



# COUNTY OF SONOMA

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

## SUMMARY REPORT

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**Agenda Date:** 7/23/2019

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**To:** Sonoma County Board of Supervisors  
**Department or Agency Name(s):** General Services  
**Staff Name and Phone Number:** Caroline Judy, 707-565-8058; Marc McDonald 707-565-3468  
**Vote Requirement:** 4/5th  
**Supervisorial District(s):** 3<sup>rd</sup>

**Title:**

Chanate Surplus Property Sale

**Recommended Action:**

Staff recommend that the Board:

- A) Authorize General Services to issue a Notice of Intent to Award to California Community Housing Agency (CalCHA) as the successful proposer under the Surplus Property Notice issued on February 19, 2019, and release all other proposals.
- B) Delegate authority to the County Administrator, or designee, and the Director General Services to negotiate and execute an Exclusive Negotiating Agreement, in a form approved by County Counsel, to enter a Purchase and Sale Agreement with CalCHA consistent with the terms and conditions as described in the Term Sheet.
- C) Direct staff to return to the Board with a Purchase and Sale Agreement for the sale of the Chanate Campus to CalCHA pursuant to the California Surplus Property Act.

(4/5<sup>th</sup> Vote Required)

**Executive Summary:**

The County of Sonoma (County) commenced the current surplus process to dispose of the Chanate Campus (Chanate) on February 11, 2019. The County received three proposals from qualified housing sponsors in response to said surplus notice. For the reasons more fully discussed below, General Services staff recommend that your Board authorize General Services to issue a Notice of Intent to Award the Chanate surplus property sale solicitation to the California Community Housing Agency (CalCHA) pursuant to the California Surplus Property Act, and direct the County Administrator and the Director of General Services to negotiate and execute an Exclusive Negotiating Agreement with CalCHA for the purposes of finalizing a Purchase and Sale Agreement consistent with the terms and conditions set forth in the Term Sheet attached hereto as Attachment 4. Your Board's action to accept the staff recommendation will conclude the solicitation process.

The purchase offer from CalCHA fulfills the California Surplus Property Act requirements and intent to promote the creation of affordable housing, and it presents a unique opportunity for the County to invest in desperately needed housing for young families, seniors, and our

community's teachers, health care workers, and emergency medical professionals. The proposed sale supports the Board of Supervisors' vision for the future of the entire County as a thriving, vibrant community where people are able to live near where they work and be close to their families.

The Chanate site is currently owned and occupied by the County, however, the site lies within the City of Santa Rosa's jurisdictional limits. The entire Chanate property comprises 117 acres containing 16 separate legal parcels. Of these, 12 parcels containing a total of 71.6 acres have been previously declared surplus and available for disposal. The remaining 4 parcels comprised of a total of 45.4 acres will be retained by the County of Sonoma for open space and flood control purposes and are not a part of this surplus process. If the County and CalCHA successfully execute a Purchase and Sale Agreement, the property will be subject to the land use authority of the City of Santa Rosa. While the property will be restricted to ensure that the statutory affordable housing requirements are satisfied, the surplus sale process does not involve review of any specific development of the property.

## **Discussion: BACKGROUND**

The County has been evaluating options for the re-use or disposal (sale) of the Chanate campus for the past five years. The buildings on the property are seismically unsafe, attract vandals, and cost taxpayers over \$800,000 dollars annually in safety measures, including security, fire watch, and reinforcement and repair of the buildings' doors and windows. Copper thieves have removed wiring and pipes and created hazardous conditions requiring constant rework to secure the buildings. The County is expending taxpayer dollars to monitor and secure the property. Prior studies demonstrated that it was cost prohibitive to renovate the buildings to address the seismic, structural, and mechanical building deficiencies and failures. In addition, the buildings are functionally obsolete and could not meet the needs of County departments providing services to the public. Back in 2014, the County considered demolition of the vacant buildings, but determined that the estimated cost of \$6 million was beyond available capital budget resources.

### 2016 Surplus Sale: No Community Benefit Proposals

In accordance with direction provided by the California Government Code, the County embarked upon a surplus sale process in 2016. The County received no proposals in response to the 2016 surplus sale process and therefore initiated a private sale process. Ultimately, that process was unsuccessful.

## **CURRENT PROCESS**

### 2018-19 Surplus Sale: Three Community Benefit Proposals

The Board directed staff to restart the property sale process in December 2018. It re-declared the property surplus and directed staff to solicit responses according to procedures prescribed

by the California Government Code Section 54220. This time, the County received three proposals; all three include the creation of affordable housing.

