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Board of Supervisors
County of Sonoma
575 Administration Drive
Santa Rosa, CA
Hand Delivered

Re: County of Sonoma and Chanate Community Development Partners, LLC
Disposition and Development Agreement

Dear Board of Supervisors:

I am a resident of Cobblestone Drive in Santa Rosa, Califomia and writing you as a private citizen of Sonoma County.

As you are aware, Cobblestone Drive intersects Chanate Road and is partially within the footprint of the Chanate Campus Road project for which the Board is considering adoption of a Disposition and Development Agreement (DDA) with the Chanate Community Development Partners, LLC at the June 20, 2017 Board of Supervisors meeting.

Although the Chanate Campus Project will obviously impact my day-to-day living, my concerns regarding the project transcend my personal issues with the project and are that of a concerned citizen.

I have read the proposed Disposition and Development Agreement (DAA) and have numerous issues and questions regarding the agreement between the County of Sonoma and Chanate Community Development Partners, LLC (CCDP) authorizing the sale of 82 acres of County – owned property to CCDP.

Although I have numerous issues with the terms and language of the DDA, I will address only a limited number of the more important issues I have regarding the agreement. I have yet to complete my review of the DDA in detail.

1. **Entire Presentation Misleading.**
A. 860 units. As I read the DDA agreement, the proposed housing units for the Chanate Campus total 860 units consisting of 800 housing units plus an additional 60 housing units for veterans. County officials have consistently referenced the number of units to be placed on the property as a maximum of 800 units. I believe the failure to refer to the project as being a maximum of 860 units has misled the citizens of Sonoma County with regards to the extent of the project.
B. Minimum number stated units in the DDA units of "400" is misleading.
The various County officials and the DDA consistently refer to the minimum number of units to be built as being "400". This is misleading because on page 26, at paragraph 3.4, the County agrees that if the City of Santa Rosa will not approve at least 650 residential units and 50 veterans units, the County will attempt to find a way to approve the 700 units through its own entitlement processes. Based thereon, the minimum number of units is really 700 units, not the oft-stated 400 units, as repeatedly alleged by the County.

2. Use Of County Funds For The Enrichment Of A Private Citizen.

A. Assisting With The City Entitlements.

The DDA at page 26, paragraph 3.4 provides that "County staff will work cooperatively with Developer to assist in coordinating and facilitating the expeditious processing and consideration of all necessary Project Approvals by City. Reasonable out-of-pocket costs incurred by County in connection with such effort shall be borne by Developer upon Developer's approval of such costs, which approval shall not be unreasonably withheld." It is obvious from the above quote that county workers time and other resources will be expended on behalf of the Developer to attempt to assist the Developer in obtaining entitlements from the City of Santa Rosa. The only compensation that the Developer is required to pay to the County for these services under this provision is for out-of-pocket costs that the Developer agrees to repay. There is no provision for the repayment of County workers' salaries, benefits, non-out-of-pocket costs, etc. by the Developer. I believe this is an improper use of County assets for the enrichment of the Developer.

B. Project Consultant.

The DDA on page 27 paragraph 3.6.2 provides that the County may retain a third-party consultant to monitor the construction of the improvements as anticipated by the agreement. Under the terms of the agreement, it appears that the County would have to pay for the services of the consultant. I believe this provision is problematic in that it either reduces the overall compensation Sonoma County will receive for the parcel by the costs of the consultant, an expense that has not, to my knowledge, heretofore been revealed or discussed by the County. This provision would require the expenditure of County funds in the way of the service to the Developer for which the Developer does not pay.

3. Assigning Modification Approvals To The DDA Agreement To The County Administrator And County Counsel.

Under page 4, paragraph 6.11, the DDA can be subsequently modified by agreement of the County Administrator with the approval of County Counsel without any review of the modification by the County Board of Supervisors or the public. Such modifications would be at the suggestion of the Developer or its lenders, or by agreement of the parties. There is no provision for any input from the public or even the Board of Supervisors. I believe the Board of Supervisors are improperly transferring their obligations to the County Administrator and the County Counsel. Again, my interpretation of this provision is that County Counsel and the County Administrator have virtually unbridled authority to modify the DDA at the request of the Developer so long as such alterations or changes do not material increase or decrease the legal equitable or financial obligations or rights of the County. I believe this provision is the improper delegation of the Board of Supervisors' duties and authority in general. This provision is also problematic because there are no provision regarding the determination of whether the proposed modifications in fact do modify the rights of the County in some improper way. The County Administrator and the County Counsel are only restricted by their own determination of whether the proposed modification is improper, which in turn would be based on their own determination that the change is not "material". The Board of Supervisors would not even be aware of any such changes. The Public would be unaware of the proposed changes. The County Administrator and the County Counsel could change the entire agreement if they determine the change would not be material. In theory, these two unelected County employees can negate the entire process that has gone into the negotiation of the agreement with the Developer and also avoid any input from the public. There should be oversight by the Board for any changes to the agreement because ultimately the responsibility for the implementation of the DDA agreement and any changes thereto rests with the Board.

