

**COUNTY OF SONOMA
AGENDA ITEM
SUMMARY REPORT**

Clerk of the Board Use Only
Meeting Date / / **Held Until** / /
Agenda Item No: _____ **Agenda Item No:** _____

Department: Community Development Commission

() **4/5 Vote Required**

Contact:
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Board Date:
9/29/09

Deadline for Board Action:

AGENDA SHORT TITLE:

Land Acquisition - Sonoma Valley Community Health Center Project

REQUESTED COMMISSION ACTION:

Resolution of the Sonoma County Community Development Commission (Commission), in its capacity as the governing body of the Sonoma County Community Redevelopment Agency, authorizing Commission staff to use up to \$400,000 of Springs Redevelopment Project funds to complete due diligence and pre-development tasks to determine whether to acquire property for the proposed Sonoma Valley Community Health Center (SVCHC) Project, authorizing the Executive Director to execute agreements to carry out such tasks following review and approval of County Counsel as to form, negotiate an Exclusive Negotiating Rights Agreement and a Development and Disposition Agreement with SVCHC, and negotiate Purchase and Sale Agreements with the owners of five properties identified for acquisition.

CURRENT FISCAL YEAR FINANCIAL IMPACT

EXPENDITURES

ADD'L FUNDS REQUIRING BOARD APPROVAL

Estimated Cost \$ 400,000

Contingencies \$
(Fund Name:)

Amount Budgeted \$

Unanticipated Revenue \$
(Source:)

Other Avail Approp. \$
(Explain below)

Other Transfer(s) \$
(Source:)

Additional Requested: \$

Add'l Funds Requested: \$

Explanation (if required): FY 09-10 Springs Redevelopment Project Non-Housing funds are available.

Prior Board Action(s):

- 11/27/84: Board adopted Sonoma Valley Redevelopment Plan by Ordinance 3379.
- 3/20/07: Commission adopted the Sonoma Valley Redevelopment Area Strategic Plan for the Sonoma Valley Redevelopment Project area.
- 4/22/08: Board adopted Restated and Amended Redevelopment Plan for The Springs by Ordinance No. 5780.
- 7/21/09: Commission adopted The Springs 2009 – 2014 Five Year Implementation Plan

Alternatives - Results of Non-Approval:

The Sonoma Valley Community Health Center would have to obtain land acquisition financing from another source, or the proposed new facility would not be constructed at the proposed site and the existing blighted conditions of the five parcels that comprise the site, including poor structural conditions, irregular shaped parcels, and underutilized/vacant lots, would continue unabated.

BACKGROUND: [Application for Redevelopment Assistance on file with Clerk of Board]

PROJECT DESCRIPTION

The Sonoma Valley Community Health Center (SVCHC) opened in 1992 as a free standing primary care clinic providing health care services for the uninsured and underserved in the Sonoma Valley. Over the years, SVCHC has grown in capacity and is now the only safety-net health care provider for Medi-Cal, low-income Medicare, and uninsured populations in Sonoma Valley. SVCHC has been a Federally Qualified Health Center (FQHC) since 2006 and is funded under the Bureau of Primary Health Care's FQHC program, which financially supports the SVCHC's delivery of primary care services to the uninsured. Services are currently delivered in three facilities, with a combined 5,600 square feet, on West Napa Street in the City of Sonoma, and at SVCHC's mobile medical van, which travels to schools and outlying portions of its service area. In 2008, SVCHC provided services to 6,371 patients during 25,875 visits, and employed 32.2 full-time equivalent (FTE) staff.

SVCHC is now actively planning for a new 20,000 square foot, "green" building facility to accommodate its expanding operations ("Project") and toward this effort has been working with the Neenan Group, a design/build firm, to determine the appropriate size, capacity, and financial feasibility of the Project, and to search for appropriate sites in SVCHC's service area. The increase in space will allow SVCHC to expand its family practice, obstetrics and gynecology, and mental health services, and will allow SVCHC to provide new services, such as child and adult dental care.

It is anticipated that the proposed new health center would employ approximately 16.10 new FTE employees in the medical and administrative fields. This represents a 50% gain in the number of current employees. The SVCHC's annualized payroll for 2009 is \$ 2,067,466. The projected wages for FY 2015, after the new facility is fully staffed up, is estimated at \$4,045,742. Additionally, the construction of the proposed health center is anticipated to employ 26 professional workers and 82 trade employees for a total combined annual salary of almost \$3 million.

The preferred site for the Project is made up of five contiguous parcels located along Highway 12 just north of Boyes Blvd. ("Properties") within The Springs Redevelopment Project Area (see attached Location Map). In 2008, SVCHC initially approached the Community Development Commission (CDC) regarding a possible acquisition of four of the Properties for the Project. At that time, CDC staff prepared a blight analysis of the four parcels, which indicated that they met the California Community Redevelopment Law (CRL) definition of blighted properties, and that redevelopment of the four parcels would eliminate physical blighting conditions by improving use of vacant or underutilized parcels, consolidating and developing irregularly shaped parcels under multiple ownership, and removing / redeveloping structures and other improvements that are in poor and deteriorating condition.

