



Board Report

File #: A 20-133, **Version:** 1

- a. Approve that the purchase of the 18,500 square-foot clinic building located at 1156 Fremont Boulevard in Seaside (APN 012-371-023 & 012-371-063), is exempt from CEQA per the General Rule exception of section 15061 of CEQA Guidelines because there will be no change in use of the building;
- b. Approve a Commercial Property Purchase Agreement and Joint Escrow Instructions with Montage Health, a California nonprofit for public benefit corporation, to acquire the building for the estimated amount of \$11,810,000 for the continued use as the Health Department's Seaside Family Health Center;
- c. Authorize the Contracts/Purchasing Officer to execute the Commercial Property Purchase Agreement and Joint Escrow Instructions and any necessary transfer documents to complete the purchase including Certificate of Acceptance and Consent to Recordation on behalf of the County; and
- d. Adopt a resolution to authorize and direct the Auditor-Controller to amend the Fiscal Year (FY) 2019-20 adopted budget for Facilities Master Plan Projects, Fund 404, Appropriation Unit RMA015, increasing appropriations and Operating Transfers In by \$11,810,000, where the Operating Transfer in will be provided by Natividad Medical Center (NMC), Fund 451, Appropriation Unit NMC001 for the acquisition of the property (4/5th vote required).

RECOMMENDATION:

- a. Find that the purchase of the 18,500 square-foot clinic building located at 1156 Fremont Boulevard in Seaside (APN 012-371-023 & 012-371-063), is exempt from CEQA per the General Rule exception of section 15061 of CEQA Guidelines because there will be no change in use of the building; and
- b. Approve a Commercial Property Purchase Agreement and Joint Escrow Instructions with Montage Health, a California nonprofit for public benefit corporation, to acquire the building for the estimated amount of \$11,810,000 for the continued use as the Health Department's Seaside Family Health Center; and
- c. Authorize the Contracts/Purchasing Officer to execute the Commercial Property Purchase Agreement and Joint Escrow Instructions and any necessary transfer documents to complete the purchase including Certificate of Acceptance and Consent to Recordation on behalf of the County; and
- d. Adopt a resolution to authorize and direct the Auditor-Controller to amend the Fiscal Year (FY) 2019-20 adopted budget for Facilities Master Plan Projects, Fund 404, Appropriation Unit RMA015, increasing appropriations and Operating Transfers In by \$11,810,000, where the Operating Transfer in will be provided by Natividad Medical Center (NMC), Fund 451, Appropriation Unit NMC001 for the acquisition of the property (4/5th vote required).

SUMMARY/DISCUSSION:

The Monterey County Health Department operates ten (10) Federally Qualified Health Centers (FQHC) in the cities of Salinas, Marina, and Seaside. In anticipation of the expansion of Medi-Cal as part of the Affordable Care Act in January 2014, the downturn in the economy at that time resulting in the loss of jobs and employer sponsored health insurance, and the growing need for increased access to primary care and specialty services, the Health Department pursued its plans for expansion of services in the City of Seaside in an effort to improve access to health care services. Community Hospital Properties, Inc. (CHP) a division of the Community Hospital of the Monterey Peninsula, now part of Montage Health, a California nonprofit public benefit corporation, was interested in partnering with the County of Monterey to increase access to healthcare services in the city of Seaside and surrounding communities.

In June 2013, the County entered into a 20-year Lease Agreement (No. A-12467) with CHP for the development of a new Seaside Family Health Center of approximately 25,000 rentable square feet at the property located at 1150-1154 Fremont Boulevard in Seaside. The Lease Agreement provided for Tenant Improvements at a cost not to exceed \$3,618,000.

In September 2014, Amendment No. 1 to the Lease Agreement was executed to modify the rentable space to 19,962 square feet and provide additional time necessary to finalize the plans for the tenant improvements of the premises and for CHP to acquire a neighboring property for additional required parking.

