



## Legislation Details (With Text)

**File #:** 2019-1236  
**Type:** Regular Calendar Item **Status:** Agenda Ready  
**File created:** 8/20/2019 **In control:** General Services  
**On agenda:** 8/20/2019 **Final action:**  
**Title:** 3:00 P.M. - Chanate Surplus Property Sale  
**Sponsors:** General Services  
**Indexes:**  
**Attachments:** 1. Summary Report.pdf, 2. Att1-RFP and List of Designated Entities.pdf, 3. Att2-Summary of Offers.pdf, 4. Att3-CalCHA Withdrawal Letter.pdf, 5. Att4-Resolution.pdf, 6. Att5-REVISED Presentation.pdf

Date	Ver.	Action By	Action	Result
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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; Marc McDonald, 707-565-3468

**Vote Requirement:** Majority

**Supervisory District(s):** 3rd

**Title:**

3:00 P.M. - Chanate Surplus Property Sale

### Recommended Action:

Staff recommend that the Board consider either:

- A) Direct staff to award and proceed to negotiate a Purchase and Sale Agreement with one of the two remaining proposers under the Surplus Property Notice issued on February 19, 2019, and release the other proposal. (4/5<sup>th</sup>)
- Or
- B) Direct staff to: (i) prepare a request for proposals to demolish all of the vacant structures on the campus, (ii) perform geotechnical studies, (iii) undertake associated CEQA actions for future Board consideration to address the continued vandalism and ongoing fire hazard associated with the vacant buildings, reduce liabilities, and ultimately increase the property value, and (iv) take other actions as necessary; +(Majority) and
- C) Adopt resolution authorizing the use of General Fund Contingencies in the amount of \$585,000 to cover staff time and consultant costs to prepare a request for proposals for demolition and geotechnical studies to identify fault traces and perform CEQA analysis in order to ultimately increase the property value. (4/5<sup>th</sup>)
- Or
- D) Provide direction to staff on other actions as necessary. (Majority)

### **Executive Summary:**

The County of Sonoma (County) commenced the current surplus process to dispose of the Chanate Campus (Chanate) on February 11, 2019. The County received three proposals from qualified housing sponsors in response to said surplus notice. On July 23, 2019, staff recommended that your Board consider the CalCHA partnership as the most qualified housing sponsor. Direction was given to continue the item in order to provide additional time for community engagement. In an effort to provide transparency, all three proposals and the most recent property appraisals were released to the public.

Subsequent to that Board meeting, the District 3 Supervisor, General Services, Office of Emergency Services, County Administrator's Office staff, City of Santa Rosa Planning and Economic Development staff, City Fire department, and CalCHA/BUILD representatives met with the community on consecutive evenings. A number of questions regarding the process and the proposal were received, and responses were provided both in the community meetings and on the Chanate public website. Subject matter experts worked with CalCHA partnership over the past three weeks to respond to questions. (See Chanate Q&A - [<https://sonomacounty.ca.gov/General-Services/Facilities-Development-and-Management/Groups/Planning-Group/Projects/Community-Input/>](https://sonomacounty.ca.gov/General-Services/Facilities-Development-and-Management/Groups/Planning-Group/Projects/Community-Input/)).

On August 13, 2019, CalCHA advised staff that they were withdrawing their proposal (See Attachment 3). CalCHA cited the challenges and uncertainties presented by the split jurisdiction between the City and the County, the neighborhood opposition, and the fact that they had other opportunities elsewhere in California.

The Board has discretion to consider one of the two remaining offers, or to direct staff to pursue alternative actions such as those described below. Should the Board provide direction to staff to negotiate with one of the remaining bidders that action will conclude the solicitation process and allow staff to advance to the negotiations-phase. Consistent with standard procurement practices, once staff conclude negotiations the Board will have an opportunity to consider a Purchase and Sale Agreement.

Alternatively, the Board may wish to consider directing staff to address some of the known challenges with the property, including unknown location of fault lines, CEQA requirements, and demolition of existing vacant, vandalized, and hazardous buildings. Should the Board want to pursue demolition of the vacant structures and geotechnical studies, staff will require funding to do so.