### Community Benefit: Addressing the Housing Crisis

The sale of the Chanate property for this purpose not only fulfills the legislative purpose of the California Surplus Property Act, it also addresses a dire need in Sonoma County. As has been well-documented throughout the greater Bay Area, demand for affordable rental homes far exceeds available supply, and the pace of new construction is not sufficient to address the need for area workers, seniors on fixed incomes, or young families. In Sonoma County, the California Housing Partnership estimates that an additional 14,600 affordable rental homes are needed, given the gap between wages and rental rates. Renters in Sonoma County need to earn \$44.23/hour – almost four times the state minimum wage – to afford the median monthly rent of \$2,300. The Chanate property sale provides an opportunity to address some of this shortfall.

### California Surplus Property Act

The California Surplus Property Act (Cal. Gov. Code § 54220 and following) (the Act) is structured to encourage local agencies to prioritize affordable housing opportunities when selling surplus government property. The Act requires governmental entities to provide notice and an opportunity for housing sponsors, parks, schools, and other governmental entities to purchase surplus government property prior to disposing of surplus property through a private sale.<sup>1</sup> The Act further prescribes the process local agencies must follow when more than one party expresses an interest in purchasing the surplus property.<sup>2</sup>

First priority must be given to offers from qualified housing sponsors that propose to use the property to develop affordable housing.<sup>3</sup> If multiple offers are received from qualified housing sponsors, the Act requires that the County give priority to the housing sponsor proposing the greatest number of affordable housing units at the deepest level of affordability.<sup>4</sup> The Act mandates that at a minimum of 25% of all housing eventually developed on the property be affordable to low and very-low income households, and once developed these units are deed restricted affordable for 55 years. The description of the number of affordable units provided by proposers is theoretical, and for the purpose of evaluating between multiple offers only; it does not constitute a development plan. Finally, while the Act allows sale price to be considered in evaluation proposals, it is not the determining factor in awarding a sale.

### RFP Issuance, Requirements, and Evaluation Methodology

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<sup>1</sup> Cal. Gov. Code § 54222.

<sup>2</sup> Cal. Gov. Code § 54227.

<sup>3</sup> Cal. Gov. Code § 54227, subd. (a).

<sup>4</sup> *Ibid.*

To satisfy the Act's requirement that the County issue a written offer to sell surplus property, staff issued a Request for Proposals (RFP) in February 2019 and conducted extensive marketing to insure that all entities specifically identified under the California Surplus Property Act received notice of the opportunity. These statutorily designated entities include housing sponsors, park districts, school districts, cities, and tribal entities. The RFP itself and the list of organizations whom received the solicitation is included as Attachment 1.

The RFP specified that respondents must demonstrate their experience, as well as the financial ability and organizational capacity to facilitate the development of affordable housing, consistent with the requirements of the Act. Furthermore, the RFP stated that successful respondents must demonstrate their ability to assume responsibility for the security and maintenance of the campus, and to participate in a full and collaborative community outreach and communication program. The RFP indicated that the County desired to lease back the portions of the property with the Morgue and Public Health lab for a period to enable time for relocation. Finally, the RFP stated that proposals would be evaluated pursuant to criteria set forth in the Section H of the RFP and their consistency with the requirements of the Surplus Property Act.

### The Purchase Offers

On May 10, 2019, the County received three offers from qualified housing sponsors for purchase of the entire Chanate campus. These offers are briefly summarized below (for a more complete summary see Attachment 2). To review the bids in their entirety along with additional materials go here: <https://sonomacounty.ca.gov/General-Services/Facilities-Development-and-Management/Groups/Planning-Group/Chanate-Campus/>

- A. Oakmont Senior Living (OSL) proposed an \$8 million fee simple sale. 25% of housing developed on the property would be affordable. OSL would close the sale in 30 days. OSL also agreed to lease back of the County Morgue and Public Health Laboratory properties to the County. Partners listed are Bill Gallaher and Burbank Housing.
- B. EAH Housing (EAH) proposed two options for a fee simple sale. 25% of housing developed would be affordable. Partners listed are EAH Housing, JH Community Partners LLC, and Integral Communities. The two options proposed by EAH are:
  - a. An \$8.2 million fee simple sale subject to the following conditions: (1) a 120 day due diligence period and removal of contingencies and (2) County and EAH to share demolition costs of the vacated hospital building 50/50; **or**
  - b. A sale conditioned upon receipt of entitlements from the City of Santa Rosa with final purchase price not to exceed \$11.6 million, dependent upon a specific number of market rate homes permitted, or as entitled at \$35,000 per market rate residential lot.

