

78. Consider recommendations relating to intention to purchase real property necessary to expand access for primary and specialty health services at Saint Louise Regional Hospital. Possible action:
- a. Adopt Resolution of Intent to Purchase Real Property located at 9460 No Name Uno, Gilroy, California, Assessor's Parcel No. 835-05-033.
 - b. Authorize Clerk of the Board to set Tuesday, March 12, 2024, at no earlier than 10:00 a.m., as the date and time to consider acquisition of the Real Property.
 - c. Direct Administration to negotiate, sign, amend, or terminate a purchase and sale agreement contingent on Board of Supervisors approval, with the trustee in bankruptcy of the Estate of Elessar Properties, LLC, relating to acquiring the real property at 9460 No Name Uno in an amount not to exceed \$14,000,000, following approval by County Counsel as to form and legality and approval by the Office of the County Executive.
 - d. Approve establishment of Capital Improvement Project 263-CP24033 "Purchase 9460 No Name Uno."
 - e. Approve Request for Appropriation Modification No. 157- \$14,000,000 transferring funds from 263-CP20002 "Silver Creek Improvements" to Capital Project No. 263-CP24033 "Purchase 9460 No Name Uno."

(ID# 24-4181)

RESOLUTION NO. BOS-2024-19

**RESOLUTION OF THE BOARD OF SUPERVISORS
OF THE COUNTY OF SANTA CLARA ISSUING A NOTICE OF INTENT TO
PURCHASE THE PROPERTY LOCATED AT 9460 NO NAME UNO, GILROY
CALIFORNIA (APN: 835-05-033) FROM THE TRUSTEE IN BANKRUPTCY OF THE
ESTATE OF ELESSAR PROPERTIES, LLC**

WHEREAS, the County of Santa Clara, a political subdivision of the State of California, wishes to purchase a property located at 9460 No Name Uno, Gilroy, Santa Clara County, State of California (APN 835-05-033) (the "Property") from the Trustee in Bankruptcy of the Estate of Elessar Properties, LLC (the "Seller") to serve a public purpose. The Property includes a medical office building consisting of approximately 36,593 gross square feet of space with parking accommodations, located on approximately 2.33 acres of land as more particularly described in Exhibit "A" and depicted in Exhibit "B";

WHEREAS, the value of the Property exceeds \$50,000; and

WHEREAS, Section 25350 and Section 6063 of the California Government Code require that a notice of the Board's intention to purchase be published once a week for three successive weeks (with five days intervening between publication dates) in a newspaper of general circulation in Santa Clara County containing all of the following information (the "Notice of Intent"):

- a. The property proposed for purchase is described generally as 9460 No Name Uno with one constructed medical office building consisting of approximately 36,593 gross square feet of space, with parking accommodations, located on approximately 2.33 acres of land, in the City of Gilroy, Santa Clara County, State of California (APN 835-05-033);
- b. The Seller is the Trustee in Bankruptcy of the Estate of Elessar Properties, LLC;
- c. The purchase price will not exceed \$14,000,000; and
- d. The County of Santa Clara Board of Supervisors will meet to conduct a public hearing and consider the consummation of this proposed purchase on March 12, 2024 at 10:00 A.M., or as soon thereafter as the matter can be heard. The hearing will be conducted either in the Chambers of the Board of Supervisors, County Government Center, East Wing, 70 West Hedding Street, San José, California, or by virtual teleconference pursuant to the provisions of California Government Code section 54953. Instructions for public participation shall be included in the Board of Supervisors Agenda for the March 12, 2024 meeting.

NOW THEREFORE, BE IT RESOLVED the Board of Supervisors finds that this Resolution (the Notice of Intent), as described herein, shall be published as required by

Adopted: 02/06/2024

Government Code Section 6063 once a week, for three successive weeks (with five days intervening between publication dates) in a newspaper of general circulation in Santa Clara County, before March 12, 2024.

PASSED AND ADOPTED by the Board of Supervisors of Santa Clara County, State of California, on FEB 06 2024 by the following vote:

AYES: ARENAS, CHAVEZ, ELLENBERG
LEE, SIMITIAN
NOES: NONE
ABSENT: NONE
ABSTAIN: NONE

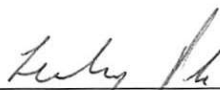

SUSAN ELLENBERG, President,
Board of Supervisors

Signed and certified that a copy of this document has been delivered by electronic or other means to the President, Board of Supervisors.

