



## Legislation Text

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**File #:** 2021-0889, **Version:** 1

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**To:** Sonoma County Board of Supervisors

**Department or Agency Name(s):** General Services, Health Services

**Staff Name and Phone Number:** Caroline Judy, General Services: 707-565-8058

**Vote Requirement:** Majority

**Supervisory District(s):** Countywide

### **Title:**

Setting the Time and Place to Auction, Receive Offers and Conduct Oral Bids for Purchase of Chanate Campus

### **Recommended Action:**

A) Declaring the intention of the Board of Supervisors to:

- i. Sell approximately 71 acres located at 3313, 3322, 3323, 3325, 3333 and 3410 Chanate road (APNs: 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 on the private market;
- ii. Authorize and direct the Director of General Services to enter into a marketing agreement with Ten-X concerning the auction of the Chanate Campus property;
- iii. Establish certain terms, conditions and requirements applicable to all offers;
- iv. Set the procedures, date, time, and place for the opening and review of sealed bids for purchase of the property received through an online process;
- v. Set the reserve price and form upon which all offers shall be made;
- vi. Set the procedure and manner by which the County through delegated authority to the Director of General Services shall announce sealed bids and open and call orally for additional bids;
- vii. Set the date, time and place for a subsequent meeting of the Board of supervisors at which the Board shall approve and accept the highest bid, or reject all bids.

B) Adopt a resolution confirming the Board's intentions and authorizing the County to take actions consistent therewith as set forth above, and directing the Clerk of the Board to publish and post notice for the requisite period.

### **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 Government Code 54220. Prior efforts to sell the property to designated entities have not been successful, and the Board of Supervisors subsequently directed staff to advance the disposition process to market the property for private sale. In May 2020, County received an approval from the State of California Department of Housing and Community Development, Division of Housing Policy Development (HCD) allowing the County to proceed with a sale of the Chanate Property on the private market. County's previous 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 property. In February 2021, the Board authorized efforts to reduce these uncertainties including procuring an updated and comprehensive geotechnical study which entailed excavating multiple trenches across the property to locate possible faults and surveying said faults to accurately determine their locations. In June 2021, County's consultant completed a Fault Investigation Report and Fault Hazard Constraints Map demonstrating which areas of the property are impacted by earthquake faults and accompanying set back zones, which were delivered to an appraiser to determine current market value of the property based on developable areas and setbacks to development. Staff now recommend the remarketing of the Property pursuant to an online bid process where qualified bidders will complete their due diligence prior to making sealed bids and at the time, manner and place set by the County, final oral bidding will be conducted and the best bid may be accepted by the County in its sole discretion. The recommended actions enable the acceptance of private market offers pursuant to Government Code 25520.

**Purpose.** Approval of this Board Item and the ultimate of sale and disposition of the Property will fulfill prior Board direction to return this valuable County asset into productive uses after entitlement by the City of Santa Rosa, which uses may include housing and will place the property on County tax rolls. It will also remove the property from multiple years of ongoing expense, fire watch and security patrols and threats of vandalism.

**Discussion:**

The County holds fee title to approximately 71 acres of improved real property generally located along Chanate Road 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 but has primarily sat vacant since 2014.

The County has been evaluating options for the re-use or disposal (sale) of the Property for the past several years. The Sonoma County Board of Supervisors ("Board") first formally declared the Property surplus on August 11, 2015, and directed staff to explore repurposing the hospital campus for mixed-use. More recently, the Board affirmed its decision to surplus the Property on December 11, 2018. In May 2020, the County received approval of the State of California Housing and Community Development to pursue a private sale. On February 2, 2021 the Board authorized: (i) the extension of the broker services agreement with CBRE and North Bay Property Advisors, hereafter "The Brokers" to January 2022; (ii) the Brokers to contract with qualified professional appraisal firm to obtain an appraisal of the Chanate Campus, including assessing the impact of the geotechnical report's findings and recommendations, opportunities and constraints mapping and a survey related work on market value; and (iii) upon receipt of said Geotechnical Investigation, constraints maps and updated appraisal, that staff develop a remarketing strategy with the Brokers and staff should report back to the Board.