- C. California Community Housing Agency (CalCHA), a California Joint Powers Authority, also proposed two options, each of which would be comprised of 100% affordable housing. CalCHA proposed a 120-day closing to provide adequate time to conduct due diligence. Partners listed are CalCHA, Build Inc., and Catalyst Housing Group. The two options proposed by CalCHA are:
- a. Fee simple sale of the property to CalCHA for \$1.00. The County would retain two options to purchase the property from CalCHA for \$1.00. The first option could be exercised at year fifteen (15), the second option could be exercised at expiration of the 30 to 35 year term of the bonds sold to develop the property. At the time of exercise of the option, the County would take fee simple ownership of the Property, and assume responsibility for servicing the bonds. As a result the County would be entitled to the then fair market of the improved property, less the value of the outstanding bonds; *or*
  - b. Ground Lease of the property to CalCHA. Under the Ground Lease scenario, the County would retain the option rights to access the equity in the property as described above.

Each of the three purchase offers were missing information explicitly requested in the RFP. The County Selection Committee met to evaluate the proposals but expressed concerns that the missing information made it difficult to fully evaluate the three offers and reach a final ranking. The County Selection Committee included executive level staff from the General Services Department, including the General Services Director supported by the Real Estate Division, the Community Development Commission, County Counsel, Auditor Controller Treasurer Tax Collector, and the County Administrator's Office.

On June 4, 2019, the Board provided direction to staff negotiators to obtain the missing information and to provide an opportunity for each of the bidders to present their proposals in-person, and provided specific guidance regarding proposer's price and terms of payment. Staff subsequently sent letters to each of the bidders requesting information that was missing or clarification of elements within each bid response. As prescribed by the provisions of the Act, members of the County Selection Committee then met again with each of the bidders in person to provide an opportunity for the bidders to present their proposals and respond to specific questions regarding terms and conditions of the proposed sale.<sup>5</sup> Staff requested that each of the bidders submit a written public benefit statement. Staff conducted analyses of the offers as described below. The Board provided direction to the County's real property negotiators on July 9, 2019 to reach terms of the sale. A final meeting of the County Selection Committee was held to consider all of the submitted materials and information provided in the interviews. Based upon the initial written offers, the subsequent letters of clarification, and the in-person interviews and reference checks, staff recommend the selection of CalCHA.

#### Analysis of Offers Per the Surplus Act

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<sup>5</sup> Cal. Gov. Code § 54223.

The Act requires that the County consider the number of affordable housing units proposed and the depth of affordability provided. While proposed sale price can be considered, it is not the determining factor in awarding a bid through the surplus process. Based upon the theoretical number of units preliminarily proposed by each prospective purchaser, the affordable percentage, and the depth of affordability (exclusive of other factors such as price, time to close, equity opportunities, etc.), CalCHA, a joint powers authority housing provider, clearly meets and exceeds the legal requirement for consideration under the Act.

As the table below indicates, the CalCHA proposal met and exceeded the requirements as stipulated under the Act and as described in the RFP. Given that CalCHA proposed 100% of all of the units eventually permitted by the City of Santa Rosa, and the fact that OSL and EAH each proposed only 25% of the units as affordable, CalCHA clearly is the most responsive to the requirements of the Act.

Furthermore, CalCHA met the depth of affordability criteria as described under the Act through stipulating 1/3 of the total units eventually permitted at 80% Area Median Income (AMI). In Sonoma County, 80% AMI equates to a family of four earning \$86,400 per year. While OSL and EAH both proposed to address a deeper level of affordability, the limited percentage of affordable at only 25% outweighed this factor. Staff provided an opportunity for OSL and EAH to identify the mix of affordable units that might be developed, as this information was not explicit in their written proposals.

	<b>CalCHA</b>	<b>OSL</b>	<b>EAH</b>
Affordability	100%	25%	25%
Degree of Affordability (AMI)	1/3 of City of Santa Rosa permitted units @ up to 80% AMI (Low)  1/3 @ 80-100% AMI (Median)  1/3 @ 100-120% AMI (Moderate)	Affordability mix not identified in written materials although indicated 50% AMI. Clarified in interview as targeting 50% AMI (Very low).	Affordability mix not specified, described as ranging from 30% AMI (Extremely Low) to 80% AMI (Low).

