



SUMMARY REPORT

Agenda Date: 9/25/2020

To: Sonoma County Board of Supervisors
Department or Agency Name(s): General Services
Staff Name and Phone Number: Caroline Judy, 707-565-8058
Vote Requirement: Majority
Supervisory District(s): Countywide

Title:

Adopt a Resolution Setting the Time and Place to Receive Final Offers for Purchase of Chanate Campus

Recommended Action:

Adopt a Resolution:

- A) Affirming the Board's intent to sell the Chanate Campus Property containing approximately 71 acres located at 3313, 3322, 3323, 3325, 3333 and 3410 Chanate road (APNs: 173-130-038; 180-090-001; 180-090-002; 180-090-003; 180-090-004; 180-090-005; 180-090-006; 180-090-008; 180-090-009; 180-090-010; 180-100-001; and 180-100-029;
- B) Fixing the time and place where the Board will receive and examine best and final offers from interested parties for the purchase of said property;
- C) Establishing certain terms, conditions and requirements applicable to all offers;
- D) Setting the procedures for receiving and examining final offers for purchase of said property and consider staff's recommendations regarding the selection of final offers;
- E) Establishing the form of agreement upon which all offers shall be made;
- F) Directing the Clerk of the Board to publish and post notice for the requisite period.

Executive Summary:

The County has previously declared the Chanate Property as surplus property and has attempted to sell the Property to designated entities including housing sponsors pursuant to Government Code 54220. Prior efforts to sell the property to designated entities were not successful, and the Board subsequently directed staff to advance the disposition process to market the property for private sale. In May 2020, County received an approval from the State of California Department of Housing and Community Development, Division of Housing Policy Development (HCD) allowing the County to proceed with a sale of the Chanate Property on the private market. With direction from the Board on June 9, 2020, Staff retained services of professional brokers to assist with the marketing, negotiations and sale of the Chanate Campus on the private market. The recommended actions to adopt the resolution enable the acceptance of private market offers pursuant to Government Code 25539 and related code provisions.

Discussion:

The County holds fee title to approximately 71 acres of improved real property generally located along Chanate Road in Santa Rosa, California; more specifically the property is comprised of land, buildings, infrastructure and other improvements located on or around 3313, 3322, 3323, 3325, 3333 and 3410 Chanate Road, in Santa Rosa, California (APN No's: 173-130-038; 180-090-001; 180-090-002; ; 180-090-003; 180-090-

004; 180-090-005; 180-090-006; 180-090-008; 180-090-009; 180-090-010; 180-100-001; and 180-100-029; (collectively the “Property”). The Property formerly housed the County Hospital and related facilities but has primarily sat vacant since 2014.

The County has been evaluating options for the re-use or disposal (sale) of the Property for the past five years. The Sonoma County Board of Supervisors (Board) first formally declared the Property surplus on August 11, 2015, and directed staff to explore repurposing the hospital campus for mixed-use. More recently, the Board affirmed its decision to surplus the Property on December 11, 2018. In May 2020, the County received approval of the State of California Housing and Community Development to pursue a private sale. On June 9, 2020, the Board approved the disposal of the Property on the private market and directed that staff retain the services of a professional broker to assist the County in marketing and selling the Property.

Under delegated authority, staff subsequently obtained the services of CBRE and North Bay Property Advisors, hereafter “the Brokers”. The Brokers issued an Offering Memorandum on August 27, 2020 seeking offers from builders, developers, investors and other interested buyers. The Offering Memorandum was delivered to several thousand potentially interested buyers. The Offering Memorandum set the date for receipt of offers from private buyers as no later than 5:00 pm PST on September 29, 2020.

Prior to receiving, reviewing and further negotiating responsive offers, the County hereby reaffirms its intent to sell the property on the private market and has set the time, date, terms and process for the receipt, review of the offers for the Property and to set forth the process for further negotiations to solicit final and best offers from the interested buyers who submitted offers by the deadline. Upon receipt of all timely and responsive offers, County and its brokers shall review the offers at a time and place specified herein. All offers shall be submitted on a form of Purchase and Sale Agreement approved by the County and its County Counsel to be responsive. There is no minimum asking price for the Property set forth in the Offering Memorandum. To be responsive, all offers shall provide for a sale for all cash of the Property in its as-is condition, without entitlements and with all existing buildings, systems and infrastructure conveyed in place at closing, subject to existing third party interests, subject to the County’s leaseback of the Public Health Lab and the Morgue/Coroner’s Office for specified periods and on other mutually acceptable leaseback terms, the making an initial deposit and an additional deposit, the release of the initial deposit to County upon satisfaction of due diligence investigations, specify the period for completion of due diligence, and on other terms set forth in the Purchase Agreement. Staff recommends that the Board delegate authority to the Director of General Services to select a committee comprised of staff and representatives of the Brokers to review the offers and conduct negotiations with the Offerors making the highest and best, most responsive Offers. Said selection committee shall review and examine all Offers as soon as feasible after receipt thereof on September 29, 2020. Thereafter, County staff shall bring back the best and final offers from the Offerors to the Board for approval at a subsequent meeting, including seeking authority for the Board Chair to execute a Purchase and Sale Agreement with a preferred buyer offering the County the best overall value based on all terms.

