



**BOARD OF DIRECTORS' SOUTH LOT STUDY SESSION  
AGENDA**

**THURSDAY, JUNE 22, 2017  
REGULAR SESSION 5:00 P.M.**

**SONOMA VALLEY HOSPITAL, BASEMENT CONF ROOM  
347 Andrieux St, Sonoma, CA**

<p>In compliance with the Americans Disabilities Act, if you require special accommodations to participate in a District meeting, please contact District Clerk Stacey Finn at (707) 935.5004 at least 48 hours prior to the meeting.</p>	<b>RECOMMENDATION</b>	
<b>AGENDA ITEM</b>		
<p><b>MISSION STATEMENT</b> The mission of SVHCD is to maintain, improve, and restore the health of everyone in our community.</p>		
<b>1. CALL TO ORDER</b>	<i>Hirsch</i>	
<p><b>2. REVIEW OF FOUR SOUTH LOT PROPOSALS</b></p> <ul style="list-style-type: none"> <li>a. 5:15 – DeNova Homes</li> <li>b. 6:00 – Kler Architects</li> <li>c. 6:45 – Caymus Builders</li> <li>d. 7:30 – N. Gilroy</li> </ul>	<i>Board Members</i>	Inform
<p>Due to the special study session meeting, public comment can only be made on agenda topics. 15 minutes will be allowed after each presentation for public and Board comments.</p>		
<b>3. BOARD COMMENTS</b>	<i>Board Members</i>	Inform
<b>4. ADJOURN</b>	<i>Hirsch</i>	

2.a.

DeNova Homes



June 14, 2017

Sonoma Valley Health Care (SVHC)  
Attn: Ken Jensen, CFO  
347 Andrieux Street  
Sonoma, CA 95476

**Re: RFP Letter of Intent – Sonoma Valley Health Care Surplus +/- 2.83 Acres of Land**

*↳ Redacted w/ no financial items for presentation*

Dear Mr. Jensen and other SVHC Representatives,

Thank you very much for allowing DeNova Homes to present SVHC with this Letter of intent as part of your Request for Proposal (RFP) process. We have ample experience in working with the City of Sonoma, as we are currently processing an application for an infill apartment development in town. With us currently working in Sonoma, we are confident we are able to do what is required to maximize SVHC's land value while creating a vibrant new community for the City of Sonoma.

The following paragraphs in this letter are intended to outline the main deal points for a forthcoming Purchase and Sale Agreement ("Agreement"), and will be used to guide preparation of that Agreement should DeNova Homes be awarded the RFP and become the developer to work with SVHC in pursuing the development and acquisition of SVHC's property.

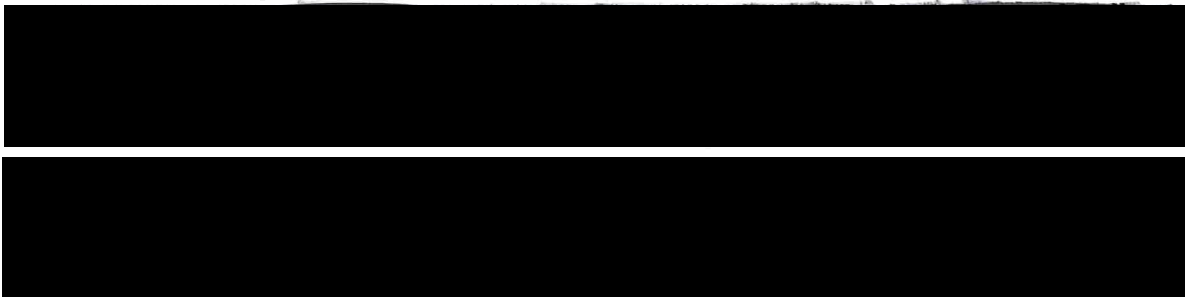
DeNova Homes, Inc., or its related assigns ("Buyer") would like to enter into a Purchase and Sale Agreement ("Agreement") with Sonoma Valley Health Care ("Seller"). The following are the main deal points for Agreement preparation if accepted:

**A. Property:**

The Property is located in the City of Sonoma, County of Sonoma, California being a portion of APN 018-392-001, and contains approximately 2.83 gross acres for Buyer to utilize following a lot line adjustment or parcel split that separates the existing parking lot from the land to be developed.

The Property is designated SR-Sonoma Residential for 3-8 residential units per acre, and currently has twenty (20) allocations from the City of Sonoma in place. Additionally, with the SR designation is the 20% inclusionary housing requirement where half of the units must be made affordable to "low" incomes set forth by Sonoma County. By way of example, with twenty (20) residential units, four (4) units would need to be affordable with two (2) being affordable to "moderate" income levels and two being affordable to "low" income levels.

**B. Purchase Price:**



**C. Deposits:**

A deposit for the Property ("Deposit") in the amount of [REDACTED] shall be placed into an interest bearing escrow account with First American Title Company within three (3) business days following execution of the forthcoming Purchase Agreement. Upon approval of Buyer's Feasibility Period, the Deposit shall become non-refundable to Buyer. When Buyer obtains Tentative Map approval, an additional [REDACTED] shall be required to be deposited into escrow, and shall be released to Seller. In the event of the Seller's default under the Agreement, the Deposits shall be returned to Buyer. All Buyer deposits and accrued interest shall be applicable towards the Purchase Price.

**D. Feasibility Period:**

Buyer shall have until **Sixty calendar days (60) days** ("Feasibility Period") following the execution of the Agreement to review in its sole discretion, the condition and suitability of the Property for its intended use. Seller agrees to promptly provide all documents in Seller's possession relating to the Property within three (3) business days from mutual execution the Purchase and Sale Agreement. Examples include any environmental reports, biological reports, city fee estimates, cost estimates, soils reports, Phase 1 or Phase 2 studies, etc. Should a Phase 2 study be required for some reason an additional thirty (30) days shall be added to the Feasibility Period for Buyer to conduct the Phase 2. Buyer shall, immediately upon acceptance of this Letter of Intent, instruct the Title Company to prepare an updated preliminary title report on the Property, including copies of all plotted easements and copies of underlying exceptions attached. Immediately following mutual execution the Purchase and Sale Agreement, Buyer and its agents shall have the right to enter the Property for the purpose of doing any tests, surveys, inspections or related work as required by Buyer for the inspection and development of the Property. On or before the last day of the Feasibility Period, Buyer shall notify Seller in writing that the feasibility conditions either have been approved or disapproved. Failure to provide such notice shall be deemed disapproval by Buyer of this feasibility of the property for development. If Buyer disapproves the feasibility conditions, the contract shall terminate immediately and the Agreement will be considered null and void and all deposits made by Buyer shall be returned in full.

