



COUNTY OF SONOMA

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

SUMMARY REPORT

Agenda Date: 7/23/2024

To: Sonoma County Board of Supervisors

Department or Agency Name(s): Public Infrastructure

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

Vote Requirement: Majority

Supervisorial District(s): All

Title:

Proposed New County Government Center (CGC) Plan

Recommended Action:

- A) Select the preferred alternative of one or two buildings for the County Government Center Proposed Project.
- B) Add a residential/mixed-use development to the scope of the project description to undergo environmental review along with the County Government Center Proposed Project.
- C) Postpone the Emergency Coordination Center (ECC) scope from the preferred project in order to collaborate with other local stakeholders.
- D) Direct staff to proceed with the required California Environmental Quality Act (CEQA) review and pre-construction design work.

Executive Summary:

This item provides updated project information and seeks Board direction on the proposed new County Government Center project scope and next steps. Once the schematic design process is completed by the incoming architect and Construction Manager at Risk team, staff will return to the Board to present the schematic design which will provide a clear design direction that includes a 3D graphic model for the proposed project with costs well understood, subject to an Environmental Impact Report, for consideration.

Also presented for Board consideration is information on the inclusion of a residential/mixed-use site, which has been identified in the County's General Plan Housing Element to assist in meeting the Regional Housing Needs Allocation (RHNA) requirements, in the environmental review along with the County Government Center Proposed Project.

The Emergency Coordination Center (ECC) was originally specified as a 13,000 square foot facility to be constructed as soon as the Permit Sonoma building was demolished. Staff is recommending that the Board postpone inclusion of the ECC from the proposed project to allow additional analysis of the size, and to receive input from regional stakeholders to better understand the manner and intensity of use for a new ECC facility. It is anticipated that the ECC would not be constructed along with the CGC.

Discussion:

On January 31, 2023, the Board considered and approved certain actions for the CGC, including:

- The existing County Administration Center site as the location for a new County Government Center, for purposes of conducting further analysis and other pre-project planning, feasibility, and development plan efforts, and conducting environmental review.
- Conceptual approval of a phasing approach and configuration of the new County Government Center.
- Approval of 170 ft² per full time employee as the general space standard.
- Receipt of a financing update and directing staff to investigate funding options.
- Directing staff to issue Requests for Proposals for any needed pre- development services including all consultant services for environmental studies, land use entitlements, and preparation of plans and specifications.

Following the January 31 meeting, the County became aware of an opportunity to lease and potentially purchase a 121,775 rentable square foot commercial office property at 400 Aviation Boulevard in Santa Rosa which could house approximately 400 employees who otherwise would relocate to the new CGC office building. The Board approved a lease with an option to purchase 400 Aviation Boulevard (73,036 rentable square feet) on February 27, 2024, with expected initial occupancy occurring in September 2024.

Additionally, after the January 31 meeting, the County identified approximately 9.3 acres within the County Administration Center campus along Mendocino Avenue to assist in meeting its California Department of Housing and Community Development RHNA requirements for inclusion in the Sonoma County General Plan Housing Element - August 2023-2031. Pursuant to the Housing Element, the area will be developed to accommodate 200 housing units with at least 180 units affordable to County employees, special needs populations and low-or moderate--income households.

Lease with an option to buy 400 Aviation Boulevard

In early May 2023, as the CGC project description for an environmental document was being drafted with the environmental consultants, the leasing/purchasing the 400 Aviation Boulevard opportunity occurred. Work was halted on the environmental document work because the CGC project potentially would be modified if 400 employees were to be housed at 400 Aviation Blvd., costing \$1,000 per square foot less than the new CGC building comparatively.

A lease with an option to purchase 400 Aviation was fully executed on February 27, 2024. Occupancy is expected between September and November 2024. During the first three (3) years of the lease term, the County has the option to purchase 400 Aviation Boulevard totaling 121,775 rentable square feet, at a price of \$56,100,000 (\$460 per square foot). Under the terms of the County's option, a notice of exercise ("Option Notice") must be given 180 days prior to close of escrow.

Affordable Housing / Mixed-Use Retail on 9.3 Acre Mendocino Property

On August 22, 2023, the County adopted its Housing Element 2023-2031, which included plans to facilitate and encourage housing development over an 8-year period. Included in the Housing Element is Program 4 which calls for the County to rezone sufficient sites and take other actions to demonstrate an adequate inventory of sites to meet its RHNA allocations.

Program 4c identified the County Administrative Center campus in the City of Santa Rosa to accommodate development of 200 housing units that would be developed consistent with a governmental purpose of the County, including but not limited to at least 180 units affordable to lower-income households including special needs populations, and to County employees.

