



County of Los Angeles CHIEF EXECUTIVE OFFICE

Kenneth Hahn Hall of Administration
500 West Temple Street, Room 713, Los Angeles, California 90012
(213) 974-1101
<http://ceo.lacounty.gov>

WILLIAM T FUJIOKA
Chief Executive Officer

August 11, 2009

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:

**DEPARTMENT OF PUBLIC WORKS:
SOUTH HEALTH CENTER REPLACEMENT PROJECT
ESTABLISH CAPITAL PROJECT NUMBER
CAPITAL PROJECT NUMBER 77177
(SECOND DISTRICT) (3 VOTES)**

SUBJECT

Establishment of Capital Project Number 77177 for the South Health Center Replacement project.

IT IS RECOMMENDED THAT YOUR BOARD:

Establish Capital Project Number 77177 for the South Health Center Replacement project.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

Approval of the recommended action will establish a Capital Project Number for the South Health Center Replacement project and allow the Department of Public Works (Public Works) to continue with preliminary planning and development of the project.

The existing South Health Center is an approximately 19,000 square-foot public health center originally constructed in the 1950's, with two subsequent facility additions in the 1960's. The South Health Center provides services through its clinics for sexually transmitted diseases, tuberculosis, and communicable disease immunizations. The South Health Center has been unable to provide an efficient, effective, and safe environment for patients and staff due to the repeated failure of its heating, ventilation, and air conditioning (HVAC) system. In addition to the problems with the HVAC system,

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the South Health Center has greatly deteriorated over the years and is not large enough to support the size of the program, and the building does not meet Americans with Disabilities Act (ADA) or Health Insurance Portability and Accountability Act regulations.

In the Fiscal Year 2008-2009 Proposed Budget, your Board approved an appropriation of \$7,450,000 for the refurbishment of South Health Center. During the facility assessment and programming phase, it became apparent that the appropriated funds were insufficient to provide a significant benefit to operations or to significantly extend the useful life of the facility. It was determined that a new facility would provide greater benefit to the County than refurbishment of the current health center.

In discussion with the Community Development Commission (CDC), the availability of a Housing and Urban Development (HUD) Section 108 Loan and an Economic Development Initiative (EDI) Grant in a designated empowerment zone provided an opportunity to fund construction of a new health center.

In addition to funding a new health center, this funding also provides the opportunity to further improve the Hubert H. Humphrey (Humphrey) Comprehensive Health Center with the funds originally appropriated for the refurbishment of South Health Center. The funds will be utilized at Humphrey Comprehensive Health Center to make improvements that would increase patient throughput and extend the useful life of the facility. In the Fiscal Year 2009-10 Final Budget, your Board approved the transfer of \$6,786,000 originally appropriated for the refurbishment of South Health Center to the Humphrey Health Center General Improvements Project, increasing the total funds for the project to \$12,546,000. We will return to your Board with a revised project scope and approval to expend these funds.

Proposed Project

The proposed South Health Center Replacement Project will be constructed at the northwest corner of 120th and Wilmington Avenue, Los Angeles, California 90059. The site is currently owned by the CDC of the County of Los Angeles and is located within the Willowbrook Community Redevelopment project area, a Federal Economic Empowerment Zone, adjacent to Charles Drew University of Medicine and Science, and across from the Martin Luther King Jr. (MLK), Multi-Service Ambulatory Care Center (MACC). The health center building site will be transferred to the County prior to completion of the project.

The new South Health Center will be approximately 25,000 to 30,000 square feet. In addition to meeting the County's requirements for sustainable buildings (Leadership in Energy and Environmental Design Silver or better), the HVAC system will be designed to meet current infection control standards. The placement of the new South Health Center at this site will complement the outpatient health care services currently provided

at MLK-MACC. These facilities, along with the Humphrey Comprehensive Health Center, contribute to a more robust regional health care model for the South Los Angeles area.

In addition, constructing the new South Health Center at this location eliminates any impact of construction on the operations of the current facility. The new location has better accessibility to the public because of its proximity to the 105 Freeway, Rosa Parks metro-station, and MLK-MACC.

Implementation of Strategic Plan Goals

The Countywide Strategic Plan directs the provision of Operational Effectiveness (Goal 1), Children, Family, and Adult Well-Being (Goal 2), and Health and Mental Health (Goal 4). A new facility will allow the Department of Public Health (Public Health) to provide all of its program functions to the community in a single location that will increase accessibility of services to the community and allow for efficient and continuous care.

