



A Tradition of Stewardship
A Commitment to Service

Agenda Date: 3/24/2020

Agenda Placement: 10A

NAPA COUNTY BOARD OF SUPERVISORS Board Agenda Letter

TO: Board of Supervisors

FROM: Steven Lederer - Director of Public Works
Public Works

REPORT BY: Leigh Sharp, Deputy Director, Public Works - Gen Services - 707-259-8321

SUBJECT: Resolution of Intention to Sell Real Property

RECOMMENDATION

Director of Public Works requests adoption of a resolution authorizing the following related to the County owned property located at 2344 Old Sonoma Road (4/5 vote required):

1. Declaring the County's intention to sell surplus real property located at 2344 Old Sonoma Road;
2. Establishing a minimum price and other terms, conditions and requirements for sale of the Property applicable to all agencies who may respond to a Notice of Availability issued under Government Code Section 54220-54232; and
3. Directing staff to engage responding agencies in good-faith negotiations for sale of the property.

EXECUTIVE SUMMARY

In August 2017, the Board of Supervisors designated the real property located at 2344 Old Sonoma Road (Property) as surplus. In compliance with Government Code section 54222, the Surplus Land Act (Act), staff conducted good-faith negotiations with three agencies who had expressed interest in purchasing the Property. Based on the proposals received, no agency met both the requirements of the Act and the terms set by the Board of Supervisors by Resolution 2018-03. Following that process, in May 2018 the Board adopted a resolution concluding the good-faith negotiations required and directed staff to negotiate with the City of Napa as allowed under Government Code section 25365 for the purchase of the Property. County staff worked with representatives from the City on a purchase and sale agreement, but ultimately the City notified County staff that they would not be proceeding in the purchase process.

On May 7, 2019, the Board of Supervisors directed staff to return with a resolution to allow staff to move forward with the public sale of the Property. On May 21, 2019, the Board of Supervisors adopted Resolution 2019-65, which declared its intention and authorization to sell the County surplus real property located at 2344 Old Sonoma Road

and set the terms and conditions of sale. The Board subsequently adopted an amended and reinstated resolution, Resolution 2019-82, to meet the goals of the Board pertaining to encouraging affordable housing and incentivizing bidders to develop affordable housing units above the minimum regulatory requirements. This resolution set the minimum bid price for the property at \$7,500,000 with a 120-day period to close escrow on the purchase of the property, and outlined a process whereby bidders could be granted an additional amount towards a combined (cash/housing credit) bid amount for agreeing to develop affordable housing units on the property above the minimum 25 units and established other terms of the sale.

On August 9, 2019, the County received one timely sealed bid package for purchase of the Property from Caritas Related LLC (Caritas). The bid was found to be responsive to the requirements of the RFP and Caritas presented a deposit of \$250,000 made payable to Placer Title Company (the escrow holder). The Board of Supervisors adopted Resolution 2019-108 accepting the bid from Caritas as the highest responsive bidder and authorizing the sale of the Property to Caritas Related, LLC. However, on November 25, 2019 Caritas informed the County that it was electing to cancel the sale.

On February 5, 2020, pursuant to a change in the Surplus Lands Act (Act) that became effective on January 1, 2020, County staff notified the Department of Housing and Community Development (HCD) of County's full compliance with the Act in 2018 and its intent to offer the Property for sale through a Request for Proposal (RFP) process. Under the new provisions of the Act, HCD had a 30-day period to submit written findings to the County if the proposed disposal of land would violate the Act. On February 28, 2020, HCD responded to the County's notification and informed the County that if specific exemptions set forth in the newly amended Act could not be met, then the County must re-comply with the Act as amended and as became effective January 1, 2020. The County does not meet the specific exemptions within the Act and therefore must re-comply with the Act, as amended.

Through adoption of the proposed resolution, the Board takes the following actions and initiates the sale of public property in compliance with the Surplus Lands Act, as amended:

- | Designates the Property as surplus;
- | Declares the County's intent to sell the Property;
- | Directs the Director of Public Works to comply with the Surplus Lands Act and send a written Notice of Availability of the Property to entities identified in the Act;
- | Declares the minimum acceptable price as \$7,500,000 in net proceeds to the County;
- | Delegates authority to the County Executive Officer to enter into a minimum 90-day good faith negotiation period with any entity that submits a Notice of Interest within 60-days of County issuing a Notice of Availability;
- | Requires interested purchasers proposing to use the Property for developing low- and moderate-income housing to make no less than 25% of the total number of housing units developed at affordable housing cost pursuant to Government Code section 54222.5; and
- | Sets other conditions and procedures applicable to the sale of the property in accordance with Government Code section 54222.

