



Legislation Text

File #: 2022-0458, **Version:** 1

To: Sonoma County Board of Supervisors
Department or Agency Name(s): General Services
Staff Name and Phone Number: Johannes J. Hoevertsz, (707) 565-2550
Vote Requirement: 4/5th
Supervisory District(s): Fifth

Title:

Acquisition of real property at 16390 Main Street, Guerneville

Recommended Action:

- A) Authorize the Clerk of the Board to publish a notice of intent to purchase real property located 16390 Main Street, in Guerneville, California, and known as the former Bank of America building (Assessor's Parcel Nos. APN's 070-030-045, -049, -050, -058, -059, and -060).
 - B) Authorize the General Services Director to execute a contingent property purchase agreement for acquisition of the subject real property, in an amount not to exceed a purchase price of \$3,000,000, as well as to take all actions and execute all agreements and instruments required and recommended to facilitate the contemplated acquisition, including agreements for due diligence services, escrow instructions, and related transactional documents, in form approved by County Counsel.
 - C) Determine that the proposed acquisition of the subject real property is categorically exempt under the California Environmental Quality Act (CEQA).
 - D) Adopt a Budget Resolution approving adjustments to the FY 22-23 Budget in the amount of \$123,537 from Deferred Maintenance for the due diligence costs and earnest deposit. (4/5th Vote Required)
- (4/5th Vote Required) (Fifth District)

Executive Summary:

This item seeks Board authorization to proceed with steps to acquire the commercial office property commonly known as the former Bank of America Building (the "Property") in downtown Guerneville (16390 Main Street), including approval to execute a contingent property purchase agreement with owners Patricia M. Veale and Clement C. Carinalli, as Trustees of the Veale Family 2020 Revocable Trust u/t/a dated October 31, 2020 (Seller), for acquisition of the Property, for a purchase price of no more than \$3,000,000. Agreement is contingent on successful completion of due diligence investigations.

Through a lease arrangement the County has provided services at this location since November 2006. The proposed acquisition of the Property would assure continuity of County services and other community services provided at this location, and may provide opportunities for satellite County services centers as part of the as part of the new County Government Center project.

Discussion:

The Property consists of a single-story, 7,784-sq. ft. office building and parking lot containing over thirty parking spaces. The Property is comprised of six contiguous parcels, which total 32,569 sq. ft. The office

building is constructed on two of the six parcels and comprises a total of 16,104 sq. ft. (.37 acres) of land.

The County Health Services (DHS) and Probation Departments currently lease 2,911 sq.ft. of office space at the Property. Also, West County Community Services (WCCS) leases approximately 3,001 sq. ft. of office space, and the Bank of America has a lease for its auto-teller machine and equipment room at the location. Health Services also collaborates with other local social service providers, including West County Community Services, Russian River Counselors, River to Coast Child Care Services, Face to Face, and West County Health Services from this location.

The current County DHS and Probation leases expire in October and November 2023, respectively. The WCCS lease expires in December 2022, and the Bank of America lease expires in October 2024.

Long-Term Need for a West County Property

The County has, and will continue to have, a need for office and operational space in the West County. DHS and Probation currently provide services at the Property. DHS provides Whole Person Care services, Women Infant & Children services, Mobile Support Team services, and Driving Under the Influence program services. Probation provides required adult and juvenile supervision services for their West County clients. During flood and fire disaster events, the County space has served as a Local Assistance Center for the County. In addition, the County Human Services Department (HSD) has long expressed an interest in expanding services to the West County.

The inventory of available commercial property in the Guerneville area is extremely limited. Should current ownership not continue to lease to the County, or should another entity acquire this building and terminate or not renew the existing leases with the County, the County would be without office-type operational space in that part of the County and locating replacement space would be very difficult. Acquisition of this building provides the County with the opportunity to ensure continuity of services in this area. The size of the property and its location in downtown Guerneville, with associated parking and convenient access to public transit, provides the County a reliable option for programming needed services with confidence in the long-term availability of space.

Proposed Purchase Agreement Terms.

County staff submitted a proposal to the Seller offering \$3,000,000 as a purchase price, and the Seller accepted County's proposal earlier this year. Staff is in the process of negotiating a Property Purchase Agreement (PPA), the general proposed terms of which are described below:

- Purchase Price: \$3,000,000
Deposit: \$50,000 (due within 15 days of execution of the PPA)
Closing Conditions:
- 1) Seller presenting to the County clear, marketable and insurable title to the Property.
 - 2) Seller to transfer title to any personal property, as well as intangible property such as service contracts, warranties, guaranties, etc.
 - 3) Seller to transfer and assign to County current WCCS and BofA ATM leases and estoppel certificates from existing occupants.
 - 4) Seller will provide a Grant Deed conveying the Property to the County.