A Mitigated Negative Declaration environmental document would be sufficient for CEQA review of the CGC office and ECC building, as these were not changing uses on the site. While the CGC and housing development are not and would not be dependent on each other, the addition of the housing and mixed-use component to the project will also require CEQA review. Since both independent projects may move forward at the same time, both projects need to be reviewed in a single Environmental Impact Report (EIR). Expanding the environmental review of the County campus project to include housing development on a 9.3-acre site at the NW corner of Administration Drive and Mendocino Avenue has and will delay the CGC project by 14 months, largely due to the time needed for the additional CEQA review. Although the CEQA review would encompass both projects, project planning and potential development of housing on the 9.3-acre site will follow its own schedule, independent from the CGC.

For purposes of studying the environmental impacts of the housing development on the 9.3-acre parcel, staff increased the number of units to be analyzed from the 200 (21.5 units/acre) identified in the Housing Element to 400 units (43 units/acre), following discussions with Permit Sonoma planning staff. Also expected would be some level of ancillary retail along the frontage of Mendocino Avenue to create a mixed-use project. Throughout the EIR, the housing component will be analyzed on a programmatic level, while the CGC will be analyzed at a project level.

Environmental Review Status

With the addition of the RHNA residential property to the EIR, the draft Project Description is substantially completed, waiting to be finalized after this Board meeting. A Notice of Preparation (NOP) is expected to be issued this year in the third quarter. The NOP is intended to notify the public and appropriate public agencies and solicit their input on the scope and content of the environmental information to be included in the EIR. During the 30-day public review period for the NOP, a Public Scoping meeting will be held to introduce the CEQA process and obtain input on the EIR scope.

During the 45-day comment period for the draft EIR, a hearing will be held at the Planning Commission, where public comments will be accepted, along with comments from the Planning Commission. Following the close of the comment period, a Final EIR will be prepared. The Final EIR will include revisions, responses to comments, and the Mitigation, Monitoring and Reporting Program.

The Final EIR will be presented to the Planning Commission and then to the Board of Supervisors for certification of the EIR and approval of the project. Upon approval by the Board, a Notice of Determination would then be submitted to the State Clearinghouse.

Consultants Hiring Status

The process of hiring architects, engineers, and other pre-development consultants to move through further project plan development and assessment is underway, in line with Board direction from January 31, 2023. A Request for Statement of Qualifications (RFSOQ) was issued on April 11, 2024, to a comprehensive list of architect and engineering firms. A short-list of firms was selected, followed by issuing an RFP. Staff anticipates submitting the Architecture and Engineering firm contract for Board approval in October 2024.

Closely following the A&E RFP, staff plans to engage an Owner's Representative / Cost Estimating firm to join the pre-development team to support the project budget and schedule. Staff expects to bring the contract for Owner's Representative to the Board in November/December 2024.

The initial members of the design and cost estimating team will work with staff through pre- design, schematic design and into design development to reach a level that provides sufficient substance to define the CGC project that meets the County's needs and is financially feasible. During design development, staff will conduct the RFP process to select a Construction Manager at Risk (CMAR) general contractor who will provide the market-based knowledge for cost, constructability, materials and equipment procurement, and value-engineering to best ensure a successful project.

Proposed Financial Plan Options

During Fiscal Year 2017-18 Budget Hearings the Board approved a deferred maintenance policy as part of the County's [Financial Policies](#), that called for 40% of growth in property tax, above what is needed to balance the budget, to be dedicated to a County Center Modernization Fund (originally titled Deferred Maintenance Fund) on an ongoing basis.

To date, this policy has generated total capacity of \$18.1 million annually in dedicated General Fund. In addition, during the FY 2022-23 budget hearings, your Board set aside \$1 million in Transient Occupancy Tax toward the deferred maintenance fund, bringing the total annual capacity to \$19.1 million. During the March 2022 Board meeting discussing County Center, a plan to utilize \$1 million of this annual capacity for neighborhood service centers was discussed, and one-third of this was set aside for the financing of the purchase of the Bank of America site in Guerneville. Staff anticipate that the \$1 million will still be utilized for neighborhood services, leaving \$18.1 million available for financing of construction. Based on the preliminary numbers received from the Assessor's office for FY 2024-25 growth, the capacity of the fund is expected to increase to approximately \$20 million. While there may be growth in future years, it is not possible to predict what this level of growth will be in advance.

