



Legislation Text

File #: 2021-1190, **Version:** 1

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): Countywide

Title:

Disposition and Sale of Chanate Campus

Recommended Action:

- A) Approve the Sale of the Chanate Campus including 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), including all buildings, structures and improvements thereon to Eddie Haddad as the highest responsive, responsible bidder for a purchase price of \$15,050,000; or in the alternative, if the highest bidder fails to perform, to City Ventures Homebuilding, LLC, as the second highest responsive, responsible bidder for a purchase price of \$15,000,000.
- B) Authorize and delegate authority to the Director of General Services to take all actions and execute all agreements and instruments required to accomplish the sale, including: purchase and sale agreement with highest bidder Eddie Haddad; alternative and contingent purchase and sale agreement with second highest bidder City Ventures Homebuilding, LLC; deeds; leases; covenants; escrow instructions; and related transactional documents.
- C) Authorize the Chair of the Board to execute the Grant Deed on behalf of the County for the sale of the Chanate Campus to the buyer;
- D) Direct the Clerk of the Board to publish and post notice of exemption under CEQA for the requisite period.
- E) Adopt a resolution finding that the sale is exempt from CEQA and/or not approval of a project under CEQA pursuant to CEQA Guidelines §§ 15312, 15061(b)(3), 15352 and 15378, confirming the Board's intentions, and authorizing the County to take actions consistent therewith as set forth above.

or

- F) Reject all bids, and provide direction to staff regarding the further use of the Chanate campus.
- G) Adopt budget resolution transferring Deferred Maintenance fund balance to General Services' FY 21-22 Budget in the amount of \$526,542 for fire watch, security, and vegetation management costs through June 30, 2022, if the Board elects to reject all bids.

Executive Summary:

Staff recommends that the Board of Supervisors approve the disposition and sale of the Chanate Campus property containing approximately 71 acres (the "Property"), together with all buildings, structures and improvements, to Eddie Haddad for the amount of \$15,050,000, or in the alternative, if the highest bidder fails to perform, to City Ventures Homebuilding, LLC, for \$15,000,000 and authorize and direct the Director of

General Services to take all actions necessary to complete the disposition of the Property, including execution of the purchase and sale agreement, leases, and all related instruments and documents, with close of escrow on the sale of the Property to be concluded on December 22, 2021, or as soon thereafter as is feasible.

The Board also has the alternative option of rejecting all bids and providing further direction to staff regarding the continued ownership of the Chanate campus.

Discussion:

At its meeting on August 31, 2021, this Board took the following actions with respect to the sale of the Chanate Campus: established the terms, conditions and requirements applicable to all offers; 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; set the reserve price and form upon which all offers shall be made; set the procedures and manner by which the County through delegated authority to the Director of General Services would announce sealed bids and open and call orally for additional bids. Since that time the property has been marketed for sale and all interested bidders have had the opportunity to review all available due diligence materials and deliver sealed bids to the County via the Ten-X auction website established for this purpose.

At this time, County staff and broker team have concluded the auction and oral bid process and return to the Board with a recommendation for the sale and disposition of the property. A virtual public meeting was conducted at or about 11 a.m. PST on November 9, 2021, at which the Director of General Services (the "Director") opened all sealed bids received by said auction deadline. The highest sealed bid was announced by the Director, which bid was made by James Nunemacher, of Vanguard Properties, for the bid amount of \$4,200,000. Thereafter, the Director made a call for oral bids consistent with published guidelines during said public meeting. The Director received 19 consistent with said guidelines. The Director formally closed oral bidding with interested offerors and provide appropriate notices and declared the apparent highest offer at or about 1:00 p.m. PST on November 9, 2021. The apparent highest bidder was Eddie Haddad which offered the highest bid of \$15,050,000. The public meeting was concluded on or about 1:21 p.m. PST on November 9, 2021.

Staff have returned to the Board at this time with a recommendation to accept the highest bid made after conclusion of the bid process, which bid was from Eddie Haddad for the amount of \$15,050,000, and recommend the Board accept the high bid and approve the execution of the Purchase and Sale Agreement with the high bidder for the sale of the Chanate Campus Property.

The second highest responsive bid from a responsible bidder was the bid from City Ventures Homebuilding, LLC of \$15,000,000. Staff recommends that the Board authorize the Director of General Services to enter into an alternative and contingent purchase and sale agreement with City Ventures Homebuilding, LLC for a purchase price of \$15,000,000 concurrent with the execution of the purchase contract with high bidder Eddie Haddad, to become immediately effective only upon the declared default and termination of the purchase and sale agreement to Eddie Haddad.

