

**CAPITAL COMMITTEE
MEETING AGENDA**

October 18, 2021

12:00 PM

50 Water Street, Room 1515 A&B – Virtual

CALL TO ORDER

Feniosky Peña-Mora

- **ADOPTION OF MINUTES – July 26, 2021**
- **SENIOR VICE PRESIDENT’S REPORT**

Feniosky Peña-Mora

Christine Flaherty

ACTION ITEMS

- **Resolution** **Christine Flaherty / Helen Arteaga**
Authorizing the New York City Health and Hospitals Corporation (the “System”) to execute a revocable five year license agreement with Newtown Dialysis Center, Inc., of New York (the “Licensee”) for its continued use and occupancy of 6,006 square feet of space to operate a renal dialysis center at NYC Health + Hospitals/Elmhurst (the “Facility”) at an occupancy fee rate of \$71.00 per square foot or \$426,426 per year to be escalated by 2.75% per year for a total of \$2,252,666.58 over the five-year term.

Vendex: NA
EEO: NA

OLD BUSINESS

NEW BUSINESS

ADJOURNMENT

CAPITAL COMMITTEE MEETING MINUTES

October 18, 2021

Capital Committee Meeting - July 26, 2021

As reported by Feniosky Peña-Mora

Committee Members Present: Feniosky Peña-Mora, Sally Hernandez-Piñero, and Freda Wang

Mr. Peña-Mora called the meeting to order at 2:06 p.m.

Upon motion made and duly seconded the minutes of the Capital Committee meeting held on June 7, 2021 were unanimously approved.

Senior Vice President's Report

Mrs. Flaherty, Senior Vice President, Office of Facilities Development presented her report.

Mrs. Flaherty noted that as the fiscal year closed on June 30th, she would be reflecting on the accomplishments of the Facilities Development team over the past year. She said she looked forward to the educational session in September to fully debrief the committee and members on the Board on all the team's efforts in capital and real estate over this last year, but would look to highlight some of the key accomplishments of the team.

On the capital front, there had been a tremendous effort in partnership with colleagues in finance.

The budget and payments teams facilitated the commitment of over \$450M in capital contracts, representing over 1,300 purchase orders. Of those contracts, over \$200M was City Capital, and the infrastructure commitment rate increased to 83%, compared to last year's 74% commitment rate. Our payments team processed a high volume of payments supporting the system and saw an 8% increase in transactions - from over 1,900 to over 2,000 vouchers. The budget team was able to authorize over \$450M in budget expenditures as well - a substantial increase from last year.

With the partnership of the New York City Office of Management and Budget (OMB) the System secured additional capital dollars during the January and Executive Plan cycle and teams were working through the new dollars brought into the capital plan through the support of local elected officials.

Through partnership with the Department of Citywide Administrative Services the System secured additional energy grant funding for much needed capital projects at Harlem and North Central Bronx and would continue to identify and apply for additional energy and carbon reduction projects to support the System - like the resolution today for Bellevue's Combined Heat and Power Project.

The 50 Water Street Office Consolidation project was wrapping up and the next Board meeting would be at the new location in September.

Reporting on status of the bond portfolio, one project was in construction, 12 projects in the procurement phase, 22 projects in the design phase and 2 projects going through the design selection process. Based upon timing, one project was redirected to City Capital funding.

Mrs. Flaherty advised that all CARES funded projects were substantially complete and the team was working on reporting and administrative completion. This work enhanced surge locations, improved air quality and critical infrastructure concerns such as oxygen, gas and electric systems.

The Facility Management team put a large number of COVID related improvements in place, from 1000's of barrier protections and bedside dialysis quick connects to enhancements in the emergency departments and improvements to air circulation and filtration in dental clinics. Teams completed a detailed space inventory and preparing to solicit and secure a facility management information system to further support the ongoing preventative maintenance and improvement work happening throughout the facilities by the Directors of Engineering and union trades every day.

Over this past year, the senior director of finance and emergency management oversaw the creation, physical plant operations and maintenance on over 45 test and trace and vaccination sites, and OFD would continue to support our T2/vaccination teams.

In the coming year we will be working on restarting the Facilities Council, establishing a Project Management and Facility Management Information System and further refining the 10-year capital plan and delivery strategy so as to maximize infrastructure resiliency and create equitable modern care environments for patients and staff that meet the needs of the community.

That concluded her remarks.

Mr. Peña-Mora thanked Mrs. Flaherty and her team for all their hard work and accomplishments while navigating the COVID crisis.

Mrs. Flaherty noted that working with Finance and OMB contributed to the successes and acknowledged that there is more investment to be made in the System.

