



## SUMMARY REPORT

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**Agenda Date:** 10/19/2021

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**To:** Sonoma County Board of Supervisors

**Department or Agency Name(s):** General Services, Community Development Commission

**Staff Name and Phone Number:** Caroline Judy, 707-565-8058; David Kiff, 707-565-7504

**Vote Requirement:** 2/3rd

**Supervisorial District(s):** All

**Title:**

Amendment to Ground Lease for Zane Wolff Veterans Village at 665 Russell Ave., Santa Rosa

**Recommended Action:**

- A) Authorize and direct the Director of General Services to execute a Second Amendment to the existing Ground Lease to modify the terms.
  - B) Make findings, pursuant to Government Code 26227, regarding the public benefit of providing housing for homeless veterans through the twenty year term of the Ground Lease Agreement, and determining that there are no anticipated future governmental uses of the property throughout that term.
- (2/3<sup>rd</sup> Vote Required)

**Executive Summary:**

In 2017 the Board authorized the Director of General Services to execute a ground lease on County owned property with Community Housing Sonoma County (Lessee) in order to provide housing services to homeless Veterans. The ground lease included language supporting the County's right to relocate the Zane Wolf Veterans Village project if necessary at some point in the future. Subsequently, the lessee has requested an amendment to the existing Ground Lease to terminate County's right to relocate the temporary Veteran's Village project to another site at County's expense.

Community Housing Sonoma County contends that the existing language hampers their ability to obtain capital improvement loans. Staff have drafted a second amendment for the Board's consideration that eliminates the County's right to relocate. By giving up its right to relocate the project at any point in the future, the County limits its ability to consider any future development needs consistent with long term operational goals. Consideration of the second amendment is a policy decision for the Board of Supervisors.

**Discussion:**

The County executed a Ground Lease with a nonprofit, Community Housing Sonoma County, ("Lessee") for the construction and operation of a temporary homeless housing pilot project on County-owned land at 665 Russell Ave., Santa Rosa APN: 173-030-029 (the "Property"). The Property subject to the Ground Lease contains approximately 34,000 sq. ft. and is adjacent to the County Fleet Building and is across the street from the soon-to-be-constructed County Adult Detention and Behavioral Health Unit.

In December 2020, the Board authorized a lease extension term of twenty (20) years expiring July 31, 2041. The Board made the finding that market value of the Premises is approximately \$8,500 per month. County

agreed to waive collection of fair market value of the ground rent and enter into a First Amendment containing a long term lease extension conditioned upon Tenant's obligation to maintain and operate the Premises for homeless veterans consistent with the lease terms and provide reasonable support services and necessary amenities at Tenant's cost.

**Temporary Conditional Use Permit.** The Temporary Structures were constructed and operated under a Temporary Conditional Use Permit issued by the City of Santa Rosa dated July 31, 2018 which expires July 31, 2023. As the Board approved Lessee's request to extend the term of the lease beyond that period and until July 31, 2041, the Lessee will need to obtain a further use permit and/or other approvals from the City and the lease will be made conditioned upon Lessee's receipt of any and all approvals or entitlements required to continue the use.

**Deferred Fee Agreement.**

In the approval process for the Veteran's Village Project, the City of Santa Rosa assessed the project with certain development fees including water and sewer connection fees and Capital Improvement and Parks Fees if the temporary use by Lessee of the county property continued beyond the Temporary Conditional Use Permit term. These deferred fee agreements specified that County would pay an amount of at least \$253,106 in deferred fees and obtain a Use Permit if the use converted from temporary to permanent. The requirement to the deferred pay will be triggered upon issuance of the permanent Use Permit. The Temporary Conditional Use Permit permitted a five (5) year temporary use at the Property and thus expires July 31, 2023. The Lessee agreed to pay the City's fees if Lessee remained on the Premises after the end of the Lease term - that is, after July 31, 2021.

On December 15, 2020, the Board approved an extension of the lease term to July 31, 2041, which use will trigger payment of the deferred fees owed to the City. If Lessee does not pay the Deferred Fees to the City, the County Community Development Commission (CDC) will be obligated to pay the fees, or be in default on the obligation. Lessee has informed the County that it expects to seek a loan from CDC or the City to pay the Deferred Fees, but has requested a waiver of the relocation right by the County in order to secure such a loan. Upon execution of the Deferred Fee Agreement, the Deferred Fees were identified as follows, but may adjust over time:

Capital Facilities Fee	\$76,062
Park Fee	\$86,058
Water Demand Fee	\$17,276
Sewer Demand Fee	\$73,710
<b>Total</b>	<b>\$253,106</b>

**Initiation of Pilot Project.** In May 2017, the Board authorized execution of the lease to initiate a 3 year Pilot Project to safely house homeless veterans in 14 small, non-traditional temporary residential structures (also

known as tiny homes) containing approximately 350 sq. ft. (the "Temporary Structures"). The intention of the County was to conduct a "trial run" and assessment of this project model and examine the feasibility of the pilot project including its ability to be adequately financed and analyzing its operational cash flows. The Board's stated intention in 2017 was to conduct this assessment for use in evaluating and pursuing other potential county or state codes that may be developed to allow replication of the pilot on private sites in the County or elsewhere in the State.

