

EXECUTIVE COMMITTEE
WEDNESDAY, SEPTEMBER 6, 2017 at 1:30 p.m.
AGENDA

Call to Order - 1:30 PM Mr. Campbell

Chair's Report - Mr. Campbell

Action Item

- Resolution

Roslyn Weinstein

Authorizing the New York City Health and Hospitals Corporation (the "NYC Health + Hospitals") to execute a lease with Factory Lessor LLC ("Landlord") for a term of seven years and four months for approximately 47,522 square feet of space on the 4th Floor (Suites 412, 414, 418 & 440) at 30-30 47th Avenue, Long Island City, Borough of Queens, to house a portion of the NYC Health + Hospitals' Enterprise Information Services unit ("EITS") at an initial rent of \$35/sq. ft., or \$1,247,453 for the first year of the term after factoring 3 months of free rent, and with the rent escalating for the balance of the term at a rate of 2.25%/year for a total rent for the lease term of approximately \$12,552,370; provided NYC Health + Hospitals shall hold an option to terminate after five years on the payment of a termination fee of \$175,000 but with an additional month of free rent in year 6 if the termination option is not exercised and with NYC Health + Hospitals holding an option to renew for five further years at 95% of Fair Market Value.

>> **Old Business**<<

>> **New Business**<<

Adjournment

Mr. Campbell

RESOLUTION

Authorizing the New York City Health and Hospitals Corporation (the “NYC Health + Hospitals”) to execute a lease with Factory Lessor LLC (“Landlord”) for a term of seven years and four months for approximately 47,522 square feet of space on the 4th Floor (Suites 412, 414, 418 & 440) at 30-30 47th Avenue, Long Island City, Borough of Queens, to house a portion of the NYC Health + Hospitals’ Enterprise Information Services unit (“EITS”) at an initial rent of \$35/sq. ft., or \$1,247,453 for the first year of the term after factoring 3 months of free rent, and with the rent escalating for the balance of the term at a rate of 2.25%/year for a total rent for the lease term of approximately \$12,552,370; provided NYC Health + Hospitals shall hold an option to terminate after five years on the payment of a termination fee of \$175,000 but with an additional month of free rent in year 6 if the termination option is not exercised and with NYC Health + Hospitals holding an option to renew for five further years at 95% of Fair Market Value.

WHEREAS, EITS has been tasked with several large and labor intensive initiatives including the Epic EMR rollout, Epic Revenue Cycle rollout, the IT aspects of the DSRIP capital funded projects and the ERP project which together urgently require approximately 448 additional staff including many that will be brought on through staffing agencies to work on a time limited basis; and

WHEREAS, most of the additional staff will be required for only approximately five years; and

WHEREAS, NYC Health + Hospitals does not have appropriate space within its own portfolio that is ready and available for such additional staff

WHEREAS, internal solutions to the need for space as described are being developed at both NYC Health + Hospitals/Jacobi and at NYC Health + Hospitals/Cumberland however such locations can accommodate only a portion of the EITS staff needing space; and

WHEREAS, the space on Long Island City can quickly accommodate as many as approximately 290 EITS staff during the likely duration of the EITS projects described above; and

WHEREAS, the Long Island City space is in a former factory with large open floor plans that will require minimal work by NYC Health + Hospitals and will lend itself to the installation of many small work stations common for IT related work and thus the space would enable an efficient solution to the need; and

WHEREAS, the Senior Vice President for EITS will be responsible for the lease administration.

NOW, THEREFORE, be it

RESOLVED, that the New York City Health and Hospitals Corporation be and hereby is authorized to execute a lease with Factory Lessor LLC for a term of approximately seven years for approximately 47,522 square feet of space on the 4th Floor (Suites 412, 414, 418 & 440) at 30-30 47th Avenue, Long Island City, Borough of Queens, to house a portion of the NYC Health + Hospitals’ Enterprise Information Services unit (“EITS”) at an initial rent of \$35/sq. ft., or \$1,247,453 for the first year of the term after factoring three months of free rent, and with the rent escalating for the balance of the term at a rate of 2.25% per year for a total rent for the lease term of approximately \$12,552,370 ; provided NYC Health + Hospitals shall hold an option to terminate after five years on the payment of a termination fee of \$175,000 but with an additional month of free rent in year 6 if the termination option is not exercised and with NYC Health + Hospitals holding an option to renew for five further years at 95% of Fair Market Value.

