



# County of Monterey

Board of Supervisors  
Chambers  
168 W. Alisal St., 1st Floor  
Salinas, CA 93901

## Board Report

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**File #:** A 13-059, **Version:** 1

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- a. Approve and authorize the Contracts/Purchasing Officer to execute a twenty year Lease Agreement with Community Hospital Properties for approximately 25,000 rentable square feet of space located at 1150-1154 Fremont Boulevard, Seaside, California for use by the Health Department's Clinic Services Bureau, to commence within one hundred twenty days of Board of Supervisors approval;
- b. Authorize the Auditor-Controller to make lease payments in an amount not to exceed \$68,750 per month and in accordance with the terms of the Lease Agreement; and
- c. Authorize the extension of the Lease Agreement for two additional five year terms under the same terms and conditions, if deemed by the Contracts/Purchasing Officer to be in the best interest of the County.
- d. Authorize the establishment of a committed fund of up to \$3.2 million from the Natividad Medical Center Enterprise Fund in accordance with the Article 5 of the Lease Agreement, solely for that purpose.

### RECOMMENDATION:

- a. Approve and authorize the Contracts/Purchasing Officer to execute a twenty year Lease Agreement with Community Hospital Properties for approximately 25,000 rentable square feet of space located at 1150-1154 Fremont Boulevard, Seaside, California for use by the Health Department's Clinic Services Bureau, to commence within one hundred twenty days of Board of Supervisors approval;
- b. Authorize the Auditor-Controller to make lease payments in an amount not to exceed \$68,750 per month and in accordance with the terms of the Lease Agreement; and
- c. Authorize the extension of the Lease Agreement for two additional five year terms under the same terms and conditions, if deemed by the Contracts/Purchasing Officer to be in the best interest of the County.
- d. Authorize the establishment of a committed fund of up to \$3.2 million from the Natividad Medical Center Enterprise Fund in accordance with the Article 5 of the Lease Agreement, solely for that purpose.

### SUMMARY/DISCUSSION:

Approval of the Lease Agreement will provide for occupancy of approximately 25,000 rentable square feet of medical space to be used by the Health Department's Clinic Services Bureau (Bureau). The lease term will commence within one hundred twenty (120) days of Board of Supervisors approval, and expire after a twenty year term. Commencement rent shall not exceed \$68,750 per month, including Premise Improvement costs. Monthly base rent shall be appropriately abated based on percentage of usable occupancy for clinic operations during Premise Improvement as defined in Lease Agreement Article 7. The Lease Agreement provides for two, five-year extension options under the same terms and conditions including annual rent adjustments.

The downturn in the economy, which has resulted in lost jobs and resultant loss of health insurance in combination with the 2014 access to care provisions of the Patient Protection and Affordable Care Act, have created a growing need in Monterey County for increased access to primary care and specialty medical services. It is estimated that on January 1, 2014, approximately 27,000 formerly uninsured Monterey County residents will become eligible Medi-Cal beneficiaries, another 27,000 will obtain health insurance through health insurance exchange, and up to 26,000 will remain uninsured (mostly due to documentation status).

Health Department staff has been working on plans to expand services in Seaside in an effort to improve access to health care services. The Seaside Family Health Center is designated as a Federally Qualified Health Center Look-

Alike and, as a requirement of its licensure, must remain located in the area of the population it serves. The Seaside Family Health Center generated approximately 35,974 patient visits in FY 2011-2012 and the facility needs to increase capacity due to anticipated increased patient participation. The Lessor plans to acquire the current facility and perform Premise Improvements, expanding the square footage available for occupancy by the Bureau from 11,372 square feet to approximately 25,000 square feet which will help meet the goal of increasing clinic capacity to meet growing patient access needs and strategic clinical standards.

The Lessor shall perform Premise Improvements and make installations in the Premises in accordance with plans and specifications at a cost not to exceed \$3,618,000. Said improvement costs will be amortized over ten (10) year term at 4% interest and will be included in the monthly lease payment until fully amortized. Premise Improvements will include costs associated with architectural, engineering, building permits and fees, inspections and signage. Funds in the amount of \$3.2 million will be committed by Natividad Medical Center Enterprise Fund for Premise Improvements, available for the sole purpose of meeting the County's obligation as outlined in Article 5 of Lease Agreement.

The Lease Agreement is contingent upon Lessor's successful acquisition of the property, including all necessary permits, entitlements, environmental reviews and approvals for construction project, relocation of existing residential tenants, adequate water rights, and successful lease or purchase of neighboring property for additional parking.

OTHER AGENCY INVOLVEMENT:

The Department of Public Works advised the Health Department for its development of the Lease Agreement. The Office of the County Counsel has reviewed and approved the Lease Agreement as to form and legality and Risk Management has approved it as to insurance and indemnity. This item was presented and approved at the April 18, 2013 Capital Improvement Committee meeting.

FINANCING:

There is no financial impact to the General Fund resulting from approval of this Lease Agreement. Sufficient funds are available in the Health Department, Clinic Services Bureau (001-4000-HEA007) FY 2012-13 Adopted Budget and are included in its FY 2013-14 Requested Budget. The monthly base rent shall be appropriately abated based on percentage of usable occupancy for clinic operations during Premise Improvements. The first-year leasing cost will not exceed \$825,000. Monthly base rent shall be appropriately abated based on percentage of usable occupancy for clinic operations during Premise Improvement as defined in Lease Agreement Article 7. Landlord agrees to waive the monthly base rent for the first two (2) months after Premise Improvements are completed to offset moving, data cabling, storage, and other relocation expenses paid by Bureau. On-going occupation of the leased premises and future extensions of the Lease Agreement will be based on the continued availability of funding. The Lease Term or any Extended Term will be subject to a 1% increase to the base rent at the end of each lease anniversary year. At the time of the approval of the Lease Agreement, funds in the amount of \$3.2 million will be committed by Natividad Medical Center Enterprise Fund for Premise Improvements, available for the sole purpose of meeting the County's obligation as outlined in Article 5 of Lease Agreement.

Prepared by: Elsa Jimenez, Assistant Director of Health, 755-4743

Approved by: Ray Bullick, Director of Health, 4526

Attachment: Lease Agreement is on file with the Clerk to the Board.

