

SUBMITTAL TO THE BOARD OF SUPERVISORS
COUNTY OF RIVERSIDE, STATE OF CALIFORNIA



ITEM
3.29
(ID # 2942)

MEETING DATE:

Tuesday, November 8, 2016

FROM : SUPERVISOR MARION ASHLEY AND
SUPERVISOR JOHN TAVAGLIONE and ECONOMIC DEVELOPMENT AGENCY (EDA):

SUBJECT: Pre-Development Agreement – Riverside University Health System – Medical
Office Building

RECOMMENDED MOTION: That the Board of Supervisors:

1. Approve the attached Pre-Development Agreement;
2. Authorize the Chairman of the Board to execute this agreement on behalf of the County; and
3. Authorize the Assistant County Executive Officer/EDA, or his designee, to execute any other documents to complete this transaction.

FINANCIAL DATA	Current Fiscal Year:	Next Fiscal Year:	Total Cost:	Ongoing Cost
COST	\$ 0	\$ 0	\$ 0	\$ 0
NET COUNTY COST	\$ 0	\$ 0	\$ 0	\$ 0
SOURCE OF FUNDS: N/A			Budget Adjustment:	No
			For Fiscal Year:	2016/17

C.E.O. RECOMMENDATION: [CEO use]

MINUTES OF THE BOARD OF SUPERVISORS.

On motion of Supervisor Tavaglione, seconded by Supervisor Jeffries and duly carried by unanimous vote, IT WAS ORDERED that the above matter is approved as recommended.

Ayes: Jeffries, Tavaglione, Washington, Benoit and Ashley
Nays: None
Absent: None
Date: November 8, 2016
xc: EDA, Supvr. Ashley, Supvr. Tavaglione

Kecia Harper-Ihem
Clerk of the Board,
By *[Signature]*
Deputy

3-29

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STATE OF CALIFORNIA**

BACKGROUND

Summary:

In 2014, the Economic Development Agency, Real Estate Division, (EDA) established a new project on behalf of Riverside University Health System – Medical Center (RUHS), for a new medical office building and related facilities to be planned and constructed on the RUHS Medical Center campus located at 26520 Cactus Avenue, Moreno Valley. This project has developed due to the need to become more efficient in the delivery and variety of healthcare related services offered to patients of the hospital. Specifically, this project will relocate and expand certain outpatient related healthcare services currently in the hospital and place them into a new state of the art medical office building.

This project will serve to free up valuable hospital space for use as in-hospital specialty clinics. This project will expand the array of services available to the public and at the same time allow the hospital to better compete for customers of the hospital.

EDA in conjunction with RUHS and Developer has initiated space programming and design meetings resulting in a proposed three level 200,000 square foot medical office building. The building will be a steel frame constructed building and situated on the south side of the RUHS Medical Center directly adjacent to the existing hospital facility. The interior uses planned for the medical office building consist of Outpatient Health Clinics including Primary Care, Cardiology, Orthopedics, Pediatrics, Surgery Clinic providing Outpatient Surgery, PACU/23 hour, and Outpatient Diagnostics. In addition, a rehabilitation/gym, wellness center, lab and pharmacy.

Other improvements to be delivered through this project include a new café, hospital lobby approach and landscape and hardscape improvements. These improvements will collectively transform the look, feel and environment of the hospital creating a quality, healthy and modern environment.

The deal structure within this public, private, partnership between the County and Trammell Crow Company is a ground lease on the County owned land to the Developer, planning and construction of the project by the Developer and a long term facilities lease from the Developer back to the County for the County's occupancy of the facility. The negotiated terms also provides that the County will have options to purchase the facility from the Developer during the lease amortization period.

The purpose of this Form 11 is to authorize the Chairman of the Board to execute the attached Pre-Development Agreement with the Trammell Crow Company. The Agreement provides assurances to the Developer that the County will reimburse any actual pre-development expenses incurred by the Developer for the due diligence, design, space planning, entitlement and any other related services should the County decide not to move

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forward with the project. The amount of reimbursement expenses would be for actual proven costs incurred by the Developer but in an amount not to exceed \$2,500,000.

EDA and County Counsel are currently working to negotiate the ground lease and facilities lease agreements with the Developer and will return to the Board for consideration of those agreements no later than December 2016. This Pre-Development Agreement will automatically terminate upon approval of the pending ground and facilities lease.

Impact on Citizens and Businesses

The proposed development of a new medical office building at Riverside University Health System Medical Center will serve to enhance and expand healthcare related services currently offered to the citizens and residents of this region of the County. The new medical office building will also serve to grow and enhance businesses within the surrounding area.

