



City of San Antonio

Agenda Memorandum

File Number:15-4939

Agenda Item Number: 7.

Agenda Date: 10/1/2015

In Control: City Council A Session

DEPARTMENT: Health

DEPARTMENT HEAD: Dr. Vincent Nathan

COUNCIL DISTRICTS IMPACTED: 3

SUBJECT:

Allocate sufficient funds to renovate a leased facility for the Metropolitan Health District's lab facilities at the State owned Texas Center for Infectious Diseases.

SUMMARY:

Consideration of the following ordinance authorizing execution of a lease agreement for 11,985 square feet of lab space and providing a budget not to exceed \$400,000.00 to cover compensation expenses to the State of Texas for renovating lab space leased by the City at the State owned Texas Center for Infectious Diseases (TCID) located in Council District 3 at 2303 SE Military Drive to serve as the primary lab for the City's public health operations under the management of the San Antonio Metropolitan Health District (SAMHD).

BACKGROUND INFORMATION:

The City presently provides laboratory services from the 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.

Pursuant to an Ordinance adopted by Council on December 11, 2014, staff was authorized to negotiate and execute a lease agreement for up to 12,000 square feet of space at the TCID facilities. 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 within what has now been

verified to be 11,985 square feet of building area. However subsequent to the approval of this Ordinance, it was determined that the renovation estimates developed by State construction personnel were inadequate in terms of determining an accurate cost to renovate the facility. Though there was no change in scope of construction work contemplated for the renovation, a more comprehensive estimate indicated the cost would increase from the \$150,000.00 approved by Council to a cost not to exceed \$400,000.00. There are no other changes proposed to the program previously presented to Council including the State of Texas' agreement to provide this facility at a cost equal to the expense incurred by the State to operate the building including janitorial services, utility use and maintenance and repair of the buildings for a term that will end March 31, 2034.

ISSUE:

The City Council has previously authorized a lease for up to 12,000 square feet (now verified to be 11,985 square feet) of lab space pursuant to an agreement with the Texas Department of State Health Services at the TCID located 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 \$4,054.93 at the commencement of the occupancy for the space increasing to \$5,300.01 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 SAMHD to accommodate the relocation of its existing lab services into a facility specifically constructed for this purpose.

As part of this agreement, the State was to renovate the space, subject to reimbursement from the City, at an estimated cost of \$150,000.00. Subsequent to Council approval it was discovered that the estimates developed by the State were inadequate and a more comprehensive examination of the costs to renovate the space indicate that the actual cost will exceed the original estimate but will remain under \$400,000.00. Therefore, Council approval is required to affirm this increase in the construction budget.

ALTERNATIVES:

SAMHD spent considerable time investigating what could be accomplished within the approved budget of \$150,000.00 and determined that the work that could be completed would be inadequate for the successful operation of its lab program. Given that the space to be leased represents an opportunity for SAMHD to develop more functional lab facilities at a fraction of what it would cost to build these facilities coupled with the fact that the rental rate offered by the State starting at \$4.06 per square foot annually is significantly below market value which is estimated to be \$25.00 to \$30.00 for similar leased lab facilities, the most prudent course of action would be to increase the budget to accomplish the renovations necessary to outfit and equip the leased space for the City's needs.

FISCAL IMPACT:

The chart below details the fiscal impact associated with increasing the construction budget to accomplish the renovations necessary to renovate this leased facility.

	Approved by Council	As Proposed	Net Change
Term	Expires 3/31/2034	Expires 3/31/2034	No change
Yearly Rent	Year 1 at \$4.06 SF	\$4.06 SF	No change

Size	12,000 square feet	11,985 square feet	15 square feet decrease
Renovation	\$150,000.00	\$400,000.00	\$250,000.00 increase

The adopted FY 2016 Budget includes sufficient funding to finance the renovation and occupancy for this lease. A new capital project will be created in SAP in which \$200,000.00 will be transferred from the BES Facility Maintenance Fund in addition to funds already appropriated for the TCID Lab Renovation.

RECOMMENDATION:

Staff recommends approval of the execution of a lease agreement with State of Texas Department of State Health Services for 11,985 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 \$4,054.93 during the first month of the term, increasing to \$5,300.01 per month in the final year of the term and reimbursing the State of Texas up to \$400,000.00 for the renovation of the space.