



City of San Antonio

Agenda Memorandum

File Number: 14-3162

Agenda Item Number: 20A.

Agenda Date: 12/11/2014

In Control: City Council A Session

DEPARTMENT: EastPoint & Real Estate Services

DEPARTMENT HEAD: Mike Etienne and Dr. Thomas L. Schlenker

COUNCIL DISTRICTS IMPACTED: 3

SUBJECT:

Lease Amendment and Agreement: Metro Health Lease and Amendment Agreements with State of Texas for use of buildings located at Texas Center for Infectious Diseases for the Metropolitan Health District.

SUMMARY:

Consideration of the following ordinances authorizing the negotiation and execution of documents related to the expansion of an existing occupancy for the City operated Tuberculosis Clinic and the use of one building for lab purposes at the State owned Texas Center for Infectious Diseases by the San Antonio Metropolitan Health District:

- A) An ordinance approving the negotiation and execution of an Amendment to an existing lease for 3,662 additional square feet of clinic space with State of Texas Department of State Health Services in Council District 3, at 2303 SE Military Drive for a term ending March 31, 2034 at the additional monthly rental rate of \$1,220.66 at the commencement of the occupancy for the expansion area increasing to \$1,620.43 per month in the final year of the term and reimbursing the State of Texas up to \$10,000.00 for the renovation of the space to serve as additional office space for employees engaged in tuberculosis treatment and prevention programs under the management of the San Antonio Metropolitan Health District.
- B) An ordinance approving the negotiation and execution of a lease agreement for up to 12,000 square feet of lab and office space with State of Texas Department of State Health Services in Council District 3, at 2303 SE Military Drive for a term ending March 31, 2034 at the annual rental amount of \$1.00 plus operating expenses charged monthly at the rate of \$4,060.00 at the commencement of the occupancy for the space increasing to \$5,307.80 per month in the final year of the term and reimbursing the State of

Texas up to \$150,000.00 for the renovation of the space to serve as the primary lab for the City's public health operations under the management of the San Antonio Metropolitan Health District.

BACKGROUND INFORMATION:

A) Since 1997, through the San Antonio Metropolitan Health District's Tuberculosis (TB) Control Project the City provides clinical and health prevention services to the community. In April 2014, the City relocated these programs into a leased facility located at 2303 SE Military Drive, in Building 528, on the campus of the Texas Center for Infectious Diseases.

The TB Project, funded primarily through grants from the Texas Department of State Health Services, provides clinical facilities for the diagnosis, treatment and prevention of TB, and has an active therapy staff that delivers daily doses of prescribed TB medications to patients along with staff that manage and monitor TB occurrences throughout the City with the aim of identifying and avoiding a public health emergency before it occurs. Towards that goal the City has secured additional funding to augment its prevention services to hire additional personnel engaged in TB and other health related programs. As a result of hiring additional staff, SAMHD has a need for office space in which to located them and the building that houses the existing clinic has sufficient space that is not presently being utilized to accommodate this expansion.

B) The City presently provides laboratory services from the San Antonio Metropolitan Health District's (SAMHD) headquarters building located downtown at 332 West Commerce Street. Located on the second floor of that building, the lab facilities are antiquated and inhibit staff's ability to provide lab services including testing for sexually transmitted diseases, water and milk testing and other public health functions that are responsive to the needs of the community.

The Texas Center for Infectious Diseases (TCID) recently built new lab facilities and has fully functional lab space that is now surplus to their needs. The City proposes to renovate those facilities to make them state of the art and relocate the lab functions to this leased building located at 2303 SE Military Drive, in Building 533 on the campus of the TCID. This building will provided up to 12,000 square feet of lab and office space sufficient to accommodate SAMHD's needs.

The State of Texas has agreed to provide both of these facilities at a cost equal to the expense incurred by the State to operate the buildings including janitorial services, utility use and maintenance and repair of the buildings being used for this purpose. Additionally, the State, subject to reimbursement from the City, will complete all of the required renovations to accommodate the expansion of staff office needs in building 528 and to outfit the space in building 533 for lab purposes at a cost of \$10,000.00 and \$150,000.00 respectively.

ISSUE:

A) An ordinance approving the negotiation and execution of an Amendment to an existing lease for 3,662 additional square feet of clinic space with State of Texas Department of State Health Services in Council District 3, at 2303 SE Military Drive for a term ending March 31, 2034 at the additional monthly rental rate of \$1,220.66 at the commencement of the occupancy for the expansion area increasing to \$1,620.43 per month in the final year of the term. The 3,662 square feet of will be used to serve as additional office space for employees engaged in tuberculosis (TB) treatment and prevention programs under the management of the San Antonio Metropolitan Health District (SAMHD). SAMHD has hired additional staff through the Tuberculosis (TB) Control Project and needs additional space to

accommodate the expansion of public health services focused on TB treatment and prevention.