In addition to the annual allocation, the County Center Modernization fund has received additional one-time allocations, including funding from the sale of the Chanate property, \$14.1 million; as well as allocations of year-end fund balance in FY 2020-21 and FY 2022-23 totaling \$7.3 million; and \$11.3 million that was initially programmed for the purchase of the downtown Sears site. A total of \$20.5 million from the accumulated funds has been utilized for critical time sensitive projects and for costs associated with the County Center project planning and development costs to date. The fund ended FY 2023-24 with \$71.3 million in fund balance. Based on the FY 2024-25 Adopted Budget, this is anticipated to grow to \$86.0 million by the end of FY 2024-25.

Unlike general obligation bonds, certificates of participation do not require voter approval as they not backed by dedicated ad valorem property tax and instead are secured with a pledge of real property, which can include the project that is being financed. The County engaged KNN Public Finance, the County's Independent Registered Municipal Advisor, to develop estimates of the amount that could be financed by available resources. KNN developed conservative assumptions, looking at current market rates of approximately 4%, plus 100 basis points to account for potential increases in interest rates. Under these conditions, the County could incur approximately \$314.7 million in total debt supported by \$20 million in annual payments over 30 years. As reference, for each \$1 million in increased annual debt payment capacity approximately \$15.8 million in additional debt proceeds can be generated. Actual rates will vary based on market conditions at the time of sale. Currently, most forecasts call for a decrease in borrowing rates, however given both the significant

uncertainty around future interest rates and future costs, it is prudent to plan for a conservative scenario. With the borrowing capacity and the current fund balance, a total project cost of approximately \$386 million could be supported. Supplemental sources of funds may result from released leased space and/or sale of land, and public-private-partnerships. Potential construction scenarios and their costs are discussed below.

Emergency Coordination Center (ECC)

At the January 31, 2023, Board meeting, the proposed ECC was shown at 13,000 square feet with 9,000 square feet dedicated to emergency operations and the balance to function as a conference center in non-emergencies. During emergencies, the ECC could expand to the conference center as required.

The Department of Emergency Management and the County Administrator's Office have recently agreed that an analysis of the County and other regional stakeholder emergency coordination needs should be undertaken to better understand the manner and intensity of use for a new ECC facility. Since COVID, much of the emergency coordination work has been achieved remotely – a result of instituting a hybrid work environment. These factors suggest a smaller ECC may be the appropriate solution for emergency coordination. Further study is necessary to determine regional needs and scoping for the project.

Estimated CGC size and Building Options

Initial plans called for approximately 1,700 employees to be housed in the new CGC. These plans included the consolidation of nearly all employees on the current County Administration campus aside from the criminal justice partners, into the new facility, as well as the relocation of a significant number of employees currently housed away from County Administration campus. The cost of building a facility to house that number of employees may be prohibitively expensive at an estimated cost of \$550 million.

A number of factors do suggest that this number may not be necessary for an initial development. First, further research into state and federal funding sources have shown that it may be advantageous to continue housing portions of those departments in leased space. Many federal funding sources allow for the majority of lease costs to third parties to be built into the programs' reimbursable administrative expenses, however they explicitly prohibit using funds to construct a facility or to pay lease costs to the County for space. As such, it makes fiscal sense for the County to continue to house significant portions of the Human Services Department, the Health Services Department, and the Community Development Commission in leased space rather than paying to construct new space to house them given the absence of state/federal funds to offset costs.

Second, as was mentioned above, the County has entered into a lease with the option to purchase 400 Aviation Boulevard, an office building constructed in 2015. This building has space for approximately 400 employees, who will move to the location in the coming months. In the event that the Board opts to purchase 400 Aviation Boulevard, this will reduce the number of employees that need to be housed in the new CGC.

Currently, approximately 1,200 employees (including full time, part time, and extra help) are located on the County Campus, excluding the Sheriff's Office, Main Adult Detention Facility, and Hall of Justice. If 400 Aviation Boulevard is purchased, this would leave approximately 800 employees to be located at a new CGC.

The estimated total gross square footage required to accommodate 800 full-time employees, plus the Board chambers and space for public visitors is in the range of 180,000 to 200,000 square feet. To present to your Board a viable project, properly sized and financially feasible, the schematic design development process must first be completed by the incoming architect and engineering design and Construction Manager at Risk team.

On January 31, 2023, staff presented the Board with two options: either construct a single large building or

construct two smaller towers. Constructing a single building would be less expensive overall, however it did not allow for phasing in the same way that construction of two smaller towers did. Because the County did not yet have sufficient funding capacity to complete a single building capable of housing all expected employees, a phased approach to the two-building model was viewed as most feasible.

