



SUMMARY REPORT

Agenda Date: 10/13/2020

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
Supervisorial District(s): Countywide

Title:

2:30 P.M. - Sale of Chanate Campus in a Private Market Sale

Recommended Action:

- A) Authorize the Board, through the Board Chair, to receive the recommendations from the Offer Selection Committee ("Committee") regarding which responsive Final Offer(s) offer the highest net purchase price for the Property and offer the County the best terms providing the highest overall value for the Property;
- B) Authorize the Board Chair to announce publicly which responsive Final Offer(s) provide the highest overall value to the County, and which of such Final Offer(s) would be the Selected Offer that the Committee recommends accepting in the absence of any oral overbids;
- C) Authorize the Clerk of the Board to: (a) call for oral overbids in accordance with Government Code Section 25531 (each of which must be at least 5 percent higher and meet or exceed all of the terms of the last highest and responsive Final Offer or oral overbid) from Offerors who submitted responsive written Offers and call for oral overbids from any other Offeror, (b) ask each of the Offeror(s) submitting an oral bid to immediately submit to the Clerk of the Board in writing the terms of the oral overbid to satisfactorily demonstrate meeting all of the terms, conditions, statements and promises made by the highest responsive written Final Offer(s) in accordance with Government Code section 25531; (c) announce publicly, after any and all such oral overbids have been received and evaluated by staff, the order of the responsive Final Offer(s), including all oral overbids with substantiated terms submitted in writing to the Clerk, from highest to lowest presenting the best overall value to the County for purchase of the Property, which will form the ranking of responsive Final Offer(s) to be subsequently recommended to the Board for acceptance.
- D) Authorize the Board Chair to execute a Purchase and Sale Agreement with the Selected Offeror as buyer for the Chanate Campus (containing approximately 71 acres of land and buildings and improvements) in an as-is, where-is condition, with all existing buildings, structures and infrastructure to remain in place, without entitlements and including leaseback of the Morgue/Coroner's office and the Public health Lab, with a closing on or before December 31, 2020, for a sale price of to be determined following the oral bid process if any, and on all other material terms approved by the County Board of Supervisors in form and content approved by County Counsel.
- E) Adopt a resolution authorizing the sale of the Chanate Campus pursuant to the Purchase and Sale Agreement with the Selected Offeror as buyer, for the sales price as determined following the oral bid process if any, as-is, with all existing buildings, structures and infrastructure to remain in place, with

buyer to obtain all permits and approvals needed to develop the property, and on terms and conditions approved by the Board including leaseback of the Morgue/Coroner's office and the Public Health Lab, with a closing on or before December 31, 2020, or as soon as feasible thereafter.

- F) Authorize the Director of General Services to execute all instruments and related agreements necessary to accomplish the transaction, including a deed of conveyance, assignment of existing interests in real property, escrow documents, together with all necessary documents necessary to effect said transfer in form and content approved by County Counsel.

Or

- G) Reject all bids, and direct staff to pursue an alternate course of action.

Executive Summary:

The County, through its agents, received seven (7) offers from private buyers for the acquisition of the 71-acre Chanate Campus (the "Property") by the deadline of September 29, 2020. County Staff and its agents analyzed all responsive offers and compared said offers to determine which ones provided the County with the best overall value upon consideration of all terms. County's agents negotiated to receive each buyer's best and final offer and obtain clarification on specific terms. In the absence of any oral overbids, County Staff now recommend that the Board accept the written proposal of Village Partners ("Buyer") as the Selected Offeror and direct the Board Chair to execute a purchase and sale agreement with said recommended buyer offering Board approved terms and conditions.

Pursuant to Government Code Section 25531, the Board of Supervisors must also consider oral offers if any are submitted during the Board meeting. As a result, the final ranking of responsive offers will be complete once staff have considered the oral offers and written documents substantiating the terms pursuant to Government Code Section 25531.

At this time, County staff recommend the sale of the Property to Buyer. Buyer's best and final offer provides the best overall value to the County after consideration of all aspects of the proposed purchase of the Property for a sales price of \$7,795,000, (the "Purchase Price") in its as-is condition, without entitlements and with all existing buildings, systems and infrastructure conveyed in place at closing and subject to existing third party interest with a leaseback of the Public Health Lab for 24 months at \$1.00 rent/year and the Morgue/Coroner's Office for 36 months at \$1.00 rent/year and on mutually acceptable terms for a closing on or before December 31, or as soon thereafter as feasible. In the absence of any oral overbids in accordance with the provisions of Government Code section 25531, staff recommend that the Board execute a Purchase and Sale Agreement with Buyer for the Purchase Price and direct staff to proceed to take all actions necessary to close on the transaction by the date set for close of escrow.

Discussion:

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 Gov't Code 54220 et. seq. "the Surplus Land Act". Prior efforts to sell the property to designated entities pursuant to the Surplus Land Act have not been successful. In May 2020, the State of California Department of Housing and Community Development, Division of Housing Policy Development (HCD) informed County that it could proceed with a sale of the Chanate Property on the private market. Promptly thereafter, the County solicited marketing proposals from previously qualified real estate brokers and proceeded to retain the services of professional brokers to assist with the marketing, negotiations and sale of the Chanate Campus on the private market. County commenced

the process of marketing the Property globally for private sale on August 27, 2020. The marketing was conducted by County's brokers through issuance of an Offering Memorandum ("Offering") delivered to several thousand potentially interested buyers. The Offering Memorandum described the County's requirements for submitted Offers, and the desire for leaseback terms of 12 months for the Public Health lab and 36 months for the Morgue facility. The Offering also identified an opportunity for Buyers to propose alternative terms or a relocation proposal for the Public Health Lab and Morgue. The County based the length of leaseback term upon the current market availability of potential relocation properties. The County's agents issued the Offering through a digital portal at www.chanatecampusinsonomacounty.com which was sent to over 23,000 parties, of which close to 100 parties entered the virtual deal room and over 80 potentially interested buyers downloaded the Offering documents.