### **Discussion:**

#### **BACKGROUND**

The County has been evaluating options for the re-use or disposal (sale) of the Chanate campus for the past five years. The buildings on the property are seismically unsafe, attract vandals, and cost taxpayers over \$800,000 dollars in FY 18/19 in safety measures, including security, fire watch, and reinforcement and repair of the buildings' doors and windows. Copper thieves have removed wiring and pipes and created hazardous conditions requiring constant rework to secure the blighted buildings. The County is expending taxpayer dollars to monitor and secure the property and significant staff time.

Prior studies demonstrated that it was cost prohibitive to renovate the buildings to address the seismic, structural, and mechanical building deficiencies and failures. In addition, the buildings are functionally obsolete and could not meet the needs of County departments providing services to the public. Back in 2014, the County considered demolition of the vacant hospital buildings to enhance the value of the property, but determined that the estimated cost of \$6 million was beyond available capital budget resources, given other

priorities.

#### 2016 Surplus Sale: No Community Benefit Proposals

Cognizant of the lack of available resources, the Board directed staff in 2016 to proceed to surplus the property. In accordance with direction provided by the California Government Code Section 54220, the County embarked upon a surplus sale process in 2016. The County received no proposals and therefore initiated a private sale process. Ultimately, that process was unsuccessful.

### **CURRENT PROCESS**

#### 2018-19 Surplus Sale: Three Community Benefit Proposals

The Board directed staff to restart the property sale process in December 2018. It re-declared the property surplus and directed staff to solicit responses according to procedures prescribed by the California Government Code Section 54220. This time, the County received three proposals; all from qualified housing sponsors. No proposals were received from park or recreation authorities, or school districts.

#### Community Benefit: Addressing the Housing Crisis

The sale of the Chanate property for affordable housing not only fulfills the legislative purpose of the California Surplus Property Act, it also addresses a dire need in Sonoma County. As has been well-documented throughout the greater Bay Area, demand for affordable rental homes far exceeds available supply, and the pace of new construction is not sufficient to address the need for area workers, seniors on fixed incomes, or young families. In Sonoma County, the California Housing Partnership estimates that an additional 14,600 affordable rental homes are needed, given the gap between wages and rental rates. Renters in Sonoma County need to earn \$44.23/hour - almost four times the state minimum wage - to afford the median monthly rent of \$2,300. The Chanate property sale provides an opportunity to address some of this shortfall.

#### California Surplus Property Act

The California Surplus Property Act (Cal. Gov. Code § 54220 and following) (the Act) is structured to encourage local agencies to prioritize affordable housing opportunities when selling surplus government property. The Act's legislative purpose statement reaffirms the Legislatures "declaration that housing is of vital statewide importance to the health, safety, and welfare of the residents of this state and that provision of a decent home and a suitable living environment for every Californian is a priority of the highest order," and further declares that the due to the shortage of sites available for housing for persons and families of low and moderate income, "surplus government land, prior to disposition, should be made available for that purpose." The Act requires governmental entities to provide notice and an opportunity for housing sponsors, parks, schools, and other governmental entities to purchase surplus government property prior to disposing of surplus property through a private sale. The Act further prescribes the process local agencies must follow when more than one party expresses an interest in purchasing the surplus property.

First priority must be given to offers from qualified housing sponsors that propose to use the property to develop affordable housing. If multiple offers are received from qualified housing sponsors, the Act requires that the County give priority to the housing sponsor proposing the greatest number of affordable housing units at the deepest level of affordability. The Act mandates that at a minimum of 25% of all housing

eventually developed on the property be affordable to lower income households (Health and Safety Code Section 50079.5), and once developed these units are deed restricted affordable for 55 years. The description of the number of affordable units provided by proposers is theoretical, and for the purpose of evaluating between multiple offers only; it does not constitute a development plan. Finally, while the Act allows sale price to be considered in evaluation proposals, it is not the determining factor in awarding a sale.

#### RFP Issuance, Requirements, and Evaluation Methodology

To satisfy the Act's requirement that the County issue a written offer to sell surplus property, staff issued a Request for Proposals (RFP) in February 2019 and conducted extensive marketing to ensure that all entities specifically identified under the California Surplus Property Act received notice of the opportunity. These statutorily designated entities include housing sponsors, park districts, school districts, cities, and tribal entities. The RFP itself and the list of organizations whom received the solicitation is included as Attachment 1.

