



## SUMMARY REPORT

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**Agenda Date:** 1/26/2021

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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  
**Vote Requirement:** Majority  
**Supervisorial District(s):** All

**Title:**

Chanate Campus Disposition Efforts - Further Studies & Remarketing Efforts

**Recommended Action:**

- A) Direct County staff and its brokers to terminate negotiations with all prior bidders including the Selected Offerors and affirmatively reject all solicited Offers from all Offerors received in September and October 2020, pursuant to directions of County Brokers and reject any and all unsolicited offers for the Chanate Campus.
- B) Direct County staff to rescind the Offering Memorandum to Sell the Chanate Campus containing +/- 71.6 acres previously issued by County's brokers on or about September 29, 2020.
- C) Delegate authority to Director of General Services to enter into a Professional Services Agreement with Kleinfelder under a sole/single source waiver process, to receive necessary geotechnical services to delineate areas of active faulting and a preparation of a comprehensive report to facilitate building constraints mapping of the Chanate campus, at a cost not to exceed \$470,450.
- D) Authorize the Chairperson to execute one or more Task Orders under the Master Services Agreement with BKF Engineering dated December 1, 2020 (Contract #3050) to procure an certain work products including opportunities and constraints maps, mapping of geotech earthquake fault traces, and if appropriate, a boundary survey and/or record of survey, and other necessary products, concerning the Chanate campus, at a cost not to exceed \$50,000.
- E) Amend the Broker Services Agreement with County's brokers to: (i) extend the term of agreement; and (ii) authorize the brokers to contract with qualified professional appraisal firm to obtain an appraisal of the Chanate Campus, at a cost not exceed \$20,000, including assessing the impact of the geotechnical report's findings and recommendations, opportunities and constraints mapping and a survey related work on market value.
- F) Adopt a resolution authorizing budgetary adjustment and transfer \$520,450 from the Chanate demolition set aside to finance the geotechnical fault investigation and report, opportunities and constraints maps, mapping of geotech earthquake fault traces, and other survey work necessary for the sale of the Chanate Campus. (4/5<sup>th</sup> vote)

**Executive Summary:**

The County's efforts to sell the unique 71 acre Chanate property have been impaired by risks and uncertainties regarding the location of earthquake faults, the City of Santa Rosa's permitting and zoning approval process, costs of demolition of existing buildings, market conditions, and other factors that drive down the price and

marketability of the property. The most recent sale effort concluded in December 2020, when the buyer with whom the County had executed a Purchase and Sale Agreement (PSA) notified the County that it would not perform under the contract upon expiration of its 60 day due diligence period, and terminated the PSA. The County's brokers and staff view reducing the uncertainty over the existence of earthquake faults on the Property and their potential impact on future development of the Property as the most significant contributing factor to marketability. Without this information no buyer can accurately estimate the buildable acreage and number of potential housing or commercial units they can eventually permit and construct. This uncertainty has depressed the purchase price and created challenges in the County's efforts to sell the property.

The current contract with the Brokerage team must be amended and extended to allow for the remarketing of the Chanate properties after various studies are completed.

**Discussion:**

Potentially interested buyers of the Property have indicated concerns about the locations and impact of any existing earthquake fault zones on future development. Obtaining this information has proven difficult to accomplish during an expedited due diligence period, such as the 60-day period the County has identified in prior sales efforts. Additionally, potential buyers are reluctant to invest the significant financial resources in obtaining a seismic fault study and have therefore responded by submitting a low offer price offer to compensate for this uncertainty. In order to provide greater certainty regarding the developability of the Property and aid in future marketing of the Property, County staff recommend that the Board authorize an updated and comprehensive geotechnical study and prepare a report and map demonstrating which areas of the property are impacted by earthquake faults. Such a constraints map will delineate the no build zone(s) and appropriate setbacks to development. To obtain the needed data, the engineering consultant will need to dig multiple trenches across the property to locate possible faults and make other physical investigations of the Property.

The County has previously performed geotechnical hazard and structural studies for specific purposes on the Chanate campus. Studies were conducted examining geologic hazards in the 1970's and 1990's in relation to specific buildings on the campus. These prior studies focused on the structural risks to existing buildings and were unable to clearly determine the location of fault lines due to differing data and conclusions. The inconclusive and sometimes conflicting conclusions of these studies led to the "inferred" existence of fault lines. Most prior studies recommended a comprehensive geological and geotechnical review and investigation. Performing such an investigation requires excavating multiple trenches, shoring, fencing and backfilling with compacted earth at each trench and surveying the location of said trenches.

County does not currently have a master services agreement in place with the engineering firm with superior qualifications able to deliver the Geotechnical Investigation and Report in an expedited manner. For this reason County requests authorization of a single/sole source waiver of competitive bidding and standard procurement and hire the firm of Kleinfelder which has current and prior specific knowledge of the Property. The Geotechnical investigations may include: exposing and delineating areas of active faulting throughout the Property; use of heavy equipment to excavate, shore, fence and backfill the trenches with compacted earth; surveying the trench and fault locations; and preparation of a comprehensive Geologic Report showing all fault traces and recommended setbacks (collectively the "Geotechnical Investigation"). The cost of Geotechnical Investigation is expected not to exceed \$470,450. Performing the Geotechnical investigation will

allow preparation by County's consultants of opportunities and constraints mapping to indicate potential buildable areas and "no-build" zones for the Property.