- B) An ordinance approving the negotiation and execution of a lease agreement for up to 12,000 square feet of lab and office space with State of Texas Department of State Health Services in Council District 3, at 2303 SE Military Drive for a term ending March 31, 2034 at the annual rental amount of \$1.00 plus operating expenses charged monthly at the rate of \$4,060.00 at the commencement of the occupancy for the space increasing to \$5,307.80 per month in the final year of the term to serve as the primary lab for the City’s public health operations under the management of the San Antonio Metropolitan Health District to accommodate the relocation of its existing lab services into a facility specifically built for this purpose.

The Texas Center for Infectious Diseases (TCID) recently built new lab facilities and has fully functional lab space that is now surplus to their needs. The City proposes to renovate those facilities to make them state of the art and relocate the lab functions to the proposed leased building.

ALTERNATIVES:

For both of these uses the City could seek other space in the City or renovate the existing lab into more productive and functional space. However, there are several factors to consider in this situation, such as: (i) the rate for these facilities is below market and represents the cost for the State of Texas to provide janitorial, utility and maintenance services to the property; (ii) in the case of the lab facility the space is already outfitted for the intended use, thereby minimizing the upfront costs for the City to relocate its lab functions; (iii) the building that houses the City’s existing lab functions will eventually be redeveloped for a purpose more befitting the historic structure in which it is located and the opportunity presented would relocate these functions at a cost much less than the cost to develop and construct a new lab, and; (iv) there is vacant space located adjacent to the existing tuberculosis clinic allowing for a seamless expansion and integration into the existing clinic. All of these factors contribute to leasing to meet these needs as the most practical approach for the City.

FISCAL IMPACT:

- A) The chart below details the fiscal impact associated with expanding the existing tuberculosis clinic leased space.

	Present Lease	As Proposed	Net Change
Term	Expires 3/31/2034	Expires 3/31/2034	No change
Rent	\$1,626.33 per month	\$2,846.99 per month	\$1,220.66 monthly increase
Size	4,879 square feet	8,541 square feet	3,662 square feet increase
Renovation	None	\$10,000.00	\$10,000.00

- B) The chart below details the fiscal impact associated with the lease for lab space.

Period	Monthly Rent	Change in Rent
Initial Rent Payment	\$20.00 Lump Sum	n/a
Occupancy Date - 3/31/16	\$4,060.00	none
4/1/16 - 3/31/17	\$4,120.90	1.5% increase

4/1/17 - 3/31/18	\$4,182.71	1.5% increase
4/1/18 - 3/31/19	\$4,245.45	1.5% increase
4/1/19 - 3/31/20	\$4,309.14	1.5% increase
4/1/20 - 3/31/21	\$4,373.77	1.5% increase
4/1/21 - 3/31/22	\$4,439.38	1.5% increase
4/1/22 - 3/31/23	\$4,505.97	1.5% increase
4/1/23 - 3/31/24	\$4,573.56	1.5% increase
4/1/24 - 3/31/25	\$4,642.16	1.5% increase
4/1/25 - 3/31/26	\$4,711.80	1.5% increase
4/1/26 - 3/31/27	\$4,782.47	1.5% increase
4/1/27 - 3/31/28	\$4,854.21	1.5% increase
4/1/28 - 3/31/29	\$4,927.02	1.5% increase
4/1/29 - 3/31/30	\$5,000.93	1.5% increase
4/1/30 - 3/31/31	\$5,075.94	1.5% increase
4/1/31 - 3/31/32	\$5,152.08	1.5% increase
4/1/32 - 3/31/33	\$5,229.36	1.5% increase
4/1/33 - 3/31/34	\$5,307.80	1.5% increase

In addition to the rent, the City will fund \$10,000.00 to finance the renovation of the space in Building 528 and \$150,000.00 to fund the renovation of the lab facilities in Building 533.

The adopted FY 2015 Budget includes sufficient funding to finance the renovation and occupancy for both agreements.

RECOMMENDATION:

- A) Staff recommends approval of the negotiation and execution of an amendment to an existing Lease with State of Texas Department of State Health Services for use of office and clinic space located at 2303 SE Military Drive, Building 528 for a term ending March 31, 2034 at the monthly rental rate of \$2,846.99 at the commencement of the occupancy for the expansion area increasing to \$3,778.49 per month in the final year of the term and reimbursing the State of Texas up to \$10,000.00 for the renovation of the space.
- B) Staff recommends approval of the negotiation and execution of a lease with State of Texas Department of State Health Services for up to 12,000 square feet of lab space located at 2303 SE Military Drive, Building 533 for a term ending March 31, 2034 at the annual rental amount of \$1.00 plus operating expenses charged monthly at the rate of \$4,060.00 during the first month of the term, increasing to \$5,307.80 per month in the final year of the term and reimbursing the State of Texas up to \$150,000.00 for the renovation of the space.