



**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
SOUTH BEND, IN**

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 96,394 rentable square feet of space, and 520 parking spaces, for the Department of Veterans Affairs to replace the existing Community Based Outpatient Clinic in South Bend, Indiana, at a proposed unserviced annual cost of \$3,466,615 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

South Bend, Indiana Outpatient Clinic Lease

This proposal provides for leasing a replacement Outpatient Clinic in South Bend, IN, supporting the parent facility of the VA Northern Indiana Health Care System in Fort Wayne, IN.

I. Budget Authority

Lease Through 2034	2012 Request \$4,038,450	2012 Authorization Request \$4,038,450	Unserviced Annual Rent \$1,893,450
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II. Description of Project

This project proposes the lease of an approximately 39,000 net usable square foot (NUSF) Outpatient Clinic facility in South Bend, Indiana. The new leased facility will replace the existing Community Based Outpatient Clinic (CBOC) in South Bend, and will enable VA to expand services provided to include outpatient primary care and mental health services to better serve the needs of Veterans and their families.

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 two critical issues that will enhance Veteran health care services in the South Bend area. First, the proposed facility will improve the quality of care delivered to Veterans by integrating outpatient care delivery, including primary care and mental health services, into a state-of-the-art building with improved adjacencies. Outpatient services currently contracted out to providers in the South Bend area will be provided at the new facility, allowing VA to have greater control over Veteran healthcare.

Second, the new facility will provide more accessible health care services to Veterans. The leased location will enable VA to expand its service offerings and improve access for Veterans who previously had to travel to other facilities, at a greater distance than the targeted 30-minute drive time, to obtain these outpatient services.

IV. Alternatives to Lease Considered

Alternative 1 – Status Quo: Under the Status Quo, VA would continue to provide limited outpatient services in the South Bend area through contracting out services and an arrangement to house four VA mental health providers at the contracted facility, resulting in decreased continuity of care and costly outsourcing expenses. In addition, the time Veterans spend traveling to the Fort Wayne VA Medical Center (VAMC) for care that is not provided locally suggests the status quo is not acceptable to meet customer satisfaction. Therefore, this alternative is not the most optimal.

Alternative 2 – New Lease (Preferred alternative): This alternative proposes leasing a 39,000 NUSF facility close to the Veteran population that the South Bend CBOC currently serves, and expanding the services currently provided. By pursuing the lease option, VA will provide infrastructure that supports increased integration of services, coordination of care, provider productivity and efficiency, patient satisfaction, compliance with clinical guidelines, access, safety and security. This alternative also provides expanded state-of-the-art clinical space sooner than the new construction alternative, and provides an option that will give VA more flexibility to respond to the changing healthcare needs of Veterans and their families.

Alternative 3 - Contract Out Services: This alternative assumes that all health care services would be contracted out in the community. This alternative is not cost-effective and would result in a loss of quality control over Veteran healthcare. There also may not be sufficient, qualified, private-sector providers in the South Bend area to accommodate the Veteran workload. Therefore, this alternative is the least preferred.

Alternative 4 – New Construction: This alternative assumes the construction of a new, outpatient primary care and mental health facility of approximately 39,000 NUSF. It would provide infrastructure that supports the increased integration of services, coordination of care, provider productivity and efficiency, patient satisfaction, compliance with clinical guidelines, access, safety and security. Flexibility to expand services or change location to better align with workload demand would be difficult in this alternative. In addition, this alternative would require VA to acquire land in the South Bend area for the facility; this not only increases the cost but would delay activation. Therefore, this alternative is the second preferred.

V. Demographic Data*

	<u>2009</u>	<u>2019</u>	<u>2029</u>	<u>Change</u> <u>2009-2029</u>
Veteran Population	72,766	57,938	45,839	-37%
Enrollees	24,007	27,132	24,870	4%

*Data reflects the VISN 11 Indiana Market

VI. Workload

	<u>Current</u> <u>(2009)</u>	<u>Projected</u> <u>(2029)</u>	<u>Change</u> <u>(2009-2029)</u>
Ambulatory Stops	15,836	20,821	317%
Mental Health Stops	3,150	5,133	63%

VI. Schedule

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

VII. Project Cost Summary

Estimated Annual Cost	\$1,893,450
Proposed Rental Rate*	\$48.55/SF
Proposed Lease Authority	20 Years
Net Usable Square Feet	39,000
Parking Spaces	312
Special Purpose Related Improvements**	\$2,145,000

*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 (nurf)/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)