After consultation with the Brokers, Staff recommends that to effectively remarket and attract the greatest interest in the disposition of the Property, that the County use an online auction sale platform hosted by Ten X at [www.ten-x.com](http://www.ten-x.com) <<http://www.ten-x.com>> ("Auction") and set the time, place and manner of accepting sealed bids from responsible bidders on a purchase agreement form approved by County Counsel. County will also notify all interested suppliers registered in its Purchasing Portal of the opportunity to make offers on the

## Property through the Auction.

County shall commence the active marketing of the Property through the Auction website to occur on or about September 7, 2021 and continue through the date set for receipt of sealed bids. Prior to receiving, reviewing and further negotiating responsive offers, the County hereby reaffirms its intent to sell the property on the private market and has set the time, date, terms and process through the bid process for the receipt and review of the offers for the Property. Upon receipt of all timely and responsive bids, County shall review the bids at a time and place specified herein. All offers shall be submitted on a form of Purchase and Sale Agreement approved by the County and its County Counsel to be responsive. To be responsive, all offers shall provide for a sale of the Property for all cash, 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 interests, and with a leaseback of the Public Health Lab and the Morgue/Coroner's Office for specified period and on terms set forth in the purchase agreement. Promptly after Board approval of this item, County and the Brokers shall register the Property for sale within Ten-X, the selected online bid platform. The acceptance of bids shall run from September 7, 2021 through November 9, 2021 at 9 a.m. PST during which time all interested offerors shall conduct their due diligence investigations, including touring the Property and making all necessary inquiries with the City of Santa Rosa regarding future development. Auction deadline for receipt of sealed bids is no later than 9 a.m. PST on November 9, 2021.

In compliance with Gov. Code 25530, Staff recommends that the Board set a public meeting for November 9, 2021 to conduct certain actions with respect to the receipt of sealed bids for purchase of the Property, to commence on or about 10 a.m. PST on November 9, 2021. Staff recommends that The Board delegate authority to the Director of General Services to: (i) regarding all sealed bids received by the Auction deadline, open said bids at a virtual public meeting commencing at or about 11 a.m. PST on November 9, 2021; (ii) conduct the opening, oral call for and receipt of any further bids consistent with published guidelines for further bids virtual public meeting commencing at or about 11 a.m. PST on November 9, 2021 concluding by 1:00 p.m. PST on November 9, 2021, unless extended after said time due to active bidding; (ii) formally close oral bidding with interested offerors and provide appropriate notices and declare the apparent highest offer at or about 1:00 p.m. PST on November 9, 2021; and (iv) return to the Board for final approval and acceptance of the highest bid by the Board at the meeting of November 16, 2021, including seeking authority for the Board Chair to execute the purchase and sale agreement.

The Board's adoption of the attached Resolution enables the use of the online bid platform for submission of qualifying information and receipt of sealed bids and oral bid process at the published time and place.

## Terms of Auction Sale

The sale of the Property, as will be described in the online bid platform, will state that the sale of the Property be "All Cash", "As-Is", in its entirety, without contingencies or entitlements, with all structures and property conveyed at closing. All demolition of buildings and costs thereof to be paid by buyer. All interested offerors shall conduct their due diligence investigations prior to submission of their sealed bids and the purchase agreement shall not include inspections contingencies. The sale is subject to the County's lease back of: (1) the Public Health Laboratory (PHL) consisting of approximately 18,000 sq. ft., at 3313 Chanate Road, for four years at \$1/sq. ft./NNN (triple net) per month with two 6 month options to extend, and with County to pay all utilities and costs to operate; and (2) the Morgue and Coroner's Office (Morgue) consisting of approximately

7,550 sq. ft. at 3336 Chanate Road for four years at \$1/sq. ft./NNN (triple net) per month, with two 6 month options to extend and with County to pay all utilities and costs to operate. Each lease shall include rights to adjacent parking, adjacent grounds and necessary access rights, on other terms and conditions mutually agreeable to County and Buyer.

County shall instruct that the Auction will require submission of sufficient information to establish financial responsibility, and execution of all documents as set forth in the resolution. The offers submitted will be sealed and will not be revealed until the Director of General Services opens the bids at the appointed time. On the same day as the sealed bids are opened, the Director shall call for oral bidding to begin. Upon satisfaction of all conditions of the purchase agreement, the close of escrow is to be not later than 30 days after formal acceptance of the offer to purchase.

The Property will be sold subject to, and the new buyer shall assume, any and all obligations of the County concerning the existing lease with Community Action Partnership of Sonoma expiring in January 2023 and license to Bird Rescue expiring October 31, 2021, which County is requiring bidders to agree to extent to October 31, 2022 as a condition of sale. Under the Surplus Lands Act, the County must convey the Property subject to an affordability housing covenant requiring 15% of all housing units, if any, to be affordable. The entitling jurisdiction is the City of Santa Rosa, and the marketing materials and bid acceptance platform makes clear that the developability of the Property is subject to the City of Santa Rosa planning and approval processes. The successful buyer would need to 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.