**E. Processing Responsibility:**

It will be Buyer's responsibility to obtain all required entitlements/approvals in order to development the Property for a residential community, and shall be responsible for all related costs and expenses to obtain such approvals. Seller shall cooperate with any and all required applications and materials prepared by Buyer in order to obtain required entitlements/approvals.

**F. Escrow Closing:**

The Close of Escrow shall occur on the earlier of the following:

- Within Twelve (12) Months from Buyer clearing its allotted Feasibility
- Within Fifteen (15) Business Days from confirmation Final Map is ready to record

Buyer shall be allotted two (2) separate three (3) month extensions to the outside Close of Escrow date should unexpected delays by the city or community opposition be encountered; such extensions will require an additional, applicable deposit of Twenty Five Thousand Dollars (\$25,000) into escrow and be released to Seller.



**G. Property Condition:**

Seller shall deliver Property to Buyer in a condition that is suitable for residential development with no hazardous waste and/or environmental materials on the property, and clean/lien-free title.

**H. Representations and Warranties:**

Seller shall provide customary representations and warranties to Buyer in the forthcoming Purchase and Sale Agreement.

**I. Acceptance:**

This Offer to Purchase shall expire if not accepted by Seller by 4:00 p.m. on Friday, June 30, 2017.

**J. Commission:**

Buyer has is working with Lee Cambra and Peter Hellmann of Builders Land Group, where Buyer will be responsible to any and all related fees/commissions. Buyer and Seller each agrees to indemnify, defend and hold the other free and harmless from any claims of any brokers, finder, representative employee, agents or other intermediaries claiming to have represented Buyer or Seller, respectively, or otherwise to be entitled to compensation pursuant to an agreement with the indemnifying party in connection with this agreement or connection with the sale of the Property.

**K. Confidentiality**

Buyer and Seller each agree that they shall treat as confidential any information received from the other party relating to this Offer to Purchase or the purchase of the Subject Property. The parties further agree that they shall use all such information solely for the purpose of evaluating the merits of the proposed transaction and shall not disclose or permit the disclosure of, such information to any unrelated third parties without the other party's express written consent. Each party will immediately upon the written request of the other party, return to that party all such information (including all copies thereof), or if so directed, destroy such information and furnish a letter stating that such information has been destroyed. Buyer shall provide to Seller all work product (except architectural drawings) prepared in connection with this project by outside consultants.

**L. Other Terms**

Seller shall assign all work product related to the Property. This includes all documents, plans sets permits, entitlements, pre-paid fees, and other related materials to buyer upon the close of escrow, to the extent they exist.

SVHC Vacant Land, Sonoma

This Letter of Intent merely contains the general terms and conditions of our agreement and is not intended to be representative of all the terms and conditions that will be included in the final purchase and sale agreement. This Letter of Intent does not create any legally binding rights or obligations on Seller or Buyer, except as provided in this paragraph below. During the negotiation period for the Agreement, Seller's only binding obligations are to negotiate with Buyer in good faith and refrain from marketing the property to any other party. The negotiation period, including preparation of the draft Agreement, shall not exceed 15 business days from the signing of this letter of intent, unless an extension of time is mutually agreed upon. If the basic outline of this agreement, as presented above, is acceptable to the Seller, Seller shall countersign this letter. Immediately thereafter, Buyer & Seller shall initiate the preparation of a Purchase and Sale Agreement to be presented in draft form within seven (7) business days from the signing of this letter. Thank you once again for allowing us the opportunity to present this offer. We look forward to your response.

Very Truly Yours,



Trent Sanson  
Director of Land Acquisition & Entitlements  
(925) 852-0541 / trent@denovahomes.com

AGREED TO AND ACCEPTED BY SELLER(S)

---

(Seller) (Date)

---

(Seller) (Date)

---

(Seller) (Date)

---

(Seller) (Date)

2.b.

Kler Architects



# OFFER TO PURCHASE

An aerial architectural rendering of the Sonoma Gardens development. The project is situated at the intersection of Hayes Street and McArthur Street in Sonoma, CA. The development features a cluster of modern, multi-story residential buildings with flat roofs and large windows. A central courtyard area includes a swimming pool, a fitness center, and a clubhouse. The site is landscaped with numerous trees, shrubs, and palm trees. A large parking lot is visible to the north of the development. The surrounding area shows existing commercial buildings and streets.

## SONOMA GARDENS SONOMA, CA

### AERIAL VIEW OF SITE

## INTRODUCTION

As part of our formal proposal for the purchase of the offered parcel of property, we want to outline what we have done to advance the permitting process time frame, which is a factor in any land purchase for development.

Attached to our proposal are drawings and renderings for the site development of 29-units of housing, covered parking, landscaping and the amenities of a swimming pool, fitness center and clubhouse. In essence, a community that provides needed housing as we were told the City is looking for.

## GROUNDWORK

This was developed in concert with meetings with the City of Sonoma agencies. We first met with Alan Jones, Fire Marshal, with a preliminary site plan to ascertain if our schematic proposal was in keeping with any fire concerns. That meeting, in which we made some minor changes, was informally satisfactory to him.

We proceeded to the Planning Department and met with Wendy Atkins, Associate Planner for the City of Sonoma to show what we were proposing and to get any relevant information pertaining to allowable units as well as density bonuses for workforce housing. At her suggestion, after we significantly developed our drawings to a Design Development level, we met with Planning Director David Goodison. In that meeting he reviewed our plans and said that informally he liked what he saw.



As we know, that is not the same as a formal approval nor does it include community concerns, if any. It does, however, indicate that we can expect staff support in going forward.

## TIMEFRAME

Any financial proposal can always be negotiated to the satisfaction of buyer and seller, but a planning approval for development cannot be negotiated. It must go through the process in the time frame that the City determines. For that reason, the Hospital will benefit from the months of speculative work we have already done which will hasten significantly the closing of the sale.