Deborah Brown, Senior Vice President, External and Regulatory Affairs, agreed that the collaborative effort was key to the many accomplishments and streamlining processes would continue and was expected to move critical work forward in order to benefit the System.

Ms. Flaherty read the resolution:

Authorizing the New York City Health and Hospitals Corporation (the "System") to execute a 5-year revocable license agreement with the Volunteer Heart Resuscitation Unit and Ambulance Corporation of Staten Island (the "Licensee") for its continued use and occupancy of 4,284

square feet in the Surgical Pavilion to house the administrative functions of an ambulance service and 500 square feet of space for parking on the campus of NYC Health + Hospitals/Sea View Nursing and Rehabilitation Center (the "Facility") at an occupancy fee of \$7,951/year to be escalated annually by 2.5% for a five year total of \$41,793.

Ms. Flaherty was joined by Matthew Levy, Executive Director, NYC Health + Hospitals / Sea View to present the rationale for this license agreement and discussed Sea View's other community partners, provided background information on the proposed Licensee and their history with Sea View, current terms and new terms and schedule.

The Committee requested clarification on the numbers of volunteers working with the Licensee, since the resolution states 50 and the presentation indicates 60. Ms. Flaherty promised to clarify for the Board Meeting.

After discussion and upon motion duly made and seconded the resolution was approved for consideration by the Board of Directors.

Ms. Flaherty read the resolution into the record:

Authorizing the New York City Health and Hospitals Corporation (the "System") to sign a thirteen-month lease extension with Hazel Blue Plaza LLC (the "Landlord") for the use of approximately 2,000 square feet of ground floor space at 49-02 Queens Boulevard, Queens to operate a Supplemental Food Program for Women, Infants and Children (the "WIC Program") managed by NYC Health + Hospitals/Bellevue Hospital Center ("Bellevue") at a base rent of \$92,168.00 per year, or \$46.08 per square foot, for a total of \$99,848.58 for the thirteen month extension; provided the System will hold an option to extend for an additional five years with the rent for the thirteen month extension and five year option term together totaling \$596,425.50.

Ms. Flaherty was joined by Marcia Peters, Chief Operating Office, NYC Health + Hospitals / Bellevue provided background information on the history of the WIC program at Bellevue, a map showing the distance of the program from the facility, the lease terms, and rental schedule.

Staff responded to questions on the rationale for Bellevue to operate a WIC site in Queens not too far from Elmhurst - this site serves Queens residents that are patients of Bellevue and operationally the funding from the State is through Bellevue.

After discussion and upon motion duly made and seconded the resolution was approved for consideration by the Board of Directors.

Ms. Flaherty read the resolution:

Authorizing the New York City Health and Hospitals Corporation ("NYC Health + Hospitals") to execute a

Customer Installation Commitment ("CIC") with New York City Department of Citywide Administrative Services ("DCAS") and New York Power Authority ("NYPA") for an amount not-to-exceed \$35,469,158.74, including a 7.5% contingency of \$2,022,938, for the planning, design, procurement, construction, construction management and project management services necessary for the installation of a 4 megawatt ("MW") Cogeneration System ("CHP") (the "Project") at NYC Health + Hospitals/Bellevue ("Bellevue").

Ms. Flaherty was joined by Oscar Gonzalez, Assistant Vice President, Office of Facilities Development to present the current state of NYC Health + Hospitals energy and carbon emission reduction initiatives, the projects goals and scope, CHP plant features, objectives of the project, annual energy savings, overview of the relationship with NYPA, funding and capital delivery, project budget, NYPA procurement path and MWBE utilization plan.

In response to questions, staff explained that there are similar energy projects across the System including Kings, Jacobi and Harlem. Staff clarified that the contingency interest of 2.4% or \$815,502.74 is basically a late payment fee, and that historically Health + Hospitals has never incurred these fees and would continue to work diligently to prevent them on this project. Staff also discussed their plan to discuss with NYPA the construction manager - Guth DeConzo capacity, since they have a number of other on-going projects.

After discussion and upon motion duly made and seconded the resolution was approved for consideration by the Board of Directors.

Ms. Flaherty read the resolution:

Authorizing the New York City Health and Hospitals Corporation ("NYC Health + Hospitals") to rename NYC Health + Hospitals/Coney Island Hospital (the "Hospital") as "NYC Health + Hospitals/South Brooklyn Health" and designating the 11-story Critical Services Structure now under construction and the existing Tower Building both at the Hospital as the "Ruth Bader Ginsburg Hospital" in honor of the late United States Supreme Court Justice, Ruth Bader Ginsburg.

