



Summary Report

Agenda Date: 3/12/2019

To: Board of Commissioners of the Community Development Commission, Board of Directors of the Sonoma County Water Agency

Department or Agency Name(s): Sonoma County Community Development Commission and Sonoma County Water Agency

Staff Name and Phone Number: Benjamin Wickham, 707-565-7542

Vote Requirement: Majority

Supervisory District(s): 3rd District

Title:

Purchase and Sale of real property located at 330 Hewett Street, Santa Rosa.

Recommended Actions:

Take, approve and authorize the following actions:

- A) Adopt a resolution to approve and authorize the sale of the surplus real property located at 330 Hewett Street, Santa Rosa by the Sonoma County Water Agency for seven hundred and fifty thousand dollars (\$750,000), or an amount to be agreed to by the parties, to the Sonoma County Community Development Commission, and authorize the Sonoma County Community Development Commission to purchase and own said property.
- B) Approve the issuance of a 1-year note by the Sonoma County Water Agency in an amount not to exceed two hundred thousand dollars (\$200,000), with an interest rate based on the U.S. Department of the Treasury Daily Treasury Yield Curve Rate for a 1-year term for the date of approval by the Sonoma County Water Agency's Board of Directors to execute the sale.
- C) Authorize the Executive Director of the Community Development Commission and the General Manager of the Sonoma County Water Agency or their designees to take all actions necessary to complete the purchase and sale of the property.
- D) Authorize the Sonoma County Water Agency General Manager or his designee to take all actions necessary to issue and carry a note in an amount not to exceed a two hundred thousand dollar note for a one year duration.
- E) Authorize the Executive Director of the Community Development Commission to issue a Request for Proposals for development of housing on the property once the Commission has acquired the property.
- F) Adopt Resolution to approve Fiscal Year 2018-19 (FY 18-19) Action Plan Substantial Amendment to include use of up to six hundred thousand dollars (\$600,000) in CDBG funds for a deposit into an escrow account by the Community Development Commission for acquisition of the Property.

(Third District)

Executive Summary:

This agenda item supports the Board's priority of Housing for All and is brought to support affordable housing development. Staff seeks the Board's approval under its authority as the Directors of the Sonoma County Water Agency (Sonoma Water) and as the Board of Commissioners of the Sonoma County Community

Development Commission (Commission) for the sale of the Sonoma Water property located at 330 Hewett Street, Santa Rosa (Property) to the Commission for seven hundred and fifty thousand dollars, based on two recent appraisals. This item also seeks Board approval of a Substantial Amendment to the FY18-19 Action Plan authorizing the use of up to \$600,000 in CDBG funds toward property acquisition. Board approval is also requested to issue a note by Sonoma Water in the amount of up to two hundred thousand dollars to fund the balance of the purchase price plus closing costs, with interest on the note payable at the U.S. Department of the Treasury Daily Treasury Yield Curve Rate for a 1-year term. It further authorizes the Executive Director of the Commission and the General Manager of the Sonoma Water to take any required actions to complete the sale and transfer of the Property as contemplated by the Purchase and Sale Agreement, and authorizes the Executive Director of the Commission to issue a Request for Proposals for development of housing on the parcel after acquiring the Property.

Discussion:

Relevant Site Background

The property (Assessor's Parcel Number 010-700-015), hereafter referred to as the "Property", consists of a 0.67-acre parcel and contains a residential house and a small garage. Sonoma Water acquired the Property in 2001 as part of a legal settlement. The Property was originally a portion of a larger parcel that contained buried rubble containing lead based contaminants. The buried contaminants were identified and located on a small portion of the larger parcel abutting Sonoma Water's Santa Rosa Creek Channel property (Assessor's Parcel Number 010-700-016). On May 12, 2015, the Sonoma Water Board declared the property surplus subject to completion of a lot line adjustment to combine the portion of the contaminated property with the Sonoma Water's Santa Rosa Creek Channel property. Sonoma Water applied to the City of Santa Rosa for a lot line adjustment which was approved by the City. In December, 2017, Sonoma Water staff notified the requisite governmental agencies of the availability of the Property for purchase for affordable housing, parks, or schools in accordance with applicable provisions/requirements of the Government Code.

While the Property is located within Santa Rosa city limits, utilizing Sonoma County CDBG funds in this way to spur development of affordable and workforce housing inside city limits supports County policies related to providing high quality housing located close to transit and other amenities. Developing this urban property as affordable housing, which is part of the Station Area Plan, ensures city-centered development near transportation and other public services, which aligns with agricultural and open space preservation and greenhouse gas emission reduction goals. The Property is currently zoned R-1 6 H-SA, which would allow the development of at least 4 residential lots.

