



# Monterey County

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## Board Report

Legistar File Number: A 17-332

July 25, 2017

Introduced: 7/17/2017

Version: 1

Current Status: Agenda Ready

Matter Type: BoS Agreement

- a. Approve and authorize the Deputy Purchasing Agent for Natividad Medical Center (NMC) or designee to execute Lease Renewal & Amendment No. 4 to Lease Agreement A-10756 (superseding Lease Agreement A-10986 as to Suites 230 and 250) with 1615 Bunker Hill, LLC by Thrust IV, Inc., its Managing Member as successor in interest to Creekbridge Office Center II, LLC, at 1615 Bunker Hill Road, Salinas, California. Lease Renewal & Amendment No. 4 renews and amends Lease Agreement A-10756 for Suite 100, and adds Suites 230 and 250 formerly occupied by the Health Department pursuant to Lease Agreement A-10986. The Lease Renewal & Amendment No. 4 is for Suites 100, 230, and 250 with a total square footage of 17,610 and with a renewal term of six (6) years effective October 1, 2017 for use by Natividad Medical Center; and
- b. Authorize the Auditor-Controller to make lease payments of \$32,220 per month and in accordance with the terms of Lease Agreement A-10756 as amended.

### **RECOMMENDATION:**

**It is recommended that the Board of Supervisors:**

- a. Approve and authorize the Deputy Purchasing Agent for Natividad Medical Center (NMC) or designee to execute Lease Renewal & Amendment No. 4 to Lease Agreement A-10756 (superseding Lease Agreement A-10986 as to Suites 230 and 250) with 1615 Bunker Hill, LLC by Thrust IV, Inc., its Managing Member as successor in interest to Creekbridge Office Center II, LLC, at 1615 Bunker Hill Road, Salinas, California. Lease Renewal & Amendment No. 4 renews and amends Lease Agreement A-10756 for Suite 100, and adds Suites 230 and 250 formerly occupied by the Health Department pursuant to Lease Agreement A-10986. The Lease Renewal & Amendment No. 4 is for Suites 100, 230, and 250 with a total square footage of 17,610 and with a renewal term of six (6) years effective October 1, 2017 for use by Natividad Medical Center; and
- b. Authorize the Auditor-Controller to make lease payments of \$32,220 per month and in accordance with the terms of Lease Agreement A-10756 as amended.

### **SUMMARY/DISCUSSION:**

Natividad Medical Center (NMC) has experienced a growth in its volume for both inpatient and outpatient areas over the past two years. The volume growth also required an increase in Natividad's resources to accommodate the clinical needs from many of the services provided. With the added resources over time, space has been a challenge to effectively provide the necessary space for employees and programs.

The proposed Lease Renewal & Amendment No. 4 (superseding Lease Agreement A-10986 as

to Suites 230 and 250) renews and amends Lease Agreement A-10756 for Suite 100, and adds Suites 230 and 250 formerly occupied by the Health Department pursuant to Lease Agreement A-10986 to Lease Agreement A-10756. The proposed Lease Renewal & Amendment No. 4 (superseding Lease Agreement A-10986 as to Suites 230 and 250) is for Suites 100, 230, and 250 with a total square footage of 17,610 and with a renewal term of six (6) years effective October 1, 2017 for use by the NMC.

The Health Department has recently vacated leased space at 1615 Bunker Hill Road, Suites 100, 230 and 250, Salinas, California. NMC would like to occupy the space that was vacated by the Health Department. NMC will be moving its Business Office, Finance and Accounts Payable departments to the leased space at 1615 Bunker Hill Road. The current space used by those departments in NMC's campus will be converted to be used by Case Management, Quality and Infection Control, Patient Transportation, Palliative Care and Medical Staff departments.

Lease Agreement A-10756 for Suite 100 at 1615 Bunker Hill Road, Salinas as amended pursuant to Lease Amendment No. 1, Lease Amendment No. 2 and Lease Amendment No. 2 (hereafter, Lease Amendment No. 3) has been in hold over status since June 1, 2017 which provides for a two month to two month basis at the monthly rent applicable to the last month of the Lease Term or Extended Term. The proposed Lease Renewal & Amendment No. 4 will provide for a new six (6) year lease term which will be renewed from October 1, 2017 to September 30, 2023. The amended rent amount will be \$32,220 per month. The \$1.83 "Full Service" cost per square foot is favorably below market rate. Unless otherwise amended, the terms of Lease Agreement A-10756 shall remain the same, including the "Termination by County" clause, and shall continue to provide for annual rental adjustments not to exceed three percent (3%). The property owner will be replacing carpet and flooring, and repainting the interior. NMC will be utilizing existing County telephone and data infrastructure left at the site by the Health Department.