FISCAL IMPACT/FINANCING

The project budget is currently estimated between \$17 and 19 million, although the final budget is yet to be determined. Financing for construction of the proposed project will be provided from a HUD Section 108 Loan, an EDI Grant, and the prior year net County cost previously allocated to and expended for the project. The EDI Grant and HUD Section 108 Loan provide a maximum of \$10 million each or an aggregate of \$20 million.

In 1995, HUD, in conjunction with the County of Los Angeles and the City of Los Angeles, recognized the need and the opportunity for economic development in the impoverished communities of Los Angeles. A new supplemental empowerment zone designation was included in HUD's original empowerment zone and enterprise community programs. In June of 1995, the County accepted a \$25 million EDI Grant award and an associated \$25 million award of HUD Section 108 Loan Guarantee Program authority. The requested \$10 million EDI Grant and the companion \$10 million HUD Section 108 Loan funds are included in the original awards of \$25 million in loan and grant funds. The grant and loan must be drawn in equal amounts and must be expended by December 2010 or returned to HUD.

While the project budget is not yet known, the estimated repayment cost on the maximum loan amount of \$10 million over a ten-year term is estimated at \$1.27 million per year or \$12.9 million over the overall loan term.

It is our intent to recommend the sale of the current South Health Center building for an amount reflective of its highest and best use to buy down the loan repayment of the HUD Section 108 Loan after completion of the new South Health Center. Presently, the resale value of the South Health Center is estimated to be approximately \$2.5 million. Application of these future proceeds to the outstanding loan balance would reduce annual payments to \$1.1 million. The CEO will return to your Board with recommendations regarding the sale of the existing facility and will include the repayment of the Section 108 loan in its multi-year forecast.

The County, with the assistance of the CDC, will submit an application for approval to apply for HUD funding for the South Health Center Replacement project. We will return to your Board with CDC to execute a Memorandum of Understanding that delineates responsibility and requirements for use of the land, construction of the project, and financing of the project.

Sufficient funding was appropriated in the Fiscal Year 2009-10 Final Capital Projects/Refurbishments Budget to fund the programming and development phases for the project. The Chief Executive Office will return to your Board upon completion of programming and scoping documents for approval of the project budget, schedule, scope and loan repayment plan.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

Not applicable.

ENVIRONMENTAL DOCUMENTATION

This action (establishment of a Capital Project Number for the South Health Center Replacement project) is not subject to the provisions of California Environmental Quality Act (CEQA) pursuant to State CEQA Guidelines 15060(c)(3) as the activity is not a project as defined in CEQA Guidelines section 15378 in that involves merely an organizational or administrative activity of government that does not have the potential for causing a significant effect on the environment.

In August 2006, the Board of Commissioners of the CDC approved an Amended Environmental Assessment/Mitigated Negative Declaration (AEA/MND) pursuant to the requirements of the CEQA for the construction of a 49,117 square-foot medical office building.

Public Works and the CDC will return to your Board and recommend approval of the AEA/MND before recommending any discretionary action constituting an approval of the project.

CONTRACTING PROCESS

To develop information required for CDC's application for the EDI Grant and HUD Section 108 Loan and to meet deadlines for the loan, the Chief Executive Office has directed Public Works to proceed with final programming and the development of scoping documents for the project. Public Works will be using one of its as-needed architect/engineer consultants, J.C. Chang and Associates, to complete these tasks. Upon approval of the grant and loan, Public Works intends to use the design-build delivery method to complete final design and construction of the project. Public Works may also use a Job Order Contract (JOC) for Make-Ready work to prepare the site prior to the start of design-build construction to eliminate any risk of delay due to unforeseen conditions in the soil.

IMPACT ON CURRENT SERVICES (OR PROJECTS)

There will be no impact to County services or projects as a result of the recommended actions. The existing South Health Center will remain in operation during construction of the new building.

CONCLUSION

Please return one adopted copy of this letter to the Chief Executive Office, Capital Projects Division; Department of Public Works, Project Management Division I; and the Community Development Commission.

Respectfully submitted,



WILLIAM T FUJIOKA
Chief Executive Officer

WTF:GF:DL
DJT:SW:zu

c: Auditor-Controller
County Counsel
Community Development Commission
Department of Public Health
Department of Public Works