With the work we have included, we would be able to schedule a pre-app meeting with the various City agencies.

## NEGOTIATIONS

We include our work for your review and hope this will demonstrate how serious we are in pursuing this property. However, since there was no asking price, we had to make assumptions as the financial viability of the allowed number of dwellings. Our proposal is based on what we were told we could achieve but all conditions of any proposal can be negotiated to the satisfaction of buyer and seller.

## QUALIFICATIONS

### The Developer's Members

#### Willie McDevitt

Mr McDevitt is a Marin native and has been a resident of Petaluma since 1979. Mr. McDevitt began his career in the construction industry in 1971, formed McDevitt and McDevitt Construction Corp in 1976 and is currently president of McDevitt Construction Partners, Inc. Mr. McDevitt has overseen the construction of over 200 ground up new buildings, over 150 major building remodels and more than 250 interiors only remodels during his 40+ year career. He is also general partner of McDevitt Enterprises, LP and president of Sausalito Hotel Corp (Inn Above Tide). Mr. McDevitt also invests in and manages commercial real estate in Marin & Sonoma Counties. In 1987, Mr. McDevitt became a founding director of Bank of Petaluma and held that position until the Bank was sold in 2000. Mr. McDevitt has been a Director of Bank of Marin since 2007 and in 2015 was elected Vice Chairperson of the Board. Mr. McDevitt currently serves on the Workforce Development Committee of North Coast Builders Exchange and is a past President. He has previously been active in the Petaluma Boys & Girls Club, Carousel Fund and the United Way Southern Sonoma.

#### Jerry Kler

Jerry Kler is a graduate of UC Berkeley architecture school with both a Bachelor and Masters of Architecture. After graduation from Berkeley, worked as apprentice to Paolo Soleri at Cosanti Foundation in Scottsdale, Arizona for three years. The work involved translating conceptual architectural and planning theories into drawings, models, and buildings as well as participating in and supervising construction and crafts. Additionally did design development and graphics for a series of megastructure cities included in Arcology - The City in the Image of Man, M.I.T. Press. This work was an earlier precursor of the use of solar, site sustainability and the use of green materials.

He returned to the Bay Area where he was a Project Architect and Planner with Callister, Payne and Bischoff, a Marin County firm with a noted history of residences, churches, multifamily, and commercial projects. After a six-year association, began own architectural practice. He is a member of the American Institute of Architects.

Jerry Kler Architects is an architectural and interior design firm with a background in office buildings, multifamily residential, custom residential, institutional, seismic rehabilitation, site planning and interiors. The firm has been in practice over 30 years. A selection of the variety of the firm's projects can be found on the website [www.jerryklerarchitects.com](http://www.jerryklerarchitects.com). Representative projects are as follows:

## **COMMERCIAL**

Office/Commercial Building; Van Ness and Golden Gate Ave., San Francisco  
Addition and Seismic rehabilitation for three-building merger; 40,000 sq. ft.  
Office building, Rehabilitation and Addition, 30,000 sqft., Montgomery St., San Francisco  
Office building; 31,000 sq.ft; 100 Larkspur Landing, Larkspur  
Office/Commercial building; 10,000 sq.ft., Petaluma & Western, Petaluma  
Retail Centers, 6,000 sq.ft. to 40,000 sq.ft. throughout San Francisco Bay Area  
Redesign and addition to downtown building; E. 14th St., San Leandro  
South End Rowing Club, Fisherman's Wharf, San Francisco, Addition and Remodeling  
300,000 sqft. medium-rise mixed use retail, office and residential, San Diego

## **RESIDENTIAL**

8 acre master plan and design of 110 units urban townhomes; Santa Rosa  
Marin Lofts, 15 unit 3-story townhouse condominiums, San Rafael  
Condominium project, three townhomes, Lombard St., San Francisco  
Downtown transit oriented infill townhouse condominiums; San Anselmo  
Vagabond Inn, Van Ness Ave., San Francisco (Project) Conversion and redesign of existing 120 room motel into condominiums  
Custom residences and additions throughout Bay Area.

## **INSTITUTIONAL**

Addition and remodeling; Temple Beth David, Saratoga  
Addition and remodeling St. John Armenian Church, San Francisco  
Redesign and replace dock and gangway facilities, Cote d'Azur Condominiums, Sausalito, CA

## Contact Information

Willie McDevitt

3820 Cypress Dr  
Petaluma CA 94954  
(707) 763-3000  
[willie@mcdevittconstruction.com](mailto:willie@mcdevittconstruction.com)

Jerry Kler

Jerry Allen Kler Associates Architects  
475 Gate 5 Rd. Suite 222  
Sausalito CA , 94965  
(415) 332-3868  
[jerry@jerryklerarchitects.com](mailto:jerry@jerryklerarchitects.com)

2.c.

Caymus Builders



**CAYMUS**  
BUILDERS





# About Us

- We are mission based investors: we believe that you do well by doing good.
- Our investments span several industries from first responder safety companies, to micro lending in third world countries, to deaf and hard of hearing services, to HR software to life enhancing nanotech.
- We have been investing in the City of Sonoma for over 15 years, creating 20 real estate industry jobs and over 40 new positions in multiple business categories across town.
- We are most passionate about finding ways to use smart housing developments to restore our shrinking middle class.
- Our broad investment experience and deep roots in the community give us an unparalleled perspective on building a sustainable Sonoma.

# Our Team

Our real estate development business includes more than 1,000 SFR homes. 98% of these homes are workforce housing, deed restricted, and section 8.

Full team committed to making this a standout project

- **Caymus Builders**

Largest builder of residential real estate in Sonoma the past 3 years, excellent relationships with City planning staff, commissioners, and building department.

- **Axia Architecture**

Proven track record features many award winning projects completed in their 75 year history. Designed four subdivisions, equating to 90+ units in City of Sonoma in last 5 years alone.

- **Adobe Civil Engineering**

Recognized as one of the top civil engineering firms in the North Bay. Has designed 10 subdivisions, totaling over 100 units in the City of Sonoma.

# Our Approach

## Our real estate investment guidelines:

- Does the project help rebuild our shrinking middle class?
- Does it consider the entire needs of the community, and its social fabric?
- Are we doing all we can to build for diverse, inclusive communities?
- Is the project built longevity in mind?
- Does the quality and aesthetics of the project enhance quality of life?

