



## Legislation Text

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**File #:** 2020-0535, **Version:** 1

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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):** Countywide

**Title:**

Disposal of the Chanate Property in a Private Market Sale

**Recommended Action:**

- A) Authorize the General Services Department to dispose of the Chanate Property pursuant to a private market sale.
- B) Direct the General Services Department to: (i) receive marketing proposals concerning the sale of the Chanate Property from previously County-qualified brokerage firms; and (ii) retain the services of a qualified real estate brokerage firm to exclusively represent the County as listing agent in the marketing, negotiation, and sale of the Chanate Property.

**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 Gov't Code 54220. Prior efforts to sell the property to designated entities have not been successful, and the County is preparing to market the property for private sale. Following the adoption of AB 1486, the County in April 2020, submitted an inquiry to the State of California Department of Housing and Community Development, Division of Housing Policy Development (HCD) describing the County multiple efforts to comply with the Surplus Land Act commencing in 2014, and stating its intention to now proceed with a sale of the Chanate Property on the private market. In May 2020, HCD responded stating the documentation provided by County was sufficient and that HCD will take no further action. Counsel has advised that staff may now proceed to sell the Chanate Property on the private market, thereby exposing the sale to a broader set of interested buyers.

In 2019, the General Service Department issued a Request for Qualifications to develop a list of qualified brokerage firms to assist the County with its various real property leasing, acquisition and disposition needs. General Service's staff now recommend that the Board direct staff to sell the Property pursuant to a private market sale with the assistance of a brokerage firm. Staff further requests that the Board direct staff to request, receive and review marketing proposals from the previously qualified brokerage firms as soon as possible. Staff will request said firms to address the following matters in the proposals: provide a broker opinion of value, provide a recommended listing price, propose a market strategy and identify potentially

interested buyers, provide an opinion as to time to market and close escrow, provide qualifications of the proposed lead broker, describe anticipated marketing expenses and the requested sales commission. Staff will review the marketing proposals received and select a brokerage firm to exclusively represent the County in soliciting purchase offers from interested buyers, negotiating terms and conditions of a sale, managing the closing process and concluding the sale in a timely manner. The brokerage firms will be advised that the Chanate Property is to be sold “as-is”, with all buildings and structures in place, without entitlements, subject existing encumbrances of record, subject to negotiable lease back to the County Morgue/Coroner’s Office and Public Health Lab or provision for relocation and replacement of said facilities, subject to existing leases and licenses, close of escrow shall be this calendar year, that the City of Santa Rosa is the entitling authority, and other material terms as advised by Counsel. Staff will bring the offers to purchase back to the Board for consideration, further negotiations, and/or approval as appropriate in a subsequent Board Item.

**Discussion:**

The County holds fee title to approximately 71 acres of improved real property generally located along Chanate Road and Belvedere Way 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.

The Sonoma County Board of Supervisors (Board) declared the Property surplus on August 11, 2015, and directed staff to explore repurposing the hospital campus for mixed-use. On December 11, 2018, the Board affirmed its decision to surplus the Property.

The Property comprises level to steeply sloping site with all utilities available. The larger Chanate Campus includes the 26-acre Piner Creek Flood Control Reservoir (APN 180-090-007), owned by the Sonoma County Water Agency (SCWA); the Property provides the only dedicated access to said reservoir. The SCWA reservoir parcel is excluded from the sale; also excluded from the sale is Parcel J (APN 180-090-016) consisting of about 10 acres of land owned and to be retained by the County and conserved.

Additionally, the Property contains and provides the only access to an historic County designated cemetery containing approximately 2 acres, which is required to be preserved upon any development. The Property is located within well-established residential neighborhoods that primarily consist of low to medium density single-family housing including semi-custom and custom homes, with some higher density multi-family housing interspersed throughout the area, and an adjacent 120 room senior citizens' apartment complex offering independent and assisted living services. Access to the Property is provided by Chanate Road. The Property is traversed by Paulin Creek which is part of an urban open space and nature preserve that provides a safe haven for plants and wildlife. The creek is an important natural feature of the main campus and the adjacent properties owned by the Sonoma County Water Agency and the County Agricultural Preservation and

Open Space District.

Since 2015, the County has marketed the property for sale as surplus property in compliance with procedures prescribed by the State of California Surplus Land Act. Although the County has received several bids for the property, it has not consummated a sale with prospective purchasers.

