



Committee on Transportation and Infrastructure
U.S. House of Representatives

Bill Shuster
Chairman

Washington, DC 20515

Nick J. Rahall, III
Ranking Member

Christopher P. Bertram, Staff Director

COMMITTEE RESOLUTION

James H. Zoia, Democrat Staff Director

LEASE
DEPARTMENT OF VETERANS AFFAIRS
SAN JOSE, CA

Resolved by the Committee on Transportation and Infrastructure of the U.S. House of Representatives, that pursuant to 40 U.S.C. §3307, a replacement lease of up to 97,200 rentable square feet of space, and 576 parking spaces, for the Department of Veterans Affairs to replace the existing Community Based Outpatient Clinic in San Jose, California, at a proposed unserviced annual cost of \$5,586,000 for a lease term of up to 20 years, a prospectus for which, as amended by the respective section of the attached VA Lease Summaries, is attached to and authorized by this resolution.

Approval of this prospectus constitutes authority to execute an interim lease for all tenants, if necessary, prior to the execution of the new lease.

Provided that, to the maximum extent practicable, the lease contract(s) shall include a purchase option that can be exercised at the conclusion of the firm term of the lease.

Provided further, that the delineated area of the procurement is identical to the delineated area included in the prospectus and associated VA Lease Summary, except that, if it is determined that the delineated area of the procurement should not be identical to the delineated area included in the prospectus and associated VA Lease Summary, an explanatory statement shall be provided to the Committee on Transportation and Infrastructure of the House of Representatives prior to exercising any lease authority provided in this resolution.

Adopted: **September 17, 2014**

Bill Shuster, M.C.
Chairman

**San Jose, California
Outpatient Clinic Lease**

This proposal provides for leasing a replacement Community Based Outpatient Clinic in San Jose, CA, supporting the parent facility of the VA Palo Alto Health Care System in Palo Alto, CA.

I. Budget Authority

Lease Through	2012 Request	2012 Authorization Request	Unserviced Annual Rent
2034	\$9,545,760	\$9,545,760	\$5,585,760

II. Description of Project

This project will replace the existing 72,000 net usable square foot (NUSF) San Jose Community Based Outpatient Clinic (CBOC) in San Jose, CA. The existing 72,000 NUSF San Jose CBOC lease is set to expire in 2016 with no additional option years remaining on the existing lease and no opportunity to renew. The replacement lease will be for up to 72,000 NUSF and include at least 576 parking spaces. The San Jose CBOC will provide primary care, mental health and specialty care, to include audiology, podiatry and optometry. The clinic will also provide ancillary and diagnostic services, to include general x-ray, laboratory, pharmacy and telehealth.

Approval of this prospectus will constitute authority for up to 20 years of leasing, as well as potential extension of the present lease as may be necessary pending execution of the replacement lease.

III. Priorities/Deficiencies Addressed

This lease addresses the need to provide ongoing primary care, mental health and specialty care services to Veterans residing in San Jose, CA. The San Jose CBOC is a busy, multi-specialty clinic that treats over 10,000 Veterans annually. The San Jose CBOC is located in Santa Clara County where over 75,000 Veterans currently reside. Maintaining a presence in the San Jose region is critical to ensuring access to health care services for these Veterans, improving the likelihood that Veterans will seek care and comply with clinical treatment plans. A new 20-year lease is required since VA will have to vacate the existing facility no later than November 2016.

Replacing the San Jose CBOC with a new facility in the San Jose region will enable VAPAHCS to provide a state-of-the-art treatment facility using integrated design concepts. The new facility will be designed around the principles of Veteran- and family-centric care; providing space for interdisciplinary team delivery; integration of the family into the treatment plan; and creating space to optimize health and wellness. Continuing service in this region also embodies the goal of being patient-centric by

delivering care in a community setting where a substantial number of Veterans live, thereby reducing wait and drive times and eliminating service disparities.

IV. Alternatives to Lease Considered

Alternative 1 - Status Quo: The status quo would continue to provide outpatient services in the existing San Jose CBOC clinic until the current lease expires in 2016. The primary care access point in southern Santa Clara County would be eliminated, significantly decreasing access to care for Veterans. This alternative would require that Veterans residing in Santa Clara County, specifically in the City of San Jose, travel through densely congested traffic corridors to receive basic services in either Palo Alto or Monterey. In addition, this alternative does not provide any opportunity to decompress the Palo Alto Division. As it is the goal of VAPAHCS to improve access to services for Veterans, this option is not the most optimal.