Price-Offer Analysis

As indicated previously, offer price is not the determining factor in the selection of a surplus sale. Also, the value of an offer price includes both cash and public benefit considerations such as avoided costs and public equity. Staff also considered the access to the capital necessary for

the due diligence and closing as an element of the offer price analysis. Finally, staff considered the potential residual value of future equity at Year 15 and at bond pay-off.

#### OSL

- The highest priced cash offer at closing was OSL's at \$8 million. OSL's terms were for a 30-day closing, non-contingent cash offer. OSL's offer included their performing the demolition and therefore consideration was given to this aspect of value. OSL proposed self-financing the purchase. The relatively low risk of their financing approach was considered in the evaluation process. OSL's cash offer did not include any future economic interest or equity ownership opportunity for the County.
- Their proposal partner included Hutchinson, Chockey, Early and Company - a firm that has financed over \$7 billion in multifamily housing. OSL demonstrated a track record of over \$250 million in successful bond financings and subsequent housing developments.

#### EAH

- Non-profit EAH proposed two options: either a) \$8 million with a 50/50 cost share of the demolition expenses, or b) closing upon receipt of entitlements from the City of Santa Rosa, with final purchase price as \$35,000 per market-rate residential lot with a floor closing price of \$11,690,000. EAH's second option predicates the sale upon the City of Santa Rosa's entitlement process and therefore was not considered a desirable alternative. The County estimates demolition to cost \$10 million. In EAH's initial first option, the County would potentially have shared an estimated \$5 million in the demolition costs, thereby reducing the cash value to \$3 million.
- EAH's proposed financing structure relied upon receipt of competitive affordable housing financing from both the Sonoma County Community Development Commission and the City of Santa Rosa, as well as the State of California and, therefore was considered uncertain. This offer did not include any future economic interest or equity ownership opportunity for the County. Following the interview, EAH submitted a written revised cash offer to the County of \$4 million and assuming the entire cost of demolition.
- EAH's partners included JH Community Partners LLC, and Integral Communities. The entire partnership has a long and established record of successful financings and subsequent projects developed throughout the Bay Area.

The cash offers presented by OSL and EAH presumably reflect the property value as-is unimproved and with existing government-institutional zoning. Were the County to accept either cash offer, there would be no opportunity to benefit from the eventual improved value of the property. While the two cash offers provided public benefits these were outweighed by the CalCHA offer of shared equity.

#### CalCHA

- CalCHA’s business model is to develop, operate, and maintain affordable workforce housing and to use available public sector bond financing mechanisms rather than competitive funding sources to achieve its goals. Using the State of California Community Financing Authority (CalCFA) bond financing requires participation of the local jurisdiction, which then results in an equity sharing structure between CalCHA and the local public entity – in this case the County. Once the bonds used to develop the housing have been paid off, over an estimated a 35-year term, the improved asset transfers back to the County.
- CalCHA submitted a proposal for 100% of the units to be affordable. CalCHA presented a contractual transaction for \$1.00, with an opportunity for the County to re-acquire the improved property asset at year 15 for the improved and increased value net of the outstanding bonded indebtedness, thereby enabling the County to benefit from the improved asset value and ongoing rental income. The County would have an option at year 15 to do one of the following: 1) resell the property to an affordable housing provider, or 2) retain the property and realize the rental income through the term of the bonds, or 3) restructure the outstanding indebtedness. CalCHA’s proposal will create 100% of all units developed as affordable.
- Per the Act, these units will be deed-restricted as affordable for 55 years. The County could extend that deed restriction when exercising the option to reacquire the property. Although CalCHA’s initial offer provided no immediate revenue, it does provide future economic benefits to the County, including an ownership equity stake that appreciates over time, and access to residual cash flow which, after the bonds are retired, could be substantial.
- CalCHA’s partners include Build Inc., and Catalyst Housing Group. Staff considered the proposed partnership when evaluating the likelihood of a successful closing. Both Build, Inc. and Catalyst Housing have successful track records of financing and completing projects. Build has completed over 3,500 residential units in San Francisco over the past 15 years, and has another 2,800 units in the pipeline. Catalyst Housing Group’s principals have financed over \$2.8 billion in multifamily housing transactions.

