



REPORT TO THE CITY COUNCIL

June 6, 2013

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| AGENDA ITEM NO. <u>2E</u> |
| COUNCIL MEETING <u>June 6, 2013</u> |
| APPROVED BY _____ |
| DEPARTMENT DIRECTOR _____ |

FROM: BRUCE A. RUDD, Assistant City Manager
City Manager's Office

SUBJECT: AUTHORIZE THE CITY MANAGER OR DESIGNEE TO EXECUTE THE PURCHASE AND SALES AGREEMENT WITH UNIWELL FRESNO HOTEL, LLC, FOR THE SCHOETTLER CONFERENCE CENTER AND ADJACENT PARKING GARAGE LOCATED AT 725 M STREET FOR \$2.4 MILLION

RECOMMENDATION

Authorize the City Manager or designee to execute the Purchase and Sale Agreement between the City of Fresno and Uniwell Fresno Hotel, LLC for the Schoettler Conference Center and adjacent parking garage at 725 M Street for \$2.4 million.

EXECUTIVE SUMMARY

On October 1, 2009, the City Council approved a sales agreement in which the City's Redevelopment Agency sold to Uniwell Fresno Hotel, LLC (Uniwell) the underlying fee interest in the land under which the Radisson Hotel is located. That action also included an amendment to the existing lease related to the Schoettler Conference Center and adjacent parking garage that allowed Uniwell to purchase both facilities at a later time. The proceeds from the sale of the land (\$2.9 million) were subsequently used to retire the remaining debt that had been previously issued by the City. The sales agreement also resulted in the title for both the Schoettler Conference Center and adjacent parking garage being transferred from the Redevelopment Agency to the City of Fresno.

Over the last several months there have been ongoing discussions/negotiations between representatives from the City of Fresno and Uniwell regarding the possible sale of both facilities. On February 14, 2013, the Fresno City Council was provided an update as to the status of these negotiations, including the findings of the appraiser's report as well as the general condition of the buildings. Based on those discussions staff continued to meet with Uniwell's representative with regard to the terms and conditions of a possible sale. The parties ultimately reached an agreement, in concept, that the City would sell the Schoettler Conference Center and adjacent parking garage "as is" for \$2.4 million, conditioned upon the completion of applicable environmental review and testing. The City was notified on May 15, 2013 that the test had been completed and the results showed no environmental issues were present at either location.

BACKGROUND

On October 1, 2009, the Fresno City Council approved an action that resulted in the sale of the land, in which the Radisson Hotel is located, to Uniwell Fresno, LLC (Uniwell) for \$2.9 million. This action

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also amended the existing sublease for the Schoettler Conference Center and adjacent parking structure to provide for four (4) five-year extensions (e.g., 20 years) as well as an amendment to the lease that would allow Uniwell to purchase the Schoettler Conference Center and adjacent parking garage sometime in the future.

The Council's action also allocated the proceeds from the sale of the underlying property to retiring the existing City issued debt, as well as transferring the title for the Schoettler Conference Center and adjacent parking garage to the City of Fresno. The lease payments derived from this agreement (\$30,000 annually) continued to be used by the Redevelopment Agency to fund ongoing obligations.

On July 20, 2012, Bruce Rudd, Assistant City Manager was contacted by Mr. Jeff Reid, who had been retained by Uniwell to discuss and negotiate a sales agreement in which the City would sell to Uniwell the Schoettler Conference Center and adjacent parking garage. Mr. Rudd advised Mr. Reid that the City was still interested in selling both facilities. Mr. Rudd also advised Mr. Reid that the City was developing technical specifications needed to repair the roofs as well as the Conference Center's heat, ventilation and air condition systems (HVAC) and that these repairs were estimated to cost approximately \$1 million. During this conversation, Mr. Rudd advised Mr. Reid that the City would agree to use Hamilton and Associates to conduct an appraisal of both facilities as they were the firm who had performed the Radisson Hotel property appraisal in 2009.

In December 2012, the City received a letter from Uniwell indicating a continued interest in purchasing the Conference Center and adjacent parking garage along with a copy of the updated appraisal conducted by Hamilton and Associates, who had estimated the value of both facilities at \$3.2 million. It should be noted that while the appraisal did take into consideration current market conditions, the appraised values also assumed that the roofs or HVAC systems were in good condition.

During the course of the next few months a series of meetings were held with Mr. Jeff Reid, Mr. Rudd, City Attorney Douglas Sloan, and Real Estate Specialist Craig Hansen, in an effort to negotiate the terms and conditions of a possible sales agreement. On February 14, 2013, staff advised the City Council of these negotiations and the possible sale of the two facilities, the appraiser's report, as well as the issues related to the overall condition of the buildings.

Based on these discussions, staff continued to meet with Mr. Reid in an effort to reach an agreement. While the parties were able to subsequently reach an agreement on the sale price of \$2.4 million, additional time was required to complete an environmental assessment of the site. This assessment included the taking of core samples and testing to ensure there were no latent environmental issues that would need to be mitigated. The tests, which were completed on May 15, 2013, showed no environmental related issues at either location.

FISCAL IMPACT

The \$2.4 million has been allocated in the Mayor's proposed 2014 Fiscal Year to help pay off an internal loan used to fund other General Fund related liabilities.