

# City of Sacramento

## Legislation Text

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**File #:** 2019-01638, **Version:** 1

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**Title:**

**Lease Agreement: Oak Park Community Center Clinic and Establishing a MYOP**

File ID: 2019-01638

**Location:** 3415 Martin Luther King Junior Boulevard, District 5

**Recommendation:**

Adopt a Resolution: 1) finding that it is in the best interest of the City to lease the clinic building at 3415 Martin Luther King Jr. Blvd. to the non-profit WellSpace Health without competitive bidding; 2) approving the Lease Agreement with WellSpace Health at a rate of \$4,200 a month with a 3% annual escalator for a 10-year term with a 10-year renewal option; 3) authorizing the City Manager or City Manager's designee to execute the Lease Agreement; and 4) appropriating the lease revenues for long term maintenance of the building by establishing a new multi-year operating project (MYOP).

**Contact:** Shannon Brown, Deputy Director, , (916) 808-6076; Barbara Smith, Administrative Officer, (916) 808-5762, Department of Youth, Parks, & Community Enrichment

**Presenter:** None

**Attachments:**

1-Description/Analysis

2-Resolution

3-Lease Agreement Oak Park Clinic

**Description/Analysis**

**Issue Detail:** On July 1, 2019, the City obtained ownership of the building at 3415 Martin Luther King Jr. Blvd. located within the Oak Park Community Center complex from the County of Sacramento. The County constructed the building on City property under a ground lease agreement 40 years ago and operated the building to provide community health care services. The County leased a portion of the building to WellSpace Health, a non-profit organization, which operated a medical clinic and the Oak Park Children's Dental Center. The County later took over WellSpace Health's medical offices. The County moved out its operations earlier this year, but the dental clinic, managed by WellSpace

Health, remains in the building. WellSpace Health desires to rent the entire building from the City to move its community health services clinic back into the building. WellSpace Health has committed to a 10-year term and requested a 10-year renewal option.

The rent amount is \$4,200 per month plus a 3% annual escalator, which is less than market value as determined by City Real Estate but provides a funding source for building maintenance and repairs. WellSpace is responsible for the building operation costs including utilities. Due to the existence of the specialized clinical offices within the building and the need for low cost medical and dental services for the community at this location, staff recommends issuing the lease to WellSpace Health.

To ensure that sufficient funds will be available for the long-term, to fund capital cost building system replacements and maintenance such as roofing, a new MYOP needs to be established. All lease payments would be deposited into the MYOP to meet the City's commitments as the building landlord set forth in the Lease Agreement.

**Policy Considerations:** City Council approval is required to lease the building and to establish a MYOP. Providing low cost dental and medical services within the Oak Park community is consistent with the City's strategic plan to enhance livability in Sacramento's neighborhoods.

**Economic Impacts:** None

**Environmental Considerations:**

**California Environmental Quality Act (CEQA):** In accordance with Section 1530 of the CEQA Guidelines, this action is exempt from environmental review because it's an existing building and the medical clinic use is consistent with the prior use of the building. There is sufficient parking at the Oak Park Community Center complex to accommodate the medical clinic operation.

**Sustainability:** Not Applicable.

**Commission/Committee Action:** None.

**Rationale for Recommendation:** The building is already equipped with clinic offices to allow for providing medical, dental, and other health services to the community. WellSpace Health provides no or low-cost health services to the public. The clinic building is conveniently located within the Oak Park Community Center complex. WellSpace Health's dental clinic is a current tenant in the building and having WellSpace Health occupy and operate the entire building as a health clinic is in the best interest of the City.

**Financial Considerations:** The proposed action is to lease the building at a rate of \$4,200 a month

plus a 3% annual escalator and create the Oak Park Clinic MYOP. All lease revenues would be transferred to this MYOP to fund long term maintenance and capital replacements for which the City is responsible as the building owner. WellSpace Health will be responsible for operational and routine maintenance costs for the building.

**Local Business Enterprise (LBE):** Not applicable.