



COUNTY OF SONOMA

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

SUMMARY REPORT

Agenda Date: 3/25/2025

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:

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

Recommended Action:

Authorize the Clerk of the Board to publish a Notice of Intent to purchase real property located 3850 and 3880 Brickway Boulevard, Santa Rosa, California (Assessor's Parcel Nos. 059-360-008 and 059-360-007).

Executive Summary:

This item seeks Board authorization to proceed with steps to potentially acquire the commercial office property located at 3850 and 3880 Brickway Boulevard, Santa Rosa ("Property") for a purchase price of \$32,000,000. Staff has obtained an outside MAI (Member, Appraisal Institute) appraisal of the Property. The appraisal, which was peer reviewed, supports payment of the \$32 Million purchase price.

If today's recommended action is approved, a Notice of Intent will be published in the Press Democrat newspaper once a week for six successive weeks to announce the potential purchase. Assuming no changes to the schedule, an item will be returned to your Board on May 6th, 2025. At that point the Board will be asked for approval to enter into the contingent Purchase and Sale Agreement. A final item would be brought to your Board after due diligence activities, for final Board approval to consummate the purchase and to open escrow for the purchase.

Staff may also return to your Board prior to the contemplated final Board item, should further funding for due diligence or other project-related costs be needed or for further action related to potential financing measures.

The purchase of these buildings will facilitate relocation of departments currently housed in aging and inadequate facilities and/or leased facilities. Developing a new building of similar quality and specifications in Sonoma County at current prices would cost over \$63 million excluding land acquisition, design, permitting, office furniture, and equipment. Should your Board determine not to acquire or lease existing space like the Brickway Property, the plan would be to eventually accommodate the subject county departments in a larger, and likely more costly, new County Government Center.

For the departments tentatively slated for relocation to the Brickway property, staff estimates a cost of around \$15 million for improvements and other work to make the new space functional for County needs. Additionally,

staff will evaluate whether the purchase can be completed on a cash basis and/or via long term financing via Certificates of Participation (COP).

Government Code Section 25350:

- **Approval Requirement:** Before a county or other local government entity can publish a notice of intention to purchase real property, the governing body (e.g., Board of Supervisors or City Council) must approve the action in a public meeting.
- **Public Notice:** The governing body must also ensure that a notice of intention to purchase is published in a newspaper of general circulation within the jurisdiction.

Reasons for the Regulation:

1. **Transparency:** This regulation ensures that the public is informed about potential government real estate transactions, allowing citizens to be aware of how public funds are being spent.
2. **Accountability:** Requiring governing body approval helps prevent unilateral decisions by individuals or small groups within the government, fostering oversight and deliberation.
3. **Public Participation:** By publishing a notice and holding discussions in public meetings, residents have an opportunity to provide input or voice concerns about the transaction.
4. **Fairness and Competition:** The process promotes **transparency and fairness** in real estate transactions by requiring **clear, public, and standardized procedures**, ensuring that all dealings are conducted with integrity and accountability.

Discussion:

The Brickway Property consists of two legal parcels improved with a two-story, concrete tilt-up commercial building approximately 63,720 square feet in size at 3850 Brickway Boulevard, Santa Rosa, California, containing 4.05 acres, and identified as Assessor's Parcel No. 059-360-008; and 3880 Brickway Boulevard, Santa Rosa, California, containing 3.71 acres, improved with a two-story, concrete tilt-up commercial building approximately 62,865 square feet in size 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 and provide a total of 492 surface parking spaces.

The Property, with its current 492 parking spaces, is considered to have sufficient parking for its current use (office and research/industrial) per planning and zoning standards. Even with 525 employees, existing telework arrangements and access to new transit options like the SMART train (a 10 minute walk) give staff confidence that the existing parking will meet the needs of both employees and the public.

The buildings were constructed in 2001 and are of higher-quality concrete tilt-up construction with steel decking. The buildings contain approximately 90,000 square feet of office space and approximately 36,000 square feet of lab/research space which could be used or converted by a variety of County departments. Tenant improvements would be required depending on the specific County use. The relatively open space in the buildings could be utilized for Registrar of Voters needs that are not adequately met in their current location. The property has permitted uses of office, manufacturing and research and development and is approximately one mile from Highway 101 and in walking distance from the Santa Rosa Airport operations. The Property is located on the Airport Boulevard corridor and situated close to several other County operations, including Health Services, Sonoma Water, Human Services, Child Support Services, Regional Parks, Public Infrastructure, and Sonoma County Employee Retirement Agency, all who have offices in the immediate area.