The RFP specified that respondents must demonstrate their experience, as well as the financial ability and organizational capacity to facilitate the development of affordable housing, consistent with the requirements of the Act. Furthermore, the RFP stated that successful respondents must demonstrate their ability to assume responsibility for the security and maintenance of the campus, and to participate in a full and collaborative community outreach and communication program. The RFP indicated that the County desired to lease back the portions of the property with the Morgue and Public Health lab for a period to enable time for relocation. Finally, the RFP stated that proposals would be evaluated pursuant to criteria set forth in the Section H of the RFP and their consistency with the requirements of the Surplus Property Act.

#### The Purchase Offers

On May 10, 2019, the County received three offers from qualified housing sponsors for purchase of the entire Chanate campus. These offers are briefly summarized below (for a more complete summary see Attachment 2). To review the bids in their entirety along with additional materials go here:

[<https://sonomacounty.ca.gov/General-Services/Facilities-Development-and-Management/Groups/Planning-Group/Chanate-Campus/>](https://sonomacounty.ca.gov/General-Services/Facilities-Development-and-Management/Groups/Planning-Group/Chanate-Campus/)

- A. Oakmont Senior Living (OSL) proposed a \$9 million fee simple sale. 25% of housing developed on the property would be affordable. OSL would close the sale in 30 days, and agreed to lease back of the County Morgue and Public Health Laboratory properties to the County. Partners listed are Bill Gallaher and Burbank Housing.
- B. EAH Housing (EAH) proposed two options for a fee simple sale. 25% of housing developed would be affordable. Partners listed are EAH Housing, JH Community Partners LLC, and Integral Communities. The two options proposed by EAH are:
  - a. An \$8.2 million fee simple sale with a 120 day due diligence period and shared demolition costs of the vacated hospital building 50/50; *or*
  - b. A sale conditioned upon receipt of entitlements from the City of Santa Rosa with final purchase price not to exceed \$11.6 million, or as entitled at \$35,000 per market rate residential lot.

- C. California Community Housing Agency (CalCHA), a California Joint Powers Authority, BUILD Inc., and Catalyst partnership proposed two options, each of which would be comprised of 100% affordable housing. CalCHA proposed a 120-day closing to provide adequate time to conduct due diligence. The two options proposed by CalCHA are:
- a. Fee simple sale of the property to CalCHA for \$1.00. The County would retain two options to purchase the property from CalCHA for \$1.00. The first option could be exercised at year fifteen (15), the second option could be exercised at expiration of the 30 to 35 year term of the revenue bonds sold to develop the property. At the time of exercise of the option, the County would take title to the Property, and assume responsibility for servicing the revenue bonds. As a result the County would be entitled to the then fair market of the improved property, less the value of the outstanding bonds; **or**
  - b. Ground Lease of the property to CalCHA. Under the Ground Lease scenario, the County would retain the option rights to access the equity in the property as described above.

Each of the three purchase offers were missing information explicitly requested in the RFP. The County Selection Committee met to evaluate the proposals but expressed concerns that the missing information made it difficult to fully evaluate the three offers and reach a final ranking. The County Selection Committee included executive level staff from the General Services Department, including the General Services Director supported by the Real Estate Division, the Community Development Commission, County Counsel, Auditor Controller Treasurer Tax Collector, and the County Administrator's Office.

On June 4, 2019, the Board provided direction to staff negotiators to obtain the missing information and to provide an opportunity for each of the bidders to present their proposals in-person, and provided specific guidance regarding proposer's price and terms of payment. Staff subsequently sent letters to each of the bidders requesting information that was missing or clarification of elements within each bid response. As prescribed by the provisions of the Act, each of the bidders was provided an opportunity to present their proposals and respond to specific questions regarding terms and conditions of the proposed sale.

On July 9, 2019, the Board provided direction to the County's real property negotiators to reach terms of the sale. A final meeting of the County Selection Committee was held to consider all of the submitted materials and information provided in the interviews. Based upon the initial written offers, the subsequent letters of clarification, and the in-person interviews and reference checks, staff recommended the selection of CalCHA. However, with CalCHA's withdrawal from the process on August 13, 2019, the Board now has the option to either select one of the remaining two proposers, or direct staff to consider other alternatives as described herein.

