot (psf)/month (averaged)at \$.25/psf/mo, which is approx \$32,000 per month)
Water and Sewer	\$30,000
Water Assessment Fees	\$33,000
Garbage	\$15,000
Fire Alarm/Monitoring	\$15,000
Janitorial	\$317,000 (\$.21 /psf/mo, which is \$26,000/month)
Real Property Insurance Costs (Casualty/Earthquake)	\$389,200
Building & Parking Lot Maintenance	\$110,000
Common Area Assessments	\$ 20,000
Sanitation/sewer assessment charges	\$ 32,800
Personal property insurance	\$ 1,760
TOTAL ONGOING ANNUAL ESTIMATED	\$1,338,760

These expenses will be funded through recurring operational appropriations or allocated to departments occupying the Property. The expenses will be offset by savings realized due the vacancy of the current buildings. If there are costs once the building is purchased and before the departments vacant their current locations the County Modernization fund will cover utility expenses that cannot be absorbed within existing budgets.

ONE-TIME MOVING COSTS AND IMPROVEMENTS NEEDED FOR COUNTY DEPARTMENTS OCCUPYING THE PROPERTY

It is estimated that at least \$15,000,000 will be needed for building improvements necessary for the departments intended to occupy the space. More precise budget and refined costs for construction, alterations, furniture and equipment will be prepared and brought to your Board after approval of this item. The building improvements will likely include: demolish or reconfigure existing walls to create open-plan offices, meeting rooms, and public-facing spaces; install or replace suspended ceilings and commercial-grade flooring to meet acoustical and aesthetic requirements; modify or upgrade heating, ventilation, and air conditioning systems to ensure adequate airflow and temperature control across floors; enhance electrical capacity and plumbing systems to support office equipment and restroom facilities; upgrade fire suppression systems, alarms, and emergency exits to comply with safety codes; install clear signage to guide public visitors to appropriate service counters; provide accessible restrooms, waiting areas, and information desks for the public; and upgrade and implement security measures such as surveillance cameras and controlled access points.

Once the buildings are ready for occupancy, moving costs will be incurred for moving personnel and departmental items to the new space. These costs are included in the \$15,000,000 improvement estimate and are estimated to be approximately \$1,750,000.

Recommendation:

The \$32 Million purchase price is supported by extensive county wide market search and investigations and third-party appraisals. Currently no other commercial office properties located in any area of the County that are for sale, are appropriately zoned, contain the square footage needed to immediately accommodate the identified County departments and services delivered, that are adjacent to existing county operated facilities providing important synergies and close to reliable public transit. The lack of adequate, available properties was summarized to your Board when this item was brought for approval of the PSA—while many commercial and office properties have been on the market, none met the criteria and long-term departmental and operational solutions that the County seeks. Since that time, no other viable properties have become available and the Property remains unique for meeting the County's needs and priorities. Based on the condition of the buildings, their location, and market comparables, the agreed-upon price remains reasonable. Based on professional assessments, including input from the County's real estate broker, the identified rehabilitation costs are best treated as normal ownership responsibilities and do not rise to the level of material defects or property deficiencies warranting reduction of the negotiated purchase price. Accordingly, County staff are recommending that the Board approve the transaction and consummate the purchase.

Loss of Property Tax Revenue. Acquisition of the Property will result in the removal of the Property from the tax base and from the secured tax roll, which would result in an approximate decrease of \$81,000 per year in property tax revenue received by the County.

General Plan and C.E.Q.A: Permit Sonoma concluded that the proposed acquisition and use would be consistent and in conformity with the General Plan 2020 and the County's zoning goals. At the May 6, 2025 Board meeting on this matter, your Board determined that the proposed acquisition was categorically exempt under the California Environmental Quality Act (CEQA), based on the fact that the Property contains existing

facilities to be used for Professional Office-type uses, consistent with how the Property has been historically used and operated, with no or negligible expansion of use or any other improvements. A Notice of Exemption was recorded after that May 6, 2025, determination.

Procedural Authority: Government Code Section 25350 requires the Board to consider the decision to purchase property valued at more than \$50,000 at two (2) Board meetings before consummation of the purchase. The first Board meeting on this matter occurred on May 6, 2025, and approval to execute the contingent PSA was granted. If your Board approves the requested action at this meeting, this will fulfill the second meeting requirement, and the County can consummate the acquisition of the Property.

Strategic Plan:

This item directly supports the County’s Five-year Strategic Plan and is aligned with the following pillar, goal, and objective.

Pillar: Resilient Infrastructure

Goal: Goal 1: Invest in County buildings and technology to enhance service delivery and improve employee mobility

Objective: Objective 2: Adopt design standards for County office improvement projects to maximize opportunities for telework and incorporate revised workstation space standards.

Racial Equity:

Was this item identified as an opportunity to apply the Racial Equity Toolkit?

No

Prior Board Actions:

May 6, 2025

- Authorized the Director to execute a contingent property purchase agreement for acquisition of the subject real property, in an amount of a purchase price of \$32,000,000, as well as to take all actions and execute all agreements and instruments required and recommended to facilitate the contemplated acquisition, including agreements for due diligence services, escrow instructions, and related transactional documents.
- Determined that the proposed acquisition of the Property is categorically exempt under the California Environmental Quality Act (CEQA) and directed posting of Notice of Exemption.

March 25, 2025 – Published Notice of Intent to purchase real property located at 3850 and 3880 Brickway Boulevard, Santa Rosa, California (Assessor's Parcel Nos. 059-360-008 and 059-360-007) for six successive weeks.

July 23, 2024 – SPI Director directed to pursue opportunistic property acquisitions to secure county facilities for long-term operations.

FISCAL SUMMARY

	FY25-26 Adopted	FY26-27 Projected	FY27-28 Projected

Expenditures			
Budgeted Expenses	\$31,650,000		
Additional Appropriation Requested			
Total Expenditures	\$31,650,000		
Funding Sources			
General Fund/WA GF			
State/Federal			
Fees/Other			
Use of Fund Balance	\$31,650,000		
General Fund Contingencies			
Total Sources	\$31,650,000		

Narrative Explanation of Fiscal Impacts:

Appropriations for the purchase price and associated closing costs are available in the FY 2025-26 3850 & 3880 Brickway Blvd. Capital Project (23057-4080660) Adopted Budget.

Staffing Impacts:			
Position Title (Payroll Classification)	Monthly Salary Range (A-I Step)	Additions (Number)	Deletions (Number)

Narrative Explanation of Staffing Impacts (If Required):

None

Attachments:

Purchase and Sale Agreement Signed by County and Seller

Related Items "On File" with the Clerk of the Board:

Notice of Intent - Proof of Publication

Notice of Exemption under CEQA - Proof of Filing and Posting