# Recent Sonoma Projects



7 Units Built By  
Caymus  
Builders 2016



# Recent Sonoma Projects



7 Units Built By  
Caymus  
Builders 2017



Deed restricted  
low income  
unit.



# Low Income Interior



# Our Design

Our design reflects our mission and expresses our mastery of how to build the best foundation for thriving communities:

- Provides the density of an apartment design, but has the livability of a spacious modern home.
- Addresses the needs of seniors, new families, large families and lower wage earners, as well as single parents
- Includes 6 deed restricted low income units - 100% above the minimum requirement of 3 units
- We've dropped a housing unit to create a common community area to encourage neighborhood interaction.



# Our Design

- We believe in helping renters achieve home ownership; we do not develop apartments.
- Designed to start off as rentals, and then facilitate home ownership as the renter pool matures and can afford to buy.

Consider the ladder to middle class we've created:

Two SVH employees share a deed-restricted unit, meet their future spouse and move into a 2 bedroom unit. When they have children they are able to move into one of our 3-4 bedroom homes. They are then set up to buy, using the income from the secondary unit to help qualify for the mortgage.

# Our Design



## Street Frontage Residential



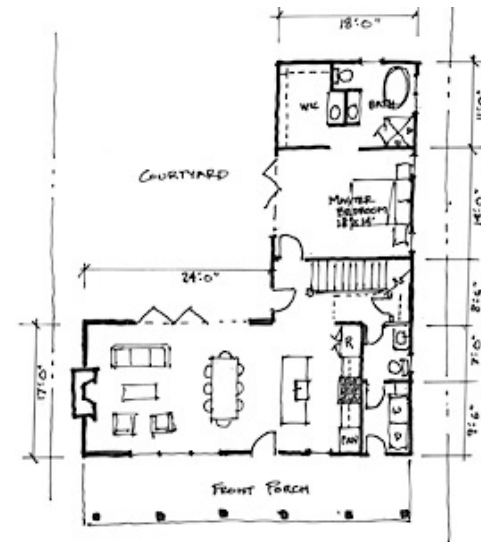
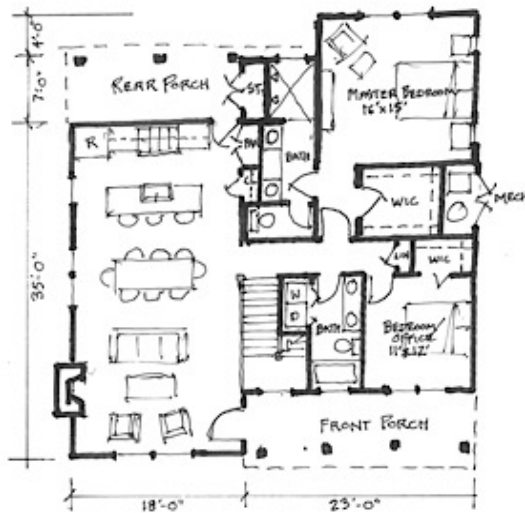
17 Single Family  
Homes that wrap  
the property

# Street Side Housing





# Primary Units



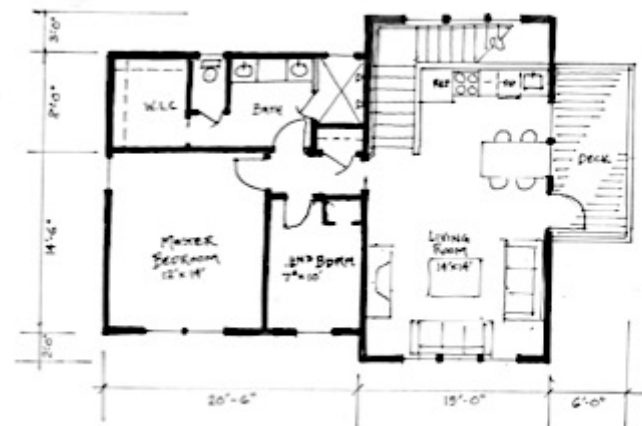
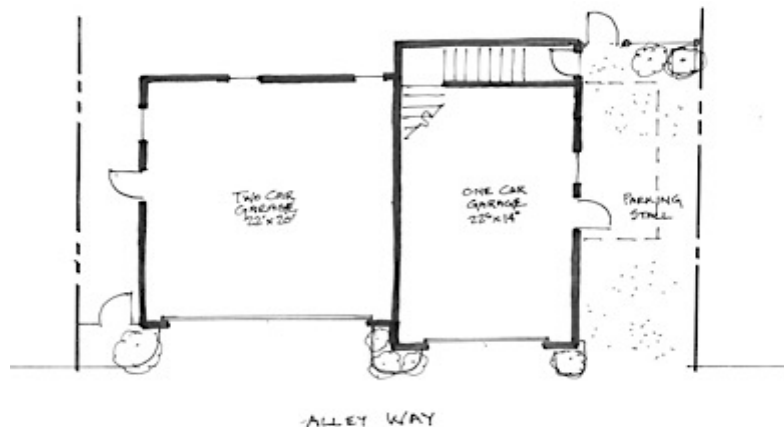


17 Single Family  
units above  
garages

# Interior Housing



# Secondary Units



# Housing Program

- Housing Distribution
  - 3 deed restricted 3 bedroom, 2 Bath 1,600 sq. ft. homes.
  - 3 deed restricted 1 bedroom, 1 bath secondary units.
  - 14 homes with 3-4 bedrooms, 2 Bath+/-, 2,000+/- sq. ft.
  - 14 workforce housing secondary units – 2 bedroom, 1 bath 700 +/-sq. ft.
- Housing Summary
  - **34 total new homes** designed to reflect Sonoma's diverse socio-economic population.
  - **96 new bedrooms** for Sonoma.
  - **Senior-friendly** with master bedrooms on ground floor.





# Sustainability

## General

- A construction waste management program will be utilized.
- Water efficient landscaping will be designed.
- Storm water pollution prevention programs will be utilized.

