



## Legislation Text

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**File #:** 2022-0101, **Version:** 1

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**To:** Sonoma County Board of Supervisors

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

**Staff Name and Phone Number:** Johannes J. Hoevertsz, General Services: 707-565-2231

**Vote Requirement:** 4/5th

**Supervisory District(s):** Countywide

**Title:**

Acquisition of Sears site at Santa Rosa Plaza, Santa Rosa, CA (APN: 010-660-003)

**Recommended Action:**

- A) Authorize the Board Clerk to publish notice declaring the intent of the Board of Supervisors to execute, as Buyer, a Purchase and Sale Agreement (PSA) with SPS Portfolio Holdings, LLC, as Seller, for the former Sears site located at Santa Rosa Plaza, Santa Rosa, CA (APN: 010-660-003), for \$20,750,000, for use for development of the new County Government Center; and upon execution of the PSA for the County to make a \$500,000 Earnest Money Deposit into escrow, with Close of Escrow to occur within 60 days of the completion of the CEQA/NEPA process.
- B) Adopt budget resolution authorizing \$1,888,000 in FY 21-22 Deferred Maintenance funds for deposits and due diligence activities.

(4/5<sup>th</sup> Vote Required)

**Executive Summary:**

**Purpose.** The Director of General Services requests the Board to consider, subject to CEQA/NEPA compliance, the acquisition of the 7.24 acre former Sears site located at Santa Rosa Plaza, Santa Rosa, CA (APN: 010-660-003) for \$20,750,000. The property consists of the former Sears Department store, totaling 139,133± square feet, the former Sears site Tire Battery and Auto site, consisting of 22,267± square feet, and a 2.21-acre parcel with a 3-story parking garage. The property has a total of 779 garage and surface parking spaces. As part of the purchase agreement, Seller is required, at Seller expense and within six months after close of escrow, to remove all structures on the site, including foundations, excluding the parking garage deck which will remain, and to leave the site as packed earth. The acquisition is conditioned on completion of a separate agreement with the Santa Rosa Mall partners for 550 parking spaces within the Santa Rosa Plaza, and an agreement with the City of Santa Rosa for additional parking. The use of the site shall be for the development of the new County Government Center. The proposed acquisition will support the Board of Supervisor's Strategic Pillar of Resilient Infrastructure, enabling the County to eventually replace the aging administrative buildings on the main Campus while creating climate resilient facilities closer to public transit.

The cost of operating the entire property portfolio of the current County administrative campus has grown as facilities have aged, increasing deferred maintenance obligations. As County government has grown over the sixty years since the County campus was designed, the lack of expansion options on the County campus has driven the need to lease commercial office space - a growing expense. Replacement of the existing buildings has been a Board priority reaffirmed over the past several years. In July, 2021 the Board identified the former

Sears property as the preferred site subject to CEQA/NEPA for the new County Center facilities.

**Discussion:**

The County has reached agreement with the SPS Portfolio Holdings LLC, on the price and terms to acquire the 7.24 acre former Sears property as-is, subject to CEQA/NEPA, to serve as a location for replacing the existing 1950's designed, sprawling County campus. The existing campus no longer serves the needs of the Sonoma County community.

In July the Board identified the former Sears property as the preferred site for the new County Center facilities. Following Board action on July 20, 2021, the County executed a non-binding Letter of Intent ("LOI") to purchase the property for \$20,750,000, subject to certain terms and conditions. Since then staff have worked with the Seller to negotiate the terms of the purchase agreement.

During negotiations the Seller also identified the opportunity for the County to lease 550 parking spaces within the Santa Rosa Plaza parking lot. The former Sears site has existing available parking with 638 parking garage spaces in the parking deck structure. Combined with the potential for 550 leased parking in the shared Santa Rosa Plaza parking area offered by the Seller, and the 500 spaces offered by the City of Santa Rosa, a total of 1,688 parking spaces could be available. The County's parking needs for the new County Center were extensively studied between January and July 2021, but ultimately will relate to the number of employees relocating and client demand for in-person services.

