



COUNTY OF SONOMA

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

SUMMARY REPORT

Agenda Date: 5/6/2025

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

Supervisory District(s): Countywide

Title:

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

Recommended Action:

- A) Authorize the Director of Public Infrastructure to execute the proposed contingent Purchase and Sale Agreement for the acquisition of the subject real property, for a purchase price not to exceed \$32,000,000, and to take all necessary actions to facilitate the acquisition, including executing escrow instructions and preparing related transactional documents, in a form approved by County Counsel.
- B) Determine the proposed acquisition to be categorically exempt from the California Environmental Quality Act (CEQA) and direct that a Notice of Exemption be filed accordingly.

Executive Summary:

This item seeks Board authorization to execute a contingent Purchase and Sale Agreement with owner NGCRE INVESTMENT V, LLC, a Delaware limited liability company (Seller), 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.

In accordance with direction given at your Board's meeting on March 25, 2025, a Notice of Intent as to the potential Purchase Agreement was first published in the Press Democrat newspaper on March 28, 2025, and has ran once a week for six successive weeks. If today's actions are approved, a final item will be brought to your Board after due diligence activities, for final Board approval and to remove contingencies, consummate the purchase, and open escrow for the acquisition. That final Board item is expected to be brought in early July 2025.

The purchase of these buildings will facilitate relocation of departments currently housed in aging and inadequate facilities and/or leased facilities. If the County were to develop a new building of similar quality and specifications in Sonoma County to house those same departments, current estimates put that price at over \$63 million, which excludes land acquisition. 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 more costly new County Government Center.

For the county 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.

The proposed Purchase & Sale Agreement will require up to \$616,000 to cover the seller's reimbursable initial deposit of \$350,000 and \$266,000 for due diligence efforts and expenses. The estimated cost will be financed within existing expenditure capacity in the County Modernization Fund (23027-40803600) Adopted Budget. Appropriations for the balance of the proposed purchase price, associated closing costs, and needed improvements will be included in the FY 2025-26 as a supplemental budget adjustment which will be considered for Board adoption during the June budget hearings.

Discussion:

The Property consists of two legal parcels improved with a two-story commercial buildings 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 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.

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, because of existing telework arrangements and access to new transit options like the SMART train (a 10-minute walk), staff is confident 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. Improvements would be required depending on the specific County use. 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.

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 less expensive than constructing new facilities and serves to reduce the scale, footprint, and complexity of what is needed for a County Government Center (CGC) project.

Several county programs require more space and most main campus buildings have significant maintenance needs. If acquired, the Property can be used to house multiple departments.

County Government Center Impacts

Acquisition of the Brickway Property allows the County to relocate staff from the current County Administration Center to new, modern space, and reduces the size, scale, scope, and cost of any new CGC development. In the event the Property is purchased, the new CGC's footprint square footage scale could be reduced. In addition, acquisition of the Property provides the County with the opportunity to ensure continuity of services and eliminates much of the uncertainty about the planning, timing, and cost of a CGC that would otherwise need to be larger, assuming that staff would be located at the CGC and not housed at another location leased or built by the County. By alleviating the need for so much space at a new CGC, more options become available for plans and uses of the county administrative center complex, which may potentially include housing.

Should your Board determine not to acquire or lease existing space like the Brickway Property, the current alternative would be to attempt to accommodate the proposed County departments in a larger, new County Government Center. That said, 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, does not mean that one decision mandates or requires the other. The Brickway acquisition 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 be obtained. However, it is not guaranteed that the \$434 million plan will be initiated, 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.

Brickway Background and Alternative Location Analysis

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). As part of the broker's services, the County provided the broker with a list of criteria for the County's needs and priorities for potential properties. These included availability for purchase rather than lease, sufficient square footage to accommodate the subject departments in one location, adequate parking, feasibility for intended use, proximity to public transportation, proximity to other County facilities, and adequate warehouse-type space with connected office space for the Registrar of Voters operations with a requirement of up to 35,000 square feet of space.

The broker identified the Brickway Property and informed the County about it in March 2024 as a potential opportunity for meeting County facility needs.

After your Board agreed to publish the Notice of Intent to purchase, the County received several offers and inquiries regarding alternative locations and has received lists of potential other options for the County to instead consider, including twenty-one locations provided by local SEIU and offers for available commercial properties in downtown Santa Rosa.

Staff have also reviewed and evaluated the many properties brought to SPI's attention by brokers in the community and third parties. This review has included comparing the alternative options to the established criteria, evaluating the locations and qualities (and related issues) of the various other sites, and comparing relative prices. Attachment 2 lists all properties brought to the County's attention as well as the analysis and results. After reviewing each potential site against staff's recommended criteria (included in Attachment 2), staff determined that none of the submitted options meet the County's needs for a variety of reasons, including: 1) they are only available for lease (not purchase); 2) properties offered for sale are of insufficient square footage to provide adequate space for County operations; 3) properties offered for sale are not in central locations that make sense for the identified county departments. The fact that other County departments have current operations near the Brickway Property provides additional synergies with the departments identified for Brickway.