Additionally, County staff recommend that the County engage an engineering firm currently under a master services agreement with the County to: generate the building constraints map based on the Geotechnical Investigation; and if necessary and appropriate conduct and prepare a boundary survey of the Property to identify property lines, encroachments, and to plot easements, and/or preparation and recordation of a record of survey. The cost of , surveying the trench and fault and preparing the opportunities and constraints map, and if needed, obtaining boundary survey, preparing a record of survey, is expected not to exceed \$50,000.□ County staff will advise the Board of the results of this Geotechnical Investigation, survey work and resulting development constraints maps, prior to remarketing the Property.

County staff recommend the Board extend the term of the Broker Services Agreement through December 31, 2021 to enable staff to continue to utilize the services of the brokers and benefit from their expertise in remarketing and continuing negotiations for the sale of the Property. To best position the Property for remarketing and sale, County staff further recommend that the brokers procure an updated full narrative appraisal on County's behalf, which appraisal will utilize the findings from the Geotechnical Fault Study,□ mapping of geotech earthquake fault traces, and opportunities and constraints maps, prior to the remarketing effort. The cost of obtaining an updated appraisal is expected to not exceed \$20,000. The County may direct the brokers to obtain and pay for the updated appraisal, in which event County shall reimburse brokers for said actual cost of the appraisal, not to exceed \$20,000. Upon receipt of said Geotechnical Investigation, boundary survey and updated appraisal, County will discuss results with the Brokers and develop a remarketing strategy, which Staff will report back to the Board.

Staff anticipates and will direct the broker to rapidly remarket the Property after receipt and assessment of the geotechnical study, mapping of geotech earthquake fault traces, opportunities and constraints maps, and appraisal and issue a new Offering Memorandum. Staff estimates that an updated Offering Memorandum could be reissued as early as July 1, 2021. The terms of a future Purchase and Sale Agreement will continue to be an all cash, "as-is, where-is" sale with all existing buildings, structures and infrastructure to remain in place, with leaseback of the Public Health Lab and the Morgue/Coroner's Office for no less than three (3) years on the form of Purchase and Sale Agreement approved by County Counsel, subject to an affordable housing covenant and use best efforts to close of escrow as early as October 31, 2021, but no later than by December 31, 2021. Staff will return to your Board prior to the formal release of the Offering Memorandum, to request authorization to release same, and concurrently set the date and time for the opening of bids and acceptance of oral offers.

Using funding authorized by the Board in 2019, staff have removed CONEX and trailers from the property, removed a diesel underground storage tank and received a closure report from the North Coast Water Quality Control Board, and relocated electrical and data communications lines connecting the Hospital building to the Public Health Lab and Morgue. In addition, staff have continued vegetation management activities, building hardening, and security services. These ongoing expenses and utilities contribute to the approximate \$100,000 monthly carrying cost of the property.

To best position the Property for expeditious remarketing and sale, staff recommend the County invest in a series of reports that will reduce uncertainties and their impact on the value of the Property. Specifically, staff

recommend the County obtain directly or through its brokers: (a) an updated, comprehensive Geotechnical Investigation; (b) an boundary survey and/or record of survey, together with building constraints maps based on the Geotechnical Investigation and survey data; and (c) an updated appraisal which will factor the results of the foregoing work products into an updated value. County staff also recommend the Board: (x) authorize the extension of the term of the Broker Services Agreement; (y) authorize staff to direct the brokers to rapidly remarket the Property after receipt and assessment of the Geotechnical Investigation, to prepare for issuance of an Offering Memorandum to potential buyers to continue efforts to sell the Property for current market value with the benefit of the Geotechnical Investigation, building constraints maps and survey work, and move forward with a sale of the Property projected to conclude as early as October 31, 2021, but no later than December 31, 2021.

**Prior Board Actions:**

January 5, 2021: Closed Session regarding direction to Real Property Negotiators concerning sale of Chanate Campus.

October 13, 2020: Authorize execution of a purchase and sale agreement with Village Partners Investments LLC, as the selected offeror for the sale of the Chanate Campus, Agenda Item 23.

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, Agenda Item 1.

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, Agenda Item 15.

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.

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 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**

<b>Expenditures</b>	<b>FY 20-21 Adopted</b>	<b>FY21-22 Projected</b>	<b>FY 22-23 Projected</b>
Budgeted Expenses			
Additional Appropriation Requested	\$520,450		
<b>Total Expenditures</b>	<b>\$520,450</b>		
<b>Funding Sources</b>			
General Fund/WA GF			
State/Federal			
Fees/Other			
Use of Fund Balance			
Contingencies	\$520,450		
<b>Total Sources</b>	<b>\$520,450</b>		

**Narrative Explanation of Fiscal Impacts:**

The request of \$520,450 from the Chanate demolition set aside necessary to perform the opportunities and constraints maps, mapping of geotech earthquake fault traces, and if needed, boundary and related survey work is projected to not exceed \$50,000; Cost of the Geotechnical Fault Investigation and report projected to not exceed \$470,450. The County Administrator has authorized the use of demolition funding previously set aside for Chanate campus to complete this work, as currently, the County expects the buyer to undertake all demolition.

<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 - First Amendment to Broker Services Agreement

Attachment 2 - Budget Resolution

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Attachment 3 - Kleinfelder Proposal

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

On File 1 - Professional Services Agreement with Kleinfelder for Geotechnical Services

On File 2 - Master Services Agreement with BKF Engineers (Contract #3050)

On File 3 - Broker Services Agreement with CBRE, Inc. and North Bay Property Advisors

On File 4 - Task Order with BKF Engineers for Survey Work & Constraints Maps