



Board Agenda Item 22

DATE: January 7, 2025

TO: Board of Supervisors

SUBMITTED BY: Edward Hill, Chief Operating Officer/Interim Director of Internal Services/Chief Information Officer
Susan L. Holt, LMFT, Director, Department of Behavioral Health
Sanja Bugay, Director, Department of Social Services

SUBJECT: Ratify First Amendment to Sale/Purchase Agreement for University Medical Center Campus and Approve Lease Agreement

RECOMMENDED ACTION(S):

- 1. Ratify the execution of the First Amendment to Sale/Purchase Agreement and Escrow Instructions for the County owned surplus real property located at the northeast corner of E. Kings Canyon Road and S. Cedar Avenue, Fresno, CA, commonly known as the former University Medical Center Campus, by Edward Hill, Chief Operating Officer and Interim Director of Internal Services/Chief Information Officer effective December 16, 2024; and**
- 2. Approve and authorize the Chairman to execute a Lease Agreement with Boyd Fresno, LLC for approximately 109,928 square feet of space, together with related improvements and parking located on the former University Medical Center Campus, which includes initial one and two-year base terms with an optional conversion to a month-to-month lease after the expiration of the base term, with base rent not to exceed \$96,836 per month and monthly operating costs of \$2,525 per month, for a total rental and operations cost of approximately \$1,790,654, effective upon the close of escrow.**

There is no additional Net County Cost associated with the recommended actions. The first recommended action will ratify the execution of the first amendment to the Sale/Purchase Agreement and Escrow Instructions for the former University Medical Center Campus (the Property). This amendment provides for the division of the Property into four separate parcels, three of which will be transferred to the Buyer, and the provision for buyer's credits in lieu of repairs to be made to the Property. The second recommended action will approve a lease with Boyd Fresno, LLC to lease back the spaces still occupied by the Department of Behavioral Health (DBH) and the Department of Social Services (DSS). The recommended lease agreement will allow these departments to continue using their currently occupied spaces until their new buildings are complete. This item pertains to a location in District 3.

ALTERNATIVE ACTION(S):

There are no viable alternative actions. Approval of the first recommended action will ratify the execution of the First Amendment to the Sale/Purchase Agreement and Escrow Instructions, which allows staff to ensure that the Property is sold. Approval of the second recommended action permits critical County programs to temporarily continue operations on the Property while existing re-location efforts are completed.

FISCAL IMPACT:

There is no increase in Net County Cost associated with the recommended actions. The approval of the first recommended action will approve modifications to the Sale/Purchase Agreement providing for \$700,000 in buyer's credits toward the final purchase price to account for water damage and repairs to the electrical system.

The total cost of the second recommended action is an estimated \$1,790,654 for the full base term of all the portions of the recommended lease. Should DBH and DSS require additional time under the month-to-month provisions of the recommended lease, costs could be higher, but will not exceed the \$99,362 combined monthly base rent and operating costs.

The lease costs for DBH will be funded with Mental Health Realignment and Mental Health Services Act funds. Sufficient appropriations and estimated revenues are included in the Department of Behavioral Health Org 5630 FY 2024-25 Adopted Budget and will be included in future budget requests. The lease costs for DSS will be funded with State and Federal Social Services funds, 2011 Realignment, and 1991 Social Services Realignment funds. Sufficient appropriations and estimated revenues are included in the Department of Social Services Org 5610 FY 2024-25 Adopted Budget and will be included in future budget requests.

DISCUSSION:

The Property is composed of two six-story towers, with a four-story connecting wing, and various low-rise additions. Buildings on the Property vary in size from 741 to 178,233 square feet, totaling 412,280 square feet. All the buildings being sold are in average to fair condition, except for the hospital building, which has reached the end of its economic life. The surrounding buildings are used by DBH, DSS, and for ancillary facility support and storage, occupying 13% of the Property.

On June 8, 2021, this item came to your Board, at which time your Board declared the Property surplus land, and the County issued a notice of availability to the listed entities the County is required to notify. The County thereafter unsuccessfully negotiated with the City of Fresno through June of 2022. Due to the amount of time that passed since the County issued the last notice of availability and to ensure compliance with the Surplus Land Act, the County again declared the Property surplus land on April 11, 2023, and issued a notice of availability to the entities listed in the Surplus Land Act. This period expired on June 12, 2023. The County did not receive any responses of interest and did not participate in negotiations with any entities listed in the Surplus Land Act during this response period. The resolution set August 8, 2023, as the date for sale of the Property.

On July 18, 2023, this item came back before your Board to execute a marketing agreement with Colliers Tingey International and to extend the sale date to September 19, 2023.

On September 19, 2023, this item again came before your Board to move the date of the sale to the October 10, 2023 Board date to ensure enough time was available to comply with all required statutory noticing periods.

On October 10, 2023, your Board oversaw a public auction of the Property where Sevak Khatchadourian (Buyer) was the only bidder, at a purchase price of \$6,000,000. Your Board approved a form of the Sale/Purchase Agreement and Escrow Instructions to be finalized at a later date by the County Administrative Officer and/or the Director of Internal Services/Chief Information Officer. Final negotiations for the property transfer took a significant amount of time, and that document was fully executed on August 21, 2024.

On December 17, 2024, your Board provided direction to staff to accept the proposed first amendment to the Sale/Purchase Agreement providing for the split of the Property into four parcels and crediting the Buyer \$700,000 for remediation of damage caused during a flooding incident in December 2023 and other repairs

required at the site. This first amendment was subsequently executed by Edward Hill, Chief Operating Officer and Interim Director of Internal Services/Chief Information Officer and returns to your Board for ratification. With this first amendment, the Buyer has agreed to waive any further contingencies and is ready to proceed with closing escrow. Escrow should close on or around January 18, 2025.

Additionally, the sale included the provision that the County is allowed to lease back several buildings that still contain County operations for DBH and DSS. These operations are spread across three operational units and will relocate to other facilities as they become available. The recommended lease is structured to allow these relocations to occur independently and is designed to be flexible enough to accommodate potential delays in construction by being split into three phases. Phase 1 has a term through December 31, 2026, and Phases 2 and 3 have terms through December 31, 2025. All three lease terms may be carried over on a month-to-month basis, during which time, either party may terminate the lease with 90 days' written notice.

REFERENCE MATERIAL:

BAI #14, October 10, 2023
BAI #11, September 19, 2023
BAI #50, July 18, 2023
BAI #8, April 11, 2023
BAI #7, June 8, 2021

ATTACHMENTS INCLUDED AND/OR ON FILE:

On file with Clerk - Executed First Amendment to Sale/Purchase Agreement
On file with Clerk - Lease Agreement

CAO ANALYST:

Amy Ryals