



A Tradition of Stewardship  
A Commitment to Service

Agenda Date: 8/14/2018

Agenda Placement: 6M

## NAPA COUNTY BOARD OF SUPERVISORS Board Agenda Letter

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**TO:** Board of Supervisors

**FROM:** Steven Lederer - Director of Public Works  
Public Works

**REPORT BY:** Julie Kirk, Staff Services Analyst II - 259-8603

**SUBJECT:** Lease Agreement for the Alcohol and Drug Residential Treatment Facility at Napa State Hospital

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### **RECOMMENDATION**

Director of Public Works requests approval of and authorization for the Chair to sign a lease agreement with the State of California for continued use of Residence 253, Building M-1/M-2, located on the grounds of the Napa State Hospital, 2100 Napa-Vallejo Highway, for an annual rental fee of \$28,272 in FY 2018-19 with annual fixed percentage increases of three percent (3%) during the term commencing August 1, 2018 through July 31, 2023, to house a contracted Alcohol and Drug Detoxification and Residential Treatment Program.

### **EXECUTIVE SUMMARY**

Napa County has leased Residence 253, Building M-1/M-2 ("the Premises"), from the State of California since August 1, 2002, for the Napa County Health and Human Services Agency to house a contracted Alcohol and Drug Detoxification and Residential Treatment program. Board approval of a Lease Agreement with the State of California will allow for continued use of the premises for a monthly rental rate of \$2,356 in FY 2018-19 with annual fixed percentage increases of three percent (3%) during the term commencing August 1, 2018 through July 31, 2023.

### **FISCAL IMPACT**

Is there a Fiscal Impact?	Yes
Is it currently budgeted?	Yes
Where is it budgeted?	Napa County Health and Human Services Agency, Alcohol and Drug Services Fund 2000, Subdivision 2000300. Under the terms of the lease agreement,

Napa County pays the cost of the lease directly to the State of California and is reimbursed monthly by the contracted operator of the substance abuse treatment program housed at the leased location.

Is it Mandatory or Discretionary? Discretionary

Discretionary Justification: This agreement is discretionary in that there is no mandate to provide residential treatment to substance abuse clients. However, lack of treatment for those in need of residential services may result in higher long-term costs to the County for crime, emergency room and jail visits, and long-term health care issues.

Is the general fund affected? No

Future fiscal impact: This agreement terminates July 31, 2023. Sufficient funds each fiscal year will be budgeted accordingly.

Consequences if not approved: If the recommended agreement is not approved, Napa County clients will not have access to residential substance abuse short-term treatment. These services are vital to the well being of the clients and the community.

Additional Information:

### **ENVIRONMENTAL IMPACT**

**Consideration and possible adoption of a Categorical Exemption Class 1:** It has been determined that this type of project does not have a significant effect on the environment and is exempt from the California Environmental Quality Act. [See Class 1 ("Existing Facilities") which may be found in the guidelines for the implementation of the California Environmental Quality Act at 14 CCR §15301; see also Napa County's Local Procedures for Implementing the California Environmental Quality Act, Appendix B.]

### **BACKGROUND AND DISCUSSION**

Since August 1, 2002, Napa County has had an agreement with the State of California to lease Residence 253, Building M-1/M-2, on Napa State Hospital grounds to house a residential treatment center for clients with substance dependency. The current lease has been in month-to-month tenancy status since it expired on June 30, 2017, per section 10 of the lease. Since that time Napa County Health and Human Services and Public Works Property Management staff have been working with the State Department of General Services (DGS) and Department of State Hospitals (DSH) staff to complete an amended lease extending the terms for an additional five-year period. One item of particular concern to the State was the total monthly rent paid by the County. Staff have worked through the State process to prepare and seek approval of a Fair Market Value Rent Reduction Justification Letter. On July 18, 2018, HHSA staff received notification that DSH Headquarters had approved the Fair Market Value Rent Reduction Justification Letter and authorization to renew the lease for the Drug and Alcohol program at Napa State Hospital for an additional five-year period.

While approval of the Fair Market Rent Reduction has been authorized, specific lease terms have been included by the State to ensure continued compliance with the approval terms. Section 3 of the new Lease provides that the monthly "Fair Market Rent" of the premises would be \$0.77/square foot for a total "Monthly Rent Value" of \$10,471. However, the actual monthly rent to be paid by the County has been greatly reduced by approximately \$8,000 per month, with rent starting at \$2,356 per month in FY 2018/19. In agreeing to the reduced monthly rent,

the State acknowledges that the County will make significant public benefit contributions through the provision of the treatment program as well as accepting certain maintenance responsibilities for the premises, which are not in use by Napa State Hospital. The State has accepted these contributions as "In-Lieu Credit" towards the monthly rent value and has agreed to reduce the rent accordingly. Section 3 further states that at any time during the Term of the Lease, the State may -- only if it makes a good faith and reasonable determination that the County has failed to provide program services or maintenance efforts that are equal in value and benefit to the amount of the rent reduction -- reduce the amount of the In-Lieu Credit and increase the net monthly rent by that amount. In order to trigger that rent increase, the State is required to give 30 days' written notice and the increase would take effect after the notice period. The County could claim that the State breached the Lease in imposing such a rent increase if the State's determination was not made reasonably or in good faith. It should also be noted that the lease allows for termination by either Party for convenience upon ninety (90) days' notice; therefore, if the monthly rent were increased in a manner affecting the economics of the program, the County would be entitled to terminate the lease.

Staff request Board approval of a Lease Agreement with the State of California for Residence 253, Building M-1/M-2, located on the grounds of the Napa State Hospital, 2100 Napa-Vallejo Highway, within the City of Napa, for a monthly rental rate in FY 2018-19 of \$2,356 with annual fixed percentage increases of three percent (3%) during the term commencing August 1, 2018 through July 31, 2023.

#### **SUPPORTING DOCUMENTS**

None

CEO Recommendation: Approve

Reviewed By: Helene Franchi