4. Project Not Exempt From CEQA.

I believe that the DDA provision "J", page 3, which provides that "CEQA applies only to projects that have the potential to cause a significant effect on the environment and it can be seen with certainty that there is no possibility that approval of the Agreement may have a significant effect on the environment." This is not true. The key term as quoted above is **"have the potential"** to affect the environment. The County has agreed to step in and approve the project entitlements if the City of Santa Rosa fails to approve 700 housing units. See paragraph 2, above. Based thereon, there is a definite possibility **and potential** that the County of Sonoma will be approving the entitlements of a 700 housing unit project. When considering

this provision of the DDA, the only logical conclusion is that DDA may significantly affect the environment and thus the provisions of CEQA apply. I believe the County has failed to protect the interests of its citizens by allowing the drafting of the DDA to allow CCDP to avoid obtaining the proper environmental impact reports. Again, this is a great economic benefit to the Developer allowed by the County.

5. The provisions of the agreement can be avoided by the Developer.
Page 31 paragraph 3.17.2 provides that ... "any person or entity ... who acquires title or possession to the Disposition Property by foreclosure... ***or otherwise*** shall be obligated by the provisions of this agreement to construct or complete the improvements on the property or to guarantee such construction or completion." (Emphasis added.) The "or otherwise" term is especially problematic. A simple reading of this provision would allow the Developer to simply transfer the property to a third party, even a new LLC created by the principals of the Developer, and the new owner could avoid whatever provision of the DDA agreement it might choose to ignore. For example, the new owner could simply decide to mothball the hospital and proceed with the construction and sale of housing units. I believe this provision appears to be contrary to other provisions of the DDA, but it would provide the new owners a basis to obtain a better deal from the County or avoiding the provisions of the DDA altogether.

6. Veterans housing units.
Page 32, paragraph 4.3 pertains to veterans housing units. It provides that the veterans housing units "...may be...single room occupancy units." To the best of my knowledge, single room occupancy units are similar to hotel rooms. Ex. Palms Hotel on Santa Rosa Avenue. I believe the current proposal is misleading in that, to the best of my knowledge, the DDA document is the first time that the possibility that the veterans units will be single room occupancy units has been revealed. Because the veterans units will be required to be occupied by Very Low Income Households under this provision of the DDA, it should be assumed that the Developer will make use of the single room occupancy provision. It is obvious that the single occupancy units would be the most economical way for the Developer to provide the required veterans units. I do not believe the veterans or the public anticipated that the veterans units would be, or could be, single room occupancy units. I believe that the possibility that the veterans units will be single occupancy units should have been fully disclosed from the onset and this issue needs to be addressed before the public and our veterans.

7. Attachment 6 inaccurate and misleading.
Attachment 6 to the DDA cites an inaccurate total value of proposed Chanate property sale. As with paragraph one, above, Attachment 6 uses the inaccurate minimal housing unit number of "400 units" and the inaccurate maximum housing unit number of "800 units". It appears that the Attachment 6 ignores the existence of the veterans units. Further, Attachment 6 fails to indicate the total value of the proposed sale ***at 700 units*** as provided by paragraph 3.4 of the DDA. The failure to use accurate housing unit numbers skews the financial information regarding the project and full disclosures of the potential financial impact of the project must be made before the County can proceed with approval of the DDA. Without such accurate numbers, the County is not considering 50-60 additional housing units that will be owned by CCDP after the completion of the project. The County is again giving the Developer a benefit without consideration to the County, which I believe is improper.