EXECUTIVE SUMMARY

ENTERPRISE INFORMATION TECHNOLOGY SERVICES 30-30 47TH AVENUE, LONG ISLAND CITY BOROUGH OF QUEENS

OVERVIEW: The New York City Health and Hospitals Corporation (“NYC Health + Hospitals”) seeks authorization from its Board of Directors to execute a lease of seven years duration with Factory Lessor LLC for approximately 47,522 square feet of space on the 4th floor of 30-30 47th Avenue, Long Island City, Borough of Queens.

**NEED/
PROGRAM:** NYC Health + Hospitals’ Enterprise Information Services unit (“EITS”) is responsible for a number of IT initiatives important to the Transformation effort. These include the simultaneous rollouts of the Epic EMR and Epic Revenue Cycle programs, the construction of the IT systems that are funded through the DSRIP capital grant and the construction and implementation of the ERP system. These initiatives involve intensive efforts during the next five years and require NYC Health + Hospitals to add approximately 448 additional staff members. Many of these will be obtained through staffing agencies and are not anticipated to become permanent NYC Health + Hospitals employees. During this period of intensive effort and additional staffing, additional work space is required. NYC Health + Hospitals is working to use surplus space within its own real estate portfolio to meet this need. Space is being readied at Jacobi and Cumberland where only moderate amounts of work and limited expense is required to prepare the space. Other more expensive and longer term internal options are being studied to meet other NYC Health + Hospitals’ space needs. It has been determined that the only way to meet the urgent need for additional space for added EITS staff is by renting space. The space in Long Island City is available for seven years and four months but the lease can be terminated after only five years on payment of only \$175,000. The space is an open floor plan conducive to the compact and efficient layout of small IT work stations. The landlord will do work to prepare the space which work can be completed quickly. This will leave for NYC Health + Hospitals to only complete IT cabling and move in work stations.

TERMS: The term will be 7 years, four months for approximately 47,522 square feet of space on the 4th floor at 30-30 47th Avenue, Long Island City. The initial rent will be \$35/sq. ft., or \$1,247,453 for the first year of the term after factoring three months of free rent. The rent will escalate over the balance of the term at 2.25% per year. The total rent for the lease term will be approximately \$12,552,370. NYC Health + Hospitals will have an option to terminate after five years on the payment of a termination fee of \$175,000. If the termination option is not exercised, there will be an additional year of free rent in year 6. NYC Health + Hospitals will have an option to renew for five additional years at 95% of FMV. The space will be delivered without any furniture. Landlord will remove corridors to combine what are now three suites into one, install carpet tile, Install standard ductwork, build a pantry, install lighting throughout the premises, distribute power throughout and build three new IT closets. Electricity will be sub-metered. There will be no operating expense escalation pass-through. NYC Health + Hospitals will

pay its proportionate share of real estate tax increases above a 2018 calendar base year.

**ADDITIONAL
INCENTIVES:**

NYC Health + Hospitals would benefit from two incentive programs established to encourage development in LIC. There would be a savings of about 40% of the cost of electrical usage and \$2.50/ft in real estate tax breaks that decline over the life of the lease. The real estate tax breaks could be passed by the landlord to NYC Health + Hospitals as reduced rent. These two together would represent about \$175,000/yr for each of the first 3 years and declining amounts in years 4 and 5 ending in year 5 with a bit less than \$100,000.

SUMMARY OF ECONOMIC TERMS

SITE:	4 th Floor Suites 412, 414, 418 & 440 Long Island City, New York
LANDLORD:	Factory Lessor LLC
TERM:	Seven years
FLOOR AREA:	47,522 square feet
RENEWAL OPTIONS:	None
TERMINATION OPTION:	At five years NYC H + H can terminate on payment of \$175,000.
ESCALATION:	2.25% per year
FREE RENT:	Three months
REAL ESTATE TAXES:	Tenant will be responsible for payment of its proportionate share of real estate tax increases above a 2018 calendar year base year. Over the entire term of the lease, real estate tax escalations are projected to total \$63,732 and over the shorter five year term, if the termination option is exercised, the total is projected to be \$29,967.
INCENTIVES:	Tenant would benefit from energy and real estate tax incentives that would total approximately \$874,597 over the seven year term and approximately \$760,545 over a five year term.
UTILITIES:	Tenant will pay for sub-metered electricity
OPERATING EXPENSES:	Tenant not responsible for payment of operating expense increases.
OTHER:	Landlord provides shuttle to the subways

NYC H+H ANALYSIS OF SPACE NEEDS

New York City Health and Hospitals is undergoing rapid change. The centralization of back office functions, roll out of the EPIC EMR and Epic Revenue Cycle, other significant IT initiatives and the implementation of our DSRIP capital programs all contribute to urgent space needs. This memorandum states a justification for a proposed lease of approximately 48,000 sq. ft. of space in Long Island City on a seven year lease (terminable after 5). In doing so, we indicate the due diligence performed to support this proposal and the context of the proposal as to our over-all EITS space needs and internal space resources that are being studied and currently developed.