#### Analysis of Offers per the Surplus Act

The Act requires that the County apply two key criteria: the number of affordable housing units proposed and the depth of affordability provided. While proposed sale price can be considered, it is not the determining factor in awarding a bid through the surplus process. Staff carefully analyzed the statutory requirements of not just the Surplus Act, but also of the relevant Health and Safety Code sections 50079.5 and 50053. Each proposal was judged according to the criteria and the Evaluation Committee found that CalCHA, clearly met and exceeded the legal requirement for consideration under the Act.

Furthermore, CalCHA met the depth of affordability criteria as described under the Act through stipulating 1/3

of the total units eventually permitted at up to 80% Area Median Income (AMI). In Sonoma County, currently 80% AMI equates to a family of four earning \$86,400 per year. While OSL and EAH both proposed to address a deeper level of affordability, the limited percentage of affordable at only 25% outweighed this factor. Staff provided an opportunity for OSL and EAH to identify the mix of affordable units that might be developed, as this information was not explicit in their written proposals.

	CalCHA (Withdrawn)	OSL	EAH
Affordability	100%	25%	25%
Degree of Affordability (AMI)	Affordability mix described as 1/3 of total City of Santa Rosa permitted units rent restricted up to 80% AMI (Low). 1/3 between 80-100% AMI (Median). 1/3 between 100-120% AMI (Moderate).	Affordability mix not identified in written materials although indicated 50% AMI. Clarified in interview as targeting 50% AMI (Very low).	Affordability mix not specified, described as ranging from 30% AMI (Extremely Low) to 80% AMI (Low).

#### Price-Offer Analysis of Remaining Offers

As indicated previously, the offer price is not the determining factor in the selection of a surplus sale. Also, the value of an offer price includes both cash and public benefit considerations such as avoided costs and public equity. Staff also considered the access to the capital necessary for the due diligence and closing as an element of the offer price analysis. Finally, staff considered the potential public benefit of participating in the improved value of the property.

#### OSL

- The highest priced cash offer at closing was OSL's at \$9 million. OSL's terms were for a 30-day closing, non-contingent cash offer. OSL's offer included their performing the demolition and therefore consideration was given to this aspect of value. OSL proposed self-financing the purchase. The relatively low risk of their financing approach was considered in the evaluation process. OSL's cash offer did not include any future economic interest or equity ownership opportunity for the County.
- Their proposal partner included Hutchinson, Chockey, Early and Company - a firm that has financed over \$7 billion in multifamily housing. OSL demonstrated a track record of over \$250 million in successful bond financings and subsequent housing developments.

#### EAH

- Non-profit EAH proposed two options: either a) \$8 million with a 50/50 cost share of the demolition expenses, or b) closing upon receipt of entitlements from the City of Santa Rosa, with final purchase price as \$35,000 per market-rate residential lot with a floor closing price of \$11,690,000. EAH's second option predicates the sale upon the City of Santa Rosa's entitlement process and therefore was not considered a desirable alternative. The County estimates demolition to cost \$10 million. In EAH's initial first option, the County would potentially have shared an estimated \$5 million in the demolition costs, thereby reducing the cash value to \$3 million.

- EAH's proposed financing structure relied upon receipt of competitive affordable housing financing from both the Sonoma County Community Development Commission and the City of Santa Rosa, as well as the State of California and, therefore was considered uncertain. This offer did not include any future economic interest or equity ownership opportunity for the County. Following the interview, EAH submitted a written revised cash offer to the County of \$4.1 million and assuming the entire cost of demolition.
- EAH's partners included JH Community Partners LLC, and Integral Communities. The entire partnership has a long and established record of successful financings and subsequent projects developed throughout the Bay Area.

The cash offers presented by OSL and EAH presumably reflect the property value as-is unimproved, and with existing government-institutional zoning. Were the County to accept either cash offer, there would be no opportunity to benefit from the eventual improved value of the property. Both cash offers provide public benefits and meet the requirements of the Act.