8. "Minor" Issues.
The primary reason to create a LLC, such Chanate Community Development Partners, LLC is to avoid potential liability. The principals of Chanate Community Development Partners, LLC have very little at risk in this deal. The County is effectively financing the deal by agreeing to wait to get paid until the units sell, but the County receives no consideration for waiting to be paid. There are no personal guarantees of any of the principals of CCDP, as is common in business deals where the principal is a brand-new entity (for which I could find no assets). If CCDP defaults on the obligations, the County has minimal recourse for a project that the County's own (inaccurate) appraisal indicates could be worth $71 million dollars. If CCDP defaults on the deal, they only lose $500,000 but the County must pay CCDP interest on their initial deposit of $2,500,000. I know of no other deal where the County acts as a lender for the "sale" of

very significant assets. I know of no other deal where if the Developer backs out of the deal, up to two years after it is signed, it receives 80% ($2,000,000) of its initial deposit back. See page 35, paragraph 5.3. Paragraph 5.3 overwhelmingly favors the Developer.

The CCDP group managed to secure a one million dollar ($1,000,000) reduction in the purchase price due to the conservation easement on parcel J. The County appears to have failed to take into consideration that the CCDP group will, I believe, reappraise parcel J after taking title to the property, and take a tax deduction of, I predict, several million dollars. The need for the County to reduce the purchase price due to the conservation easement was unnecessary. There are major problems with the development of parcel J and I believe it is highly unlikely that the City would approve of a major construction project on parcel J. For instance, parcel J has very limited access through a residential neighborhood. I believe that the reduction in the purchase price is simply a "give away" of $1,000,000 by the County Board of Supervisors to CCDP. At a minimum, the County should fully reveal the computations and negotiations that went into the determination that the conservation easement on parcel J warranted a price reduction of $1,000,000.

Due to the manner in which this project was scheduled by the Board of Supervisors for approval, the general public, including myself, had a very limited time to review the 192 page DDA document. Even with the limited time to review the document, as set forth above, I found major problems with the agreement. The DDA agreement is very one-sided in favor of the CCDP group. It has various loopholes built into it that favor the CCDP group and are contrary to the interests of the County and the citizens of Sonoma County.

I ask that the County reveal that the process by which the DDA agreement was negotiated and drafted. Considering the one-sided nature of the provisions of the agreement in favor of CCDP and against the interests of the County, I certainly hope the County counsel's office did not draft and/or knowingly approve such provisions as 3.17.2 referenced above. I would like to know if the various provisions I have referenced above were fully revealed and explained to the Board members.

I strongly urge the Board of Supervisors to a review each and every provision of the DDA agreement and the attachments thereto with an attorney.

I request that the County Board of Supervisors recognize the problems and issues regarding the misleading nature of the negotiation process with CCDP and reopen the issue of the use and development of the Chanate Campus. At a minimum, the misrepresentations and previously undisclosed provisions of the DDA I have referenced herein, and possibly other provisions I have yet to identify, are a sufficient basis to find that the citizens of Sonoma County have not been afforded an adequate opportunity to review and comment on the proposed agreement. I request that the Board of Supervisors delay the approval of the DDA agreement with the Chanate Community Development Partners, LLC, and reopen the hearing and disclosure processes regarding the use and sale of the Chanate Campus. I further request that the Board of Supervisors make full and complete disclosures of **all** dealings between the County and CCDP.

I believe it is inevitable that the condition of the Chanate property will change. I urge each member of the Board to make your decisions with consideration in light of the uniqueness of the property in question and the potential of the property beyond that of a development that will undoubtedly enrich the developer and provide future campaign contributions. The issue is whether the process involved in the determining the changes to the Chante Campus property will be fully transparent, with citizens of Sonoma County being afforded the opportunity to have real and substantive input in the decisions that the Board of Supervisors will make that will affect the property, or will the changes be determined in the smoky back rooms of the County and imposed on the public without their full and complete knowledge, and informed consent.

This Board of Supervisors will be forever tied to the decision it will ultimately make regarding the Chanate Campus – the last large County-owned open space in Santa Rosa. Each Supervisor will be tied to either:

a traffic nightmare on Chanate and an overcrowded development; an open space within the City; or something in between. I believe whatever decision each Board member makes, be it for heavy development, conservation or something in between, the Supervisors individual decisions will be a major campaign issues for future elections.

I ask that this letter be made a part of the official record for the County of Sonoma and Chanate Community Development Partners, LLC Disposition and Development Agreement matter when it comes before the Board of Supervisors on June 20, 2017.

Respectfully submitted,

James J. Barnes

Cc: Supervisor Gorin, Supervisor Rabbitt, Supervisor Gore, Supervisor Hopkins, Supervisor Zane