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Attachments: - Resolution
- Location Map

On File With Clerk: - Application for Redevelopment Assistance

CLERK OF THE BOARD USE ONLY

Board Action (If other than "Requested")

Vote:

Background: (Continued)

PROPOSED REDEVELOPMENT ASSISTANCE & REQUIREMENTS

Based on the Project description and the documentation provided to date, CDC staff has determined that the Project ranks as a Highest Priority under the *Sonoma County Policy Guidance for Use of Redevelopment Funds*, as a blight removal and economic development project. Providing Redevelopment assistance to the Project would be consistent with *The Springs Amended and Restated Redevelopment Plan*, *The Springs Five-Year Implementation Plan*, the *Sonoma Valley Redevelopment Project Area Strategic Plan*, and State CRL.

CRL does not permit direct loans or grants of Redevelopment funds to private entities to assist them in acquiring land for, or constructing, new non-housing developments. However, CRL does allow the CDC to assist such developments through the “acquisition and disposition” of real property. The CDC could use Redevelopment funds to pay for due diligence tasks such as appraisals, environmental assessments, and other studies prerequisite to making a decision regarding acquisition of the property proposed for development, and for property acquisition. If the CDC chooses to undertake additional work to prepare the site for development, it could also use Redevelopment funds to complete site clearance activities such as demolition and toxic or other cleanup, to relocate existing residents or businesses, and/or to complete other site improvements on the property. After acquiring the property, and either before or after completing other tasks necessary to prepare the site for development, the CDC can transfer the property to a private entity (in this case to the SVCHC) at advantageous terms that recognize the public benefit of the Project to the Redevelopment Project Area, such as elimination of blight or creation of jobs.

Redevelopment assistance for the Project would be provided to SVCHC through a two-step process. The CDC would enter into an *Exclusive Negotiating Rights Agreement* (ENRA) with SVCHC that would allow time to conduct feasibility studies and due diligence necessary for meaningful negotiations of a *Disposition and Development Agreement* (DDA). This would include soils and toxic studies, real property appraisals and California Environmental Quality Act (CEQA) compliance, as well as other feasibility studies. The Project funding gap would also be analyzed and determined during this phase and would dictate the level of assistance that could be provided to the Project through the DDA. The SVCHC has applied for approximately \$5,855,144 in Federal Stimulus Competitive Grant funds for health centers, which is an integral part of the Project’s development budget. SVCHC should be notified by the end of October as to whether or not they have been selected for the stimulus funds. The ENRA would not legally commit the CDC to enter into a DDA, and would have a reasonable expiration date should the SVCHC and the CDC not come to agreement on the terms of a DDA or if the proposed Project proves infeasible.

Provided the Project is deemed feasible based on due diligence performed during the ENRA phase, and provided that terms are negotiated that are acceptable to both the CDC and the SVCHC, the parties can then enter into a DDA. The CDC would not dispose of the Properties to the SVCHC until the Project has obtained all necessary financing and is ready to break ground. If the Project does not move forward, the CDC retains the land as its investment, which it could then utilize for a different, future project. The five parcels proposed for the SVCHC Project are strategically located within the heart of the Project Area and are in need of redevelopment activity to eliminate blight. Should it be determined that the SVCHC Project is not feasible to move forward, CDC acquisition and subsequent redevelopment of the five parcels, for purposes other than that of a health center, would still meet the goals and objectives of the Project Area.

If the proposed Project proceeds, CRL will require relocation of the current tenants on the Properties, as well as one-for-one replacement of the 5 residential units. The manner in which these requirements would be met, the costs that would be incurred, and the source of funds to pay those costs, would be further researched as part of the due diligence process that would be conducted by CDC during the ENRA phase of the Project. Compliance with the requirements would be included as a term of the DDA.

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Background: (Continued)

FUNDING RECOMMENDATION AND REQUESTED ACTION

An appraisal of four of the Properties was completed in September of 2008, which indicated that the combined fair market value for the four parcels at that time was \$2,105,000. The fifth parcel has not been appraised recently; SVCHC estimates its value at no more than \$400,000 based on the 2008 appraised value of an adjacent parcel of a similar size. SVCHC has executed option agreements with all owners regarding acquisition of the Properties that contain clauses allowing them to be assigned to the CDC.

In two actions taken on August 6 and September 3, 2009, The Springs Redevelopment Advisory Committee (RAC) recommended an allocation of up to \$2.9 million in Redevelopment funds for land acquisition and predevelopment costs for the Project. Of this amount, CDC would use up to \$400,000 to pay staff and consultants to complete property appraisals, environmental reviews, negotiations for ENRA, DDA, and purchase and sale agreements, relocation and replacement plans, and all other due diligence actions necessary to determine whether to acquire property for SVCHC Project before returning to the Board for approval of the agreements and authorization to acquire the properties. The recommended \$2.5 million to pay for acquisition costs would be set-aside for use if and when such actions are approved. Based on estimated revenues for FY 2009-10, approval of up to \$2.9 million for the SVCHC Health Center would leave approximately \$1 million available for other non-housing projects through the end of the fiscal year.

Approval of the attached Resolution authorizes CDC staff to use up to \$400,000 of Springs Redevelopment Project funds to complete due diligence tasks to determine whether to acquire the Properties for the proposed Sonoma Valley Community Health Center Project, to execute agreements to carry out such tasks following review and approval of County Counsel as to form, to negotiate an Exclusive Negotiating Rights Agreement (ENRA) and a Development and Disposition Agreement (DDA) with SVCHC, and to negotiate Purchase and Sale Agreements with the owners of five properties identified for acquisition. The Resolution further directs staff to return to the Board for a noticed public hearing prior to approval of ENRA, DDA, and Purchase and Sale Agreements and authorization to proceed with acquisition.