## Residences

- 208/240-volt branch circuit for future electric vehicle charging.
- Plumbing fixtures will be high efficiency.
- Low VOC paints will be utilized.
- High efficiency glazing will be incorporated.
- High efficiency heating/cooling systems will be utilized.
- Many finishes and materials will incorporate recycled content.
- Conduits will be installed for solar panels
- LED lighting will be utilized in most fixtures
- On demand water heaters will be utilized
- Natural daylight and natural ventilation is prevalent in the design



**Better ways to plan neighborhoods and build homes**



**Efficient operations of homes and entire buildings**



**Resource conservation**



**Healthy living environment**

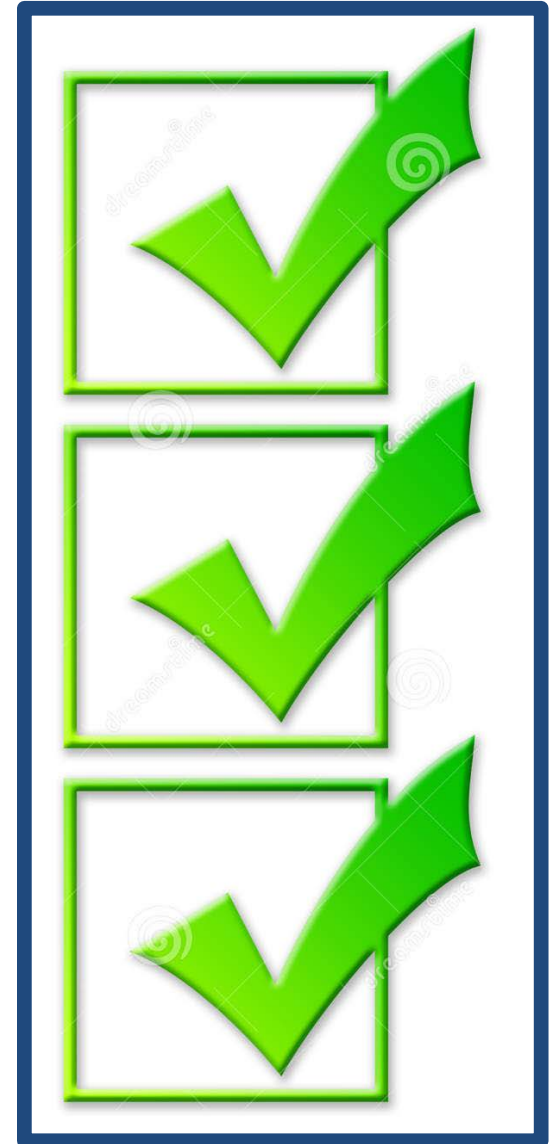


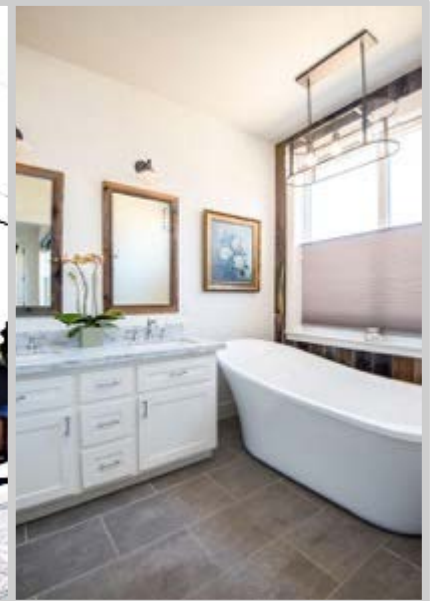
**Energy efficiency**



# Feasibility Completed

- No additional GMO's required.
- Reviewed plan with City Staff and received positive feedback for our unique approach. "Friendly to neighbors, and smart in design."
- Initial review - no variances required.
- Civil engineering feasibility completed.
- Architectural feasibility completed.
- Phase 1 environmental report will be completed prior to SVH's July board meeting.
- The project is both equity and debt underwritten.





# Thank you!

For additional information please contact

Ross Edwards, President

[ross@caymusbuilders.com](mailto:ross@caymusbuilders.com)



2.d.

Norman Gilroy

**Proposal for the ownership, development and use of the South Lot property presently owned by the Sonoma Valley Health Care District.**

**Letter of Intent submitted this 15<sup>th</sup> day of June, 2017 by Norman Gilroy, resident of Sonoma Valley, living at 2572 Acacia Avenue, Sonoma CA.**

Chair Hirsch, ladies and gentlemen of the Board of the Sonoma Valley Health Care District,

My proposal for the future of the South Lot is as follows:

1. That the Board NOT accept any proposals for the sale of any portion of the South Lot to a third party for market rate housing,
2. That the Health Care District instead recognize the South Lot as a valuable asset that it will need now, and in the future, and that the District move immediately to find ways to develop the property in a manner that is self supporting and that benefits both the community in the Sonoma Valley that it serves and the talented people that it employs.
3. That the Board use the development process (including the public financing and design-build processes allowed to it by State Law) as described in this proposal to:
  - a) pay off the outstanding balance of the Nelson loan out of the financing for the project within the time allowed,
  - b) provide much needed housing for the employees of the District who otherwise have to live outside the Sonoma Valley and travel long distances to work,
  - c) provide for the needs of future Boards facing new construction projects with regard to the Sonoma Valley Hospital, and
  - d) accommodate beneficial health-care services and programs that will both benefit the community you serve and contribute to the operating bottom-line of the hospital.

In making this proposal, I believe all of those objectives, and more, can be achieved if the Board raises its sights with the regard to its appreciation of the future use and value potential of the South Lot. I urge the District to move creatively to use the assets and opportunities that are available to it now to protect and use the South Lot property for the benefit of the community you serve, now and for the future.

The attached materials explain why I believe this approach would be more appropriate than selling off the property. They also suggest a way in which the development of the property could be orchestrated to achieve the objectives stated here.

I look forward to having the opportunity to present the rationale behind this proposal at your meeting on June 22<sup>nd</sup>, and I ask that mine be the last presentation to be heard that evening.

Norman Gilroy, Sonoma CA.



## **Proposal for the ownership, development and use of the South Lot property presently owned by the Sonoma Valley Health Care District.**

This proposal is submitted as a "Community Proposal" on behalf of the people of the Sonoma Valley to advocate that, instead of selling off the 2.8 acre portion of the 4.1 acre "South Lot" parcel now offered to the highest bidder with no strings attached, the Health Care District retain ownership of the entire parcel and itself carry out the conversion to beneficial uses that benefit the hospital and the community it serves.

