

January 15, 2002

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, CA 90012

Dear Supervisors:

**AMENDMENT NO. 1 TO SUBLEASE NO. 70542
DEPARTMENT OF HEALTH SERVICES
7500 EAST HELLMAN AVENUE, ROSEMEAD
(FIRST) (3 VOTES)**

IT IS RECOMMENDED THAT YOUR BOARD:

1. Approve and instruct the Chairman to sign the attached amendment with National Psychiatric Services, Inc. (NPSI), (Sublessor), for the use of 48 licensed hospital beds for LAC+USC Medical Center's Adult Psychiatric Inpatient Services for the Department of Health Services (DHS), at an initial annual maximum cost of \$1,311,000. Costs are 33 percent net County cost and 67 percent funded by State and Federal subvention.
2. Find that this sublease amendment is exempt from the California Environmental Quality Act (CEQA) pursuant to Class 1, Section r, of the Environmental Document Reporting Procedures and Guidelines adopted by your Board on November 17, 1987, and Section 15061 (b)(3) of the State CEQA Guidelines.
3. Instruct the Auditor-Controller to honor the Sublessor's rental demand in the amount of \$576,000 per year and authorize the County to continue to reimburse the Sublessor for the County's pro rata share of monthly expenses estimated at \$336,000 annually in accordance with the terms and conditions of the sublease; and to honor NPSI's demands for payment for ancillary services (housekeeping personnel and cleaning supplies, linen and laundry service and dietary services) in the approximate amount of \$399,000 per year in accordance with the terms and

conditions of the Services Agreement.

4. Approve the project and authorize the Chief Administrative Office (CAO) and DHS to implement the project. The sublease amendment will be effective upon approval of the Board of Supervisors.
5. Instruct DHS to coordinate with the CAO and the Department of Mental Health (DMH) and report to your Board within 120 days of amendment approval with a viable plan to relocate the psychiatric program to a different location by January 25, 2003 until such time that the LAC+USC Medical Center Replacement Hospital is opened in Fiscal Year 2006-07.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

The purpose of the recommended action is to extend the existing sublease with NPSI for 12 months in order to provide the County with additional time to identify an alternate facility and relocate the LAC+USC Adult Psychiatric Inpatient Services Program currently housed at 7500 East Hellman Avenue in the City of Rosemead (City of Angels Medical Center - Ingleside Campus ("Ingleside") formerly known as Ingleside Hospital).

The LAC+USC Adult Psychiatric Inpatient Services Program was displaced to Metropolitan State Hospital (MSH) in the City of Norwalk following the 1994 Northridge Earthquake. In February 1997, the program was subsequently moved to its current location at Ingleside as a result of the State Department of Mental Health Services' decision to consolidate its own mental health programs within the psychiatric space used by DHS at MSH.

The County currently leases 48 licensed psychiatric hospital beds in a 118 bed facility; the County space consists of approximately 25,000 square feet. The County provides its own medical and support staff (122 people) and finances the operation of the program through the LAC+USC operating budget, with financial support from DMH.

After a five-year partnership with NPSI, the County received formal notification on September 26, 2001 from NPSI that it was exercising its right under the terms and conditions of the sublease to terminate its agreement with the County. The termination of the sublease thus requires the County to vacate the existing space and relocate the

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adult psychiatric program to a different location no later than January 24, 2002.

Accordingly, CAO Real Estate staff conducted a site survey initially within a 10-mile radius of the LAC+USC Medical Center campus to determine the availability of comparable sites. CAO staff was unable to identify any sites in the surveyed area that could accommodate the program requirements. DHS evaluated County-owned facilities and determined that leasing of beds to be operated by LAC+USC Medical Center staff is the only feasible alternative at this time for psychiatric care of patients in the LAC+USC service area. DHS and CAO staff also toured St. Luke's Hospital in Pasadena and Santa Marta Hospital in East Los Angeles both of which had vacant available hospital beds; however, these facilities did not have any licensed psychiatric beds and conversion of the available beds was determined to be infeasible both time-wise and financially.