Finding of California Environmental Quality Act ("CEQA") Exemption and Direction to Post of Notice of Exemption. The sale of property pursuant to the surplus procedures set forth in Government Code section 54220 et al. is categorically exempt from California Environmental Quality Act ("CEQA") pursuant to CEQA Guidelines section 15312 because it is not located in any of the areas listed in CEQA Guidelines section 15206

(b)(4), and is not subject to any other exception. Further, the proposed surplus sale does not commit the County to a particular course of action regarding the development of the properties and thus is not an approval of a project as defined in CEQA Guidelines section 15352. The surplus sale of the Property does not constitute a “project” under CEQA and is excluded from the requirements of CEQA pursuant to CEQA Guidelines section 15378, and is also exempt pursuant to the common sense exemption in CEQA Guidelines section 15061(b)(3). Staff recommends the Board directs the posting of a notice of exemption on this basis. The sale is subject to the County’s lease back at closing of: (1) the Public Health Building, containing the Public Health Laboratory (Public Health) at 3313 Chanate Road (APN 180-090-001), which building contains approximately 18,070 sq. ft., for four years at \$1/sq. ft./NNN (triple net) per month with two 6-month options to extend; and (2) the Morgue and Coroner’s Office (Morgue) at 3336 Chanate Road (a portion of APN 180-090-006), which building contains approximately 6,811 sq. ft., together with surrounding grounds, adjacent out buildings, storage and parking, for four years at \$1/sq. ft./NNN (triple net) per month, with two 6-month options to extend. The leases include rights to use surrounding grounds, storage and adjacent parking, rights to utilities and access. County to pay all utilities, maintenance, taxes, insurance and other costs to operate both of said premises under said leases. The Lease Agreements for each of Public Health and the Morgue are attached to and made a part of the Purchase Agreement, which the highest bidder is obligated to execute in said form upon approval of the sale.

The Board also has the alternative option of rejecting all bids and providing further direction to staff regarding the continued ownership of the Chanate campus. If the Board elects to reject the bids, resources to cover ongoing carrying costs for security, fire watch, building hardening, and vegetation management are requested and included in this report as a \$526,542 budgetary adjustment financed from the Deferred Maintenance fund. The budget adjustment will finance property management support services from January 1, 2022 through June 30, 2022.

Costs associated with the sale are as follows: County as Seller agree to pay a total brokerage commission of 6% of the purchase price to the brokers to be split 3% each to County’s broker which is CBRE, Inc. and North Bay Property Advisors, and buyer’s broker, which is Debi Myers, ICRE. The Total commission on the sale of the Property to Haddad would be \$903,000. Buyer is responsible to pay the commission to Ten-x which amount is \$263,375. County is also obligated to pay one half of the escrow fees on the sale and certain title report preparation costs, which are expected not to exceed \$10,000.

Strategic Plan:

The sale of the Chanate campus helps to support the Strategic Plan Resilient Infrastructure pillar objective 1.1 by providing revenues that can be used to support the New County Government Center.

Prior Board Actions:

August 31, 2021: Declared the intention of the Board sell the 71 acre Chanate Campus, on the private market, pursuant to adopted Resolution No. 21-0338; established terms, conditions and requirements applicable to all offers; 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; Set the reserve price and form upon which all offers shall be made; set the procedure and manner by which the County shall announce sealed bids and open and call orally for additional bids; set the date, time and place for a subsequent meeting of the Board of Supervisors to be held on November 16, 2021, at which the Board shall approve and accept the highest bid, or reject all bids. Agenda Item 5.

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

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

| Expenditures | FY 21-22 Adopted | FY22-23 Projected | FY 23-24 Projected |
|------------------------------------|-----------------------------|------------------------------|-------------------------------|
| Budgeted Expenses | | | |
| Additional Appropriation Requested | \$13,878,325 | | |
| Total Expenditures | | | |
| Funding Sources | | | |
| General Fund/WA GF | \$13,878,325 | | |
| State/Federal | | | |
| Fees/Other | | | |
| Use of Fund Balance | | | |
| Contingencies | | | |
| Total Sources | 13,878,325 | | |

Narrative Explanation of Fiscal Impacts:

Should the Board decide to approve the sale of the Chanate campus to Eddie Haddad then the gross sale proceeds of \$15,050,000 will be used will be used to cover any closing or other real estate costs associated with the sale. The County anticipates the total cost of closing, broker fees, and TenX fees to equal \$1,171,375. The costs of closing will all be paid out of escrow. The net revenue earned by the County for the Chanate property sale is anticipated to be \$13,878,325.

County Health Building and Morgue

Per the conditions of the sale agreement the Department of Health Services (DHS) will rent back the Public Health Building at a cost of \$18,070 per month for the first year, with a 3% escalation annually thereafter. The Sheriff’s Office (SO) will rent back the Morgue at a cost of \$6,811 per month for the first year, with a 3% escalation annually thereafter. In addition to rental costs, the facilities will incur costs for maintenance, utilities and possessory interest taxes. The County Administrator will work with DHS and the Sheriff’s Office to determine the most appropriate funding source to cover these costs, and will make any necessary budget adjustments during an upcoming consolidated budget adjustment item.

In the event the Board decides to reject all bids, a budget transfer will be needed in the amount of \$526,542 using Deferred Maintenance fund balance to cover six months of security, fire watch and vegetation management costs through June 30, 2022.

| Staffing Impacts: | | | |
|--|--|-------------------------------|-------------------------------|
| Position Title (Payroll Classification) | Monthly Salary Range (A-I Step) | Additions (Number) | Deletions (Number) |
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Narrative Explanation of Staffing Impacts (If Required):

None

Attachments:

- 1 - Resolution
- 2 - Budget Resolution
- 3 - Ten-X Marketing Plan
- 4 - Presentation
- 5 - Purchase Agr Package

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

Notice of Exemption