There are many benefits to this approach, some of which will be presented here and others which would be presented at the meeting, scheduled for June 22, 2017, at which bidders would be invited to present their proposals. I ask that I also be provided with a half hour to present the benefits of this plan.

### **Concept.**

#### **How it would work.**

In principle, the proposed plan would work like this:

- The entire 4.1 acres would remain in the District's ownership,
- The 81 space parking lot, required as a condition of approval for the new building by the City, would remain in place and in the ownership of the District,
- The development potential (and therefore the value of the property to the District) would be higher than the 2.83 acre parcel that the District intends to sell off (a potential of 32 residential units instead of 23, if calculated at the 8 units per acre max. quoted by City officials),
- The \$2M outstanding debt on the parcel would be removed by folding it into the financing for the project
- The financing costs for the project would be serviced from the revenues from the project, with no cost to the bottom line of the hospital,
- The ongoing payments for interest and carrying costs for the land that are now borne by the hospital's bottom line would be removed,
- Some or most of the rental costs now incurred for outside activities like the physical therapy facility on Highway 12 and the Women's center on Perkins would be removed from the hospital's bottom line,
- Future Boards would have easily accessible options when facing periodic construction upgrade projects that require room for construction yards and construction employee parking, materials and equipment storage, temporary relocation of displaced parking and office facilities, etc.

### **Layout.**

It is proposed that development of the property follow a **Development Template** approach. The template would include three primary sectors, including:

**Sector A – The existing parking lot for hospital employees and patrons**

**Sector B – the primary housing area**

**Sector C – the Hospital Green and open space.**

Each sector can be developed separately, or they can be implemented as a single project, as decided by the District Board. A description of each sector follows:

### **Sector A. Hospital employee and patron parking lot.**

The existing 81 space parking lot (built as a condition required by the City for the approval of the new ER/OR building on the main campus) would remain in place. Over time, low profile carport-solar could be installed over the existing parking, with the energy generated credited either to the hospital's main meter for savings to the hospital's bottom line, or to the meter for the Community Building facilities on the South Lot itself.

### **Sector B. Housing area.**

Sector B could be developed under a normal design-bid-build approach if desired. However it could be developed more advantageously under a design/build/manage approach in which the design build team would include not only experts in the design and construction of housing but also management professionals who would manage the leasing of the project and, later, the operation of the housing on-site under contract with the District. This approach would provide more opportunity for innovation, and it would take the burden of development and management of the project off the shoulders of the hospital's administration and staff.

It is important to note that development of Sector B would be implemented under City inspection and control in a process that is expected to be a great deal simpler and less costly than the State inspection process that was necessary in the hospital's last major construction project.

#### **Features.**

Sector B would actually consist of two sub-areas (B1 and B2) which could be developed separately or together. Each area would contain sufficient space for both the mix of housing units decided on by the Board and for the parking required for the development. Space would also be included in Sector B for the Community Building that would serve the development and provide space for other services of benefit to the hospital and the community it serves.

All buildings in the development would be single-story or two-story, and building heights would conform to the limits prescribed by present zoning. The character of the buildings would be in keeping with the neighborhood, and where necessary the location and placement of the buildings could be worked out with the neighbors who have shown a strong interest in the future of the South Lot in the past.

#### **Housing uses and objectives.**

The housing on Sector B would be designed to accommodate hospital employees (and possibly others, including local teachers) who work in the Sonoma Valley but who now drive long distances to work because they find it difficult to find housing in the valley that they can afford.

As the long-term owner of the property, the District would be in a position to set rentals at levels that are both a) sufficient to service the cost of the development, and b) affordable to the people who live there and work nearby. Such an arrangement could help recruitment at the hospital, attracting high-quality members to the hospital's work force while persuading some who might otherwise go elsewhere in a highly competitive



marketplace to stay at the hospital. In the process, the hospital could benefit by avoiding the high costs of re-training the new hires who would otherwise replace others who find it necessary to move to locations elsewhere where they can find housing they can afford.

With care and a degree of thoughtfulness, the residential units on the site could also be designed to suit a range of tenant-needs, from employees with families who require a larger unit to singles who work at the hospital and prefer to share accommodations in order to reduce their costs of housing and transportation even further.

A number of people from the Hospital Foundation and other organizations in the Sonoma Valley have testified recently at meetings about the need for such housing. It has been reported that more than 50% of the hospital's work force now lives outside the Sonoma Valley, in many cases due to the lack of availability, and the high cost, of housing locally. Of the members of staff with whom the housing need has been discussed over time, most have indicated a desire to "move back into town" if the opportunity was provided. That was particularly true particularly in the case of adults with children, who would make the move if it could be coordinated with school transfers at the right time of year. Additionally, recent studies by the Sonoma Valley School District have indicated that a similar problem, and desire, exists among the teachers who also provide our community with essential services.

The bottom line of this is that: a) a ready and reliable market exists for the kind of affordable residential units which could be built on the South Lot, and b) a large part of that ready market is already present within the hospitals' own employees. In fact, if we were to assume a maximum of 32 units, and if say 30% of those units were to be designed for two-person (employee) shared occupancy, the proposed development would still only serve approximately 42 employees or physicians (not including the family members of those employees). That is only a conservative portion of the more than 400 employees who work for the hospital, or even of the "more than 50%" (200 or more) who have indicated they now live outside the Sonoma Valley. Add to that the under-served market of teachers nearby, and finding reliable and long-term tenants for the development on the South Lot should not be a problem.

#### **Density.**

It is proposed that the District work strictly within the density restraints of the City's present zoning on the property, which would remove any of the uncertainties about the costs and delays that could be caused by rezoning, General Plan amendments, or accompanying CEQA documentation that have been raised as a complication in other development approaches that have been proposed for the site in the past.

The greatest difference in terms of density between this approach and the "outright sale" approach is, however, that, since the District would retain ownership of the 4.1 acre entire parcel, it could calculate the number of units allowed under the present zoning based on all of that 4.1 acres (i.e. 32 units if calculated at the 8 units per acre density quoted by the City). By contrast, a developer with title to only 2.83 acres of the site after a sale of the kind now contemplated would only be able to claim 23 or 24 units by that same calculation.