Previously in January of 2016, the Board authorized the release of a Request for Proposals (RFP) for use of County property as a Pilot Project to evaluate use of non-traditional structures combined with homeless services program management to address homelessness. Pursuant to that RFP, a nonprofit Lessee was chosen to lease the Property at no rental cost, and to develop the site with prebuilt, modular structures, which units would be transported to another location owned by the nonprofit on West Hearn Avenue at the end of the lease term. Lessee was chosen in part based on its RFP response, which included an exit strategy for relocation of the structures to another location owned by said Lessee that could be developed for this ongoing use if the model proved effective during the Pilot Project period. In early 2018, the lessee determined that the original concept of mobile units and relocation to the West Hearn property was not feasible. The project was redesigned with in-ground utilities and foundations utilizing the funding provided by CDC.

The current lease agreement preserves the option for the County to relocate the project. By giving up the right to relocate the project at any point in the future, the County would limit its ability to consider any future development needs consistent with long term operational goals, and commit to the current use of the property through 2041. Accordingly, staff recommends the Board, concurrent with approving this item, make further findings under Government Code section 26227 that the program is necessary to serve the social needs of the population of the County and that the Board reaffirms its finding that the property is not needed for governmental uses for the remaining term of the lease.

If Board determines it is not in the best interests of the County to adopt the second amendment to remove the County's right to relocate the use prior to the expiration of the term in 2041 then the Lessee has indicated it may not be able to secure capital funding necessary to pay the approximately \$253,106 owed to the City. If the Lessee defaults on this obligation, the CDC would bear the burden of the fees owed to the City.

**Prior Board Actions:**

12/15/20 - Board approved a lease extension term of twenty (20) years expiring July 31, 2041; Board made finding that market value of the Premises is approximately \$8,500 per month. County agreed to waive collection of fair market value of the ground rent and enter into a First Amendment containing a long term lease extension conditioned upon Tenant's obligation to maintain and operate the Premises for homeless veterans consistent with the lease terms and provide reasonable support services and necessary amenities at Tenant's cost. County made findings that the County does not need the premises for County purposes for the initial term of the lease extension; and that the premises will be used to meet the social needs of the population by providing housing for people who would otherwise be homeless pursuant to Gov't Code Section

26227. Agenda Item 17.

05/23/17 - Board approved the execution of the 3 year ground lease and directed the General Services Director to execute the lease. Agenda Item 6.

11/15/16 - The Board approved County Fund for Housing awards in the aggregate amount of \$3,916,351, including an award to Community Housing Sonoma County for Veterans Village development in the amount of \$1,868,851 for construction of 12 small studio units and predevelopment costs for preparing a site for relocation of those units.

06/21/16 - The Board authorized the Sonoma County Community Development Commission and the General Services Department to negotiate and bring back to the Board for consideration a Development and Professional Services Agreement and lease with Community Housing of Sonoma County for a Pilot Project using 12 small, non-traditional residential structures to safely house homeless people.

01/05/16 - Board directed staff to release a Request for Proposals for the Pilot Project

11/03/15 - Board directed staff to complete analysis of County property to be used for a Pilot Project and prepare Request for Proposals to solicit developer interest.

08/25/15 - Board adopted 'A Policy Maker's Toolbox for Ending Homelessness ("Toolbox") to build on the County's 10 Year Homeless Action Plan. As an element of the "Housing First Approach" to serve people experience homelessness the concept of a Tiny House Pilot Project was suggested as a demonstration project to assess the potential viability of this alternative housing type.

07/28/15 - Board approved a minute order directing the County Administrator to convene a multi departmental team to consider the merits of providing county-owned property for a housing pilot project that harnesses the communities' interest to address homelessness with non- traditional structures or "tiny homes."

12/02/14-Board approved the 2014 General Plan Housing Element (County-wide) including Housing Element Program 41.

## **FISCAL SUMMARY**

<b>Expenditures</b>	<b>FY 21-22 Adopted</b>	<b>FY 22-23 Projected</b>	<b>FY 23-24 Projected</b>
Budgeted Expenses			
Additional Appropriation Requested			
<b>Total Expenditures</b>			
<b>Funding Sources</b>			
General Fund/WA GF			
State/Federal			
Fees/Other- TIF Contribution (First District)			
Use of Fund Balance			
Contingencies			
<b>Total Sources</b>			

**Narrative Explanation of Fiscal Impacts:**

The County decision to extend the lease past the July 31, 2023 expiration date of Temporary conditional use permit issued by the City, for an additional 20 year term effectively triggers payment of the deferred fees owed by the lessee. The lessee has informed the County that they intend to borrow the money to pay the deferred fees. If the deferred fees are not paid by the lessee, then they are the obligation of the County to pay based on the contractual terms of the Joint City/County Deferred Fee Agreements. Although subject to increase when originally executed the Agreement identified the deferred fees totaling \$253,106.

If the Board determines that it is not in the best interests of the County to execute the second amendment to the Lease, then the County Community Development Commission will need to pay the deferred fees.

<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 - Second Amendment to Ground Lease

Attachment 2 - Letter from Lessee's Consultant

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

On File 1 - Deferred Fee Agreements

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On File 2-First Amendment to lease