SUPPLEMENTAL:

Additional Fiscal Information

Pre-Development reimbursement would only occur if the County decided not to move forward with the current medical office building project. Any reimbursement to the Developer would be solely for actual proven costs expended and associated with the project. Any potential reimbursement would be limited to a not to exceed amount of \$2,500,000.

Attachments:

Pre-Development Agreement

RF:JVW:VC:VY:SG:tg 18.486 13391

PRE-DEVELOPMENT AGREEMENT

84 This PRE-DEVELOPMENT AGREEMENT ("Agreement") is made effective as of the day of November 2016 and is made by and among the **COUNTY OF RIVERSIDE**, a political subdivision of the State of California ("County") and **TRAMMELL CROW SO. CAL. DEVELOPMENT, INC.**, a Delaware corporation ("TCSC").

RECITALS

A. County has determined that its best interests can be served by consolidating certain departments of the County's Riverside University Health System into a new medical office building (the "MOB") to be constructed on that certain land owned by the County and located at 26520 Cactus Avenue in the City of Moreno Valley, County of Riverside, State of California (the "Property").

B. TCSC is a national real estate development firm with experience in the oversight and management of design, permit processing and construction of office buildings and has been selected by County for the purpose of developing and financing the MOB and related facilities (the "Project"), as to be further described in a Facilities Lease Agreement and its exhibits which is currently being negotiated by County and TCSC ("Facilities Lease").

C. County, as ground lessor, and TCSC, as ground lessee, are currently negotiating a ground lease ("Ground Lease") for the Property upon which the Project is to be constructed and leased to the County pursuant to the Facilities Lease.

D. TCSC will be responsible to finance the cost of the Project in an amount approved by the County through the Facilities Lease which is anticipated to be considered by the Board of Supervisors of the County of Riverside in December, 2016.

E. As a condition to entering into the Facilities Lease between TCSC, as landlord, and County, as tenant, specific details and obligations of the parties with regard to the development and leasing of the Project will be outlined in the Facilities Lease.

F. The Ground Lease and Facilities Lease are collectively referred to herein as the "Project Agreements".

G. In order to meet County's timing concerns, County desires that TCSC commence, prior to the finalization of the Project Agreements, the performance of pre-development activities for the Project and, as an accommodation to County, TCSC agrees to proceed with the performance of certain pre-development activities pursuant to the terms of this Agreement.

Now, therefore, for good and valuable consideration, the receipt of which is hereby acknowledged, TCSC and County agree as follows:

AGREEMENTS

1. **Good Faith Negotiation of the Project Agreements.** County and TCSC agree to proceed with the negotiation of the Project Agreements in good faith and with due speed and diligence.

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2. Pre-Development Services. Prior to County and TCSC entering into the Facilities Lease and Ground Lease, TCSC shall undertake certain obligations related to the Project up to a maximum cost of \$2,500,000. Without limitation, those obligations include (i) negotiating an agreement with Ware Malcomb Architects for design of the Project, (ii) negotiating the terms and conditions of the Facilities Lease and Ground Lease with County, and (iii) taking all such actions as may be reasonably required to advance the Project in the pre-development period or as may be requested by the County. In addition, at County's request, prior to TCSC entering into the Project Agreements, TCSC shall assist with (a) due diligence for the Project, (b) the pursuit of entitlements for the Project, (c) the oversight of design and other professionals for the preparation of preliminary drawings for the Project, and (d) such other matters that TCSC reasonably deems necessary for the Project or as may be requested by the County.

3. Pre-Development Costs. In connection with the performance by TCSC of certain pre-development services as described in Section 2 above, costs, expenses and other financial obligations will be incurred by TCSC in connection with the Project ("Pre-Development Costs") pursuant to this Pre-Development Agreement. Without limitation, such Pre-Development Costs for the Project are anticipated to include (i) due diligence costs, (ii) application, processing, plan check and permitting costs, (iii) design and engineering fees and costs, (iv) consultant fees, (v) reasonable attorneys' fees and costs, and (vi) miscellaneous costs including title and surveying expenses. The Pre-Development Costs shall be paid in accordance with Section 6 below; provided, however, that if the Project Agreements are entered into, the Pre-Development Costs shall be paid as directed by the Project Agreements. If this Agreement is terminated by the County, the Pre-Development Costs shall be paid by County to TCSC as provided in Section 6 below.