Ms. Flaherty was joined by Svetlana Lipyanskaya, Chief Executive Officer, NYC Health + Hospitals / Coney Island presented the transitioning demographic of Coney Island area and its background, provided details on the investment in hospital care and the flood-proof emergency and inpatient services project, rationale to remain the hospital and to name in-patient building after Ruth Bader Ginsburg and the outpatient building the Health and Wellness Institute. They explained the community

engagement, values of Ruth Bader Ginsburg and compliance with operating procedure 100-08.

Staff responded to concerns regarding the value of inclusivity of all within the community and the importance to the current branding of New York City Health + Hospital uniformity.

After discussion and upon motion duly made and seconded the resolution was approved for consideration by the Board of Directors.

There being no further business, the Committee Meeting was adjourned at 3:40 pm.

LICENSE AGREEMENT

NEWTOWN DIALYSIS CENTER, INC.

NYC HEALTH + HOSPITALS / ELMHURST

RESOLUTION

Authorizing the New York City Health and Hospitals Corporation (the "System") to execute a revocable five year license agreement with Newtown Dialysis Center, Inc., of New York (the "Licensee") for its continued use and occupancy of 6,006 square feet of space to operate a renal dialysis center at NYC Health + Hospitals/Elmhurst (the "Facility") at an occupancy fee rate of \$71.00 per square foot or \$426,426 per year to be escalated by 2.75% per year for a total of \$2,252,666.58 over the five-year term.

WHEREAS, the Licensee has been occupying space at the Facility since 2002 based on several resolutions of the Board of Directors to operate an out-patient dialysis center; and

WHEREAS, most recently in December 2016, the Board of Directors authorized the System to enter into a license agreement with the Licensee to operate twenty-five hemodialysis stations at the Facility; and

WHEREAS, the Facility has determined that there continues to be a need for renal dialysis services for the patient community and that the presence of an on-site provider of such services will be beneficial; and

WHEREAS, the Licensee, either directly or through affiliates operates numerous dialysis centers in the New York area and is under contract with the System to provide in-patient dialysis services at NYC Health + Hospitals/Henry J. Carter; and

WHEREAS, Licensee's operations at the Facility are licensed in accordance with Article 28 of the New York Public Health Law; and

WHEREAS, the Licensee provides services to all patients regardless of their ability to pay and the System pays at the established Medicaid rates for the services provided to any patient that cannot be enrolled for insurance; and

WHEREAS, the Executive Director of the Facility will be responsible for supervising the performance of the proposed license agreement.

NOW, THEREFORE, be it

RESOLVED, that the New York City Health and Hospitals Corporation (the "System") be and hereby is authorized to execute a revocable five year license agreement with Newtown Dialysis Center, Inc., of New York for its continued use and occupancy of 6,006 square feet of space to operate a renal dialysis center at NYC Health + Hospitals/Elmhurst at an occupancy fee rate of \$71.00 per square foot or \$426,426 per year to be escalated by 2.75% per year for a total of \$2,252,666.58 over the five year term.

EXECUTIVE SUMMARY

RENAL DIALYSIS TREATMENT CENTER NEWTOWN DIALYSIS CENTER, INC.

NYC HEALTH + HOSPITALS/ ELMHURST

- OVERVIEW:** The System seeks authorization from the Board of Directors to execute a five-year revocable license agreement with Newtown Dialysis Center, Inc., of New York (“Newtown”) to operate a renal dialysis treatment center at NYC Health + Hospitals/ Elmhurst (“Elmhurst”).
- NEED/
PROGRAM:** Newtown is physician-owned company that, with its affiliates operates numerous dialysis facilities in the NYC area. It is currently under contract with the System to provide in-patient dialysis services at NYC Health + Hospitals/Henry J. Carter. Newtown has been operating an out-patient dialysis clinic licensed by the New York State Department of Health at Elmhurst since 2002 under a series of Board resolutions, the most recent of which was adopted in 2016. Currently, Newtown operates twenty-five hemodialysis stations at which treatments are provided to outpatients. Newtown also provides instruction which gives patients the ability to perform peritoneal dialysis at home. Newtown will bill third-party insurers directly for its services. Newtown provides services to patients regardless of their ability to pay and Elmhurst pays Newtown for any such patients that cannot be enrolled in insurance at the prevailing Medicaid rate. Newtown has been successful, however, in enrolling virtually all of its patients for Medicaid.
- UTILIZATION:** Pre-Covid, Newtown had a stable patient census of approximately 220 per month. The Covid pandemic had a major effect on their business and they were forced to close entirely for May and June 2020. When they re-opened, patient census had dropped by approximately 25%. Patients with late stage renal dialysis were likely not to have a favorable medical outcome if they became sick with Covid. Moreover, many patients were reluctant to visit Elmhurst due to the high volume of Covid patients receiving care at the hospital. Industry-wide, the 25% decline is typical. It is anticipated that it will take three years to return to pre-Covid utilization levels.
- TERMS:** Newtown will be granted the continued use and occupy of approximately 6,006 square feet of space on the 7th Floor of the “D Wing” of the Main Hospital Building. Newtown will pay an occupancy fee of \$71.00 per square foot, or \$426,426 per year to be escalated by 2.75% per year for a total of \$2,252,666.58 over the five-year term. The occupancy fee is based on fair market value. Elmhurst will provide hot and cold water, electricity, heating, air conditioning, security and maintenance to the licensed Space.