Staff subsequently negotiated an improved offer as described in the Term Sheet, retaining the \$1.00 transaction, but adding a \$500,000 deposit payable upon completion of specific milestones, and adding a \$5 million equity advance upon issuance of construction bond financing. Staff also obtained a commitment to lease back the Morgue and Public Health laboratory.

The summary of the dollar value of the proposals include cash, public equity and avoided costs is shown below. Although there is considerable uncertainty in the future value of the property in 15 or 35 years, the upside is significantly greater than the cash offers

<b>Dollar Value:</b>	<b>OSL</b>	<b>CalCHA</b>	<b>EAH</b>
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Cash	\$8 million fee simple	\$1.00 transaction fee simple with a \$5 million advance on equity at bond issuance	Option A – \$4 million fee simple Option B – \$11.6 million
Public Equity	None	Yes – CalCHA estimated public equity value (See below)	None
Avoided Demolition Costs Estimated	\$10 million	\$10 million	\$10 million

Evaluation Committee Scoring

Based upon the evaluation criteria and the statutory requirements of the Act the County Selection Committee scored the proposals as follows:

	<b>OSL</b>	<b>CalCHA</b>	<b>EAH</b>
Dollar Value of Bid	35	50	20
Demonstrated Financial Capacity	30	30	20
Conditions of Closing	20	15	10
<b>Total Point Score</b>	<b>85</b>	<b>95</b>	<b>50</b>
<b>Statutory Requirements</b>			
Affordable Housing	25% (meets)	100% (exceeds)	25% (meets)
Depth of Affordability	30% AMI (exceeds)	80 – 120% AMI (exceeds)	30 – 80% AMI (exceeds)

CalCHA was the most successful bidder given both the points scoring and when the statutory requirements were considered. Therefore, staff are requesting that your Board accept staff’s recommendation to award the sale to CalCHA, and release the two other bidders from further consideration.

CalCHA’s Public Benefit

CalCHA is a California Joint Powers Authority formed for and engaged in activities for the sole and express purpose of the development of moderate and low cost housing as a community public benefit. CalCHA provides perpetually affordable rental housing to the community while creating public benefits for local governments. The CalCHA joint powers authority was formed by the Kings County Board of Supervisors on January 29, 2019 to address middle-income workforce housing across the state. By joining CalCHA as an Additional Member, developers

such as Build, Inc. can access bond financing provided through the JPA. If the Board approves the final Purchase and Sale Agreement, CalCHA, as a public agency, will own the Chanate property and work with the City of Santa Rosa to obtain the appropriate entitlements. Other public members of the CalCHA joint powers authority include the County's Community Development Commission, the City of Santa Rosa, King's County, the City of Menlo Park, etc.

Bonds issued are limited obligations of CalCHA and not of the Additional Member, in this case the County, and are payable solely out of the revenues and receipts derived from the Project being financed. CalCHA is a public entity separate and apart from members and the debts, liabilities and obligations of CalCHA do not constitute debts, liabilities or obligations of any member.

If the Sonoma County Board of Supervisors approves the final Purchase and Sale Agreement, CalCHA, as a public agency, will own the Chanate property and work with the City of Santa Rosa to obtain the appropriate entitlements.

CalCHA identified the community benefit of their offer in three ways:

- "Public Equity" that is granted to the County (Asset value – Outstanding debt = Public Equity) Public equity is accrued with no investment or direct ownership requirement by the County of Sonoma. CalCHA acquires the land, obtains the entitlements, issues bonds for the improvements in the land, secures renters, manages the property, and makes the bond payments. If a Purchase and Sale Agreement is approved by the Board the County would have a below-market "purchase option" to access the public equity in the land. The public equity at any given point in time is the asset's market value minus the outstanding bonded indebtedness.
- "Public Cash Flow" that accrues to the County (all cash flow after repayment of debt) – Once the bonds have been paid off, typically at 33 years from issuance, the rental income that is accrued and any other capital reserves become available to the County as revenues. This public cash flow is sometimes referred to as "surplus economics."
- "Tenant Subsidy" provided to residents (market rents – restricted rents) – Another community benefit is created through the provision of affordable housing at below market rate rents. The tenant subsidy is the difference between a market rate rental unit of similar size and quality and the CalCHA created unit with perpetually restricted rents. As the Sonoma rental market becomes increasingly unaffordable to the majority of renters over time, this tenant subsidy increases in value.

