Summary

This brief summarizes the $2,356,100 in spending on buildings by the Departments of Health on 17 buildings. This brief is for informational purposes only and no Legislative action is required.

Discussion and Analysis

Total Spending on Buildings

The Department of Health spends $2,356,100 annually on 17 buildings. The spending represents $208,900 on leases and $2,147,200 on operations and maintenance. The Department of Health uses 10 State-owned buildings and 7 leased buildings. The Department of Health had 955 State FTEs in FY 2010. A total count of workers present in Health buildings showed 1,225 workers in State-owned and leased Health buildings. This 1,225 count represents an estimate of individuals in each building based on Department of Human Resources position location report, payroll, and program estimates of other workers in the building that are not on Health’s payroll. The Department explains that some of the 1,225 worker count above 955 FTEs comes from the Department of Technology Services (56), other agencies (14), and others are interns, part-time staff, contractors, and volunteers. Additionally, the Department of Health has 58 Health employees in other agencies’ buildings as well as 25 part-time Medical Examiner investigators that have no office space.

Recent Building Changes

The Department of Health recently changed four buildings for a total annual increase in costs of $94,700 beginning FY 2011. Each change is discussed here below:

1. The Department of Health has emptied one of their leased buildings in St. George of 9 FTEs and is waiting for its lease to expire at the end of November 2010. It has been shown that it is more efficient to send teams to St. George occasionally than it is to operate an office from St. George. This change should result in annual savings of $58,200 total funds ($17,500 General Fund) beginning in FY 2011. Savings were already realized in previous budget reductions.

2. Children with Special Health Care Needs Clinic has vacated 30 South 100 East, #5 in Moab and moved to the State-owned Moab regional Center 1165 South Highway 191 in Moab – An occupational therapist serves children with special health care needs for the Southeast and Southwest area of the state. This location is wheelchair accessible. There is an office, a private area for waiting (compliance with HIPPA) and a storage area for specialized equipment. This change produces annual savings of $4,600. Savings were already realized in previous budget reductions.

3. Health Clinics of Utah & Dental Clinic, has vacated 3195 South Main Street, Suite 200 in Salt Lake City and moved to a former Department of Environmental Quality building as of October 2010 – This is the main State-run health clinic. There were 5 dentists and 4 medical providers located in the clinic with corresponding support staff. This change produces annual savings of $6,000. There will be additional savings of about $40,000 annually beginning in 2019, once the debt service is paid off. The new space is about double the size of the old building.

4. The Department of Environmental Quality exited its 27,000 square feet in the main Department of Health building effective May 2010. The Department of Health is using this space to relieve over
crowded working space for existing Health employees. This change should result in annual cost increase of $163,500 total funds beginning in FY 2011.

Use of Each Building

The Department of Health was asked to explain its use of each building not already mentioned above, except for the Cannon Health Building and the vacated St. George office. This information is included in the summary below, which are listed in order of highest cost building per person:

1. Warehouses 130 South Redwood Road, Building D and Suite J in Salt Lake City – these buildings are used as storage space for many programs within the Department and its cost is charged amongst each participating program.

2. Office of the Medical Examiner, 48 Mario Cappecchi Drive in Salt Lake City – This building is used for investigating suspicious deaths in the State and houses 17 employees as well as the associated specialized equipment.

3. North Region Daycare Licensing, 189 South State Street in Clearfield – Six licensors here cover all areas north of Salt Lake County to Logan for child care licensing.

4. Unified State Laboratory staff have vacated 46 Mario Cappecchi Drive in Salt Lake City and relocated to 4431 S 2700 W in Taylorsville – Here nearly all the air, water, soil, specimen, and tissue sampling by the State takes place.

5. St. George Dental Clinic, 321 North Mall Drive, M101 in St. George – This State-run dental clinic has 1 dentist and 3 support staff.

6. Health Clinics of Utah, Provo Dental Clinic, & Daycare Licensing, 150 E Center Street in Provo – The first floor has a State-run medical and dental clinic with one medical and one dental provider and 8 support staff in each location. The third floor is a regional child care licensing office with 8 FTEs. This office covers the area south of Utah County, except for Price and St. George which have licensors who work from home.

7. Daycare Licensing & Emergency Preparedness, 3760 South Highland Dr. in Salt Lake City – this building is essentially for emergency preparedness and coordination. The building meets federal requirements for a secure facility for storing the Strategic National Stockpile (vaccines). This building also has 11 child care licensors.

8. Children with Special Health Care Needs, 28 South 100 East in Price - This building has one audiologist and one clerical staff.

9. 44 Mario Cappecchi Drive in Salt Lake City – This building functions as a children with special health care needs clinic and houses a variety of full, part-time, and contracted staff. Many of the employees of the Division of Family Health and Preparedness have offices here.

10. 1950 West Regional Building, 168 N. 1950 W. Salt Lake City – The new location as of October 2010 for the medical and dental clinic in Salt Lake City. There are 5 dental and 4 medical providers and 24 support staff located here.

11. Health Clinics of Utah, 2540 Washington Blvd, in Ogden – The clinical staff located at this address provide services and case management to the special needs children in northern Utah. This area is used to provide a private area for waiting (compliance with HIPPA), medical records area, and office space as well as being wheelchair accessible. Additionally, there is a State-run medical clinic with 2.5 medical providers as well as support staff.
12. Child Care Licensing, 115 Golf Course Road, Suite E in Logan – Child Care licensing has one licensor here to cover the northernmost areas of the State.