The Property features:

1. Secure campus setting within Airport Business Center;
2. Institutional - quality construction;
3. Concrete tilt-up with steel decking;
4. Energy efficient building systems (mechanical and controls);
5. Each building features 2,000-amp power supply, 480/277v, 3 phase electrical service; two-stop Otis hydraulic elevator rated at 5,000 pounds in each building;
6. Raised floor system houses HVAC, electrical, data and communication systems allowing simple and efficient reconfiguration of space;
7. Many open office workstation areas on all floors of both buildings, prime for reconfiguration for modern departmental use; three of the four floors have conference rooms and built out offices which will require minimal adjustment for use; large welcoming lobby; large built out kitchen;
8. Key card access security system, motion sensors and surveillance cameras; and
9. Automatic fire sprinkler systems.

The size of the Property and its location near the Airport, with associated parking and convenient access to public transit, specifically SMART, provides the County a reliable option for programming needed services with confidence in the long-term availability of space.

Long-Term Need for New Premises for Multiple Departments

On July 23, 2024, the Board supported the approach of seeking opportunities to acquire existing buildings, with a goal of reducing future development costs and to provide greater certainty for securing new premises for existing County needs. The County now leases and may purchase other office space in the Airport Business Park area. Procuring existing office and operational facilities is currently both cheaper than constructing new facilities and serves to reduce the scale, footprint, and complexity of future plans for a County Government Center (CGC) project.

If acquired, the Property can be used to house multiple departments in advance of demolition of existing buildings on the main county campus in connection with the planned, new CGC development.

Acquisition of the Property will avoid continued deferred maintenance expenses at the existing county campus buildings where staff would be relocated from and avoid the expenses and time delay of building new space for said departments.

Several county programs require more space and most main campus buildings have significant maintenance needs which are planning to be replaced as part of the new CGC project.

Advantages to Acquisition of the Property:

- Significant cost savings for the construction of the CGC due to reduced size.
- Reduced operational costs from energy-efficient systems and new construction.
- Avoidance of construction delays and risks that come with building a new property.
- Flexibility and control over the use of the building, allowing the County to adapt space to meet its needs without the limitations of leasing.
- Proximity to other County agencies located in the Airport office district.

- Operational efficiencies and synergies between multiple departments that will operate from the Property including PRMD, ACTTC and CRA/ROV, through more well-designed adjacent office spaces.
- Long-term investment value in owning a unique, high-quality asset in a desirable location.

Developing a new building of similar quality and specifications in Sonoma County at current prices would cost over \$63 million excluding land acquisition, design, permitting, office furniture, and equipment. The proposed purchase price of \$32 million, even when including expected tenant improvements of \$15 million, represents a significant discount relative to these costs, offering the County substantial savings while obtaining high-quality, energy-efficient buildings that meet its needs.

Staff supports acquisition of the Property at \$32 million based on an analysis of the replacement cost, lack of comparable Class-A owner/user sales, and the strategic benefits of ownership. The replacement cost approach confirms that the purchase price represents a substantial cost avoidance compared to new construction costs, aligning with the County's needs as an owner-user and providing a stable, high-quality asset that mitigates construction risks.

County Government Center Impacts

Purchasing the Brickway Property allows the County to relocate staff from the current CGC to new, modern space, and reduces the size, scale, scope, and cost of the new CGC development. In the event the Property is purchased, the new CGC's footprint potentially could be reduced. In addition, acquisition of the Property provides the County with the opportunity to ensure continuity of service and eliminates much of the uncertainty about the planning, timing, and cost of a county government center that would otherwise need to be larger. By alleviating the need for so much space at a new CGC, more options become available for future plans and uses of the main county campus, which may potentially include housing.

Also, securing the Property now would serve to avoid costs and impacts associated with needed demolition of existing work areas at the current County Administrative Center. The current CGC master plan calls for multiple existing buildings at the County Administration Center to be demolished. If departments from those buildings are not relocated to other permanent locations, then temporary space ("swing space") and a "two-step" relocation (step one to the temporary space and then another back to a new CGC) would be needed, starting with demolition and through development of a new GCG. These needs would have to be met by leasing and making operational new office spaces wherever it may be available. The costs of providing for the temporary space(s), along with the costs and impacts of multiple moves under the two-step scenario, are not entirely known, but would be substantial.