#### **OTHER AGENCY INVOLVEMENT:**

The Office of the County Counsel, and Auditor-Controller's Office have reviewed and approved the proposed Lease Renewal & Amendment No. 4 to Lease Agreement A-10756 (superseding Lease Agreement A-10986 as to Suites 230 and 250) as to form and legality, and payment provisions, respectively. Due to the late submission of this Board Report, the CAO Budget and Analysis Division was not provided adequate time to fully review for potential fiscal, organizational, policy or other implication to the County of Monterey. The Resource Management Agency-Administrative Services assisted with the development of the proposed Lease Renewal & Amendment No. 4 to Lease Agreement A-10756 (superseding Lease Agreement A-10986 as to Suites 230 and 250) and this report. Lease negotiations were concluded as of Friday, July 14, 2017. The proposed Lease Renewal & Amendment No. 4 (superseding Lease Agreement A-10986 as to Suites 230 and 250) provides for a 60 day transition period to prepare the space for NMC operations. Due to the short amount of time available to prepare the space for occupancy and more importantly the Board of Supervisors legislative recess during the month of August, the proposed Lease Renewal & Amendment No. 4 to Lease Agreement A-10756 (superseding Lease Agreement A-10986 as to Suites 230 and 250) has been submitted directly to the Board of Supervisors for review and approval prior to submittal to NMC's Finance Committee and its Board of Trustees. NMC would incur monthly

costs for space - unavailable for use - if the proposed Lease Renewal & Amendment No. 4 to Lease Agreement A-10986 (superseding Lease Agreement A-10986 as to Suites 230 and 250) is routed through the standard process for approval. If the proposed Lease Renewal & Amendment No. 4 to Lease Agreement A-10756 (superseding Lease Agreement A-10986 as to Suites 230 and 250) is approved by the Board of Supervisors, it will be brought back to NMC's Finance Committee and its Board of Trustees.

**FINANCING:**

There is no General Fund contribution resulting from this Board action. There are sufficient appropriations and estimated revenues in the NMC451-9600 - NMC001-6811, Fiscal Year 2017-18 Adopted Budget to accommodate current fiscal year costs. The first year leasing cost will amount to \$386,640 which is subject to a 3% annual increase. Office furniture and equipment, set-up and moving costs are estimated to be \$125,000. The property owner will be responsible for costs associated with property taxes and assessments, fire insurance, utilities, janitorial, security, and maintenance and structural repairs as needed. The ongoing occupation of the leased premises and future extensions of Lease Agreement A-10756 as amended will be based on the continued availability of funding from NMC.

**BOARD OF SUPERVISORS STRATEGIC INITIATIVES:**

\_\_ Economic Development

X Administration

The lease amendment will allow NMC to utilize space (previously occupied by the Health Department) for non-medical staff in order to create more space at NMC for patient related needs. This is an improvement in resource management and results in a more efficient use of space for NMC as a whole.

X Health & Human Services

The lease amendment enables non-medical staff from NMC to move over to the offices at Bunker Hill, thereby freeing up space at the hospital for patient related services as the need for this has increased over the past several years. This additional patient-area space will improve the healthcare experience for patients at NMC.

X Infrastructure

NMC has been exploring various ways to add space for patient related services. Being able to move non-medical NMC staff over to the offices at Bunker Hill creates more space at NMC to treat patients and ensures that NMC is meeting its infrastructure needs without any unfavorable operational impact.

\_\_ Public Safety

Prepared by: Jennifer Griffey, Controller, 783-2373

Approved by: Daniel Leon, Chief Financial Officer, 783-2561

Attachments:

Proposed Renewal and Amendment 4 to Lease Agreement A-10756 with Exhibit A - Modified Premises

Lease Agreement A-10756 with Amendments 1 through 3

Lease Agreement A-10986 with Amendments 1 through 4

Location Map