Dollar Value:	CalCHA (Withdrawn)	OSL	EAH
Cash	\$1.00 transaction fee simple with a \$5 million advance on equity at bond issuance	\$9 million fee simple	Option A - \$4.1 million fee simple Option B - up to \$11.6 million upon entitlements (\$35K per permitted lot)
Public Equity	Yes - CalCHA estimated public equity value (See below)	None	None

### Evaluation Committee Scoring

Based upon the evaluation criteria and the statutory requirements of the Act the County Selection Committee scored the proposals as follows:

	CalCHA (Withdrawn)	OSL	EAH
Dollar Value of Bid	50	35	20
Demonstrated Financial Capacity	30	30	20
Conditions of Closing	15	20	10
<b>Total Point Score</b>	<b>95</b>	<b>85</b>	<b>50</b>
<b>Statutory Requirements: Test #1 (minimum 25% affordable) + Test #2 (serves 80% of AMI or below)</b>			
Affordable Housing	100% of total units (exceeds)	25% of total units (meets)	25% of total units (meets)
Depth of Affordability	80 - 120% AMI (exceeds)	30% AMI (exceeds)	30 - 80% AMI (exceeds)

It is important to note that there are two tests under the Act and that the Evaluation Committee appropriately considered both. First, the Act requires that 25% of all units developed are affordable to lower income

households, as defined by Health and Safety Code section 50079.5 (See Gov. Code Section 54222.5) Health and Safety Code Section 50079.5 defines “lower income households” as persons and families whose income does not exceed 80% of area median income, adjusted for family size and revised annually.”

The second test applies to the cost of the units (depth of affordability). The Act requires that the mandatory affordable units (25%) be available at an affordable housing cost for owner-occupied units, as defined by Section 50052.5 of the Health and Safety Code, or an affordable rent, as defined in Section 50053 of the Health and Safety Code. (See Gove Code Section 54222.5) Since all three proposals proposed rental housing, the applicable housing cost restriction was governed by Health and Safety Code Section 50053.

The maximum rent for “lower income households” is defined as the “...product of 30 percent times 60 percent of the area median income adjusted for family size appropriate for the unit.” However, this section further authorizes local jurisdictions to adjust this rental cap “...for those lower income households with gross incomes that exceed 60% of the area median income, adjusted for family size, it shall be optional for any state or local funding agency to require that affordable rent be established at a level not to exceed 30% of gross incomes of the household.” (See Health and Safety Code 50053(b)(3).) Therefore, the maximum rent that could be charged for the 25% statutorily required affordable units is the product of 30% multiplied by 80% of the AMI, adjusted for family size. Each of the three proposals met or exceeded this requirement. In addition, the CalCHA proposal provided 1/3 of all units at this level and 2/3 of the units at moderate-income limits (affordable to households between 80 and 120% of the adjusted median income), thus offering a significantly higher level and depth of affordability.

Given that CalCHA has withdrawn, the Board has the discretion to consider one of the two remaining offers or provide alternative direction. Each of the two remaining offers fulfill the California Surplus Property Act requirements and intent to promote the creation of affordable housing.

### Affordable Housing

Affordable housing serves the needs of individuals and families based upon adjusted income levels by household size. A number of programs create affordable housing in Sonoma County including housing vouchers, inclusionary zoning, low-income tax credits and public housing. An individual or family is determined eligible for affordable housing under these programs based upon program criteria and how their income compares to area median income levels (AMI). Area median income is defined annually for each U.S. metropolitan region by the federal Department of Housing and Urban Development. HUD focuses on regions. Any household income at or below 80% of the AMI is considered “low-income”. Very low income households earn less than 50% of the AMI, and extremely low income households earn less than 30% of the AMI. State of California statutory limits are based upon federal limits set by HUD.

All affordable housing programs use AMI to determine eligibility. For example, housing vouchers are generally available for families earning 30% of AMI. Mandatory inclusionary zoning programs require builders to include units available at 80% AMI. Affordable housing developments cap rents below market rate to ensure that families can afford to live in units without spending more than 30% of their income on rent. Affordable housing cost for lower-income households is defined in State law as not more than 30% of gross household income with variations. (Health and Safety Code Section 50052.5) Housing cost includes rent, utilities, and property taxes and insurance where applicable.