With the ample space that the Brickway property offers, only a "one-step" relocation would be needed for over five hundred employees and up to five departments. This would provide cost savings, certainty, and long-term dependability as to where staff and operations will be housed, with the least disruption to County service. Also, an additional advantage of the Brickway Property is that it could adequately house both the Registrar of Voters and the Auditor-Controller-Treasurer-Tax Collector. With those two departments relocated from the current County Administrative Center, then CGC planning could begin in earnest as to the remaining departments that would be permanently located at the new CGC.

Should your Board determine not to acquire or lease existing space like the Brickway Property, the plan would be to eventually accommodate the subject county departments in a larger, new County Government Center.

Notwithstanding the fact that a purchase of Brickway (or any other property for County office use) has an impact on any CGC project by lessening the scale and elements of the latter, the Brickway purchase would have its own independent utility and would not require any other property purchase or the CGC itself (nor require anything specific should a CGC project ever later come to fruition). For discussion purposes, the staff presentation accompanying this Summary outlines a potential cost scenario of \$434 million, as an estimated maximum cost should all the property locations and the CGC under consideration actually be obtained. However, it is not guaranteed that the \$434 million will be incurred, since other property(s) and the CGC remain subject to separate review, consideration, and approval, which may or may not occur regardless of the outcome of the Brickway acquisition.

Proposed Purchase Agreement Terms.

In November 2023, the Brickway Property was listed for sale. In early 2024, the County retained a commercial real estate broker to assist with identifying and negotiating potential office space opportunities in the area. Prior to that, searches on commercial listing platforms for then-existing commercial property listings and opportunities revealed no adequate contiguous space was on the market (other than property in the Airport area already being pursued by the County). The broker identified the Brickway Property and informed the County about it in March 2024 as a potential opportunity for meeting County facility needs.

A nonbinding letter of intent was signed with the Seller on September 20, 2024, offering \$32,000,000 as a purchase price, to be followed by a Purchase and Sale Agreement (PSA). The PSA provides:

Price: \$32,000,000

Projected Improvements Needed: \$15,000,000

Staff estimates a cost of around \$15 million for improvements and other work to make the new space functional for County needs.

County has obtained an outside MAI (Member, Appraisal Institute) appraisal of the Property. The appraisal, which was peer reviewed, supports payment of the \$32 Million purchase price.

Funding. Staff are exploring two options for funding. Currently the County Center Modernization Fund has sufficient balance to pay for purchase of the buildings outright. This would have opportunity costs, however, in that cash would then not be available for development of a new County Government Center or purchase and renovation of other facilities.

A second option to fund the purchase price of \$32 million and needed improvement costs of \$15 million is through an issuance of certificates of participation (“COPs”) for a total amount of \$47 million funded by COPs. Depending on the progress of due diligence and other efforts, staff will return to your Board for any further actions needed with a final recommendation and next steps. Should the plan be to use COP financing, the following preview is provided:

Financing alternatives were presented to the Debt Advisory Committee (DAC) on November 15, 2024. The DAC endorsed financing through a Certificate of Participation (COP) via public sale coordinated through the County's Municipal Advisor, KNN Public Finance, LLC. Scenarios reviewed by the DAC included 20, 25 and 30-year terms (maturities) using both the current indicative market rates, as well as with a 0.25% cushion in the rate. The True Interest Cost (TIC) for when a COP would be issued in June-July 2025 cannot be predicted, although using current

market indications as of March 10, 2025, for “AA” rated COPs with a 10-year optional call (early redemption), the rates ranged from 3.48% (20-year term) to 3.92% (30-year term). The DAC recommended an issuance for a 20-year term.

At the current COP rate of 3.48% and with a cushion applied, assuming the recommended 20-year term, the total cost of COP financing is expected to be approximately \$70 million, with average annual payments of approximately \$3.4 million. Current recommendation would be to assign the debt service from the annual general fund contribution to the County Modernization fund.