ATTEST:


CURTIS BOONE
Acting Clerk of the Board of Supervisors

APPROVED AS TO FORM AND LEGALITY:


LESLEY PAK
Deputy County Counsel

Attachment: Exhibits A and B

EXHIBIT A

LEGAL DESCRIPTION

The land referred to herein is situated in the State of California, County of Santa Clara, City of Gilroy and described as follows:

Portion of Lot 18, as shown upon that certain Map entitled, "Map of Hy Miller's Subdivision of part of Las Animas Ranch Lot No. 34", which Map was filed for record in the office of the Recorder of the County of Santa Clara, State of California, on February 26, 1891 in Book E of Maps, at page 77, and more particularly described as follows:

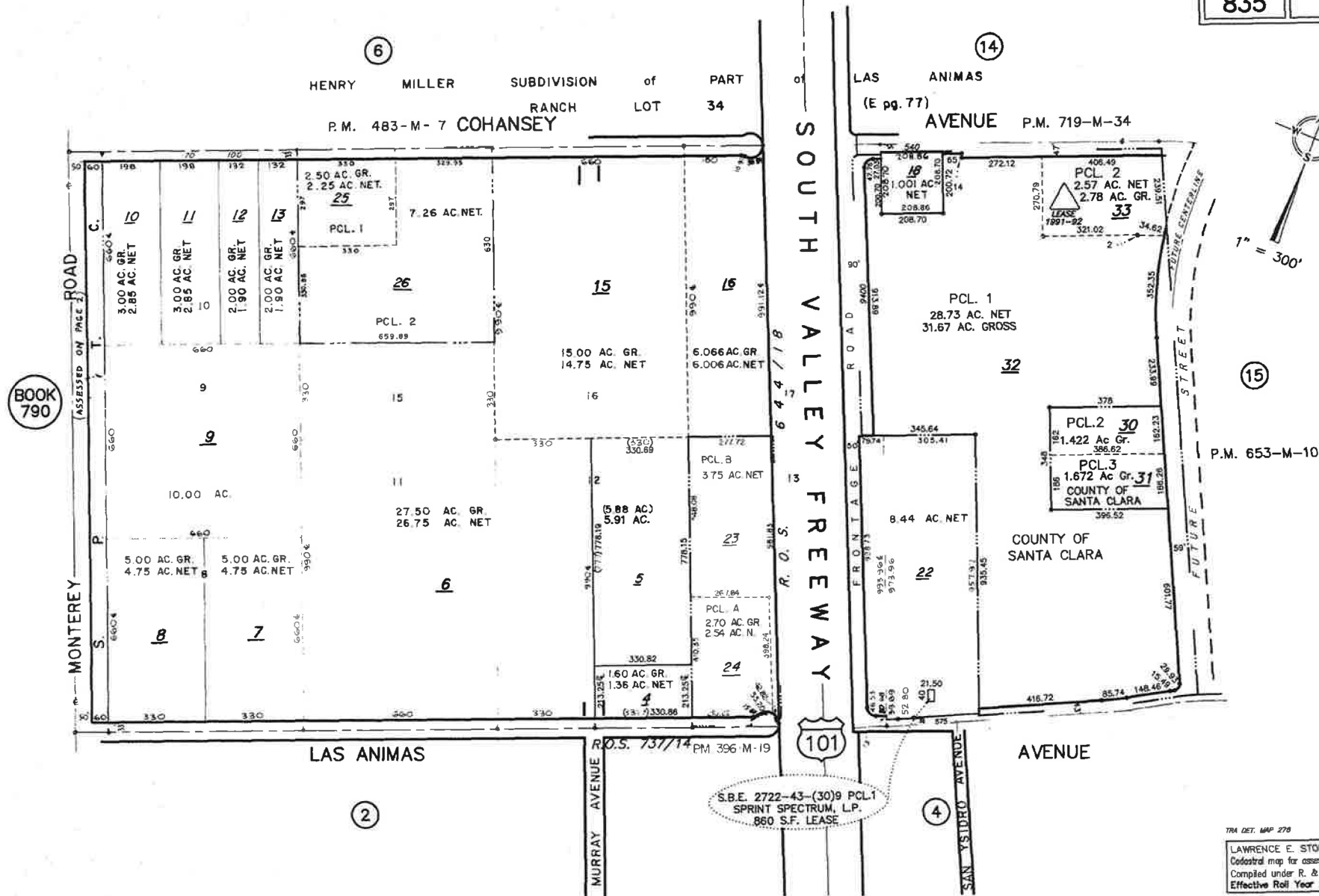
Beginning at an iron pipe set at the point of intersection of the Southerly line of that certain 50 foot strip of land described in the Deed from Peter Paul Barbettini et al, to County of Santa Clara, dated January 3, 1928, recorded April 16, 1929 in Book 458 Official Records, page 282, Santa Clara County Records, with the dividing line between Lots 17 and 18, as said Lots are shown upon the Map above referred to; thence from said point of beginning South 22° 20' East along the said dividing line between Lots 17 and 18 for a distance of 208.70 feet to an iron pipe; thence leaving said last mentioned line and running North 67° 42' East and parallel with the said Southerly line of the 50 foot strip for a distance of 208.86 feet to an iron pipe; thence North 22° 20' West and parallel with the said dividing line between Lots 17 and 18 for a distance of 208.70 feet to an iron pipe set in the said Southerly line of the 50 foot strip; thence South 67° 42' West along said last mentioned line 208.70 feet to the point of beginning.