#### **Parking and street access.**

All parking under this proposal would be designed to meet the criteria contained in the City's General Plan and the fire and other safety ordinances that affect this property. Access to the property would be divided between Hayes Street and Fourth



Street West. No automobile access would be taken off busy McArthur Street. Provisions might be made for cross property access for fire trucks in the event of an emergency.

There may also be some opportunities that could be worked out with the City for the shared-use of some of the parking. For example, parking that would not be used in the daytime by residents could be used for daytime use by hospital education programs. In addition, spaces in any of the parking lots (including the parking on Sector A) that are not typically now used in the evenings or at weekends could be used for parking for patrons of evening meetings or gatherings in the Common Room.

### **Community Building and amenities.**

At the center of the development would be a Community Building (between 4,500 and 6,400 sq. ft. on the lower floor, and with possibly four 1 BR units or shared units on the upper floor) and related amenities including a common room with kitchen, a fully equipped exercise room and massage rooms, pool, hot tub, sauna, changing rooms, par-course, etc. The building would be very similar in character and usage to the community buildings found in other nearby developments in the City of Sonoma.

The community building and its amenities would be managed by the hospital district (or, more accurately, by a management agent of the design-build team who reports to the district – see description later in this outline), and would be available to the residents, and to the hospital, as follows:

- a. Residents of the facility would have free use of all of the facilities every weekday morning till 9 AM, every weekday afternoon and evening after 5 PM, and every weekend, except where other arrangements are made by mutual agreement.
- b. The hospital would have “program use” of the facilities between 9 AM and 5 PM on weekdays.

The timing of these arrangements could be flexible, and they would be subject to the hospital Board's approval (as owners), with usage rules presumably taking into account what would be in the best interests of both the hospital and the residents. Automobile access to the Community Building would likely be best taken from the Fourth Street side of the property, thereby further lightening the traffic loads on Hayes Street.

This approach would a) provide the residents with access to the project's community amenities during what for most would be their non-working hours, and b) make the community facilities available to the hospital at the times when most of the residents would be working (many at the adjacent hospital). Facilities available to the hospital might include the exercise facility, massage rooms, hot tub and pool, all of which could be used professionally by the hospital's physical therapy and aging-services programs.

This approach also raises the possibility that the present facility on Highway 12, and its equipment, could be relocated to the South Lot, thereby providing the residents with a higher quality of equipment and services that they would otherwise have. It would provide the hospital's PT department with a “garden setting”, and it would save the present cost to the hospital's bottom line of the leasehold on the Highway 12 location. This would be another benefit that would not be available if the property were to be sold to a third party developer as discussed.

In addition, the common room, with its kitchen and service facility, could be the daytime location for a variety of health education and training activities that would be of benefit to the community in the Sonoma Valley. Out-patient activities like blood-draw and out-patient check ups could also be relocated to a more relaxed setting in the



community building on weekdays, as could selected health monitoring and consulting services, including some of the services now provided off-site by the Women's Center and other leased service facilities.

Those are just my ideas for uses to which the hospital might put 6,400 sq. ft. of inexpensive space. However the Board and administration of the hospital, with your long range plans and your understanding of health and personnel needs in the Sonoma valley, and in today's world, are in a better position to determine what uses might be appropriate here. And you are in a better position to determine what part those uses, and any income and additional health care services they might bring, would play in the future economics of the hospital as we search for ways to avoid future close calls like the one we have just experienced with the renewal of the Parcel Tax in recent weeks.

### **Sector C. Hospital Green.**

The third sector in the template approach would be a "green" area which would face Fourth Street on the east side of the property, and be located immediately north of the Community Building and south of the parking lot on Sector A.

The Hospital Green (functioning somewhat like a traditional village green) would be a large open space around which all the residential uses on the site would be clustered. The edges of the green would be shaded by trees planted along Fourth Street on the easterly perimeter, and the windows and the terrace of the Community Building would open onto it. The pool would run along one side of it, and the par-course would run around its perimeter.

The green would serve both as an open space for the recreational uses of the residents, and as the location for various hospital outdoor events. Such events might include a weekly "Healthy Foods" Farmers Market staged in the summer months and Fall, outdoor yoga and tai chi classes, Easter egg-hunts, health fairs like those now held in the limited space of the inner courtyard of the hospital, community gatherings, Board presentations to honor special employees or donors, etc. As such, it would become an important visual and functional part of the hospital, and of the character and the ambience of the neighborhood of which it would be a part.

Importantly, however, the Green would also serve another very important role in the future of the hospital over time. It would be available, when needed, as the temporary site for the construction staging activities associated with future expansion and reconstruction activities. Such activities will inevitably occur from time to time as the hospital keeps up with the markets it serves, and as it responds to the State of California's requirements for additional earthquake safety upgrades in the future.

The Green, as conceived, would be roughly the same size as the area that was actually used as a staging area during the construction of the new ER-OR building five years ago. Also it is immediately adjacent to the parking lot on Sector A where some limited temporary overnight parking of construction vehicles might be permitted by the City during a future construction project.

With the simple configuration of the Green, and its ease of access from Fourth Street West, it would be easy to temporarily convert all or part of it to construction staging uses. Those uses might continue for some months until the construction is complete, then the land could be restored to its original open green-space character.

And, since both the ownership of the land and the management of the project on the South Lot would remain in the hands of the District, and the tenants would primarily be employees of the hospital, it would be easy to make the arrangements for the use, and then later for the restoration, of the Sector, all as a function of the construction project.



## **Zoning and General Plan.**

All of the above could be accomplished without any change in zoning or modification of the City's General Plan.

## **Campus Plan and Hospital Zone.**

In considering alternatives for the development of the South Lot, the District could also take into account what would be needed to create, and implement, the larger campus plan for the hospital that has been talked about, and has been much needed, for many years now.

This is a particularly appropriate time for consideration of such a campus plan, and perhaps even a "hospital zone" in the City, in view of the City's recently announcement that it will be updating its General Plan in the coming months. The plan that emerges will guide development and land use in the City for the next 20 years.

I believe it will be important to the hospital, as the City's largest employer and its primary provider of health care services, to take a proactive role in the General Plan update process, and a well-defined campus plan could be part of that role.