13. Ogden Academy Square Dental Clinic, 950 E 25th Street in Ogden – This is a State-run dental clinic with two providers plus support staff.

14. Health Clinics of Utah, 2504 F Avenue in Ogden – This building functions as a State-run medical clinic two days a week with one provider and two support staff.

The 334,500 square feet of office space used by the Department of Health for FY 2011 is shown in the table below. Additionally, further below in the document there is a map of the State showing the location of Health’s State-owned and leased buildings.

**Warning From the Department of Administrative Services About Ending Leases Early**

Attached to this issue brief is a letter from the Department of Administrative Services regarding the impact to the State of ending leases early.
<table>
<thead>
<tr>
<th>Building Name</th>
<th>Address</th>
<th>Year of Lease</th>
<th>Lease Expiry</th>
<th>Monthly Rent</th>
<th>Occupancy</th>
</tr>
</thead>
<tbody>
<tr>
<td>NORTH SHORE HEALTH CENTER</td>
<td>1920 N. W. 3400</td>
<td>2007</td>
<td>2012</td>
<td>$2,400</td>
<td>90%</td>
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<tr>
<td>DENTAL CENTER</td>
<td>1200 E. 7TH ST</td>
<td>2008</td>
<td>2013</td>
<td>$2,500</td>
<td>95%</td>
</tr>
<tr>
<td>MEDICAL LABORATORY</td>
<td>1500 S. 2ND AVE</td>
<td>2009</td>
<td>2014</td>
<td>$2,600</td>
<td>92%</td>
</tr>
<tr>
<td>ARIZONA HEALTH PLANNING</td>
<td>3650 N. 1ST AVE</td>
<td>2010</td>
<td>2015</td>
<td>$2,700</td>
<td>90%</td>
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<tr>
<td>OASIS HEALTH CENTERS</td>
<td>3200 E. 1ST AVE</td>
<td>2011</td>
<td>2016</td>
<td>$2,800</td>
<td>95%</td>
</tr>
</tbody>
</table>

**Leased Buildings - FY 2011**

<table>
<thead>
<tr>
<th>Building Name</th>
<th>Address</th>
<th>Year of Lease</th>
<th>Lease Expiry</th>
<th>Monthly Rent</th>
<th>Occupancy</th>
</tr>
</thead>
<tbody>
<tr>
<td>OFFICE OF THE LEGISLATIVE FISCAL ANALYST</td>
<td>1200 W. MAIN ST</td>
<td>2007</td>
<td>2012</td>
<td>$2,400</td>
<td>95%</td>
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<tr>
<td>HEALTH CENTER</td>
<td>1300 S. 3RD AVE</td>
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<td>2013</td>
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<td>92%</td>
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<tr>
<td>MEDICAL LABORATORY</td>
<td>1600 S. 4TH AVE</td>
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<td>2014</td>
<td>$2,600</td>
<td>90%</td>
</tr>
<tr>
<td>ARIZONA HEALTH PLANNING</td>
<td>1900 S. 5TH AVE</td>
<td>2010</td>
<td>2015</td>
<td>$2,700</td>
<td>95%</td>
</tr>
<tr>
<td>OASIS HEALTH CENTERS</td>
<td>2200 S. 6TH AVE</td>
<td>2011</td>
<td>2016</td>
<td>$2,800</td>
<td>92%</td>
</tr>
</tbody>
</table>
State Owned and Leased Department of Health Buildings

2009 Utah Population: 2,806,000
Dept. of Health buildings: 17

Sources:
Revenue Assumption Committee
Dept. of Health (DOH)

One green dot represents 150 people; one blue circle represents 1 leased DOH center and one red circle represents 1 state-owned DOH center.
Memorandum

To: Rich Amon, Legislative Fiscal Analyst
From: John Nichols, Real Estate and Debt Manager, DFCM
Date: February 4, 2009
Subject: Impact of Breaking State Leases

This memo is in response to your request for clarification of DFCM’s policy on the early cancellation of leases as provided for in the non-appropriation clause contained in State leases. It is DFCM’s policy to prematurely cancel leases under this clause only when given a specific and explicit directive to do so by the Legislature, which is extremely rare and hasn’t occurred in almost twenty years. DFCM does not consider an agency budget approved by the Legislature that closes a particular office or program to be sufficient on its own to cancel the lease for that program – specific legislative direction to break a particular lease or leases would be necessary.

“Breaking” a lease means the State prematurely abandons the property and stops all lease payments to the landlord, in essence defaulting on the lease without compensation to the landlord. Aside from not honoring our contractual obligations, the most serious consequence of breaking a State lease would be the perception in the open market that State leases are high-risk leases that can be canceled in any given year, and they would be treated accordingly with higher rentals and less favorable terms. Landlords would also be much more wary of sharing buildout expenses or allowing us to amortize buildout costs over time.

According to DFCM’s Assistant Attorney General, the State might also be exposed to potential lawsuits from the landlords of broken leases. Consequently, DFCM always negotiates with landlords to exit leases early, either through a negotiated buyout or other arrangement agreeable to both parties.

A few State agencies have expressed a desire to break leases they occupy in connection with budget cuts as they shut down, close or move certain programs. The rumor that one State agency desires to break a lease has already cost that agency a large and important expansion at another leased facility in the Salt Lake Valley.

DFCM has worked for many years to ensure that State leases are viewed and treated as credible multi-year leases in the market. Prematurely breaking leases would reverse that reputation and result in State leases being viewed as higher risk agreements in the market, likely resulting in significantly higher lease costs into the future.