County will have 90 days ending on October 12, 2022 to complete due diligence including:

- 1) Review of Property reports and documents provided by Seller. *County will hire an engineering firm for testing and inspections of the Property, including but not limited to its soils, environmental conditions, feasibility for development, marketability, entitlements, existing contracts affecting the Property, easements and encumbrances, governmental requirements, tentative map conditions, the availability of water and other utilities, and such other matters as County in its sole discretion may deem appropriate related to the Property.*
- 2) Obtain an American Land Title Association (ALTA) survey of the Property and satisfactory ALTA title report for the Property.
- 3) Appraisal of Property.

Pending completion of due diligence and the Seller's potential correction any condition(s) found during the due diligence and as requested by County, staff the County will report back to your Board in October on due diligence investigations to date.

Closing Date: Close of escrow is contingent upon and will occur only after:

- 1) Satisfactory completion of due diligence, with a 30-day due diligence extension period if required by County to address any outstanding concerns regarding the Property;
- 2) Review by the County that the acquisition and continued office use of the Property is in conformance with the General Plan and CEQA; and
- 3) Final approval and authorization to consummate the purchase by your Board (CR), expected to occur on October 2022.
- 4) Satisfaction of Seller's contingency that there be no trust beneficiary protest of the sale of the Property (however, none is expected based on current information from Seller).

Costs and Funding. The total cost for the acquisition of the Property is estimated at \$3,080,371, as detailed below:

Investigative Costs:	
Property Inspections	\$ 56,037
PRMD - General Plan Consistency/CEQA	\$ 0
Property Appraisal	\$ 5,500
ALTA Survey	<u>\$ 12,000</u>
Subtotal	\$ 73,537
Purchase Price	\$3,000,000
Plus. Est. Escrow Fees	\$ 2,874
ALTA Title Report	\$ 3,930
Estimated Other Closing Costs	<u>\$ 30</u>
Subtotal	\$3,006,834

TOTAL COST

\$3,080,371

Funding. The County intends to fund the acquisition costs through an internal loan from the Deferred Maintenance Fund. Based on the Board's direction during the FY 2022-23 Budget Hearings, the available fund balance is roughly \$44.3 million. In alignment with the Strategic Plan objective of establishing regional service centers (aka Satellite) in West County, Sonoma Valley, and Cloverdale, the County Administrator will dedicate \$333,000 per year, for a period of 7 years, from the annual \$1 million County Center set-aside for regional/satellite offices towards the loan repayment. For this West County proposal, rental income will also support loan repayment. The projected income is approximately \$178,874 per year from tenant leases, including Department of Health Services, Probation, West County Community Services, and Bank of America. Once the cost of the acquisition is fully paid, the County will realize rental income from any paying tenants in the space. See Attachment 4 for more details.

Revenue. Acquisition costs will be offset by income received from tenants leasing space at the Property. The following table identifies expected lease income for a full year based on the current rents:

Tenant - County	Usable Sq. Ft.	Current Lease Expiration Date	Current Monthly Rent	Current Annual Rent
DHS Community Mental Health	1,918	10/31/23	\$4,768.06	\$57,216.72
DHS Regional Services	583	11/30/23	\$1,772.46	\$21,269.52
Probation	410	12/16/24	\$795.68	\$9,548.16
TOTAL	2,911		\$7,336.20	\$88,034.40
Tenant-Other				
West County Community Services	3,001	12/31/22	\$5,500.00	\$66,000.00
Bank of America ATM	179	10/31/24	\$2,070.00	\$24,840.00
TOTAL	3,179		\$7,570.00	\$90,840.00
COMBINED TOTAL	6,090		\$14,906.20	\$178,874.40

Probation and Department of Health Services are expected to remain in the leased space, and have confirmed that their funding sources will allow rent payment amounts to be used by the County as standard lease rent payments. WCCS has historically leased its space for one-year terms, renewing annually. Staff has been

informed that WCCS may wish to extend its current lease through the end of 2023. Bank of America has two (2) 5year options to extend its Lease beyond the 10/31/24 expiration date.