The proposed one-year lease extension is a short-term solution that simply provides additional time for CAO, DHS and DMH staff to develop a more viable long-term plan for serving this unique patient population within the community. Ultimately, the LAC+USC Adult Psychiatric Inpatient Services Program will need to be relocated to an alternate location no later than January 25, 2003.

Implementation of Strategic Plan Goals

The Countywide Strategic Plan directs that we invest in public infrastructure in order to strengthen the County's fiscal capacity. The lease of property supports this strategy by complying with the Strategic Asset Management Principles (Goal 4, Strategy 2, Objective 2). In this case we are leasing space on an interim basis, as further outlined in Attachment A, while evaluating other space alternatives.

FISCAL IMPACT/FINANCING

The annual cost of the sublease at Ingleside will be \$576,000 in base bed rent for 48 licensed psychiatric beds. The County's pro rata share of annual maintenance, utilities, taxes and insurance charges is estimated to be \$336,000. Ancillary hospital services

(housekeeping personnel and cleaning supplies, linen and laundry services, and dietary services) are estimated to be \$399,000.

| 7500 EAST HELLMAN AVENUE, ROSEMEAD | EXISTING SUBLEASE | AMENDED SUBLEASE |
|---|---|--|
| Area Term Annual Lease Costs** Option to Extend Cancellation Parking (Included in Base Rent) | 25,000 sq. ft. (48 beds) 5 yrs. (2/4/97-1/24/02)* \$1,002,449 1 five year option Either party could provide 120 days notice of cancellation at any time during the period July 1 to September 30 of each year. 53 spaces | 25,000 sq. ft. (48 beds) 1 year (1/25/02-1/24/03) \$1,311,000 None Sublessor may not cancel the sublease. The County may cancel at any time upon 30 days prior written notice. 53 spaces |

* The sublease was for a five year period commencing 2/4/97 and ending five years thereafter. NPSI exercised its right to cancel the lease on 9/26/01. The termination date is 1/24/02 prior to the end of the five year term.

** Annual lease costs are made up of three components. The annual rent of \$576,000 is based on a bed rate of \$1,000 per bed per month or \$33.33 daily. The County will also pay its pro rata share of operating expenses estimated to be \$336,000 annually and will pay for ancillary hospital services estimated to be \$399,000 annually. The County has been paying annual rent in the amount of \$267,449 (\$440 per bed per month plus CPI increases) or \$15.27 daily with operating expenses and ancillary hospital services costs being approximately the same as those proposed by the amended Sublease.

§ Sufficient funding for the proposed sublease is included in the 2001-02 LAC+USC Operating Budget. LAC+USC will continue to pay sublease costs directly to the Sublessor.

§ The cost associated with the proposed sublease will be 33 percent net County cost and 67 percent funded by State and Federal subvention.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

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Following business discussions with NPSI representatives, DHS and NPSI have agreed to extend the term of the sublease for 12 months. Based on the limited one-year term of the amendment, the CAO, DHS and DMH will be working together to identify suitable space to relocate the psychiatric program to another facility. Such alternatives to be explored by the County include leasing space at a new facility, contracting for additional psychiatric beds from the private sector and/or reopening psychiatric beds within existing County hospitals.

The proposed one-year sublease extension provides approximately 25,000 square feet to accommodate 48 psychiatric beds and appropriate office/ancillary support space. The proposed amendment contains the following changes and additions to the sublease:

- § The term of the amended sublease will commence on January 25, 2002, immediately upon expiration of the current sublease, and terminate on January 24, 2003.
- § The sublease is a modified full service sublease which has been reviewed and approved by Hellman Hospital L.L.C., the Master Lessor.
- § The Sublessor will provide 53 parking spaces included in the rental rate, sufficient to meet the parking needs of staff.
- § The County may cancel the sublease pursuant to this Amendment at any time upon 30 days' prior written notice. The Sublessor may not cancel at any time during the 12-month period.
- § LAC+USC Medical Center's Adult Psychiatric Inpatient Service and DHS may utilize Ingleside's on-site pharmacy, with prior approval, upon cash or pharmaceutical reimbursement to Sublessor.
- § No County Project Manager or employee, including the CAO, is authorized to approve any expenditure not expressly pre-approved by the Board of Supervisors. The Board of Supervisors will not retroactively approve expenditures.