Alternative 2 - New Lease (Preferred alternative): This project proposes to replace the 72,000 NUSF CBOC in San Jose, CA with a new, leased facility after the expiration of the existing lease in 2016. The replacement lease will be for up to 72,000 NUSF and include a minimum of 360 parking spaces. Through the competitive procurement process, this alternative will allow VAPAHCS to identify the best value land parcel and facility for the new clinic. The clinic will be designed to provide state-of-the-art services and incorporate the latest VA clinical delivery models, to include Patient Aligned Care Team practices. Therefore, leasing a facility in the San Jose area to ensure the continued provision of medical services is the preferred alternative.

Alternative 3 - Contract Out Services: This alternative would seek to contract out all ambulatory, mental health and specialty care in the community. As a national health care system, VA has gained a unique level of expertise in providing Veterans services, including the maintenance of a comprehensive medical record, expertise in mental health issues and provision of wellness outreach and education that would be extremely difficult to replicate in a community setting. Relying on a community or contract provider that potentially lacks expertise in Veteran issues to provide treatment to this potentially vulnerable and at-risk patient population poses a risk to Veteran safety. In addition, relying on contract providers to offer these services remains cost prohibitive and is subject to the availability of mental health providers within the community. Therefore, this alternative is the least preferred.

Alternative 4 - New Construction: This alternative would require VAPAHCS to acquire a land parcel and construct a new, 72,000 NUSF facility. A permanent site limits the ability to relocate services in the future to adapt to changes in Veteran demographics and is therefore less favorable. In addition, new construction would require land acquisition; this not only increases the cost, but would delay activation by approximately one year. Therefore, this alternative is the second preferred.

V. Demographic Data*

	2009	2019	2029	Change (2009-2029)
Veteran Population	225,428	167,749	129,722	-42%
Enrollees	71,246	72,179	65,915	-7%

*Data reflects the VISN 21 South Coast Market and 55% of Alameda County. Note: Alameda County is a shared county that is serviced by both VAPAHCS and VANCHCS. All of the workload for this county is included in the North Coast Market.

VI. Workload

	Current (2009)	Projected (2029)	Change (2009-2029)
Ambulatory stops	32,331	37,105	15%
Mental Health stops	19,111	24,517	28%

VII. Schedule

Award leases	January 2013
Complete construction	January 2015
Activation/Occupancy	March 2015

VIII. Project Cost Summary

Estimated Annual Cost	\$5,585,760
Proposed Rental Rate*	\$77.58/SF
Proposed Lease Authority	20 Years
Net Usable Square Feet	72,000
Parking Spaces	576
Special Purpose Related Improvements**	\$3,960,000

*Estimate based on 2011 rates, and may be escalated by 4% annually to the effective date of the lease to account for inflation.

**Represents lump sum payment to Lessor to design and build out space for clinical use; not included in base rent.

VA Lease Summaries:

1. Rochester, NY - Outpatient Clinic Lease

The new Community Based Outpatient Clinic (CBOC) will accommodate 84,000 net usable square feet (nurf)/113,400 rentable square feet (rsf) with approximately 672 parking spaces. The annual unserviced rent is estimated at \$4,611,000. The Outpatient Clinic will provide primary care, women's health care, Operation Enduring Freedom/Operation Iraqi Freedom programs, mental health programs, homeless outreach, home-based primary care, surgical specialties, ambulatory surgery, endoscopy, geriatric care, dental clinic, laboratory, pathology, radiology, ancillary services and compensation and pension services.

Delineated area - Properties must be located within the delineated area within the following boundaries:

North: Elmwood Avenue

South: Erie Station Road/E Henrietta Road/Goodburlet Road/Pinnacle Road/Reeves Road

East: Clover Street

West: W Henrietta Street

2. Mobile, AL - Outpatient Clinic Lease

The new Community Based Outpatient Clinic (CBOC) will accommodate 65,125 net usable square (nurf) feet/87,919 rentable square feet (rsf) with approximately 521 parking spaces. The annual unserviced rent is estimated at \$2,984,000. The lease will provide for administrative and clinic space consistent with VA CBOC requirements. Space will be allocated to the following general areas: audiology and speech pathology, care coordination home telehealth (CCHT), canteen, clinic administration, education, environmental management, eye clinic, home based primary care (HBPC), lab, medical administration, mental health, nursing, patient advocacy, pharmacy, primary care, radiology, surgical specialty clinics, and women's health.

