

San Juan, Puerto Rico
Mental Health Residential & Psychosocial Rehab Program Lease

This proposal provides for a new inpatient Mental Health Residential and Psychosocial Rehabilitation facility lease in San Juan, PR, supporting the parent facility of the San Juan, VA Medical Center.

I. Budget Authority

| Lease Through | 2011 Request | 2011 | |
|---------------|--------------|-------------------------------|----------------------------|
| | | Authorization | Unserviced |
| 2033 | \$5,323,160 | <u>Request</u> \$5,323,160 | Annual Rent \$2,463,160 |

II. Description of Project

This project proposes the lease of a new 40-bed inpatient Mental Health Residential and Psychosocial Rehabilitation Program in the San Juan, PR area. The new facility will be approximately 52,000 net usable square feet (NUSF) for VA inpatient space, addressing the significant space shortage that the existing San Juan VA Medical Center is facing.

Approval of this prospectus will constitute authority for up to 20 years of leasing.

III. Priorities/Deficiencies Addressed:

The Mental Health Residential Rehabilitation and Treatment Program (MHR RTP) and Psychosocial Residential Rehabilitation Center (PRRC) are two essential components in the recovery model continuum of care for veterans with a variety of mental health conditions. These programs close the gap between the inpatient services and outpatient services providing a smoother transition to the community. Since these programs do not exist in the Puerto Rico geographical area, their implementation will provide the first opportunity for recovery.

Veterans identified as in need of residential services are referred to other VISN 8 facilities on the mainland. In many instances, this deprives the Veterans of family support and limiting their ability to profit fully from the services received due to cultural and language barriers that may exist. Currently, Veterans identified as needing ambulatory recovery and rehabilitation services are served through general mental health clinics that may not be equipped to handle veteran-specific mental health conditions. Therefore, it is essential to provide these two programs as soon as possible and closer to where the Veterans reside, which is why leasing is preferred.

IV. Alternatives to Lease Considered:

Alternative 1 - Status Quo: Status quo does not address the full needs of the recovering Mental Health patient. Additional space is needed to house these transitional inpatient programs. Since space does not exist at the San Juan VA Medical Center, these programs will go unsupported.

Alternative 2 - Lease New Space (Preferred alternative): This alternative provides the quickest access for a new, state-of-the-art facility for these two programs. This facility will be closer to where the Veteran resides, which is also a key element in the Veteran's recovery. Finally, this option is the most cost-effective alternative.

Alternative 3 - New Construction: New Construction will address all workload gap concerns and agency strategic goals by improving quality, access to care, and patient satisfaction). However, there are currently two major projects (divided into five phases) underway on the severely space deficient San Juan campus. Between the actual building footprints and the immense staging area required for these projects, there would be no additional room to entertain a further expansion of new space. The major projects will not be completed until well into 2014. Therefore, the timing associated with waiting for another Major Construction project to be approved and underway will significantly delay the proposed project, which would be a detriment to the Veterans in this area. Therefore, new construction is a less preferred option.

V. Demographic Data*:

| | <u>2008</u> | <u>2018</u> | <u>2028</u> | <u>Change</u> <u>(2008-2028)</u> |
|--------------------|-------------|-------------|-------------|-------------------------------------|
| Veteran Population | 119,294 | 88,162 | 66,059 | -45% |
| Enrollees | 79,319 | 64,312 | 53,207 | -33% |

*Data reflects the Puerto Rico market

VI. Workload

| | <u>Current</u> <u>(2008)</u> | <u>Projected</u> <u>(2028)</u> | <u>Change</u> <u>(2008-2028)</u> |
|---------------------|---------------------------------|-----------------------------------|-------------------------------------|
| Ambulatory stops | 748,376 | 681,043 | -9% |
| Mental Health stops | 74,644 | 73,700 | -1% |

VII. Schedule

| | |
|-----------------------|----------------|
| Award leases | January 2012 |
| Complete construction | September 2013 |
| Activation/Occupancy | November 2013 |

VIII. Project Cost Summary

| | |
|--|-------------|
| Estimated Annual Cost | \$2,463,160 |
| Proposed Rental Rate* | \$47.37/SF |
| Proposed Lease Authority | 20 Years |
| Net Usable Square Feet | 52,000 |
| Parking Spaces | 250 |
| Special Purpose Related Improvements** | \$2,860,000 |

*Estimate based on 2010 rates, and may be escalated by 4% annually to the effective date of the lease to account for inflation.

**Represents lump sum payment to Lessor to design and build out space for clinical use; not included in base rent.