



County of San Mateo

Inter-Departmental Correspondence

Department: HEALTH

File #: 23-1010

Board Meeting Date: 12/12/2023

Special Notice / Hearing: None
Vote Required: Majority

To: Honorable Board of Supervisors

From: Louise F. Rogers, Chief, San Mateo County Health

Chester J. Kunnappilly, MD, Chief Executive Officer, San Mateo Medical Center

Subject: Sublease Between County of San Mateo and San Mateo Healthcare & Wellness for Burlingame Long Term Care Facility

RECOMMENDATION:

Adopt a resolution authorizing a sublease between San Mateo Healthcare & Wellness Center, LP, and the County of San Mateo from September 30, 2020 through September 30, 2025, with an automatic renewal of five years until September 30, 2030.

BACKGROUND:

In July of 2012, the Health System entered into an Operations Management Agreement (OMA I) with Brius, LLC to manage the Burlingame Long Term Care facility, a skilled nursing facility (SNF) now known as Burlingame Skilled Nursing (Facility), on behalf of the Health System. The County had previously entered into a Lease Agreement for the Facility and had been operating the Facility at a loss of revenue. The Agreement with Brius allowed for the operation of the Facility under the County's license saved 281 skilled nursing beds and provided hundreds of union jobs in the county. Brius performed well under the Agreement: the quality of patient care, as rated by external auditors, improved, patients moved smoothly from San Mateo Medical Center to the Facility, and County Health saved approximately \$4 million each year.

Based on this beneficial relationship, on September 30, 2020, the County entered into another Operations Management Agreement (OMA II) with Brius, LLC to manage the Facility, on behalf of San Mateo County Health (SMCH), the state Licensee for the Facility. Section 1.1 of the OMA II provides that the OMA II is contingent on "Licensee maintaining a possessory interest in the Facility." It was anticipated that this would take the form of a lease of the Facility from Eretz Trousdale Properties, LLC (ETP), the current owner of the Facility property, under such terms as were mutually agreed upon by SMCH as the Licensee and ETP. San Mateo Healthcare and Wellness (SMHW) is Brius, LLC's designated agent to run the Facility and is the lessor of the Facility from ETP.

The parties to the OMA II negotiated the sublease concurrently with the OMA II and believed that the sublease was executed and submitted to the Board with the OMA II on September 30, 2020. Since

September 30, 2020, the parties have been operating as though a sublease was entered into, as described above. However, upon recent investigation, the parties discovered the sublease documents were never brought to this Board for approval.

DISCUSSION:

To correct that error, the parties are now bringing this sublease to this Board for approval retroactive to the OMA II execution date.

At the time the County entered into the OMA II, County Health negotiated a sublease with SMHW, which leases the Facility property from ETP. The lease provides for the payment of monthly rent of \$393,400 from County to SMHW, which is deducted from the management fee under the OMA II. The sublease further provides for an automatic renewal of the sublease for two five-year periods until September 30, 2035. The sublease, however, terminates automatically upon termination of the OMA II (currently scheduled to end in 2030).

The County Attorney has reviewed and approved the resolution and sublease as to form.

The resolution contains the County’s standard provisions allowing amendment of the County fiscal obligations by a maximum of \$25,000 (in aggregate).

It is anticipated that the County will provide skilled nursing facility care for 75,000 patient days per year, to meet the needs of the residents of San Mateo.

PERFORMANCE MEASURE:

| Measure | FY 2023-24 Estimated | FY 2024-25 Projected |
|---|-----------------------------|-----------------------------|
| Number of patient days per year that the Facility will provide skilled nursing facility care, to meet the needs of the residents of San Mateo | 75,000 | 75,000 |

FISCAL IMPACT:

The term of the sublease will extend concurrent sublease with the Agreement through September 30, 2030. The monthly rent of \$393,400 is offset by a credit of equal value to the management fee, with no net impact to SMMC’s budget or net County cost.