Critical Space Needs within the next year

EITS

Enterprise IT is currently working on several system wide projects that require additional resources for the next five years. EITS projects the need for a total of **448** new staff members for the completion of the EPIC roll out, DSRIP and ERP. Space for approximately 200 FTE will be needed **no later than October 2017.**

NYC H+H therefore needs space to house a total of **448** new EITS staff members, with approximately **200 needing space by October 2017.** Using current standards of 164 square feet per person, this translates to a need for approximately 80,700 square feet to house EITS staff. It should be noted that the EITS staff will be a mix of employees and temporary staff furnished by staffing agencies with most being of the latter category. Both categories of staff are referred to as “FTEs” in this memorandum.

Current Usable Space

Space within NYC H+H’s own real estate portfolio has been surveyed to meet this demand and the following properties with immediate potential have been identified and are being developed as follows:

Jacobi Medical Center Nurse’s Residence

Three floors in the Nurses Residence are being renovated to house 180 staff members from Finance (60) and EITS (120).

Square Feet	FTE	Cost to Prepare
33,000	180	\$7,000,000

Minimal renovation is needed. Upgrade to electrical power, IT cabling and HVAC. The construction is projected to be completed by **February 2018**.

Cumberland Diagnostic and Treatment Center

One floor is available for occupancy in Cumberland for EITS staff. Cabling for IT needs is the only preparation required at this site. It will be available **October 2017**.

Square Feet	FTE	Cost to Prepare
6500	50	\$300,000

SUMMARY OF INTERNAL CAPACITY

Although NYC H+H is a large system with a real estate portfolio that extends throughout the five boroughs, there is only 6500 square feet of space that is or can be made available by October 2017 to accommodate some of the new staff members. In February 2018 we anticipate housing an additional 120 EITS staff at our Jacobi site. Given that some of the Jacobi space must be shared with Finance, the two locations (Cumberland and Jacobi) together can house only 170 EITS FTE's. Thus space for approximately 278 EITS FTE's must still be identified. Without additional internal resources available, leasing space is the remaining way to provide the space needed within the timeframe it is required.

RENTAL OPTIONS

A review of rentable space available for not more than five years was conducted. A five year term was sought because the need for the additional FTE's brought on board is not expected to continue beyond five years. The following is a sample of some of the results of our search including our proposed location in Long Island City which appears first.

Address/#of staff	Term	Rate/sq. ft.	Annual Increment	In kind Capital	Total for 5 years
30-34 47 ave LIC 290 FTE's	7 years; Can terminate after 5 w/ pay of \$175k	\$35/sq. ft. 48k sq. feet	2.25%	\$3.6 million for network infrastructure/cabling/furniture	\$8.7 million w/in kind \$12.3
55 Water Street 27 floor 387 FTE's	Term to coincide w/ current lease 16 yrs left	\$58/sq. ft. 64k sq. feet	2.25%	\$4.7 million for network infrastructure/cabling and furniture	\$19.3 million w/in kind \$24
180 Maiden Lane (2 floors) 370 FTE's	unknown	\$41/sq. ft. 61k sq. feet	2.25%	\$4.6 million for network infrastructure/cabling and furniture	\$13.0 million w/in kind \$17.6
Downtown Bklyn 366 FTE	Hypothetical	\$43/sq. ft. 60k sq. feet	2.25%	\$4.5 million for network infrastructure/cabling and furniture	\$13.6 million w/in kind \$18.1

CONCLUSION

We explained above that we are exploiting available suitable space within the NYC H+H portfolio and have identified only approximately 6500 square feet of space that can be readied for use by October 2017. Other H+H space is being studied but its renovation would be expensive and would take more time than the schedule permits. Additionally, such other space is under consideration to be renovated for other uses. There are considerable space needs to be addressed within the next 18 months including consolidation initiatives requiring creation of large spaces, expiration of the lease for existing DSRIP/OCH staff at 199 Water Street and potential DSRIP/OCH expansion. With that in mind we searched for space available to rent on a five year lease. Based on the above summary, the Long Island City space best fits NYC H+H's needs. The rental rate is relatively low, it can be ready in a month, and the space is laid out in an open floor plan which will be well suited to the open and compact work station configurations generally used for IT workers.