4. Reimbursement of Certain County Costs. County may incur certain costs in connection with development of the Project prior to entering into the Project Agreements. If the County elects to be reimbursed for such costs, County shall give TCSC appropriate notice of the nature and amount of such costs prior to entering into the Project Agreements. In that event and to the extent permissible under applicable law, TCSC shall increase the total amount of the Project budget and cause such costs to be reimbursed to County upon receipt of the Project financing proceeds.

5. Termination. County may at any time upon ten (10) days' written notice to TCSC terminate this Agreement. This Agreement shall terminate upon the effective date of the Ground Lease and Facilities Lease Agreement., Said agreements are anticipated to be presented to the Board of Supervisors for consideration on or before December 15, 2016. In the event that this Agreement terminates upon the effective date of the Ground Lease and Facilities Lease Agreement, the Pre-Development Costs shall be paid as directed by the Project Agreements.

6. Payment of Fees upon Termination of this Agreement. In the event of termination by the County of this Agreement, TCSC shall terminate all efforts in connection with the Project as well and shall cause all third party consultants performing services relative to the Project to cease such services, subject to assignment to County of the contracts for such services as provided hereinbelow. Following County's satisfaction of its payment obligations set forth in this Section 6, TCSC shall assign to County any agreements entered into by TCSC in connection with the Project prior to such termination, together with any rights TCSC may have with respect to any work product or permits generated in connection with the Project that County elects in its sole discretion to assume. Any agreements which County elects not to assume shall be terminated by TCSC, as applicable. In the event of a termination by the County of this Agreement, within thirty (30) days following submission of an invoice therefor, County shall (i) reimburse TCSC for all Pre-

Development Costs, including reasonable attorneys' fees, actually incurred or accrued by, or invoiced to TCSC by reason of such termination for a total amount not to exceed \$2,500,000. As back-up documentation, TCSC shall submit invoices and receipts for such Pre-Development Costs to County.

7. **Breach; Remedy.** In the event any party defaults or fails to perform its obligations hereunder, the aggrieved party may seek any and all remedies available at law or in equity.

8. **Miscellaneous.**

8.1 **Governing Law.** This Agreement shall be construed according to laws of the State of California. Any claim or dispute arising out of this Agreement shall be brought in the courts of the County of Riverside.

8.2 **Full Information.** County shall provide full information regarding the requirements for the Project and TCSC may rely on the accuracy and completeness of any information provided.

8.3 **Prevailing Party.** In the event that any party to this Agreement brings an action to enforce the terms hereof or declare rights hereunder, the prevailing party in such action shall be entitled to recover its actual attorneys' fees and costs from the non-prevailing party.

8.4 **Counterpart Signatures.** This Agreement may be executed in one or more counterparts, each of which shall be deemed an original and all of which taken together shall constitute one and the same instrument. The execution of this Agreement shall be deemed to have occurred, and this Agreement shall be enforceable and effective, only upon the complete execution of this Agreement by both parties.

8.5 **Third-Party Rights.** Nothing in this Agreement, express or implied, is intended to confer upon any person, other than the parties and their respective successors and assigns, any rights or remedies.

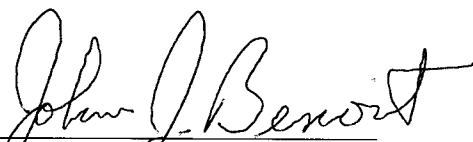
9. **Approval of Supervisors.** This Agreement shall not be binding or effective until its approval and execution by the Chairman of the Riverside County Board of Supervisors.

(Signatures Follow on Next Page.)

DATED as of the day and year signed by the Chairman of the Board of Supervisors for the County of Riverside.


COUNTY:

COUNTY OF RIVERSIDE

By: 
John J. Benoit, Chairman
Board of Supervisors
Date: NOV 08 2016

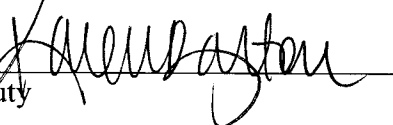
TCSC:

TRAMMELL CROW SO. CAL.
DEVELOPMENT, INC.,
a Delaware Corporation

By:  10/25/16
Name: David Nazaryk
Title: V. P.

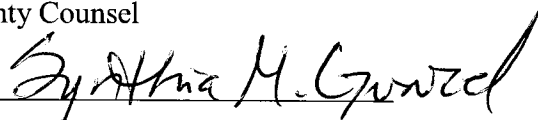
ATTEST:

Kecia Harper-Ihem
Clerk of the Board

By: 
Deputy

APPROVED AS TO FORM:

Gregory P. Priamos
County Counsel

By: 
SYNTHIA M. GUNZEL
Deputy County Counsel