The County has not expressed any requirements or preference that the Property be developed for any particular use(s) and will not limit the sale in this regard, except to the extent of the affordable housing covenant described above.

Subject to the Board's approval of this item, the Auction guidelines shall provide that offerors' due diligence shall commence on or about September 7, 2021, and that sealed bids are to be received no later than 9 a.m. PST on November 9, 2021. Thereafter, the Director shall open and announce the purchase prices offered under each validly delivered sealed bid and thereafter the Director shall call for further oral bids over and above the sealed bid amounts. The oral bidding shall be conducted consistent with Auction guidelines for further bids via a public meeting held virtually commencing at or about 11 a.m. PST on November 9, 2021. Staff will return to the Board on November 16, 2021 with a recommendation that the Board accept the highest bid and proceed to execute the purchase agreement with said buyer, or reject all bids.

### **Other Lands Excluded From Sale**

Other lands owned by the County, Sonoma Water or Sonoma County Ag + Open Space District excluded from sale are:

- (1) APN 180-090-007 (known as Parcel N) consisting of 26+ acres owned by Sonoma County Water Agency. This parcel is a critical part of the County's flood control infrastructure.
- (2) APN 180-820-010 (known as Parcel O) consisting of 7+ acres owned by Sonoma Ag + Open Space.
- (3) APN 180-020-009 (known as Parcel P) consisting of 1 acre owned by Sonoma County Ag + Open Space.

- (4) APN 180-090-016 (known as Parcel J) consisting of about 10 acres of land owned by Sonoma County. The County plans to enter into a formal arrangement with the Ag + Open Space District and/or a private nonprofit to preserve the conservation values of the Property including the natural and urban open space resources, and to prevent future residential, commercial or industrial construction through a conservation easement, an offer to dedicate or similar instrument. Parcel J will be available for public recreational access and use.

### **County's Prior Efforts to Sell the Property**

The County has made multiple bona fide efforts to sell the Property pursuant to the Surplus Land Act and through a RFP process on the private market for affordable housing. These efforts commenced in 2015 and continue through 2020. Unfortunately, the County has been unable to complete a disposition of the Property for affordable housing or other permissible uses under the Surplus Land Act, despite its best efforts.

On May 14, 2020, State Department of Housing and Community Development sent an email to County staff stating "HCD has reviewed and considered the documentation from Sonoma County regarding the former County Hospital campus. Based on that documentation and pursuant to Government Code section 54230.5 (c), HCD will not take any further action on this matter."

### **Procedural Authority.**

The disposition of the Property requires prior compliance with the Surplus Lands Act (Gov. Code Section 54220 et seq.), and must be completed pursuant to the terms of Government Code section 25526 et seq. regarding the time and manner of conducting such sale.

### **Prior Board Actions:**

June 8, 2021: Authorize execution of an amendment to the Professional Services Agreement with Kleinfelder for geotechnical services necessary for the disposition of the Chanate Campus Item 19.

February 2, 2021: Direct staff 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. Direct County staff to rescind the Offering Memorandum to Sell the Chanate Campus. 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. Adopt a resolution authorizing budgetary adjustment for payment of the ground fault study. Authorize execution of Professional Services Agreement with Kleinfelder for geotechnical services necessary for the disposition of the Chanate Campus. Agenda Item 3.

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.

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 21-22 Adopted</b>	<b>FY22-23 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			
Use of Fund Balance			
Contingencies			
<b>Total Sources</b>			

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

For the fiscal year 20-21, the County incurred the following costs associated with the maintenance and protection of the Property: Security \$267,693; Fire \$497,571; Vegetation \$162,219; and Hardening \$36,216, for a total of \$ 963,699.

The Buyer of the property will pay fees required to the Ten X on line auction host, which costs are on a sliding scale based upon the purchase price, are projected to be between 1.75% and 2.25% of the purchase price.

Upon close of escrow, County shall pay a broker's commission of 3% to the buyer's broker, and 3% to the County's Brokers, pursuant to County's existing broker services agreement.

Staffing Impacts: None			
Position Title (Payroll Classification)	Monthly Salary Range (A-I Step)	Additions (Number)	Deletions (Number)

**Narrative Explanation of Staffing Impacts (If Required):**

None

**Attachments:**

Attachment 1: Resolution

Attachment 2: Notice of Intent

Attachment 3: Purchase and Sale Agreement, including Addendum

Attachment 4: Lease Agreement- Morgue

Attachment 5: Lease Agreement- Public Health Lab

Attachment 6: Affordable Housing Covenant

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

Marketing Agreement with Ten-X