The Board’s adoption of the attached Resolution enables the formal acceptance of offers, establishing the previously published time and place for receipt of offers, for the County’s team review of offers, and the

subsequent consideration and negotiation of the most responsive, best and final offer to provide the highest overall value to the County by the Board of Supervisors in open session on October 13, 2020.

Land Use and Geographical Limitations

Due to the Property's historical use and location within the boundaries of the City of Santa Rosa, the current governing land use designations on the property are "Public/Institutional and Very Low Density Residential (0.2 - 2.0 units per acre)" according to the City's General Plan and "Public/Institutional" according to the City's Zoning Code. Any private development will be subject to City of Santa Rosa permitting and entitlement authority even though the Property is County-owned. Due to the Property's historical use, it is not currently zoned for housing or commercial uses. In order for any development to proceed, a land use approval and environmental review process with the City of Santa Rosa must be undertaken to determine the appropriate mix and intensity of land uses that can be developed on the site.

Issuance of Offering Memorandum

On August 27, 2020, County's Brokers issued an Offering Memorandum (the "Offering") through its on line portal (www.chanatecampusinsonomacounty.com <<http://www.chanatecampusinsonomacounty.com>>) ("Offer Portal") which was delivered to several thousand potentially interested buyers, builders, developers and investors across the globe. Similarly, the County sent notice of the Offering through the County's Suppliers portal delivering notice of the Offering to hundreds of additional interested parties. The Offering includes a description on the Property, a hypothetical development potential for each parcel, photos, drone videography, list of and access to extensive due diligence materials gathered by the County including title information, geological reports, and building condition surveys, and information about the need for new housing in the County.

Terms of Sale

The Offering for the Property stated that the sale of the Property be "All Cash", "As-Is", in its entirety, without contingencies or entitlements, with all structures and property conveyed at closing. On advice of the Brokers, the Offering did not include an asking price for the Property in order to generate the greatest number of offers and to let the interested buyers come to their own determination of value. All demolition of buildings and costs thereof are expected to be paid by buyer. The sale is subject to the county's lease back of : (1) the Public Health Laboratory (PHL) consisting of 1,800 square ft. within the larger building at 3313 Chanate Road , for at least 12 months with County to pay utilities and costs to operate: and (2) the Morgue and Coroner's Office (Morgue) consisting of approximately 8,000 square ft. at 3336 Chanate Road for up to 36 months, each together with adjacent parking, adjacent grounds and necessary access easements, on other terms and conditions mutually agreeable to County and Buyer. The buyer is strongly encouraged to offer a plan to work with the County to relocate both the PHL and the Morgue to another location including to assist in acquisition and development of said uses at new locations. Upon satisfaction of due diligence contingencies, the close of escrow is to be on or before December 31, 2020, or as soon thereafter as is feasible.

The Property will be sold subject to, and the new buyer shall assume, any and all obligations of the County concerning the existing lease with Community Action Partnership of Sonoma expiring in January 2023 and license to Bird Rescue expiring November, 2020. Under the Surplus Lands Act, the County must convey the Property subject to an affordability housing covenant requiring 15% of all housing units, if any, to be

affordable. The entitling jurisdiction is the City of Santa Rosa, and the Offering makes clear that all questions regarding the develop ability of the Property is subject to the City of Santa Rosa planning and approval processes. Successful buyers will work with the City of Santa Rosa to address all regulatory and development matters including zoning, entitlements, compliance with the California Environmental Quality Act, density, housing mix as well as design.

The County has not expressed any requirements that the Property be developed for any particular use(s) and will not limit the sale in this regard, except to the extent required by law for the affordable housing covenant described above.

In response to the Offering, offers are to be received no later than 5:00 pm PST on September 29, 2020 deadline through the Offer Portal. As soon as possible thereafter, the County and the Brokers will negotiate with the highest and best offerors to deliver the best terms and conditions which provide the highest overall value to the County upon which to conclude a sale of the Property. Staff will return to the Board on or after October 13, 2020 with a recommendation that the Board accept the preferred best and final offer and proceed to execute the purchase agreement with said buyer.