On May 14, 2020, in response to County's request made on April 6, 2020, to be released from obligations to sell the property as "Surplus Property" to designated agencies subject to requirements of the California Surplus Land Act, the State of California Department of Housing and Community Development, Division of Housing Policy Development (HCD) informed County staff that HCD would not take further action regarding the County's decision to sell the Property pursuant to a private sale. Therefore, the County is now able to seek offers to purchase from designated agencies, as well as private individuals and companies.

With Board approval, Staff will request marketing proposals from previously qualified brokerage firms regarding their professional opinions of value, listing price, identification of interested buyers, solicitations of interest from said buyers, time to market and close escrow. Upon receipt of said marketing proposals, the County will retain the services of a brokerage firm to market the property and to advise staff on terms and conditions of sale of the property.

The County will have no obligation to accept any offer and will reserve the right to reject all offers that it considers unsatisfactory.

### **Terms of Sale**

The Property will be sold "All Cash", "As-Is", in its entirety, without contingencies or entitlements, with all buildings, structures and property conveyed at closing. Buyer to obtain any and all entitlements, approvals, clearances, permits at its sole expense and risk after closing. Buyer to pay for, manage and complete and all necessary demolition.

The Sale to be subject to:

- a lease back to County of Sonoma of the 1,100 square foot Public Health Laboratory at 3313 Chanate Road and 8,000 square foot Coroner's Office/Morgue at 3336 Chanate Road, each together with adjacent parking, adjacent grounds and necessary access easements, on mutually acceptable terms, and/or provision for the relocation and replacement of said facilities to County-owned or third party-owned site(s) on mutually acceptable terms;
- an existing lease to Community Action Partnership of Sonoma expiring 2023 and an existing license to Bird Rescue Center expiring 2020.

The Property will be conveyed subject to a State mandated affordability housing covenant requiring 15% of all housing units, if any, to be affordable.

The entitling jurisdiction will be the City of Santa Rosa, with all questions regarding development of the Chanate Property being referred to the City of Santa Rosa. 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.

Brokers and buyers will be informed that the County prefers a closing on the Property no later than December 31, 2020.

### **Hiring Exclusive Agent to Represent County in Marketing, Negotiation, Sale of Property**

The County General Services Department will conduct real negotiations concerning the sale of the Property with the support and guidance of a selected brokerage firm identified as best suitable to represent the County based on their responses to a solicitation issued in 2019. Brokers approved through this 2019 RFQ process were placed on the Real Estate Brokers List for a term of 3 years. These Brokers are Keegan & Coppin, Newmark Knight Frank, North Bay Property Advisors, Cushman & Wakefield, CBRE, and Jones Lang LaSalle.

Key factors in the decision to identify the appropriate broker for this listing will be:

- Broker Opinion of Value for the entire 71.6 acres sold “As Is”
- Recommended Listing Price based on highest and best value (with recognition that all future uses of the Property are dependent on entitlements and approvals from the City of Santa Rosa as the entitling agency, in compliance with its laws, policies and goals),
- Marketing Plan that includes target market, marketing strategy and methods, and time to market and close
- Lead Broker Experience
- Commission Rate - amount negotiable

The responses from the Brokerage community and opinions of value will be kept confidential to protect the County’s negotiating position until such time as a sale agreement is successfully concluded, consistent with existing law and County policy.

### **Prior Board Actions:**

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 (“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**

<b>Expenditures</b>	<b>FY 19-20 Adopted</b>	<b>FY20-21 Projected</b>	<b>FY 21-22 Projected</b>
Budgeted Expenses			
Additional Appropriation Requested		\$536,761	
<b>Total Expenditures</b>		<b>\$536,761</b>	
<b>Funding Sources</b>			
General Fund/WA GF			
State/Federal			
Fees/Other			
Use of Fund Balance		\$536,761	
Contingencies			
<b>Total Sources</b>		<b>\$536,761</b>	

#### **Narrative Explanation of Fiscal Impacts:**

It is anticipated that the property will sell by the end of December 2020, and FY 20-21 additional appropriations will be needed for July through December 2020 property management \$102,000, security \$179,277, fire watch \$225,820, and hardening \$29,664 costs for a total of \$536,761. Budget request will be presented after the FY 20/21 Final Budget is adopted and included in Q1 Consolidated Budget Adjustments.

<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:**

None

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

On File 1-10: List of Qualified Brokers and any official notices from 2019 RFQ on File