Based on the results of staff's analysis, staff continue to recommend the Brickway property for purchase as it is best suited to meet the County's long-term facility needs.

Proposed Purchase Agreement Terms.

The Purchase and Sale Agreement (PSA) provides:

| | |
|---------------------|---|
| Price: | \$32,000,000 |
| Initial Deposit: | \$ 350,000 (due within 7 days of execution of the PSA) |
| Additional Deposit: | \$ 350,000 (within 7 days of removal of due diligence contingencies and Board of Supervisors final approval.) |

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

Additional PSA terms:

County will have approximately fifty days following execution of the PSA to complete due diligence, which includes:

1. Review of Property reports and documents provided by Seller. County will hire engineering and other professionals for testing and inspections of the Property, including but not limited to building condition assessments, environmental conditions, feasibility for development, marketability, entitlements, existing contracts affecting the Property, easements and encumbrances, governmental requirements, tentative map conditions, the availability of water and other utilities, and such other matters as County in its sole discretion may deem appropriate related to the Property. County will also review financial statements describing common area maintenance expenses, planned activities and reserves, all maps, plans, reports, permits (including, without limitation, use permits and building permits) to understand the full costs associated with owning property in a business park with common area maintenance expenses.
2. Obtain an American Land Title Association (ALTA) survey of the Property and satisfactory ALTA title report and title commitment for the Property prior to close of escrow.

Pending completion of due diligence and the Seller's potential correction of any condition(s) found during the due diligence period and as requested by County, staff will report back to your Board in July 2025 on investigations to date and with recommendation as to final decision whether to acquire the property.

Costs and Funding. The total up-front acquisition-based costs of the Property is estimated at \$32,662,400 as detailed above with a breakdown of due diligence costs described below:

| | |
|--|--|
| Purchase Price: | \$32,000,000 |
| <i>Due Diligence Expenses:</i> | <i>\$266,000</i> |
| <i>Closing costs:</i> | <i>Escrow Fees</i> <i>\$5,000</i> |
| | <i>ALTA Extended owners title policy</i> <i>\$15,000</i> |
| | <i>Estimated Other Closing Costs</i> <i>\$1,000</i> |
| | <i>Real Property Taxes Due at Closing</i> <i><u>\$25,400</u></i> |
| <i>DUE DILIGENCE AND CLOSING COSTS</i> | <i>\$312,400</i> |
| PURCHASE PRICE AND DUE DILIGENCE / CLOSING COSTS | \$32,312,400 |
| <i>Operations Improvements Completed by the County</i> | <i><u>\$15,000,000</u></i> |
| PURCHASE/DUE DILIGENCE & CLOSING/IMPROVEMENTS | <u>\$47,312,400</u> |

Operating Expenses. The Seller 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 SPI 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) | \$389,200 |
| Common Area Maintenance | \$110,000 |
| Common Area Assessments | \$ 20,000 |
| Sanitation/sewer assessment charges | \$ 32,800 |
| Personal property insurance | \$1,760 |
| TOTAL ONGOING ESTIMATED | \$553,760 |

Annual operating costs will be funded by annual appropriations and or allocated to occupying departments.

When this item returns to your Board for final approval in July 2025, 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 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: 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 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, the proposed acquisition is categorically exempt under the California Environmental Quality Act (CEQA), including but not limited pursuant to 14 CCR 15301 (existing facility).

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. If your Board takes the requested actions, this matter is scheduled to return to the Board in July 2025.

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:

March 25, 2025 – Publish 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 was directed to pursue opportunistic property acquisitions to secure county facilities for long-term operations.

FISCAL SUMMARY

| Expenditures | FY24-25 Adopted | FY25-26 Projected | FY26-27 Projected |
|------------------------------------|----------------------------|------------------------------|------------------------------|
| Budgeted Expenses | \$616,000 | | |
| Additional Appropriation Requested | | | |
| Total Expenditures | \$616,000 | | |
| Funding Sources | | | |
| General Fund/WA GF | | | |
| State/Federal | | | |
| Fees/Other | | | |
| Use of Fund Balance | \$616,000 | | |
| General Fund Contingencies | | | |
| Total Sources | \$616,000 | | |

Narrative Explanation of Fiscal Impacts:

If approved, the \$350,000 earnest money deposit and \$266,000 for due diligence discussed in this Board Item will be paid from appropriations available in the FY 2024-25 County Modernization Fund (23027-40803600)

Adopted Budget. Appropriations for the balance of the proposed purchase price and associated closing costs may be allocated by the Board during the FY 2025-26 annual budget adoption process.

| 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:

- 1 – Purchase and Sale Agreement
- 2 – Potential Properties Considered for Purchase
- 3 – List of County Leased and Owned Office Space in Airport Area
- 4 – Notice of Exemption under CEQA

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

None