Containing approximately 1.001 acres, as surveyed and monumented in December, 1963 by W. J. Hanna & Son, Civil Engineers and Surveyors, Gilroy, California.

APN: 835-05-018

(End of Legal Description)

Description: Santa Clara, CA Assessor Map 835.5 Page: 1 of 1
Order: 187 Comment:



County Of Santa Clara
Request For Appropriation Modification
Fiscal Year = 2024

F - 85 # **157**

Line	Fund	Budget Unit	Cost Center	CI	Description	Job Code	Funded Program	CMB Revenues	CMB Expenditures
1	0050	0263	2516	5530200	Capital Projects Svs and Supplies - Ext.		P263CP20002		(14,000,000.00)
2	0050	0263	2516	5530200	Capital Projects Svs and Supplies - Ext.		P263CP24033		14,000,000.00
0050					Transfer (From) To Fund Balance:				0.00
					Grand Total:			0.00	0.00

Form ID# Included:

39166,

Approved: 02/06/2024

SAN JOSE POST-RECORD

Mailing Address : 95 S MARKET ST STE 440, SAN JOSE, CA 95113
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LENA PALACIOS
SANTA CLARA CO BD OF SUPS
70 W HEDDING ST 10TH FL EAST WNG
SAN JOSE, CA 95110

COPY OF NOTICE

Notice Type: GOV GOVERNMENT LEGAL NOTICE

Ad Description
Public Hearing

To the right is a copy of the notice you sent to us for publication in the SAN JOSE POST-RECORD. Thank you for using our newspaper. Please read this notice carefully and call us with any corrections. The Proof of Publication will be filed with the County Clerk, if required, and mailed to you after the last date below. Publication date(s) for this notice is (are):

02/20/2024 , 02/27/2024 , 03/05/2024

An invoice will be sent after the last date of publication. If you prepaid this order in full, you will not receive an invoice.

Daily Journal Corporation

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LOS ANGELES DAILY JOURNAL, LOS ANGELES	(213) 229-5300
ORANGE COUNTY REPORTER, SANTA ANA	(714) 543-2027
SAN FRANCISCO DAILY JOURNAL, SAN FRANCISCO	(800) 640-4829
THE DAILY RECORDER, SACRAMENTO	(916) 444-2355
THE DAILY TRANSCRIPT, SAN DIEGO	(619) 232-3486
THE INTER-CITY EXPRESS, OAKLAND	(510) 272-4747