Other Lands Excluded From Sale

Other lands owned by the County, Sonoma Water or Sonoma County Ag + Open Space District excluded from sale are:

- (1) APN 180-090-007 (known as Parcel N) consisting of 26+ acres owned by Sonoma County Water Agency. This parcel is a critical part of the County's flood control infrastructure.
- (2) APN 180-820-010 (known as Parcel O) consisting of 7+ acres owned by Sonoma Ag + Open Space.
- (3) APN 180-020-009 (known as Parcel P) consisting of 1 acre owned by Sonoma County Ag + Open Space.
- (4) APN 180-090-016 consisting of about 10 acres of land owned by Sonoma County and designated as Parcel J. The County plans to convey and record a Conservation Easement in favor of Ag + Open Space District to preserve the conservation values of the Property including the natural and urban open space resources, and to prevent future residential, commercial or industrial construction. Parcel J will be available for public recreational access and use.

County's Prior Efforts to Sell the Property

The County has made multiple bona fide efforts to sell the Property pursuant to the Surplus Land Act and through a RFP process on the private market for affordable housing. These efforts commenced in 2015 and continue through 2020. Unfortunately, the County has been unable to complete a disposition of the Property for affordable housing or other permissible uses under the Surplus Land Act, despite its best efforts.

State Department of Housing and Community Development Approves Proceeding with Private Sale

On April 6, 2020, County staff submitted a letter to State Department of Housing and Community Development, Division of Housing Policy Development, stating that the County believes it has fully complied with the requirements of the Surplus Land Act, proving detail on County efforts to date to surplus sell the Property, and respectfully requesting the right to proceed with an RFP to sell the Property to private buyer(s).

On May 14, 2020, State Department of Housing and Community Development sent an email to County staff stating "HCD has reviewed and considered the documentation from Sonoma County regarding the former County Hospital campus. Based on that documentation and pursuant to Government Code section 54230.5 (c), HCD will not take any further action on this matter."

As no suitable offers were received by the County, then the County was free to offer the Property for sale to private individuals and companies, which it elected to do by hiring the Brokers.

Recommended Action:

Staff recommend that the Board adopt the attached resolution taking the following actions:

1. Affirming the Board's intent to sell the Chanate Campus Property containing approximately 71 acres located at 3313, 3322, 3323, 3325, 3333 and 3410 Chanate road (APNs: 173-130-038; 180-090-001; 180-090-002; 180-090-003; 180-090-004; 180-090-005; 180-090-006; 180-090-008; 180-090-009; 180-090-010; 180-100-001; and 180-100-029;
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3. Establishing certain terms, conditions and requirements applicable to all offers;
4. Setting the procedures for receiving and examining final offers for purchase of said property and consider staff's recommendations regarding the selection of final offers;
5. Establishing the form of agreement upon which all offers shall be made;
6. Directing the Clerk of the Board to publish and post notice for the requisite period.

Prior Board Actions:

June 9, 2020: the Board approved the disposal of Chanate Campus on the private market and hiring of brokerage firms to professional market the property and to represent County in the sale.

March 17, 2020: Closed Session regarding direction to Real Property Negotiators concerning potential surplus sale of Chanate Campus.

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August 20, 2019: Board Direction to Staff Concerning Chanate Surplus Property Sale, Agenda Item 28.

September 24, 2019: Fiscal Year 2018-19 Year-End Close of Books and Adoption of Fiscal Policies for the Board's Economic Uncertainty and Infrastructure Funds

December 11, 2018: Board Approval of Disposal of Chanate Campus, Agenda Item 60.

December 11, 2018: Board Approval of Preparatory Actions Regarding Disposition of Chanate Campus, Agenda Item 32.

October 16, 2018: the Board adopted an Ordinance to rescind its approval of the Disposition and Development Agreement with Chanate Community Development Partners, LLC.

July 11, 2017: the Board adopted Ordinance No. 6205 authorizing the Development and Disposition Agreement ("DDA") to sell land known as the Chanate Campus to Chanate Community Development Partners, LLC.

February 2, 2016: the Board authorized staff to issue an RFP to identify a developer to work with the County and the City of Santa Rosa for the development of the Chanate property.

August 11, 2015: the Board directed Staff to develop a Request for Proposals (RFP) to solicit a master developer to work with the County to plan for development of the property.

FISCAL SUMMARY

Expenditures	FY 20-21 Adopted	FY21-22 Projected	FY 22-23 Projected
Budgeted Expenses			
Additional Appropriation Requested			
Total Expenditures			
Funding Sources			
General Fund/WA GF			
State/Federal			
Fees/Other			
Use of Fund Balance			
Contingencies			
Total Sources			

Narrative Explanation of Fiscal Impacts:

Click or tap here to enter text.

Staffing Impacts:

Agenda Date: 9/25/2020

Position Title (Payroll Classification)	Monthly Salary Range (A-I Step)	Additions (Number)	Deletions (Number)

Narrative Explanation of Staffing Impacts (If Required):

NA

Attachments:

Attachment 1 - Resolution

Attachment 2 - Notice

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

Form of Purchase and Sale Agreement with Addendum