When factoring in those three categories, CalCHA in their proposal materials estimates the total public benefit of their proposal to be approximately \$359 million. Please refer to Attachment 3 for more details. This estimate of public value is based upon a set of assumptions and a net present value analysis.

To assist in the analysis of CalCHA's proposal, staff contacted the County's financial consultant, KNN, to evaluate CalCHA's public benefit analysis and bonding assumptions. KNN's evaluation

was limited to examining the calculations used in CalCHA's proposal. Staff will continue to work with contracted real estate brokerage firms, KNN and CalCHA through the Exclusive Negotiations process to refine the public benefit assumptions given the proposed terms of the sale.

While the financing structure proposed is relatively new in the State of California, similar projects have been approved by the City of Santa Rosa and the Sonoma County Community Development Commission. As the Board of Supervisors are well aware, the Community Development Commission entered into a similar equity sharing agreement for the 2150 West College property on December 11, 2018. In addition, on February 12, 2019, the City of Santa Rosa entered into an agreement with CalCHA authorizing the acquisition of 1020 Jennings Avenue. The City of Santa Rosa executed a similar equity sharing agreement with CalCHA for the conversion of the Annadel Apartments to income and rent restricted rental housing for middle-income households. The City noted that the CalCHA agreement for the Annadel Apartments helps address the housing needs of a segment of the population that generally does not benefit from the creation of affordable housing units.

#### Proposed Term Sheet

Staff are proposing the terms listed below for the Board's consideration and approval. If approved, these terms will become the basis of an Exclusive Negotiating Agreement (ENA) and a Purchase and Sale Agreement. See Attachment 4 for more details.

- Fee simple sale of the Chanate campus under the provisions of the Surplus Act to facilitate the development of affordable housing in exchange for consideration of \$1.00.
- The County will receive an exclusive option to purchase the property at Year 15 in exchange for assuming responsibility for the outstanding debt service at time of exercise, and a second exclusive option to purchase the property at year 31 after pay-off of outstanding original bonds.
- CalCHA will provide the County a refundable Good Faith Deposit in the amount of \$500,000. \$50,000 of which will be paid upfront with the ENA, and the remaining \$450,000 due upon execution of Purchase and Sale Agreement and close of due diligence period (90 days).
- CalCHA will provide the County a \$5,000,000 equity advance upon issuance of their bonds.

Should your Board accept the staff recommendation, staff will work under delegated authority to execute an Exclusive Negotiating Agreement, and if successful then return to your Board with a Purchase and Sale Agreement.

#### CEQA

The sale of property pursuant to the California Surplus Property Act is exempt from the California Environmental Quality Act (CEQA) pursuant to Per CEQA Guidelines section 15312

except under certain limited circumstances.<sup>6</sup> These exemptions are limited to surplus property located in an “area of statewide, regional, or area-wide concern identified in CEQA Guidelines section 15206(b)(4).” Section 15206(b)(4) does not apply. Chanate is not located in an area of statewide, regional, or area-wide concern, as identified in Section 15206(b)(4), which is limited to projects that would be located in and substantially impact the following specified areas of critical environmental sensitivity:

- (A) The Lake Tahoe Basin.
- (B) The Santa Monica Mountains Zone
- (C) The California Coastal Zone
- (D) An area within 1/4 mile of a wild and scenic river as defined by Section 5093.5 of the Public Resources Code.
- (E) The Sacramento-San Joaquin Delta
- (F) The Suisun Marsh
- (G) The jurisdiction of the San Francisco Bay Conservation and Development Commission.<sup>7</sup>

Furthermore, the citation in Section 15206(b)(4)(D) to a “wild and scenic river” as designated pursuant to the state Wild and Scenic Rivers Act<sup>8</sup> does not include any waterway running through Chanate. Currently designated rivers in the Wild and Scenic Rivers system include portions of the Klamath, Trinity, Smith, Eel, American, West Walker, Carson, South Yuba, Albion, Gualala, and Mokolumne rivers, and specified tributaries to those rivers. Paulin Creek, the only waterway running through Chanate, is not designated as a “wild and scenic” river and is not in the watershed of a wild and scenic river.

### Community Engagement

Staff have been working to provide relevant and timely information to the public regarding the RFP process, the requirements of the Surplus Property Act, and the criteria used to consider multiple offers from housing sponsors. Staff have provided regular updates to interested parties via email, on the Chanate website, and via social media. Furthermore, staff have participated in four community meetings since March to explain the surplus sale process.