If permitted and approved by the City of Santa Rosa, housing eventually constructed would legally have to follow the City's inclusionary housing zoning requirements. The City of Santa Rosa's Housing Allocation Plan Ordinance requires a minimum of 15% of total rentable units constructed to be affordable to a mix of not to exceed (80% AMI) and not to exceed moderate (120% AMI) income households.

Once constructed the managing entity of an affordable housing development considers the income of each potential resident using the 30% of gross household income metric, when determining if the resident qualifies.

The need for housing at all affordability levels in Sonoma County is dire. A recent California Association of Realtor's housing affordability report indicated that only 23% of all Sonoma County households earned the minimum annual income of \$138,760 required to purchase a median-priced home at \$640,000 in the fourth quarter of last year. Studies have shown that many middle income earners are commuting long distances to jobs in Sonoma County. Recruitment and retention suffer when workers cannot find affordable housing. The average rents for a four-bedroom home in Sonoma County are beyond the reach of most residents and many are priced out of home-ownership entirely.

### California Environmental Quality Act (CEQA)

The sale of property pursuant to the California Surplus Property Act is exempt from the California Environmental Quality Act (CEQA) pursuant to CEQA Guidelines section 15312, except if the property is located in an "area of statewide, regional, or area-wide concern identified in CEQA Guidelines section 15206 (b) (4)." These exemptions are limited to surplus property located in an "area of statewide, regional, or area-wide concern identified in CEQA Guidelines section 15206(b) (4)." Section 15206(b) (4) does not apply. Chanate is not located in in an area of statewide, regional, or area-wide concern, as identified in Section 15206 (b)(4), which is limited to projects that would be located in and substantially impact the following specified areas of critical environmental sensitivity:

- (A) The Lake Tahoe Basin.
- (B) The Santa Monica Mountains Zone
- (C) The California Coastal Zone
- (D) An area within 1/4 mile of a wild and scenic river as defined by Section 5093.5 of the Public Resources Code.
- (E) The Sacramento-San Joaquin Delta
- (F) The Suisun Marsh
- (G) The jurisdiction of the San Francisco Bay Conservation and Development Commission.

Furthermore, the citation in Section 15206(b)(4)(D) to a “wild and scenic river” as designated pursuant to the state Wild and Scenic Rivers Act does not include any waterway running through Chanate. Currently designated rivers in the Wild and Scenic Rivers system include portions of the Klamath, Trinity, Smith, Eel, American, West Walker, Carson, South Yuba, Albion, Gualala, and Mokolumne rivers, and specified tributaries to those rivers. Paulin Creek, the only waterway running through Chanate, is not designated as a “wild and scenic” river and is not in the watershed of a wild and scenic river.

#### Community Engagement

Staff have provided an unprecedented level of transparent, relevant and timely information to the public regarding the RFP process, the requirements of the Surplus Property Act, and the criteria used to consider multiple offers from housing sponsors. Staff have provided regular updates to interested parties via email, on the Chanate website, and via social media. Six community meetings were held since March to explain the surplus sale process.

Questions posed at each of the community meetings have been categorized and answers provided on the Chanate website.

<https://sonomacounty.ca.gov/General-Services/Facilities-Development-and-Management/Groups/Planning-Group/Projects/Community-Input-21474822673/>. The most recent meetings held on July 23 and July 24 were webcast and can be viewed here <https://www.youtube.com/channel/UCdlItt3uKH01QbO7lx9fl26w>. Many members of the community are interested in knowing the specifics of how the property might be developed. The County has sought to explain that we are selling property in compliance with State law and that opportunities for extensive public engagement will occur with the new buyer and the City of Santa Rosa. At this point no project plan has been submitted and therefore no details are available for any of the proposals.

The site is currently zoned Public Institutional and will have to be rezoned by the City of Santa Rosa to accommodate any future change of use. The City’s entitlement process is structured to ensure that the community will have the opportunity to provide input into the development process. The County’s property sale simply transfers the property asset to a new buyer and does not constitute approval of any specific site development plan.

Community members also questioned the potential lost property tax resulting from a tax exempt sale and questioned where funding for schools and special districts would come from. Staff in consultation with subject matter experts confirmed that there would be no property tax loss to school districts as the State would backfill per Prop 98. Although the schools currently do not receive any property tax from the County-owned vacant property, the theoretical tax loss was modeled by ACTTC and found to be negligible.

