



Legislation Text

File #: 20-499, **Version:** 1

Report Prepared by: Frank Quintero, Director of Economic Development

SUBJECT: Consideration of a Third Amendment to the Purchase and Sales Agreement Between the City of Merced and Valley Children's Healthcare for the 4.54 Acre Parcel Located at 301 W. Yosemite Ave, Merced, CA

REPORT IN BRIEF

Considers modifying the terms of the purchase and sale agreement for 301 W. Yosemite Avenue to Valley Children's Healthcare with the escrow date changing to October 30, 2020 and allowing for 24-months for construction to start.

RECOMMENDATION

City Council - Adopt a Motion:

- A. Approving the third amendment to 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 Interim City Manager to execute all the necessary documents.

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 2020-2021, 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

On March 4, 2019, the City Council approved a Purchase and Sale Agreement with Valley Children's Healthcare (VCH) for the 4.54-acre parcel located at 301 W. Yosemite Avenue for \$2,100,000.00. The subject site commonly known as the former Police Headquarters property. The due diligence

period closed, and VCH received Site Plan Approval for the original design concept. The Valley Children's Healthcare design team is in regular contact with staff, and the project is in good standing.

Upon receiving Site Plan Review approval on January 16, 2020, VCH's design team requested staff to re-evaluate the need and improvements for Children's Way. Working on VCH's request took more staff time and coordination than expected resulting in two escrow extensions (First Amendment and Second Amendment) which were granted by staff.

Subsequently, Valley Children's Healthcare administrative resources were re-allocated for another project, and priorities changed as VCH committed staff to address the COVID-19 pandemic. The VCH project lead noted that the final design of the medical center may change and asked for an outline on how to revise the Site Plan Review approval reflecting the new configuration. Furthermore, City staff is assessing vacating Children's Way allowing for more site plan flexibility.

The Third Amendment - Key Changes:

As City staff and the VCH design team work together on design and improvements, both teams agreed that a Third Amendment to the original Purchase and Sale Agreement was needed. Notable changes to the terms include:

Construction Obligations: Original Agreement required construction start 12-months after close of escrow. The Third Amendment allows up to 24-months.

Escrow: Escrow will close on or before October 30, 2020.

Repurchase Rights: The original Purchase and Sale Agreement stated that the Right to Repurchase the property from VCH would be incorporated into the Grant Deed. The City retains the right to repurchase the property, however the form of the Grant Deed and Notice of Satisfaction is included as part of the Amendments.

City staff and VCH both concur with the terms contained in the Third Amendment to Purchase and Sale Agreement. The sale price for the 4.54-acre site remains at \$2,100,000.00.

Project Description: As a reminder, 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.

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. Third Amendment to Purchase and Sale Agreement

3. Administrative Report of March 4, 2019