Per the terms of the Agreement, the County must obtain all CEQA/NEPA approvals and satisfy all conditions prior to closing. In turn the Seller agrees to convey the land and improvements, demolish the building improvements (except the parking garage), remove foundations and compact the soils. The County will have up to 90 days for its Initial Inspection Period to perform Phase I and Phase II environmental investigations, and other studies. The County will provide a \$500,000 initial deposit within 10 days of execution of the PSA. An additional deposit of \$500,000 will be due at the end of the Inspection Period. The Initial Inspection Period can be extended for an additional 90 days if the parking agreements with the City of Santa Rosa or the Santa Rosa Mall Partners are not completed during the Initial Inspection Period, or if the County and Seller have not finalized the form of Covenants, Parking Agreement, or the Demolition Support and Escrow Holdback agreement, during the Initial Inspection Period. The County's deposit is refundable during the Inspection Period should significant concerns arise from due diligence, or we fail to obtain the off-site parking agreements. After the Inspection Period, the County's deposits would only be refundable in the circumstance where CEQA/NEPA approvals were not obtained. Staff has entered into contract with Rincon Consultants and launched the CEQA/NEPA study which is anticipated to take up to two years. The Purchase Agreement includes the opportunity to extend the CEQA/NEPA study if necessary. (See below for details).

**Purchase and Sale Agreement (PSA).** The proposed purchase agreement contains the following key provisions:

1. Sears Site: Consisting of 161,400+ sf of commercial buildings and a 3-story parking garage and surface parking totaling 779 parking spaces on 7.24+ acres.
2. Purchase Price: \$20,750,000.
3. Initial Deposit of \$500,000, fully refundable during the Inspection Period.
4. Extension of the Initial Inspection Period from 90 days to 180 days is allowed only in the event that the

Offsite Parking Lease with the City of Santa Rosa is not secured during the Initial Inspection Period, or if the County and Seller have not finalized the form of Covenants, Parking Agreement, or the demolition agreement.

5. Additional Deposit: \$500,000, required within 10 days of the end of the Inspection Period if the County does not terminate during the Inspection Period.
6. Parking Agreements Requiring Execution During Due Diligence Period:
  - a. County and Seller to execute long term, market rate license agreement for 550 County parking spaces at Santa Rosa Plaza at market rent.
  - b. County and City of Santa Rosa to complete long term, market rate license agreement for 500 County parking spaces at City garages.
  - c. County has the ability to extend the Inspection Period for 90 days in order to achieve the parking agreements.
7. CEQA/NEPA: County has two years to obtain CEQA/NEPA approval, extendable to three years with an additional \$500,000 deposit, with all deposits fully refundable in the event CEQA/NEPA approval is not obtained despite County's reasonable CEQA/NEPA approval efforts.
8. Closing: Within 60 days of CEQA/NEPA approval.
9. Demolition of Existing Improvements: Seller to demolish buildings and deliver site with foundations removed and soil compacted to an engineering professional standard within 180 days after closing.
10. Common Area Maintenance (CAM) Charges: County will be required, as shared occupant of Santa Rosa Plaza, to pay an ongoing CAM charge that is to be negotiated with Seller during the Due Diligence Period but estimated to be approximately \$42,500 per year to cover County's share of parking garage and Santa Rosa Plaza CAM.

**Procedural Authority.** Government Code § 25350 requires publication of notice of the Board's intent to enter into the PSA once a week for three successive weeks prior to execution of the PSA where the property to be purchased is valued at more than \$50,000. If your Board takes the requested action, this matter will return to the Board on or after March 22, 2022, for consideration and consummation of the proposed PSA.

### **Status of Parking Agreements**

From January through June 2021 the Board of Supervisor's Ad Hoc and County staff worked with the City of Santa Rosa to identify parking needs associated with the potential new downtown County Center. The total parking need was estimated using the assumptions of the base case model; 2443 employees, 411 fleet vehicles, 286 simultaneous visitors per day, and 30 percent remote work. Ultimately, the total parking need will depend upon the number of employees moving downtown, fleet, and public visitor parking requirements. Of the 779 existing parking spaces on the Sears property, 141 of these spaces will most likely be eliminated by the footprint of the proposed building. In addition to the anticipated 638 existing parking spaces to be usable on the Sears property, the PSA describes another 550 spaces subject to a new long term parking agreement with the Santa Rosa Plaza owners, and 500 spaces subject to a new long term parking agreement with the City of Santa Rosa. From July through December 2021 City and County staff worked together to draft a parking agreement that identified 300 spaces in the 1<sup>st</sup> Street and 200 spaces in the 7<sup>th</sup> Street garages. Parking models were considered including; a) the provision of parking passes for use in identified garages with non-reserved parking spaces, or b) assisted stacked parking in reserved spaces. Stacked parking allows more than one vehicle per stall with a garage operator assisting clients and is the model used in many urban parking garages. Under the terms of the PSA the City and County have 90 days to reach final agreement. Similarly, the County has 90 days to reach final agreement with SPS and the other Santa Rosa Plaza parking owners to secure the

550 spaces in the mall parking. Under the PSA, the County can extend the period to finalize parking agreements with the City, and SPS and the other Santa Rosa Plaza parking owners, for an additional 90 days for a total of 180 days.