The cost of building a facility of approximately 200,000 square feet with capacity to house a total of 800 employees is estimated at \$308 million, which is within the current debt financing capacity of \$314 million. Total costs of purchasing 400 Aviation Boulevard including moving, furnishing, and purchase price, and lease expense prior to purchase are estimated at \$61.5 million, which could be accommodated within current \$80 million County Center Modernization Fund balance. Thus if 400 Aviation Boulevard is purchased, a two building CGC construction solution is no longer necessary. The single building could be designed such that a second building could be added in the future should a future Board decide to further consolidate County departments.

In the event the number of employees identified for the new CGC remains at 1,200 (*400 Aviation is not purchased and the lease transactions are not executed for Probation and Registrar of Voters*) a building totaling approximately 300,000 square feet would be needed. The County’s projected funding capacity would not support construction of a fully built-out 300,000 square foot office building (estimated at \$450 million).

Timeline: One-Building Scenario | 175K - 200K square feet for 800 employees | Rough Estimate \$308 million

An estimate and sequence of time of development for the One-Building option is:

Phase 1 (4 Years, 9 Months)

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| 1. EIR | 18 months |
| 2. Design – Building Permit (concurrent with EIR) | 18 months |
| 3. Build shell/ interiors for office building | 24 months |
| 4. Demolish Permit Sonoma and the Administration buildings | 9 months |
| 5. Build parking lots south of Fiscal Drive | 6 months |

Phase 2 (3 Years)

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|--|-----------|
| 6. Demolish Human Services, Fiscal and 370 Administration | 9 months |
| 7. Build parking lot north of Fiscal Drive | 6 months |
| 8. Build one megawatt solar micro-grid over covered parking area | 12 months |
| 9. Improve roadways serving project, if necessary | 9 months |

Timeline: Two Building Scenario | 300K square feet for 1,200 employees | Rough Estimate \$450 million

An estimate and sequence of time of development for the Two-Building option is:

Phase 1 (4 Years, 9 Months)

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| 1. EIR | 18 months |
| 2. Design – Building Permit (concurrent with EIR) | 18 months |
| 3. Build shell/interiors for first office building | 24 months |
| 4. Demolish Permit Sonoma and the Administration building | 9 months |
| 5. Build parking lots south of Fiscal Drive | 6 months |

Phase 2 (5 Years)

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| 6. Demolish Human Services, Fiscal and 370 Administration | 9 months |
| 7. Build shell/interiors for second office building | 24 months |
| 8. Build parking lot north of Fiscal Drive | 6 months |
| 9. Build one megawatt solar micro-grid over covered parking area | 12 months |
| 10. Improve roadways serving project, if necessary | 9 months |

A two-building scenario could be pursued for one of two reasons. First, if the total employees to be housed in the CGC requires more than 200,000 square feet in a single building; or second, if the two-building design better meets the functional and operational goals of the County. The exact number of employees slated for the CGC is not known at this time however, the department will have a much better understanding and will pursue a design to accommodate the CGC occupancy requirement by the time the architect and engineering firm and the CMAR contractor begin design development work.

Next Steps

Upon the Board’s approval of the recommended actions, hiring will begin for the architecture and engineering firm, owner’s representative, and the construction manager at risk contractor for with the goal of completing pre-design, schematic design and initiating design development to sufficiently define a project that meets the County’s needs and is financially feasible. Additionally, staff will direct the environmental consultants’ efforts to conduct the environmental analysis required by the California Environmental Quality Act (CEQA) through the process leading to a Final EIR.

If directed, staff will begin negotiating the purchase of 400 Aviation Boulevard, as laid out in the lease with the option to buy.

From the initial budget of seven and a half million dollars allocated for the preliminary work, five million have been spent on planning activities. These activities include architectural, environmental, financial, and legal tasks. The estimated budget to prepare the detailed engineering and construction documents is sixty-five million dollars. It is expected to take between two and a half and three years to complete this work. These estimates may change if changes are made to the scope of the project that result in changes in the project’s footprint.

Strategic Plan:

N/A

Racial Equity:

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

No

Prior Board Actions:

Previous item: January 31, 2023 - Endorsement of Potential Project Options for Further Analysis, Planning, and Development Consideration

FISCAL SUMMARY

Narrative Explanation of Fiscal Impacts:

There is no direct cost associated with this item. Costs associated with contracts listed above are included in the FY 2024-25 Adopted Budget. Staff will return with a future item to adjust the budget for additional costs, including potential purchase of 400 Aviation Boulevard, if needed.

Narrative Explanation of Staffing Impacts (If Required):

N/A

Attachments:

Presentation

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

None