



County of San Mateo

Inter-Departmental Correspondence

Department: COUNTY MANAGER

File #: 16-672

Board Meeting Date: 10/31/2017

Special Notice / Hearing: None
Vote Required: Majority

To: Honorable Board of Supervisors

From: John L. Maltbie, County Manager

Subject: Sublease Agreement with Cardinal Health 132, LLC to enable their use of approximately 619 square feet of medical office space at the Fair Oaks Health Center in order to provide pharmacy drug services (Lease No. 5391)

RECOMMENDATION:

Adopt a resolution:

- A) Authorizing the President of the Board of Supervisors to execute a Sublease Agreement with Cardinal Health 132, LLC to enable their use of approximately 619 square feet of medical office space at the Fair Oaks Health Center in order to provide pharmacy drug services for a term of five years at a monthly base rent of \$1,000; and
- B) Authorizing the County Manager, or his designee, to accept and execute on behalf of the County any and all notices, options, consents, approvals, terminations, and documents in connection with the Sublease Agreement.

BACKGROUND:

The County's Fair Oaks Health Center ("Center"), located in North Fair Oaks, provides medical services to many of the South County's most vulnerable residents. The Center provides dental, primary care for adults and children, OB/GYN, women's health, family planning, podiatry, optometry, nutrition, mental health services, and WIC.

Previously, the Health System contracted with Safeway to provide pharmacy drug services at the Center. In June of 2016, Safeway's service contract expired and was not renewed. In September of 2016, the Health System completed a Request for Proposal process in order to identify a new pharmacy drug service provider for the Center. Through the Health System's process, Cardinal Health 132, LLC ("Cardinal Health") was selected. At the September 26, 2017 Board of Supervisors meeting, the Board authorized the service contract with Cardinal Health.

DISCUSSION:

Real Property Services has negotiated a Sublease Agreement (“Sublease”) with Cardinal Health to enable their use of approximately 619 square feet of medical office space at the Center. The Sublease is for a term of five years, and for a base monthly rent of \$1,000. As the service contract is for a term of five years, no option to extend the Sublease was granted. Should Cardinal Health and the Health System extend the term of the service contract, an amendment to the Sublease would be required.

The leased premises will be delivered to Cardinal Health in “as is” condition. In order to create efficiencies in how pharmaceuticals are ordered and delivered, Cardinal Health desires to relocate the service window to face the lobby. Pursuant to the Sublease, this tenant improvement, and any future improvements desired by Cardinal Health, will be constructed at their cost.

Since the Center is a leased facility, the landlord’s approval is required before executing any sublease or tenant improvement. On March 14, 2017, the landlord’s property manager approved the Sublease.

County Counsel has reviewed and approved the lease and resolution as to form. The Chief of the Health System concurs with this recommendation.

Approval of the lease contributes to the Shared Vision 2025 outcome of a Healthy Community by improving access to affordable healthcare for residents in the South County.

FISCAL IMPACT:

Revenue generated from the Sublease, totaling \$12,000 a year, will be deposited into the Health System’s budget to offset rental costs for the Center.