Many members of the community are interested in knowing the specifics of how the property might be developed. The County has sought to explain that we are merely selling property in compliance with State law and that opportunities for public engagement will occur with the new buyer and the City of Santa Rosa. At this point no project plan has been submitted and therefore no details are available. If the Board approves the recommended action, CalCHA will immediately begin community outreach activities.

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<sup>6</sup> 14 Cal. Code Regs. § 15312.

<sup>7</sup> 14 Cal. Code Regs. § 15206(b)(4).

<sup>8</sup> Cal. Pub. Res. Code §§ 5093.50 *et seq.*

The site is currently zoned Public Institutional and will have to be rezoned by the City of Santa Rosa to accommodate any future change of use. The City's entitlement process is structured to ensure that the community will have the opportunity to provide input into the development process. The County's property sale simply transfers the property asset to a new buyer and does not constitute approval of any specific site development plan.

### Next Steps

If the Board authorizes staff to negotiate and execute an Exclusive Negotiating Agreement consistent with the Term Sheet, then staff will do so and return to your Board in the fall with a proposed Purchase and Sale Agreement. At that time, staff will also present an opportunity for the County to join the JPA, as a prerequisite to the Purchase and Sale and the issuance of bond financing. The County must become a member of the California Public Finance Authority.

### Conclusion

The proposal offered by CalCHA to purchase the Chanate campus is an investment in the future of our community. Although the County will transfer the property to CalCHA we will have an opportunity to regain the improved asset. The proposed sale supports the Board of Supervisor's vision for the future of the entire county as a thriving, vibrant community where people are able to live near where they work and be close to their families.

CalCHA builds affordable housing that serves middle income earners. In Sonoma County, 80% - 120% Area Median Income households for a family of four earn between \$86,400 and \$110,950 per year. A recent California Association of Realtor's housing affordability report indicated that only 23% of all Sonoma County households earned the minimum annual income of \$138,760 required to purchase a median-priced home at \$640,000 in the fourth quarter of last year. Studies have shown that many middle income earners are commuting long distances to jobs in Sonoma County. Recruitment and retention suffer when workers cannot find affordable housing. The average rents for a four-bedroom home in Sonoma County are beyond the reach of most residents and many are priced out of home-ownership entirely.

### **Prior Board Actions:**

December 11, 2018 – Disposal of the Chanate Campus

December 11, 2018 – Preparatory Actions Regarding Disposition of Chanate Campus

October 23, 2018 – Adopt an Ordinance Vacating Approval of the Chanate Campus Development and Disposition Agreement By Rescinding Ordinance No. 6205

October 8, 2018 – Introduction of Ordinance Vacating Approval of the Chanate Campus Development and Disposition Agreement by Rescinding Ordinance No. 6205

**FISCAL SUMMARY**

	<b>FY 19-20 Adopted</b>	<b>FY20-21 Projected</b>	<b>FY 21-22 Projected</b>
<b>Expenditures</b>			
Budgeted Expenses	\$881,818		
Additional Appropriation Requested			
<b>Total Expenditures</b>	<b>\$881,818</b>		
<b>Funding Sources</b>			
General Fund/WA GF	\$881,818		
State/Federal			
Fees/Other			
Use of Fund Balance			
Contingencies			
<b>Total Sources</b>	<b>\$881,818</b>		

**Narrative Explanation of Fiscal Impacts:**

Upon execution of the ENA, CalCHA will provide a deposit of \$50,000 to be held by a mutually agreed upon Title Company. Should the Board direct staff to bring back a PSA for execution, CalCHA will provide an additional \$450,000 deposit to be held by the same Title Company. All deposit funds are considered refundable until the close of escrow. At the close of escrow, the deposit shall be credited against the negotiated \$5,000,000 equity advance, which would be paid to the County at the time of bond issuance.

During the FY 2019-20 Budget Hearings, the Board authorized funding through June 30, 2020 for the ongoing maintenance, security and fire watch activities required on the Chanate property. It is still too early in the negotiation process to determine when CalCHA would be assuming said maintenance responsibilities. Staff will update the Board as this information becomes available.

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


**Narrative Explanation of Staffing Impacts (If Required):**

None.

**Attachments:**

Attachment 1: RFP and list of designated entities

Attachment 2: Summary of Offers

Attachment 3: Analysis of CalCHA Public Benefits

Attachment 4: Term Sheet

Attachment 5: Presentation

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

None.