NYC Health + Hospitals / Elmhurst

Newtown Dialysis Center, Inc.

Capital Committee Meeting
October 18, 2021

Helen Arteaga, Chief Executive Officer, NYC Health + Hospitals/Elmhurst
Christine Flaherty, Sr. Vice President, Office of Facilities Development



Background: Newtown

- Newtown Dialysis Center, Inc. is based in New York and licensed to operate an out-patient renal dialysis center at Elmhurst Hospital Center. Operating at Elmhurst since 2002, the proposed license will be the third renewal of an existing license.
- Newtown and its affiliates operate numerous dialysis centers in the NYC area and a Newtown affiliate is currently under contract to the System to provide in-patient dialysis services at NYC Health + Hospitals/Henry J. Carter.
- The company operates 25 hemodialysis stations at which treatments are provided to outpatients.
- Newtown provides instruction to patients which gives them the ability to perform peritoneal dialysis at home.



Background: Newtown + Elmhurst

- Newtown has been providing treatments at Elmhurst since 2002.
 - Agreement has been renewed three times with Corporation's Board of Director's most recent authorization of Newtown's use of the space having been given in December 2016.
 - The 2002 Elmhurst license included an occupancy fee of \$56.33/sf based on the H+H Cost report.
 - The 2010 Elmhurst license included an occupancy fee of \$56.33/sf based on the H+H Cost report.
 - The 2016 Elmhurst license included an occupancy fee starting at \$62.00/sf based on fair market value with an escalation rate of 2.75% per year yielding a rate for the final year of \$69.11.
- Pre-Covid, Newtown had a patient census of approximately 220 per month. The pandemic reduced their census by roughly 25%.
- Newtown bills third-party insurers directly for its services. The company provides treatments to patients regardless of their ability to pay, and assists with enrollment in the Medicaid program.
 - Elmhurst pays Newtown at the prevailing Medicaid rate for patients that cannot be enrolled in insurance. Newtown will use a sliding fee schedule.

Dialysis Across the System

- H+H provides its own outpatient dialysis at Metropolitan, Harlem, Kings County, Lincoln, NCB and Jacobi.
- An affiliate of Newtown provides dialysis to inpatients at Henry J. Carter.
- H+H has an agreement with Dialyzedirect for inpatient dialysis services at Coler and McKinney.
- H+H has an agreement with River Renal Dialysis for both inpatient and outpatient dialysis at Bellevue.



License Terms

- Newtown will continue to occupy 6,006 sf of on the “D” Wing of the Main Hospital Building space at a rate of \$71.00/sf for a total of \$426,426 per year. The rate is set at the fair market value for the space.
- The rate payable by Newtown on its expiring license is \$69.00/sf and thus the proposed rate continues the prior rate increased by the annual 2.75% increase.
- The occupancy fee will be escalated by 2.75% per year over the five year term.
- The total annual occupancy fee over the five year term will be \$2,252,666.58.
- Elmhurst will provide hot and cold water, electricity, heating, air conditioning, security and maintenance to the licensed space as well as light housekeeping.



Capital Committee Approval Request

Authorizing the New York City Health and Hospitals Corporation (the “System”) to execute a revocable five-year license agreement with Newtown Dialysis Center, Inc. of New York Center (the “Licensee”) for its continued use and occupancy of 6,006 square feet of space at NYC Health + Hospitals/Elmhurst (the “Facility”) at an occupancy fee rate of \$71.00 per square foot or \$426,426 per year to be escalated by 2.75% per year for a total of \$2,252,666.58 over the five year term.



