File #: 19-101, **Version:** 1

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SUBJECT: Approval of Purchase and Sale Agreement Between the City of Merced (Seller) and Valley Children's Healthcare (Buyer) for the 4.54 Acre Parcel Located at 301 W. Yosemite Ave., Merced, CA in the Amount of $2,100,000

REPORT IN BRIEF

Considers approving a Purchase and Sales Agreement for the sale of a City owned 4.54 acre parcel located at 301 W. Yosemite Avenue to Valley Children's Healthcare for the development of a pediatric primary and specialty care medical office building. The Agreement contains escrow instructions for the sale of the property.

RECOMMENDATION

City Council - Adopt a Motion:

A. Approving the purchase and sale agreement between the City of Merced and Valley Children's Healthcare for 301 W. Yosemite Avenue (Assessor's Parcel Number 231-040-021); and,

B. Authorizing the City Manager or the Assistant City Manager to execute all the necessary documents; and,

C. Authorizing the Finance Officer to make the necessary budget adjustments.

ALTERNATIVES

1. Approve as recommended by staff; or
2. Approve, subject to conditions as specified by the City Council; or
3. Deny the request; or,
4. Refer back to staff for reconsideration of specific items as requested by the Council; or
5. Defer action until a specified date

AUTHORITY

Charter of the City of Merced, Section 200

CITY COUNCIL PRIORITIES

City of Merced Adopted Budget Fiscal Year 2018-2019, Section 10 - Public Safety, Police, Police Headquarters - "In accordance with Council Goals & Priorities concerning Future Planning, the Merced Police Department will continue to work closely with City staff to compose an accurate needs assessment and ideas for possible funding options for the construction of a new Police

Headquarters."

DISCUSSION

Valley Children's Healthcare is in agreement with the terms contained in the Purchase Sale Agreement for the transaction of a 4.54-acre parcel located at 301 E. Yosemite Avenue (ATTACHMENTS 1 & 2). Council selected Valley Children's Healthcare as the successful bidder for the subject site at the City Council meeting of October 15, 2018. The subject site is the former location for the future Police Department Headquarters. The site was originally purchased from the Estate of Spaulding Wathen for $1,090,135.00 on March 1, 2010. Valley Children's Healthcare bid to purchase the subject site for $2,100,000.00.

Project Description

To expand services in Merced, Valley Children's Healthcare proposes to develop a pediatric primary and specialty care medical office building on the Former Police Headquarters Site. Valley Children's pediatricians and pediatric specialists would be the occupants of the medical office building. The first phase of the building may consist of 15,000 to 20,000 square feet. They anticipate that demand for pediatric services in Merced could grow to require a 40,000-square-foot medical office at full build-out.

Valley Children's Hospital anticipates that at full-buildout, the value of the project will range from $20 to $30 million generating 50 to 60 full-time equivalent employees. Salary and benefits are expected to be from $4 million to $5 million at full-buildout.

Anticipated services to be provided at the Merced Specialty Care Center include:

Endocrinology	Gastrointestinal (GI)
Neurology	Cardiology & Cardiac Testing
Pulmonology	Urology
Orthopedics	Imaging Services
Maternal Fetal Medicine	Other services as warranted

Valley Children's Healthcare intends to construct a medical office building which may be licensed as a Hospital-based licensed clinic. The facility will be an outpatient building providing primary and specialty care to children, and will not be a licensed hospital or offering emergency services.

Each year, more than 14,000 children from Merced County are cared for by Valley Children's Healthcare. Since 1989, Valley Children's Healthcare has operated an outpatient specialty care center on Olivewood Drive at Meadows Avenue in Merced. The new facility means more children get care closer to home.

Over the past three years, Valley Children's has envisioned and executed three similar projects around the Valley. In July 2018, VCH opened an 18,716-square-foot medical office building in Clovis. On October 1, 2018, VCH opened a new 51,517-square-foot medical office building in

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Bakersfield. A 40,243-square-foot medical office building in Modesto is slated to open in February 2019. The Merced medical office building will be similar in design concept to the Clovis location (ATTACHMENT 3.)

Proposed Terms

Key proposed sales terms include the following:

Purchase Price:	$2.1 Million (sharing closing costs)
Land Size:	4.54-acres
Terms:	Cash, no financing
Deposit:	$25,000.00
Escrow:	Opens after Agreement is approved and fully executed
Due Diligence:	180 days from escrow opening
Development Pre-Application:	Submit prior to end of due diligence period
Site Plan Review Application:	90 days from Development Pre-Application review
Escrow Closes:	30 days from Site Plan Application Hearing
Broker Commission:	3% of Purchase Price
Buy Back Clause:	Not constructed, City re-purchases minus Broker Commission

IMPACT ON CITY RESOURCES

Closing costs and broker's commission will be paid from the land sale proceeds. The remaining proceeds will be used to fund Police Department Headquarters project 116040.

ATTACHMENTS

1. Location Map
2. Proposed Purchase and Sale Agreement
3. VCH - Clovis Facility