Elements of the campus plan might include some or all of the following:

- Future uses of the South Lot,
- Acquisition and use of close-in parking properties and/or residences on surrounding streets as they become available,
- Acquisition and use of undeveloped properties on Hayes Street as they come available,
- Possible transfer of the Fourth Street West right of way between Bettencourt and Andrieux Streets from the City to the Health Care District for optimization of the parking layout in the campus plan. This was discussed in principle in the negotiations with the City for the construction of the new ER-OR building,
- Disposition of the Fourth Street right of way north of Andrieux Street,
- The possible future acquisition, and redevelopment, of the Perkins Medical Building site north of Andrieux Street (the possible site of the "Ralph Olness Medical Center" associated with the hospital?).

A "hospital zone" would be an "overlay zone" included and defined in the City's General Plan that would embrace all of the areas in the City that now de-facto include medical offices, medical supply businesses, medical services, pharmacies, and other health-care related facilities that are in place due to the nearby presence of the hospital. Such uses now occur, some in existing homes, on both sides of Fifth Street between McArthur and Spain. They are also present on both sides of West Napa Street between Fifth and First, on Andrieux between Fifth and Broadway, and in the areas of Perkins Street and of Third, Second and First Streets West between Napa Street and Andrieux.

Under the "overlay" designation, the present zoning (mostly residential) would remain in place, but medical uses would be recognized as acceptable in the area, would be allowed without rezoning, and might even encouraged as local businesses, in a "hospital zone".

The hospital zone concept has been implemented successfully in other jurisdictions in the Bay Area, and in other parts of the USA, and some interest in it has been expressed in informal conversations with members of the City administration.

But the idea will never be brought up unless the hospital or an officer of the Health Care District brings it up, and this time, when the General Plan update is just



beginning, seems an excellent opportunity to do that. So, though it is not strictly a part of the South Lot issue, I thought I would bring it up now.

## **Implementation.**

### **Design and construction.**

As discussed earlier in this outline, the South Lot project could be most advantageously built under a Design/Build/Manage contract. Under such an arrangement, the negotiations would be led by a specialized team that would be selected through an open-proposal process by the Board of the Health Care District. A construction manager would represent the District.

The Design-Build process worked very effectively during the construction of the new ER-OR building and CUP for the hospital, and it was clear at the end that the hospital saved both time and money in the process.

### **Possible joint venture relationships.**

In situations like this, other institutions have found it beneficial to joint venture with other entities in their area which have similar interests in the development of the project. Possible candidates for such a joint venture with the Health Care District might include the Sonoma Valley School District (interested in teacher housing) and/or the City of Sonoma (interested in affordable housing).

### **Potential impediments.**

I have worked with enough different Boards and administrations and, to be realistic, I have seen enough good ideas that have been shelved by the hospital over the years that I feel the need to lay some of the issues that have caused those deferrals to rest before I complete this presentation.

Usually at the core of a decision not to proceed has been the perception by the hospital that its staff does not have the bandwidth, or the resources or the specialized knowledge, to carry the work out internally. That, I believe, is a factor that need not apply in this case, especially when the needed expert help is readily at hand.

In essence, the reasons for not going forward on other projects in the past have fallen into the following categories:

**Sources of funds.** The hospital is always short of operating funds, as has been evidenced by the Parcel Tax campaign just completed. However, development of the South Lot would not be an "operating fund" matter. There are plenty of opportunities that have been used by other hospitals to secure development finance, including conventional revenue bonds (which the District can issue itself), tax exempt bonds, DPOs (Direct Purchase Obligations), USDA rural development funds, ABAG housing pool funds, State issued Marks Roos bonds, Sonoma County housing assistance, etc. Any of those sources could be used to accomplish what is proposed here.

That is particularly true because the project as proposed has the ability, through the rental income generated by the housing on site and the reliability of the supply of renters, to reliably earn the revenues that will be needed to service the annual amortized costs of the project's development financing. More information on this subject will be provided in the presentation on June 22<sup>nd</sup>.

An additional concern that is also often expressed is "where will we find the front-end funds to get the project going", the implication being that the only source of those



funds will be the hospital's operating fund. However, in this case, it appears that the hospital still has more than \$200,000 of unspent proceeds from the Nelson loan after paying off the balance of the purchase price, and that should be more than enough to cover the start-up costs before the project financing and the design/build process kicks in. At start of construction, the funds owing to Mr. Nelson would be repaid as a land cost out of the project financing.

Additionally the project's front-end costs can be further reduced by taking advantage of the large body of expertise and volunteer assistance that is available in the Sonoma Valley community. The approach of using a volunteer "Project Development Committee" worked well in the design and construction of the new ER/OR building – I know that because I served on that committee, along with some very capable local individuals, for over three years.

**Bandwidth.** "Lack of bandwidth to deal with this" is often the reason given for not pursuing a new initiative that might otherwise be of value to the hospital and our community. Usually the "bandwidth" referred to is the lack of internal time and resources available through the CEO and through the existing staff at the hospital. Also part of bringing up this concern in the context of a property development project is that most of the people involved at the hospital have expertise in running a hospital, but not in property development and real estate finance.

The bandwidth available for this project could, however, easily be expanded by the use of the Project Development Committee approach mentioned above, and by giving the committee the authority to negotiate with the design-build team on behalf of the District. The design-build team would also be selected to possess a high degree of expertise in matters to do with design, construction, structures, etc. which will be needed to implement the project. And, in the long term, the need for housing management expertise during the operation of the project can be filled by calling for design-build-manage proposals from the beginning.

**Complexity.** Again a common worry going into a project of this kind is "how will we handle such a complex project?" There too, the Design/Build/Manage team would be selected for their ability to handle complex projects of this kind, and the Project Development Committee should also be selected to include individuals with similar abilities to be used on behalf of the District. It is also important to note that the South Lot project will be simpler than previous projects inspected by OSHPD. In this case, the permits would be issued by the City of Sonoma.

Other responses to concerns about the "do it ourselves" issue are included elsewhere in this proposal, or can be discussed at the meeting on the 22<sup>nd</sup>.

**In closing, let me reiterate my recommendation that the District should NOT decide to sell the South Lot to the highest bidder, no strings attached, but that it should instead carefully investigate the feasibility of retaining ownership of the entire parcel, and developing it through the design-build-manage process in a way that benefits both the hospital and the community it serves.**

**Thank you for providing me with the opportunity to make this proposal.**

**Norman Gilroy**