

Agenda Report

TO: CITY COUNCIL **DATE:** NOVEMBER 2, 1998
FROM: CITY MANAGER
SUBJECT: COMMUNITY HEALTH ALLIANCE OF PASADENA LEASE AMENDMENT

RECOMMENDATION:

It is recommended that the City Council;

1. Approve an amendment to the lease agreement with Community Health Alliance of Pasadena (CHAP) that reduces the total rentable area to be leased by CHAP from 13,376 Net Square Feet to 9,518 Square Feet, and amend the lease to reflect that the City of Pasadena will be the landlord for Building 3 with CHAP leasing only the rentable area that it operates. Additionally, amend the lease to include a Right of First Offer with regard to any available space within Building 3 on the same terms and conditions as set forth in the amended lease and to include the Right of First Refusal, whereby CHAP shall have the right of approval for potential tenants based upon non-competing use and compatibility with the mission and guiding principals of CHAP.
2. Authorize the City Manager to enter into lease agreements with Pacific Clinics and Planned Parenthood of Pasadena Inc. for occupancy on the first floor of Building 3 in the Pasadena Community Health Center.

BACKGROUND

On April 7, 1997 The Pasadena City Council approved a lease agreement between the City of Pasadena and the Community Health Alliance of Pasadena (CHAP) for 13,376 net square feet of space at the Pasadena Community Health Center (PCHC). This lease was for the use of operational space in Building 3 at 1855 North Fair Oaks. The gross area of the building is 17,000 square feet. The use of Building 3 was specifically for the provision of additional and supplemental health services by local non profit organizations. The City has been involved with the creation and furthering the work of CHAP since its inception in February 1995.

In 1997 CHAP expressed a strong desire to operate health programs in Building 3 and negotiated the lease for the first and second floors, and most of the rentable area on the lower level. Under the lease agreement CHAP was authorized to negotiate sub-leases with additional tenants upon approval by the City Council.

On January 26, 1998 CHAP, in collaboration with Huntington Hospital opened a primary care clinic to the public for delivery of health services. The current lease agreement with CHAP is for the net square feet of 13,376. This represents the total rentable area within the 17,000 square foot facility. The City is offering CHAP the opportunity to only lease space their operation will use. The offer comes in light of the fact that CHAP has been unable to negotiate sub-leases with Planned Parenthood and Pacific Clinics for numerous reasons. The most significant impediment to negotiating sub-lease agreements has been related to charges for utilities. CHAP cannot afford to install the necessary meters which would be required to assess each tenant's utility use. A second impediment is the legal paradox CHAP faces in subleasing to the City of Pasadena for space which will be used by the Pasadena Public Health Department's Women Infants and Children Program (WIC). We are therefore recommending reducing the total lease space for CHAP to 9,518 square feet which is the operational area needed by CHAP to provide the health services they will be operating. We are also recommending the City Manager be authorized to enter lease agreements with Pacific Clinics for 932 Square Feet and Planned Parenthood of Pasadena Inc. for 1,979 Square Feet (see attached Basic Lease Information).

The remaining rentable space on the first floor is 1,167 square feet. This space will be occupied by the Public Health Department's WIC program.

FISCAL IMPACT

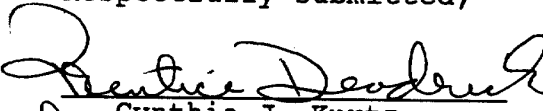
There is no fiscal impact with these changes. The revenue projected from the CHAP lease will be the same with the recommended changes. Revenue from the leases will cover all operational expenditures and debt service on the 1993 Certificate of Participation related to the Health Center. Full occupancy will relieve the general fund of \$50,000 being paid annually as a result of building vacancy.

City Council


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November 2, 1998


Respectfully submitted,


for Cynthia J. Kurtz
City Manager

Approved by:


Prentice Deadrick
Acting Assistant City Manager

Reviewed by:


Jay Goldstone
Director of Finance