SJ# 3783189

NOTICE OF PUBLIC HEARING NOTICE
IS HEREBY GIVEN that the County of Santa Clara Board of Supervisors has scheduled a public hearing at the meeting indicated below to consider the intent to purchase the Property containing all of the following information shall be published in compliance with Government Code section 6063 before the Board meets to approve consummation of the purchase: March 12, 2024, no earlier than 10:00 a.m. The approximately 2.33-acre property to be purchased is located on No Name Uno, in the City of Gilroy, in the County of Santa Clara, State of California, known as Assessor's Parcel No. 835-05-033. The purchase price for the Property will not exceed \$14,000,000. The seller of the Property is the Trustee in Bankruptcy of the Estate of Elssar Properties, LLC. The County of Santa Clara Board of Supervisors will meet to conduct a public hearing and consider the consummation of this proposed purchase on March 12, 2024, 10:00 a.m., or as soon thereafter as the matter can be heard. The public hearing will be held in the Chambers of the Board of Supervisors at the County Government Center, 70 W. Hedding Street, San José. Currently, members of the public may also view the public hearing via online stream or participate remotely via video conference or telephone. Further instructions for viewing the meeting via online stream or participating remotely via video conference will be noted on the agenda and listed on the County website at www.sccgov.org/bosmeeting. ALL INTERESTED PERSONS MAY APPEAR AND BE HEARD during the public hearing in regard to the above-referenced matter. Written communications should be filed with the Clerk of the Board prior to the hearing date by emailing to BoardOperations@cob.sccgov.org or delivering to 70 W. Hedding Street, 10th Floor, East Wing, San Jose, CA 95110. Interested persons may also provide public comment via video conference or telephone, as instructed on the agenda or on the County website at www.sccgov.org/bosmeeting. In the event that there are technical problems or disruptions that prevent remote public participation, the President has the discretion to continue the hearing without remote public participation options, provided that no Board member is participating in the hearing via teleconference. IF YOU CHALLENGE THIS DECISION, you may be limited to raising only those issues that you or someone else raised at the public hearing described in this notice, or in written correspondence delivered to the Office of the Clerk of the Board of Supervisors prior to or at the public hearing. DOCUMENTS WILL BE ON FILE in the Office of the Clerk of the Board of Supervisors located on the 10th floor at the address given above on or before the Friday preceding the hearing, and online at <https://santacclaracounty.primegov.com/publicportal>. THIS NOTICE OF PUBLIC HEARING is given pursuant to the order of the Clerk of the Board of Supervisors as required by the Government Code of the State of California. BOARD OF SUPERVISORS CURTIS BOONE, ACTING CLERK
2/20, 2/27, 3/5/24

SJ-3783189#



County of Santa Clara
Facilities and Fleet Department



24-4181

DATE: February 6, 2024

TO: Board of Supervisors

FROM: Jeff Draper, Director, Facilities and Fleet Department

SUBJECT: Adopt Resolution for Notice of Intent for purchase of 9460 No Name Uno, Gilroy

RECOMMENDED ACTION

Consider recommendations relating to intention to purchase real property necessary to expand access for primary and specialty health services at Saint Louise Regional Hospital.

Possible action:

- a. Adopt Resolution of Intent to Purchase Real Property located at 9460 No Name Uno, Gilroy, California, Assessor's Parcel No. 835-05-033.
- b. Authorize Clerk of the Board to set Tuesday, March 12, 2024, at no earlier than 10:00 a.m., as the date and time to consider acquisition of the Real Property.
- c. Direct Administration to negotiate, sign, amend, or terminate a purchase and sale agreement contingent on Board of Supervisors approval, with the trustee in bankruptcy of the Estate of Elessar Properties, LLC, relating to acquiring the real property at 9460 No Name Uno in an amount not to exceed \$14,000,000, following approval by County Counsel as to form and legality and approval by the Office of the County Executive.
- d. Approve establishment of Capital Improvement Project 263-CP24033 "Purchase 9460 No Name Uno."
- e. Approve Request for Appropriation Modification No. 157- \$14,000,000 transferring funds from 263-CP20002 "Silver Creek Improvements" to Capital Project No. 263-CP24033 "Purchase 9460 No Name Uno."

FISCAL IMPLICATIONS

Funds required for the project augmentation will be transferred from 263-CP20002 "Silver Creek Improvements" to Capital Project 263-CP24033 "Purchase 9460 No Name Uno."

REASONS FOR RECOMMENDATION AND BACKGROUND

In December 2019, recognizing the increasing need for medical services in South County, the County Executive directed the Facilities and Fleet Department (FAF) to pursue the

Approved: 02/06/2024

acquisition of the Medical Office Building (MOB) at 9460 No Name Uno (the “Property”), contiguous with Saint Louise Regional Hospital (SLRH), and a neighboring property at 9360 No Name Uno.

