

# Fresno Unified superintendent speaks out about lease-leaseback deal

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The superintendent of Fresno Unified School District says school board members were well aware of a controversial [preconstruction consulting agreement](#) with a developer that built the new Rutherford B. Gaston Middle School, and that the district has penned similar consulting deals with other construction companies.

Superintendent Michael Hanson told The Bee on Thursday that despite what's been said by at least one board member, trustees were alerted on several occasions about the consulting deal with Harris Construction.

From where I'm sitting, we have been communicating for a couple of years for lease-leaseback and preconstruction agreements and everybody knew at that time that we had Harris on the job.

Michael Hanson, Fresno Unified Superintendent

"We very clearly communicated to our board when we were using lease-leaseback on which projects, and preconstruction agreements were part of the agreement," he said.

"When member (Carol) Mills says, 'I don't recall these (consulting) agreements,'" he said, "it leads people to believe that what's happening is, I am directing staff under the cover of darkness without the board knowing it ... that's factually incorrect. That's just wrong."

A request by The Bee for copies of any emails or documents sent to trustees detailing the preconstruction agreement did not get an immediate response Thursday.

Hanson's comments come after [Mills told The Bee this week](#) that she was never informed about the controversial consulting deal signed by the district's chief financial officer, Ruth Quinto, and Harris Construction in February 2012. The agreement put the developer in charge of vetting the middle school project, working with designers and architects, and estimating project costs, among other things. Harris Construction agreed to do the consulting for free so long as it was awarded the bid to build Gaston Middle. Months later, Harris Construction got contracts worth nearly \$42 million to clear land and then construct the southwest Fresno school.

The deal is being pegged by some critics as a conflict of interest for the construction company since it was hired to make financial decisions about a public building project it was later awarded.

The brewing controversy stems from an [appellate court opinion related to the Gaston Middle project that was issued last week](#). The decision put Fresno Unified in hot water over using a method of handing out construction projects that avoids competitive bidding called lease-leaseback. It has also sparked interest from building groups and attorneys across the state that have overseen similar projects.

Unlike traditional competitive bidding agreements, where whoever offers the lowest price is usually given the bid, lease-leaseback allows a school district to hand-pick a developer. Under the method, a school district leases land to the developer for a low price, the developer pays all the upfront costs to construct the school on the leased land, and then the district pays to "lease" the school until it has paid off the building price.

Fresno Unified and districts across the state have used the method for years, but some — including Fresno Unified and [Mt. Diablo Unified in Contra Costa County](#) — have been criticized for using it to unfairly skirt the sometimes

cumbersome process of competitive bidding.

[The appellate decision says](#) this was the case with the Gaston Middle deal: Fresno Unified had the money on hand to pay for the two-story building right away. The project was never a true lease-leaseback, since Fresno Unified never needed to “lease” the building to pay off the project, the justices said.

The court went even further, noting Harris Construction had an earlier consulting contract on the project that could give it an advantage when it came time to bid out construction. The plaintiff, builder Stephen Davis, has grounds to press a conflict-of-interest claim against Harris Construction when the case heads back to Fresno County Superior Court, the justices wrote.

After the opinion was filed last week, two trustees posed a question: Where was this consulting agreement and what did it say?

Mills was one of them.

She couldn't remember ever seeing a consulting agreement like the one described by the appellate court.

In fact, she said, the district's legal counsel told her last week that no consulting agreement exists. Hanson was present when the comment was made, she said, but did not disagree with or correct it.

“If the superintendent is saying the board was fully informed all along, I certainly do not recall this being the case, which is why I was surprised when (The Bee) called last week” and produced a copy of the agreement, she said.

“Also, if this was true, why was the board misled last week? Why did we not get a copy of the preconstruction agreement until after The Bee had it and was doing a story?”

Trustee Brooke Ashjian said he was told the same thing.

“Once we got the 42-page (appellate court) ruling, I read it five times and it consistently talked about the consultant agreement. Then I asked (Hanson) at the board meeting, where is the consultant agreement? He said there wasn't one. I asked our legal counsel. They said there isn't one.”

Trustee Valerie Davis said she was “probably aware” of the consulting agreement when it was signed, though she said she'd need to check her notes. Board President Cal Johnson declined to comment and said the board is meeting to discuss the topic during a closed session on Friday.

Former trustees Michelle Asadoorian and Larry Moore, who sat on the board when the deal was struck with Harris in 2012, said they'd never heard about the consulting agreement. Moore said the first he heard about it was when he read the news this month.

Moore was a defender of lease-leaseback when the district began using it several years ago. He said he liked the idea because it allowed Fresno Unified to keep low-bidding companies from the Bay Area or other parts of the state from sucking up all the district's construction projects. Local companies could get more work under lease-leaseback, since a low price point wasn't the only consideration the district needed.

But something happened along the way, he said.

“They turned it into something, from my point of view, that I never intended. They turned it into cronyism,” he said. “(The district) is going to whitewash this. If they can get away with it, they will.”

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