A COP uses a tax-exempt lease structure to finance public infrastructure. If this funding mechanism is approved, a county-owned facility(ies) would need to be identified and encumbered as an asset, effectively serving as collateral for the COP. Staff will work with the ACTTC to identify properties with sufficient value to serve as collateral for the COP. Given the County’s current portfolio of buildings and the size of the transaction, staff anticipates that the Main Adult Detention Facility could be pledged. The COP would allow for asset substitution, if needed, such that any building(s) initially pledged into the financing transaction could be substituted as other collateral becomes available. It is also anticipated that the County will have the option to redeem (pay-off early) the COPs after 10 years, at no penalty.

Due to the highly specialized nature and timing requirements of COP financings, the County Counsel has determined the County has neither the capacity nor the expertise to provide the legal services needed for the recommended project financing plan. Therefore, the services of outside legal counsel will be needed.

The cost of issuance of COPs, including bond and disclosure counsel, municipal advisory, credit rating, title insurance, trustee and other costs of issuance, are estimated to be approximately \$320,000, which is expected to be paid using COP proceeds. In addition, county staff costs to handle the COPs process are estimated to be approximately \$25,000.

Operating Expenses. Sellers provided a summary of monthly operating expenses from 2023 and 2024, including insurance, HVAC maintenance, landscaping, janitorial, and refuse collection. Staff used that information as a guide to obtain estimates from Risk Management and Facility Operations to estimate operating expenses for the initial year in the Property, as follows. These expenses will need to be funded through recurring operational appropriations or allocated to departments occupying the Property.

Other recurring operational expenses estimated on annual basis are:

Real Property Insurance Costs (Casualty/Earthquake)	\$353,800
Common Area Maintenance	\$110,000
Common Area Assessments	\$ 20,000

The County would also need to pay regular, recurring sanitation/sewer assessment charges (approximately \$32,800/year). Also, there will be personal property contents insurance cost upon occupancy of \$1,600 per year.

Annual operating costs will be funded by annual appropriations and or allocated to occupying departments and would be at least partially offset in savings from spaces that are being vacated.

As a likely condition of COP financing, the County will be required to maintain fire and extended coverage insurance on the County assets used as the COP asset collateral. This requirement likely should be satisfied by existing asset coverages. Also, COP financing may require the County maintain an annual “rental interruption” policy covering repayment amounts due over the subsequent two repayment years. Premiums for this policy are estimated to be around \$5,000 annually, and subject to annual inflationary increases. Property expenses for general building and parking lot maintenance and repair are estimated to be \$100,000/annually. When this item returns to your Board for final approval, staff will present further refined estimates to your board for services specific to anticipated County use, including maintenance, janitorial and utilities costs to operate the Property, as well as moving expenses.

Loss of Property Tax Revenue. Acquisition of the Property will result in the removal of the tax base 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: In accordance with Government Code 65402, the acquisition of the Property by County was submitted for review to County Permit & Resource Management (PRMD) for review as to conformance with the County’s existing General Plan. PRMD has concluded that the proposed acquisition and use would be consistent and in conformity with the General Plan 2020 and the County’s zoning goals. Environmental review also indicates that, since the Property contains existing facilities and will continue to be used 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, the proposed acquisition is categorically exempt under the California Environmental Quality Act (CEQA), including but not limited pursuant to 14 CCR 15301 (existing facility).

Should any further environmental analysis be warranted as due diligence for escrow proceeds, further report and any required actions will be brought at the later Board hearing to consider whether to consummate the proposed acquisition.

Procedural Authority: Government Code Section 25350 requires the Board to publish a notice of its intention to purchase property valued at more than \$50,000 for three (3) successive weeks before consummation of the purchase. If your Board takes the requested actions, this matter is scheduled to return to the Board in May 2025 or later.

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

Prior Board Actions:

July 23, 2024 – Approved minutes reflect that the Director was authorized to pursue opportunistic property acquisitions to secure county facilities for long term operations.

FISCAL SUMMARY

Narrative Explanation of Fiscal Impacts:

The cost of publishing notices of intent to purchase are minimal.

Narrative Explanation of Staffing Impacts (If Required):

None

Attachments:

Attachment 1 – Floor Plan of Building; Site Plan

Attachment 2 – Notice of Intent

Attachment 3 – Debt Issuance Overview Detail

Attachment 4 – List of County Leased/Owned Properties Adjacent to Brickway

Attachment 5 – Potential Properties Considered for Purchase

Attachment 6 – Brickway Pursuit Record

Attachment 7 – Presentation

Related Items “On File” with the Clerk of the Board:

PRMD General Plan Consistency Determination