Delineated area - Properties must be located within the delineated area within the following boundaries:

North: Moffett Road

South: County Road 30 (Theodore Dawes Rd) and 26 (Hamilton Blvd)

East: County Road 163(Dauphin Island Parkway) to Government Blvd to Houston St

West: County Road 31 (Schillinger Road)

3. Springfield, MO - Outpatient Clinic

The new Community Based Outpatient Clinic (CBOC) will accommodate 68,000 net usable square feet (nurf)/91,8000 rentable square feet (rsf) with approximately 544

parking spaces. The estimated annual unserviced rent is \$2,749,000. The new clinic will relocate and expand the existing 41,000 nusf Gene Taylor Community Based Outpatient Clinic from Mount Vernon, Missouri, where it currently serves over 17,000 unique Veterans. The new CBOC will continue to provide primary and specialty care, mental health and ancillary services. The new clinic will also provide sleep studies, radiology, Magnetic Resonance Imaging (MRI), laboratory, and dental services.

Delineated area - Properties must be located within the delineated area within the following boundaries:

North: Sunshine Street
South: US Highway 60 (properties located up to ½ mile South of US 60 will be considered within the boundary)
East: US Highway 65
West: US Highway 160

4. South Bend, IN - Outpatient Clinic Lease

The new Community Based Outpatient Clinic (CBOC) will accommodate 71,403 net usable square feet (nustf)/96,394 rentable square feet (rsf). The estimated annual unserviced rent is \$3,466,515. This CBOC will replace and expand South Bend's outpatient services to meet increasing Veteran demand, and will include following medical services: primary care; women's health care; home-based primary care; nutrition; audiology; tele-eye care and optometry; urology; cardiology; dermatology; physical therapy; podiatry; pulmonary function; some ambulatory procedures such as colonoscopies, sigmoidoscopies, endoscopies, and other minor procedures; ancillary services – laboratory, pharmacy, basic radiology, and prosthetic dispensing; and Compensation & Physical (C&P) exams.

The South Bend lease was authorized by Public Law 112-37 in an amount not to exceed \$6,731,000. The lease increased from 39,000 nusf to 71,403 nusf from the time the prospectus was submitted and when the lease was authorized.

Delineated area - Properties must be located within the delineated area within the following boundaries:

North: Indiana state border
East: Ash Road north extended to Ash Road
South: Tyler Road/North County Line Road to County Line Road to Tyler Road extended to Ash Road
West: North 900 East east on Route 2/Western Avenue south on Larrison Boulevard/Strawberry Road west on East 50 North/Johnson Road south on County Highway 1100 East extended to Willow Road extended to Willow Road to Adams Street east on Roosevelt Road northeast on Legion Drive southeast on Harrison Street north on Route 23/Liberty Street until Tyler Road/North County Line Road

5. San Jose, CA - Outpatient Clinic Lease

The new Community Base Outpatient Clinic (CBOC) will accommodate 72,000 net usable square feet (nurf)/97,200 rentable square feet (rsf) with approximately 572 parking spaces. The estimated annual unserviced rent is \$5,586,000. This project will replace the existing 72,000 nurf CBOC in San Jose, CA. The CBOC will provide primary care, mental health and specialty care, to include audiology, podiatry and optometry. The clinic will also provide ancillary and diagnostic services, to include general x-ray, laboratory, pharmacy and telehealth.

Delineated area - Properties must be located within the delineated area within the following boundaries:

North: Route 87 (Guadalupe Parkway) to Charcot Avenue
East: I-880 to Highway 101 to Bernal Road
South: Route 85 to Cottle Road to Santa Teresa Boulevard to Highway 101
West: Route 17 to I-880 to Route 87 (Guadalupe Parkway)

6. Butler, PA - Health Care Center (HCC) Lease

The new Health Care Center (HCC) will accommodate 168,000 net usable square feet (nurf)/226,800 rentable square feet (rsf) with approximately 1,035 parking spaces. The estimated annual unserviced rent is \$6,582,000. This project will relocate outpatient services from the current Butler VA Medical Center (VAMC) to a leased build-to-suit HCC in the vicinity of Butler, PA. The new HCC will expand Butler's outpatient space to approximately 168,000 nurf to meet increased Veteran demand. This clinic will serve Veterans from the counties of Armstrong, Butler, Clarion, Lawrence and Mercer. This project will allow VA to continue to provide timely access to state-of-the-art primary care, specialty care, mental health and ancillary diagnostic services in a properly sized facility to meet increased workload.

Delineated area - The proposed site must be within a five (5) mile radius of Eagle Mill Road and Benjamin Franklin Highway (422)