At its meeting held September 25, 2020, the Board reaffirmed its intention to sell the Property; reaffirmed its delegation to the Director of General Services and the County's Brokers the review of initial offers and negotiations with each potential buyer to obtain best and final offers; and fixed the time and date for the Board to review the best and final offers on the Chanate Property and receive recommendations from staff on October 13, 2020 at 2:30 pm PST. Further, the Board established the minimum offer terms, conditions and requirements, set the procedure for receiving and examining final offers and considering staff's recommendations regarding selection of final offers, and established the form of agreement for all offers. The County received seven (7) offers for the acquisition of the Chanate Property. Staff and its agents analyzed all offers and compared said offers to determine which ones provided the County with the best overall value. County's agents negotiated to receive each buyer's best and final offer. County Staff are now prepared to recommend to the Board that it accept a specific offer and direct the Board Chair to execute a purchase and sale agreement with said recommended buyer offering Board approved terms and conditions.

The Offer Selection Committee considered offers with the highest overall value to the County including: price, value of leaseback terms for the Morgue and Public Health lab, the amount of deposit and non-refundable deposit offered, due diligence periods and the carrying costs for the County given the length of time proposed for those activities, the demonstrated ability of the Offeror to muster the financing necessary for Closing, among other qualitative and quantitative aspects of the Offers as written and as having met all the requirements as stated in the Offering Memorandum. Prior staff reports to the Board of Supervisors have demonstrated the approximate \$100,000 per month carrying cost the County incurs with continued ownership of the largely vacant Chanate campus. Staff considered these expenses when evaluating the written offers as delays in closing due to long due diligence periods increase the costs to the County and pose risks to timely Closing. Staff also considered offsets to each Offer's overall value given anticipated length of lease back options as submitted, and given possible 3, 5, and 10 year leaseback scenarios. These scenarios may assist the Board in considering the potential impact of delays in relocating the Public Health Lab and Morgue. To calculate the offsets, staff made numerous assumptions regarding the rental cost of newly leased properties, the cost of moving, and the amount of space required. The result of that exercise was an estimated overall value and assumed adjustment of the sale price reflecting offsets given the assumptions. The longer it takes to relocate the Public Health Lab and Morgue the greater the continued carrying cost to the County for rent, maintenance and utilities, suggesting the need to promptly initiate the search for replacement locations. The analysis of the offers is presented in Attachment B.

Pursuant to California Government Code Section 25531, the County must additionally consider oral offers presented during the Board of Supervisors meeting. Any oral offers received at the meeting must: (a) exceed

the last highest offer sale price by at least five percent (5%) and must meet or exceed all of the terms of the last highest and responsive Final Offer or oral overbid; and (b) immediately submit to the Clerk of the Board in writing the terms of the oral overbid to satisfactorily demonstrate that it meets all of the terms, conditions, statements and promises made by the highest responsive written Final Offer in accordance with Government Code section 25531. The highest offer sale price prior to the start of the oral bid process is \$7,795,000. Depending upon the number and complexity of these oral offers, if any, staff will request the Chair to call for a brief recess in order to evaluate and re-prioritize the ranking of all responsive offers. Any oral bid that does not meet the requirements outlined above will be rejected. Any oral bid that is not substantiated by written materials immediately provided to the Clerk of the Board and deemed satisfactory to the Offer Selection Committee and/or at the Board's discretion will be rejected.

Staff are recommending the sale of the Property to Village Partners ("Buyer"). The Buyer's best and final offer provides the best overall value to the County after consideration of all aspects of the proposed purchase of the Property for a sales price of \$7,795,000, in its as-is condition, without entitlements and with all existing buildings, systems and infrastructure conveyed in place at closing and subject to existing third party interest with a leaseback of the Public Health Lab for 24 months at \$1.00 rent/year and the Morgue/Coroner's Office for 36 months at \$1.00 rent/year and on mutually acceptable terms for a closing on or before December 31. In the absence of any oral overbids in accordance with the provisions of Government Code section 25531, staff recommend that the Board execute a Purchase and Sale Agreement with Village Partners for the Purchase Price and direct staff to proceed to take all actions necessary to close on the transaction by the date set for close of escrow.

The Board of Supervisors has the authority to accept or reject all bids whether written or oral at any time in the process.

Closing will occur following the satisfactory completion of the Buyer's due diligence. If for any reason the Buyer fails to close the sale, the County will keep the non-refundable portion of the deposit and, at the Board of Supervisors discretion, may elect to negotiate with the next-highest responsive Offeror.

Prior Board Actions:

September 25, 2020: the Board resolved to affirm its intent to sell Chanate Campus and established the time and manner for accepting offers, form of agreement for all offers, minimum offers terms and the procedure for negotiating best and final offers.

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.

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

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

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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:

None

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

Narrative Explanation of Staffing Impacts (If Required):

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None

Attachments:

Attachment A: Resolution(s); Resolution for Selected Offeror, and Alternative Resolution for Oral Bidder
Selected Offeror

Attachment B: Offer Comparison Matrix

Attachment C: Presentation

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

Purchase and Sale Agreement with Selected Buyer