Transaction Description

The Property was appraised in September 2017, with a value placed at \$880,000. A more recent appraisal, obtained in February 2019, placed the value of the property at \$680,000. The difference in appraised value revolves mainly around the condition of the existing single-family house and its resulting value. After a careful

review of both appraisals Sonoma Water and the Commission have negotiated a purchase price of \$750,000. A Purchase Agreement, Grant Deed, Installment Note, and Deed of Trust has been prepared to facilitate sale of the Property. To help the Commission and facilitate sale of the Property, Sonoma Water proposes to carry a one-year Installment Note on the property. The interest rate on the note will be the U.S. Department of Treasury's Daily Treasury Yield Curve Rate for a 1-year term. As the rate changes daily, the specific rate will be established as the rate on the day the purchase and sale of the Property to the Commission closes. The one-year term should provide the Commission with sufficient time to solicit development proposals for affordable housing on the Property. The Purchase and Sale Agreement stipulates a \$600,000 deposit on the Property, \$30,000 of which is non-refundable, The remaining \$130,000 balance of the purchase price plus closing costs are to be paid to Sonoma Water by the Commission through the prepared Installment Note. A Deed of Trust has also been prepared to secure Sonoma Water's interest in the Property prior to repayment of the Installment Note.

Intended Use of the Property - Development Team Solicitation

Both Sonoma Water and the Commission have received interest from affordable housing entities to acquire and use the Property for affordable housing. After acquiring the Property, the Commission proposes to conduct a solicitation for development proposals that effectively offers the property as-is in exchange for delivery of a housing project that meets prescribed public policy goals, especially a minimum level of affordability.

Action Plan Substantial Amendment

The Commission has published a draft Substantial Amendment to the Fiscal Year 2018-2019 Action Plan which laid out the plans to spend the annual allocation of approximately \$1.8 in Community Development Block Grant (CDBG). As part of proper administration of the CDBG program, a mid-year evaluation of spending patterns showed a need to reallocate approximately \$600,000 in funds to ensure that these scarce federal dollars are being used efficiently and expediently. The draft Amendment is being made available to the public for a 30 day comment period starting February 10, 2019 and a public hearing was held on February 20, 2019 at a regular meeting of the Cities and Towns Advisory Committee and the Community Development Committee. The Substantial Amendment to the Action Plan will distribute \$510,304.82 in un-awarded CDBG funds and up to \$89,695.18 in CDBG program income for acquisition of the Property. Acquisition of property using CDBG funds requires that the property be used to meet one of the national objectives of the program, in this case, serving low-income residents. Acquisition is a particularly effective use of CDBG, because upon sale of the parcel to a developer, it may result in repayment and recycling of the funds for a new community use.

Recommended Actions:

1. Adopt a resolution to approve and authorize the sale of the surplus real property located at 330 Hewett Street, Santa Rosa by the Sonoma County Water Agency for seven hundred and fifty thousand dollars (\$750,000) to the Sonoma County Community Development Commission, and authorize the Sonoma County Community Development Commission to purchase and own said property.

2. Approve the issuance of a 1-year note by the Sonoma County Water Agency in an amount not to exceed two hundred thousand dollars (\$200,000), with an interest rate based on the U.S. Department of the Treasury Daily Treasury Yield Curve Rate for a 1-year term for the date of closing of the sale.
3. Authorize the Executive Director of the Community Development Commission and the General Manager of the Sonoma County Water Agency or their designees to take all actions necessary to complete the purchase and sale of the property.
4. Authorize the Sonoma County Water Agency General Manager or his designee to take all actions necessary to issue and carry a note in an amount not to exceed a two hundred thousand dollar note for a one year duration.
5. Authorize the Executive Director of the Community Development Commission to issue a Request for Proposals for development of housing on the property once the Commission has acquired the property.
6. Adopt Resolution to approve Fiscal Year 2018-19 (FY 18-19) Action Plan Substantial Amendment to include use of up to six hundred thousand dollars (\$600,000) in CDBG funds for a deposit into an escrow account by the Community Development Commission for acquisition of the Property.

Prior Board Actions:

12/11/2019 Adopted Resolution amending the Fiscal Year 2018-2019 Action Plan

07/10/2018 Adopted Resolution approving the Fiscal Year 2018-2019 Action Plan

05/12/15 Adopted Resolution declaring the 330 Hewett Street property as surplus subject completion of a lot line adjustment.

FISCAL SUMMARY

Expenditures	FY 18-19 Adopted	FY19-20 Projected	FY 20-21 Projected
Budgeted Expenses	800,000		
Additional Appropriation Requested			
Total Expenditures	800,000	0	0
Funding Sources			
General Fund/WA GF			
State/Federal	600,000		
Fees/Other			
Use of Fund Balance	200,000		
Contingencies			

Total Sources	800,000	0	0
---------------	---------	---	---

Narrative Explanation of Fiscal Impacts:

Sonoma Water:

All funds received from the sale of 330 Hewett Street will be deposited into the Facility Fund.

Community Development Commission: \$800,000 is a “not to exceed” estimate of appraised value (\$750,000) plus conservative estimate of closing costs (\$20,000.) No additional expenditure authority is required for this transaction.

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. Hewett Street Property Purchase Agreement
2. Grant Deed
3. Resolution to authorize purchase and sale of 330 Hewett Street
4. Resolution approving Action Plan Substantial Amendment

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

None