Effective January 12, 2016 Amendment No. 2 to the Lease Agreement was executed for the construction of a new building at the rear of the existing site for occupancy by the County. For months, the County worked with CHP's designated project manager and architectural services firm on tenant improvement plans. In good faith, neither party could recommend to their respective boards to proceed with developed plans as it would cost approximately \$8,000,000 to renovate the existing facility. As an alternative, CHP and the Health Department agreed to consider designing a new one-story building of approximately 18,500 square feet on the newly acquired neighboring property with the parking lot relocated to where the existing structures would be demolished. Construction of the new building included approximately \$10,000,000 in Tenant Improvement cost. Additionally, Amendment No. 2 included a right of first refusal and option to purchase. The County needs to exercise this option within thirty-six (36) months of occupying the new building, which has an address of 1156 Fremont Boulevard, Seaside.

The Health Department started to operate the new Seaside Family Health Center on July 5, 2017 with minimal interruption to services. In accordance with the option to purchase provision in Amendment No. 2, the County must enter into a purchase transaction with CHP prior to July 5, 2020. Staff from the Health Department, County Administrative Office, and Natividad, after preparing and reviewing financial forecasts for Health Department clinic operations, determined it is in the best long-term financial interest of the County to exercise the option to purchase. Under governing rules for FQHCs, entities may only recover costs for lease payments based on market rate rent for that area. The estimated annual lease payments including repayment of Tenant Improvement costs over a 10-year period would be about \$1.4 million of which \$800,000 would not be recoverable by the Health Department through its reimbursement mechanisms based on market rents for this area.

The Seaside Family Health Center served 12,515 patients provided 47,826 primary and specialty care visits in Fiscal Year 2018-19 or a 20% increase in the number of patients and 25% in the number of visits provided in Fiscal Year 2016-17. As of June 2018, patients may access dental services on premises through an agreement with Clinica de Salud del Valle de Salinas, a service that would not be available onsite without expansion of facility.

The Health Department currently operates its Laurel clinics on Natividad managed property and buildings, and reimburses Natividad based on a pro-rated allocation of building use. A similar arrangement would be entered into by both Departments for the Seaside Family Health Center that will include reimbursement for funds used to acquire facility through an amortization schedule. Currently CHP maintains the SFHC facility and grounds through a Property Management Company. The Health Department will work with Natividad and RMA to determine best course of action for future maintenance of facility and grounds.

The Resource Management Agency has completed all necessary due diligence reviews and inspections concerning the Salinas Family Health Center property and sees no reason to not move forward with the proposed facility purchase.

Since there is no change in the existing clinic use, there is no possibility that the proposed purchase will have a significant effect on the environment. Therefore, the purchase is not subject to CEQA per the General Rule exception of section 15061 of CEQA Guidelines.

This work supports the Monterey County Health Department 2018-2022 Strategic Plan Initiative; 3. Ensure access to culturally and linguistically appropriate, customer-friendly, quality health service. It also supports the following of the ten essential public health services, specifically: Link people to needed personal health services and assure the provision of healthcare when otherwise unavailable.

OTHER AGENCY INVOLVEMENT:

The Health Department worked with Resource Management Agency and Natividad in development of this report. The Health Department and the Resource Management Agency have participated in lease/acquisition negotiations and the development of costs, timeline, and plans and specifications. County Counsel has approved the Commercial Property Purchase Agreement and Joint Escrow Instructions as to form.

FINANCING:

If approved, the Facilities Master Plan Projects, Fund 404, Appropriation Unit RMA015, adopted FY 2019-20 budget would be amended to increase appropriations and Operating Transfers In by \$11,810,000, where the Operating Transfer In will be provided by the Natividad Medical Center, Fund 451, Appropriation Unit NMC001.

BOARD OF SUPERVISORS STRATEGIC INITIATIVES:

This action improves health and quality of life through County supported policies, programs, and services; promoting access to equitable opportunities for healthy choices and healthy environments in collaboration with communities.

- Economic Development
- Administration
- Health & Human Services
- Infrastructure
- Public Safety

Prepared and Approved by:

Date: _____
Elsa M. Jimenez, Director of Health, 755-4526

Approved by:

Date: _____
Gary R. Gray, DO, Chief Executive Officer, 783-2504

Attachments:

- Exhibit A Resolution
- Exhibit B Lease Agreement
- Exhibit C Amendment 1
- Exhibit D Amendment 2 (**with option to purchase**)
- Exhibit E Site Plan and Floor Plan
- Exhibit F Acquisition Cost Breakdown
- Exhibit G Purchase Agreement
- Exhibit H Location Map