### **Due Diligence Activities**

Staff have estimated the total cost of the various specialty consultants (\$695,000) and reimbursable capital project management staff support (\$193,000) required totaling the need for \$888,000 in funds required for due diligence upon execution of the agreement. Staff recommend the Board take action to designate the funds with this Board item to ensure that specialty consultant contracts are executed timely in order to perform due diligence activities within the 90 day initial due diligence period.

### **Next Steps and Schedule**

Staff will bring the 2nd reading for the Sears property acquisition later in March, and project labor agreement for the Board of Supervisor's consideration in May. Staff are pursuing special legislative authority for the proposed public-private-partnership (P3) project delivery method, similar to that obtained by other jurisdictions in California. The P3 design-build-finance-operate-maintain (DBFOM) delivery method reduces risks to the County over the life of a building. Design-Build construction delivery is fixed schedule and price certain, after which building performance is guaranteed in return for an annual availability payment to the public-private partner. The payment also includes amortization of upfront project costs. The timeline for issuing the RFQ and subsequent RFP depend upon whether there is approval of an urgency clause in the special legislation. With an urgency clause, May 2022 is the earliest RFQ issuance and late 2022 the earliest possible RFP issuance. Without an urgency clause, the RFQ would likely be issued in January 2023 and the RFP issued in Summer 2023.

### **Strategic Plan:**

This item directly supports the County's Five-year Strategic Plan and is aligned with the following pillar, goal, and objective.

**Pillar:** Resilient Infrastructure

**Goal:** Goal 1: Invest in County buildings and technology to enhance service delivery and improve employee mobility

**Objective:** Objective 1: Design the new County Center to be carbon neutral and zero waste; and pursue carbon reduction and zero waste plans for remaining County facilities.

### **Prior Board Actions:**

None

### **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	\$1,888,000	\$19,750,000	
<b>Total Expenditures</b>	<b>\$1,888,000</b>	<b>\$19,750,000</b>	
<b>Funding Sources</b>			

General Fund/WA GF			
State/Federal			
Fees/Other			
Use of Fund Balance	\$1,888,000	\$19,750,000	
Contingencies			
<b>Total Sources</b>	<b>\$1,888,000</b>	<b>\$19,750,000</b>	

**Narrative Explanation of Fiscal Impacts:**

FY 21-22 budget impacts include the initial and potential subsequent deposits totaling \$1,000,000 and the \$888,000 required for due diligence activities, for a total of \$1,888,000. The County Administrator recommends the use of Deferred Maintenance fund balance, previously set aside for County Government Center development activities, to cover these costs. The initial due diligence period is 90 days with the first deposit of \$500,000, and another 90 day extension is available with a \$500,000 deposit increase due at the end of the Inspection period. Staff have estimated the total cost of the various specialty consultants (\$695,000) and reimbursable capital project management staff support (\$193,000) required totaling the need for \$1,888,000 in funds required for due diligence and deposit. See Attachment 3-Due Diligence Specialty Consulting Services and Staff Support Cost Estimate. The Agreement also identifies an additional deposit of \$500,000 for a one year CEQA/NEPA extension. Staff do not anticipate requiring an extension at this time and will return to the Board for additional funding should it be necessary to do so. The remainder of the total acquisition cost of \$20,750,000 after accounting for the deposit(s) is \$19,750,000. Staff anticipate that this budget expense will occur in FY 22-23 although the timing depends upon the CEQA process and outcome.

For the initial one-time acquisition expenses, staff propose using \$1.9M in Deferred Maintenance funds, FY 20-21 year end fund balance of \$15.5M, and previously set-aside funding for the Chanate demolition of \$4.65M.

<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:**

- 1 - Purchase and Sale Agreement between County of Sonoma as Buyer and SPS Portfolio Holdings, LLC as Seller
- 2 - Notice of Intent to Purchase
- 3 - Due Diligence Specialty Consulting Services and Staff Support Cost Estimate
- 4 - Budget Resolution
- 5 - Presentation

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

None