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The Department of Public Works, has considered the facility and found it suitable for County occupancy under a sublease.

NEGATIVE DECLARATION / ENVIRONMENTAL IMPACT REPORT

The CAO has made an initial study of environmental factors and has concluded that this lease amendment is exempt from CEQA pursuant to Class 1, section r, of the Environmental Document Reporting Procedures and Guidelines adopted by your Board on November 17, 1987, and Section 15061(b)(3) of the State CEQA Guidelines.

IMPACT ON CURRENT SERVICES (OR PROJECTS)

It is the finding of the CAO that this proposed amendment is in the best interest of the County and will adequately provide the necessary space for this County requirement. In accordance with your Board's policy on the housing of any County offices or activities, DHS and DMH concur with this sublease recommendation.

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CONCLUSION

It is requested that the Executive Officer, Board of Supervisors, return two originals of the executed Amendment No. 1 to Sublease No. 70542 and the adopted, stamped Board letter, and two certified copies of the Minute Order to the Chief Administrative Office, Real Estate Division at 222 South Hill Street, 4th floor, Los Angeles, CA 90012 for further processing.

Respectfully submitted,

DAVID E. JANSSEN
Chief Administrative Officer

DEJ:SNY
CWW:CB:hd

Attachments (3)

c: County Counsel
Auditor-Controller
Department of Health Services
Department of Mental Health

ATTACHMENT A

DEPARTMENT OF HEALTH SERVICES
 7500 EAST HELLMAN AVENUE, ROSEMEAD

Asset Management Principles Compliance Form¹

| 1. Occupancy | | YES | NO | NA |
|--------------------------------|--|----------|----------|----------|
| A | Does lease consolidate administrative functions? ² | | | X |
| B | Does lease co-locate with other Department functions to better serve clients? ² No because of the 1994 earthquake. The new hospital being constructed at LAC+USC Medical Center will colocate this function once again. | | X | |
| C | Does this lease centralize business support functions? ² | | | X |
| D | Does lease meet the guideline of 200 sf of space per person? ² | | | X |
| 2. Capital | | | | |
| A | Should program be in leased space to maximize State/Federal funding? | | X | |
| B | If not, is this a long term County program? | X | | |
| C | Is it a net County cost (NCC) program? List% NCC 33% | X | | |
| D | If yes to 2 B or C; capital lease or operating lease with an option ? | | X | |
| E | If no, are there any suitable County owned facilities available? However, County owned facilities will be evaluated for future use potential. | | X | |
| F | If yes, why is lease being recommended over occupancy in County owned space? | | | X |
| G | Is Building Description Report attached as "Attachment B"? | | | X |
| H | Was build to suit or capital project considered? ² DHS will be evaluating all space alternatives and reporting to your Board. | | X | |
| 3. Portfolio Management | | | | |
| A | Did department utilize CAO Space Request Evaluation(SRE)? ² | | | X |
| B | Was the space need justified? | X | | |
| C | If a renewal lease, was co-location with other County departments considered? | | | X |
| D | Why was this program not co-located? | | | |
| | 1. The program clientele requires a "stand alone" facility. | | | |
| | 2. X No suitable County occupied properties in project area. | | | |
| | 3. X No County owned facilities available for the project. However, County owned facilities will be evaluated for future use potential. | | | |
| | 4. Could not get City clearance or approval | | | |
| | 5. The Program is being co-located | | | |
| E | Is lease a full service lease? ² County pays for operating expenses and ancillary hospital services. | | X | |
| F | Has growth projection been considered in space request? | | | X |

| | | | | |
|---|---|--|--|--|
| G | Has the Dept. of Public Works completed seismic review/approval? Built 1971. | <u>X</u> | | |
| | ¹ As approved by the Board of Supervisors 11/17/98 | <i>Please BOLD any written responses</i> | | |
| | ² If not, why not? | | | |