Operating Expenses. Sellers provided a summary of monthly operating expenses from 2020 and 2021, including insurance (building and flood), HVAC maintenance, landscaping, utilities, janitorial and refuse collection. Staff used that information as a guide to obtain estimates from Risk Management and Facility Operations to estimate operating expenses for the initial year in the Property, as follows:

Annual Estimated Operating Expenses

Total Maintenance exp	\$43,581
Total Janitorial exp	\$18,364
Insurance	\$900
Total utilities exp	\$19,616
TOTAL	\$82,461

The current rental income from the building is sufficient to cover the annual operating and maintenance costs. During the loan repayment period, the net proceeds from the building, after operations and maintenance costs, will contribute towards the annual repayment.

General Plan and C.E.Q.A: In accordance with Government Code 65402, the acquisition of the Property by County was submitted for review to County Permit & Resource Management (PRMD) for review as to conformance with the County’s existing General Plan. PRMD has concluded that the proposed acquisition and use is consistent and in conformity with the General Plan and the County’s zoning goals. Environmental review also indicates that, since the property is an existing facility and will continue to be used for administrative, client services, and other office-type uses including by existing tenants and consistent with how the property has been historically used and operated, with no or negligible expansion of use or any other improvements, the proposed acquisition is categorically exempt under the California Environmental Quality Act (CEQA), including but not limited pursuant to 14 CCR 15301 (existing facility) and 14 CCR 15323 (normal operations for public gatherings). Should any further environmental analysis be warranted as due diligence for escrow proceeds, further report and any required actions will be brought at the later Board hearing to consider whether to consummate the proposed acquisition.

Procedural Authority: Government Code Section 25350 requires the Board to publish a notice of its intention to purchase property valued at more than \$50,000 for three (3) successive weeks before consummation of the purchase. If your Board takes the requested actions, this matter is scheduled to return to the Board in October, for a report from staff regarding the findings from the due diligence investigations, and consideration for final approval and consummation of the proposed acquisition in accordance with the Government Code.

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: Establish resilient neighborhood/regional and satellite service centers with access to transportation systems in West County, Cloverdale, and Sonoma Valley, as expressed in the Real Estate Master Plan, by 2023 in order to improve equitable public access to services.

Prior Board Actions:

Suites F, H, I and J - Department of Health Services Lease

12/11/18 Authorized General Services Director to execute 2nd amendment

09/10/13 Authorized General Services Director to execute 1st amendment

Suites B and G - Department of Health Services Community Lease

12/11/18 Authorized General Services Director to execute 3rd amendment

07/10/18 Authorized General Services Director to execute 2nd amendment

09/10/13 Authorized General Services Director to execute 1st amendment

10/09/07 Authorized General Services Director to execute lease

Suite E - Probation Department Lease

12/17/19 Authorized General Services Director to execute lease

FISCAL SUMMARY

Expenditures	FY 22-23 Adopted	FY23-24 Projected	FY 24-25 Projected
Budgeted Expenses			
Additional Appropriation Requested	\$123,537		
Total Expenditures	\$123,537		
Funding Sources			
General Fund/WA GF			
State/Federal			
Fees/Other			
Use of Fund Balance	\$123,537		
Contingencies			
Total Sources	\$123,537		

Narrative Explanation of Fiscal Impacts:

Staff is requesting \$123,537 from the Deferred Maintenance fund, to proceed with the notice of intent to purchase. This includes \$73,537 for General Services to perform due diligence investigation (building condition assessment, an ALTA survey, and a property appraisal, and review of documents provided by the Seller) and \$50,000 for an earnest money deposit, to be deposited in escrow, upon execution of the proposed contingent Property Purchase Agreement. This amount will be put towards the purchase price.

After due diligence is completed and contingencies are waived, staff will return to the Board for final approval and consummation of the proposed acquisition. At that time, the remaining balance of the purchase price (\$2,956,834) will be requested from the Deferred Maintenance fund, as a loan. If the property acquisition moves forward, the full acquisition cost of \$3,080,371 will be repaid to the Deferred Maintenance fund in accordance to the repayment schedule in Attachment 4.

Staffing Impacts:			
Position Title (Payroll Classification)	Monthly Salary Range (A-I Step)	Additions (Number)	Deletions (Number)

Narrative Explanation of Staffing Impacts (If Required):

None

Attachments:

- 1 - Floor plan of building; site plan
- 2 - Notice of Intent
- 3 - Budget Resolution
- 4 - Loan Repayment Detail

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

None