## **NEXT STEPS**

There are multiple options for Board consideration.

If the Board authorizes staff to negotiate and execute a Purchase and Sale Agreement with one of the remaining proposers, then staff will return to the Board as expeditiously as possible for final approval.

Alternatively, the Board may wish to consider other actions to address the fundamental issues impairing the value of the property and prohibiting reuse. Prior discussions with national brokerage firms and information provided in each of the previous appraisals has identified the uncertainty surrounding the future zoning, the unknown fault lines and the cost of demolition as impairments on the value of the property. Should the Board desire to address these issues there are several approaches. Having satisfied the Surplus Property Act and not identified a satisfactory proposal, the Board could direct staff to move to market the property as-is for private sale. Alternatively, the Board could direct staff to address impairments on value and then consider sale at a later date. Finally, the Board could reconsider the use of the property for government purposes. Regardless of the course of action, the existing buildings likely would need to be demolished and the fault lines identified. As appropriate depending on the selected approach and subsequent steps, staff would return to the Board as required or requested and all necessary environmental analysis, including under CEQA, would be performed as and when appropriate based on each further step.

### **Prior Board Actions:**

December 11, 2018 - Disposal of the Chanate Campus

December 11, 2018 - Preparatory Actions Regarding Disposition of Chanate Campus

October 23, 2018 - Adopt an Ordinance Vacating Approval of the Chanate Campus Development and Disposition Agreement By Rescinding Ordinance No. 6205

October 8, 2018 - Introduction of Ordinance Vacating Approval of the Chanate Campus Development and Disposition Agreement by Rescinding Ordinance No. 6205

## **FISCAL SUMMARY**

<b>Expenditures</b>	<b>FY 19-20 Adopted</b>	<b>FY20-21 Projected</b>	<b>FY 21-22 Projected</b>
Budgeted Expenses	\$881,818		
Additional Appropriation Requested	\$585,000		
<b>Total Expenditures</b>	<b>\$1,466,818</b>		
<b>Funding Sources</b>			
General Fund/WA GF	\$881,818		
State/Federal			
Fees/Other			
Use of Fund Balance			
Contingencies	\$585,000		
<b>Total Sources</b>	<b>\$1,466,818</b>		

**Narrative Explanation of Fiscal Impacts:**

During the FY 2019-20 Budget Hearings, the Board authorized funding through June 30, 2020 for the ongoing maintenance, security and fire watch activities required on the Chanate property. If the Board elects to move forward with Action A, it is still too early to determine when the property and maintenance responsibilities would be transferred to the buyer.

If the Board elects to move forward with alternative Actions B and C, Staff is requesting \$585,000 in General Fund Contingencies to work with specialty consultants to prepare a request for proposals for demolition and seismic studies and begin CEQA analysis. This request includes General Services' staff time (\$75,000), and County Counsel time (\$85,000) as well as consultant expenses (\$425,000). Of the \$425,000 requested for specialty consultant costs, a not-to-exceed of \$100,000 will be used for geotechnical studies. The Board's Use of General Fund Contingencies Policy states that any decision to use contingency funds should occur during annual budget hearings or during mid-year budget adjustments, unless in the case of urgent need. Given the fact that the County is spending nearly \$2,500 per day to carry the Chanate property, should the board direct staff to pursue Actions B and C, Staff recommend the transfer of contingency funds immediately to begin working on demolition, geotechnical studies and CEQA.

In May 2015, Kitchell estimated the demolition cost of the hospital at \$5.7 million. The most recent cost estimate to demolish the hospital and the remaining buildings is \$10.8 million, and is included in the Capital Improvement Plan (CIP) that went to the Board on June 11, 2019. Until bids come in, we will not know the actual demolition costs. Once the demolition and geotechnical study RFP processes are completed, Staff will return to the Board with bid pricing, recommendations, and next steps.

<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: RFP and list of designated entities  
Attachment 2: Summary of Offers  
Attachment 3: CalCHA Withdrawal Letter  
Attachment 4: Resolution  
Attachment 5: Presentation

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

None