By September 2020, budget considerations led to the cancellation of the purchase of 9460 No Name Uno, focusing solely on 9360 No Name Uno. In January 2021, the County successfully closed escrow on the purchase of 9360 No Name Uno. In November 2020, 9460 No Name Uno was sold to Elessar Properties, LLC (Elessar) for \$9,950,000. The County leases three suites in this building. Deferred maintenance has not been completed under Elessar’s ownership. Elessar has petitioned for bankruptcy, prompting a sale via bankruptcy auction by a trustee and the Administration’s renewed interest in purchasing the property. The sale process will commence with an offering memorandum and a limited period of time to submit offers. After the submittal period closes, the trustee will select one offer to recommend for bankruptcy court approval. After this offer is selected, there will be an opportunity for buyers to submit superior offers. The timeline for this sale process is established by the trustee and bankruptcy court. Therefore, the recommended action is to direct Administration to submit an offer and terms for the purchase and sale of the Property, signed by the County Executive or designee, provided that any terms would be contingent on Board approval on or after March 12, 2024.

The Property is a two-story, 17-unit MOB known as South Valley Medical Pavilion and is currently owned by Elessar. The Property is zoned Park/Public Facility with a General Plan Designation of Public/Quasi-Public Facility and bound by, and adjacent to, Highway 101. The proposed price, excluding closing costs, for the Property is not-to-exceed \$14,000,000 as-is. Additional terms are unknown at this time.

The County’s due diligence investigations indicate the purchase price for the Property should be lower than \$14,000,000. However, the Administration recommends a not-to-exceed amount of \$14,000,000 to permit flexibility in formulating an offer as due diligence and negotiations continue, and to potentially participate in the subsequent phase of the bankruptcy auction if the County’s offer is not accepted in the initial phase.

Market Conditions:

It is anticipated that medical office properties will sustain their positive outlook this year as strong employment in the medical sector and aging demographics align with favorable sector trends to boost performance. Institutional investors, as well as larger fund and real estate investment trusts, are focused on acquiring fully occupied, high quality MOB’s that are near major hospitals or in medical corridors, and the Property location next to SLRH meets those criteria. MOB’s also rent or sell for a higher amount than do professional office buildings, and MOB space in the SLRH area is limited and scarce.

Prior to the Covid Pandemic, the medical office market vacancy in the Bay Area has been historically low, as shown in the chart below, leaving a high demand for this type of asset.

Chart of 2018 Medical Office Market



The proposed purchase price is not-to-exceed \$14,000,000 “as-is” and is subject to further due diligence and an appraisal. During the due diligence process thus far, several building systems were noted to be near or at the end of their useful life. Repairs to key systems is budgeted in the Board-approved FY 2024 Capital Outlay Program.

Acquisition of the Property will not result in a change of use and a purchase would, therefore, qualify as categorically exempt under the California Environmental Quality Act (CEQA) Section 15301 Guidelines.

Per the Government Code, the next step to acquire the Property is for the Board to approve the attached Resolution to notify the public of the County’s intent to acquire the Property and to authorize the Clerk of the Board to set a public hearing for March 12, 2024, no earlier than 10 a.m. PST, allowing the public the opportunity to comment on the acquisition of this real property.

Background

SLRH, a 90-bed acute care hospital offering a wide range of services to residents in both the County of Santa Clara and San Benito County, was acquired in March 2019 as part of a \$235 million-dollar purchase from Verity Health System of California by the County. The purchase also included the 358-bed O’Connor Hospital in San Jose and the De Paul Health Center, an urgent care clinic in Morgan Hill.

CHILD IMPACT

The purchase of the Property would likely have a positive impact on children and youth through the Access to Health Care indicator by maintaining health care facilities in the community.

SENIOR IMPACT

The purchase of the Property would likely have a positive impact on seniors by maintaining health care facilities in the community.

SUSTAINABILITY IMPLICATIONS

The purchase of the Property would have positive environmental sustainability implications by increasing the availability of, and improved access to, medical services in proximity to other health care facilities.

CONSEQUENCES OF NEGATIVE ACTION

The purchase of the Property would not be considered at this time.

STEPS FOLLOWING APPROVAL

- Publish notification of Notice of Intent to Purchase Real Property for three weeks prior to the March 12, 2024 hearing to consummate purchase in accordance with California Government Code 6063.
- Send notification, copy of adopted Resolution, and proof of publication to Qais Sediqi and Sandy Vela of FAF no later than one day after approval.
- Set March 12, 2024, at 10 a.m. as the date and time to consummate acquisition of real property.

ATTACHMENTS:

- Resolution for 9460 No Name Uno