PROCEDURAL REQUIREMENTS

1. Staff reports
2. Public comments
3. Motion, second, discussion and vote on the item

FISCAL & STRATEGIC PLAN IMPACT

Is there a Fiscal Impact?	Yes
Is it currently budgeted?	No
What is the revenue source?	Revenue from the sale of surplus real property.
Is it Mandatory or Discretionary?	Discretionary
Discretionary Justification:	Sale of this County surplus property would assist in financing for the replacement jail facility.
Is the general fund affected?	Yes
Future fiscal impact:	It is assumed that the sale will close in Fiscal Year 2020-21.
Consequences if not approved:	The County will not be able to proceed with the sale of 2344 Old Sonoma Road at this time.
County Strategic Plan pillar addressed:	Effective and Open Government
Additional Information:	

ENVIRONMENTAL IMPACT

ENVIRONMENTAL DETERMINATION: **Categorical Exemption Class 12:** It has been determined that this type of project does not have a significant effect on the environment and is exempt from the California Environmental Quality Act. [See Class 12 (“Surplus Government Property Sales”) which may be found in the guidelines for the implementation of the California Environmental Quality Act at 14 CCR §15312.]

On April 16, 2013, the Board adopted resolution 2013-33 which contained CEQA findings regarding the County's Health and Human Services (HHSA) Campus Project Environmental Impact Report. Part of the Project included the surplus and sale of the Old Sonoma Road site and the Board found that sale of the HHSA campus was exempt from CEQA under the Class 12 Categorical Exemption. A Notice of Exemption was filed the same day with the Napa County Clerk-Recorder's Office.

BACKGROUND AND DISCUSSION

The County has owned and operated the property located at 2344 Old Sonoma Road (Property) in Napa (APN 004-291-015-000) for more than fifty years as a health and human services campus, and for other uses for many decades. These County services were moved to a new location in 2016 and the Property has sat mostly vacant since that time. Final health and human services programs vacated the site in December 2017.

In August 2017, the Board of Supervisors designated the Property as surplus. In compliance with Government Code section 54222, the Surplus Land Act (Act), staff subsequently provided a written offer to sell the surplus Property to entities meeting the qualifications described in the Act. The County received three timely responses expressing interest in purchasing the Property for the purposes of developing affordable housing. Responses were received from the City of Napa, Pacific Housing Inc., and Bridge Housing/Napa Valley Community Housing. The Board of Supervisors adopted Resolution 2018-03 in January 2018 establishing the minimum price and other terms, conditions, and requirements for sale of the Property to qualified agencies. Staff engaged in good-faith negotiations with the three agencies and received final submittals from two of the agencies, the City of Napa and Pacific Housing Inc., by the deadline. Neither proposal met both the terms and conditions as set by Resolution 2018-03 and the requirements of the Act, and as such this completed the County's obligations under the Act.

Subsequent to that process, the Board adopted Resolution 2018-59 concluding the good-faith negotiations required under the Act. It also directed staff to enter into negotiations with the City of Napa as allowed under Government Code section 25365 for the purchase of the Property. County staff met with representatives from the City of Napa to discuss the City's proposed purchase offer, provided access for preliminary site reviews, and drafted a purchase and sale agreement for City review. However, the City ultimately declined to proceed with purchase of the Property.

On May 7, 2019, staff presented the Board of Supervisors with various options to proceed with the sale of the Property and received Board direction to issue a request for proposals (RFP) process and public offering pursuant to Government Code section 25526 et seq. On May 21, 2019 the Board of Supervisors adopted Resolution 2019-65 declaring its intention and authorization to sell the Property and set the terms and conditions of sale. During development of the RFP, staff identified that an amended and reinstated resolution was needed to meet the goals of the Board pertaining to incentivizing bidders to develop affordable housing units above the minimum regulatory requirements.