SAVITT PARTNERS

June 23, 2021

Mr. Dion Wilson
Legal Affairs – Office of the General Counsel
NYC Health + Hospitals Corporation
125 Worth Street
New York, 10013

Re: Appraisal of Newtown Dialysis, located within Elmhurst Hospital Center

Dear Dion,

Pursuant to your request, we are updating the previous analysis report prepared for the referenced Renal Dialysis unit to establish the fair market value (FMV) occupancy fee of the existing dialysis unit, based on the information that you then provided to me, knowledge of area rental values and the condition of the premises. The evaluation is subject to the following assumptions:

- The licensee continues to operate a 25-chair outpatient Renal Dialysis unit.
- The square footage of the unit is approximately 6,006 square feet located on the “D” wing, 7th floor of the Main Hospital Building.
- General medical space in the surrounding Elmhurst/Jackson Heights community leases at rents that range from \$42-\$82 per square foot with an average of \$52 per rentable square foot.

The Renal Dialysis unit is located within the Elmhurst Hospital Center, which is readily accessible by the number 7 subway “Flushing” line and by numerous bus routes running along Roosevelt Avenue and Broadway. Building parking continues to be limited but there is surface street parking available.

The Renal Dialysis unit is located on the hospital’s 7th floor, “D” Wing of the main hospital building. It consists of 6,006 square feet. For the purpose of this report, the outpatient portion and any common areas used for treatment are described. The central corridor that accesses the entire Renal Dialysis unit houses the entrance, common waiting room, staff offices, exam rooms, lockers, lounge and supplies, conference room, medical records, training classroom, and three toilets.

The outpatient dialysis center itself consists of 25 dialysis stations (chairs) and one additional toilet. The unit also contains storage rooms, machine and mechanical rooms, and medical prep rooms. This outpatient unit is set up as an open unit and has a nurse’s station. This space was built with a proper design for outpatient dialysis services and is of the correct size to maximize a unit’s efficiency.

Retail space in a hospital zone typically garners a rent premium based on its proximity to a hospital. The added population and street traffic is a financial benefit most tenants of the space are willing to pay for, and special acknowledgement of this factor must be recognized in this evaluation. Unfortunately, due to the Covid pandemic real estate values, specifically commercial rental properties, have declined by upwards of 20% per square foot. Accordingly, we do not recommend a base rent increase which is typical when renewing these types of leases. We do, however, recommend annual percentage increases. In this current evaluation, we can endorse the annual percentage increases as previously agreed to without a base rent bump for this lease renewal.

In addition to an average base rent of \$52 per square foot, tenant services, fit out expenses and useful life of existing equipment should be considered in calculating the value of the space. The licensee occupying the space does not have to provide service contracts or maintenance of AC, communications, or office equipment etc. This is a value-add into the cost of the space. The infrastructure and equipment must be evaluated when determining this build out and FF&E component to establish an ultimate rental value. This comes to approximately \$25 per square foot for a newly constructed and equipped space. However, since the project is already a well-functioning dialysis unit with equipment that is 15 years old, it would be proper to recognize that the value of this unit would be reduced by as much as \$10 per square foot for any potential tenant or licensee, which would be charged with the obligation to upgrade, repair, replace and modernize both the space, equipment and infrastructure. Accordingly, we value the space at a gross rent of approximately \$71 per square foot with services provided, which would be consistent with general office tenants found within the general community.

Accordingly, we place the value of this unit at approximately \$71 per square foot for the built dialysis unit in its current condition and configuration.

In the event I can be of any further assistance to you, please do not hesitate to call me.

Very truly yours,

A handwritten signature in black ink, appearing to read "Michael Dubin". The signature is fluid and cursive, with a long horizontal stroke at the end.

Michael Dubin
Partner
Savitt Partners LLC

Schedule A – Comparables

Address	Cross Streets	Square Feet	Price Per SF
78-14 Roosevelt Avenue	Roosevelt Avenue & 78 th Street	7,000	\$44.57
7802-7814 Roosevelt Avenue	Roosevelt Avenue & 75 th Street	7,000	\$44.57
7802-7814 Roosevelt Avenue	Roosevelt Avenue & 75 th Street	6,000	\$50.00
310 Riverside Drive	Riverside Drive & 104 th Street	1,000	\$82.80
2578-2580 Broadway	Broadway & 97 th Street	1,100	\$66.00
35-16-35-30 Junction Boulevard	46 th Avenue & Junction Boulevard	4,000	\$75.00
7802-7814 Roosevelt Avenue	Roosevelt Avenue & 75 th Street	6,000	\$50.00
78-14 Roosevelt Avenue	Roosevelt Avenue & 78 th Street	7,000	\$44.57
7802-7814 Roosevelt Avenue	Roosevelt Avenue & 75 th Street	7,000	\$44.57