On June 18, 2019, the Board of Supervisors adopted an amended and reinstated resolution, Resolution 2019-82, which maintained the minimum bid price at \$7,500.00 with a 120-day period to close escrow and added a process whereby bidders could be granted an additional amount toward their cash bid for agreeing to develop affordable housing units on the Property above the minimum 25 units. All other terms and conditions remained the same.

On August 9, 2019, the County received one timely sealed bid package for purchase of the Property from Caritas Related LLC (Caritas). A Bid Selection Committee designated by the County Executive Officer convened on August 9, 2019, opened the sealed bid, and reviewed the materials. The bid was found to be responsive to the requirements of the RFP and a deposit in the amount of \$250,000 was made payable to Placer Title Company (the escrow holder). The Board of Supervisors subsequently adopted Resolution 2019-108 accepting the bid from Caritas as the highest responsive bidder and authorizing the sale of the Property to Caritas. Unfortunately, Caritas did not close escrow within the 120-day period, instead they elected to cancel the sale of the Property, and their \$250,000 deposit was returned to them.

On January 1, 2020 amendments to Government Code section 54230.5 of the Surplus Lands Act (Act) became effective requiring local agencies to notify and demonstrate to the Department of Housing and Community Development (HCD) compliance with the Act. After local agency notification, HCD then has a 30-day period to review information and to submit written findings to the local agency if disposal of the subject property would violate the Act. The intent of the amended legislation is to ensure that the Act is being implemented, to establish a review process to be conducted by HCD, and to establish penalties for violation of the Act.

On February 5, 2020, County staff notified HCD of its full compliance with the Act and its intent to offer the Old Sonoma Road property for sale through a RFP process. On February 28, 2020, HCD responded to the County's notification and informed the County that if specific exemptions set forth in the newly amended Act could not be met, then the County must re-comply with the Act as amended. The County does not meet the specific exemptions within the Act and therefore must re-comply with the Act. Staff is recommending the Board of Supervisors adopt the proposed resolution which directs staff to comply with the Surplus Lands Act (including issuance of a Notice of Availability of the Property to entities identified in the Act) and setting other provisions for sale of the Property that will allow good faith negotiations to proceed in a timely manner.

In December 2017, the County obtained an appraisal of the Property from CBRE, Inc. which reached the conclusion that the highest-best use of the property would be for residential infill, and the hypothetical as-is vacant land value would be \$9.53 million. County staff is recommending that the Board set a minimum net purchase price of \$7,500,000. The minimum price recommendation is based on a review of the appraised value, preliminary cost estimates for demolition of the modular buildings on the site, consideration of recommendations from market professionals, and recognition of a developer's requirement to meet the City of Napa's entitlement process to allow

for residential development.

Additionally, staff recommends the Property be sold in "as-is" condition, and recommends the County Executive Officer be delegated the authority to engage in a minimum 90-day period of good-faith negotiations with entities that respond timely to a County-issued Notice of Availability.

In terms of timing, County staff is prepared to release the Notice of Availability to local public agencies, housing sponsors, and local city and county park and recreation departments ("entities") pursuant to the Surplus Lands Act upon approval of today's actions. The entities would then have a 60-day period to submit a written Notice of Interest to the County (approximately May 25, 2020) and a subsequent minimum 90-day period to participate in good faith negotiations with the County (approximately August 23, 2020).

The proposed resolution will designate the Property as surplus; declare the County's intent to sell the Property; direct the Director of Public Works to comply with the Surplus Lands Act and send a written Notice of Availability of the Property to entities identified in the Act; declare the minimum acceptable price as \$7,500,000 in net proceeds to the County; delegate authority to the County Executive Officer to enter into a minimum 90-day good-faith negotiation period with any entity that submits a Notice of Interest within 60-days of County issuing a Notice of Availability; require interested entities proposing to use the Property for developing low- and moderate-income housing to make no less than 25% of the total number of housing units developed at affordable housing cost pursuant to Government Code section 54222.5; issue the property for sale in an "as-is" condition; and set other procedures applicable to the sale of the property in accordance with Government Code section 54222.

SUPPORTING DOCUMENTS

A . Resolution

CEO Recommendation: Approve

Reviewed By: Susan Kuss