

KENAI PENINSULA BOROUGH

PLANNING DEPARTMENT

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DAVID R. CAREY
BOROUGH MAYOR

MEMORANDUM

TO: Gary Knopp, Assembly President
Kenai Peninsula Borough Assembly Members

THRU:  David R. Carey, Borough Mayor

FROM:  Max J. Best, Planning Director

DATE: May 12, 2011

SUBJECT: Resolution 2011-047; Resolution authorizing the Borough on behalf of the South Kenai Peninsula Hospital Service Area to enter into a ten-year lease agreement with South Peninsula Professional Services, LLC for medical office space within the Kachemak Bay Professional Building located at 4201 Bartlett St., Homer, Alaska 99603, and authorizing an amendment to the sublease and operating agreement with South Peninsula Hospital, Inc. to include this lease.

The Planning Commission reviewed the subject resolution during their regularly scheduled May 9, 2011 meeting. A motion passed by unanimous consent to recommend approval of the ordinance.

In the resolution, please make the following amendment to the last WHEREAS:

WHEREAS, the KPB Planning Commission at its regularly scheduled meeting of May 9, 2011, recommended approval.

Attached are the unapproved minutes of the subject portion of the meeting.

AGENDA ITEM F. PUBLIC HEARINGS

5. Resolution 2011-047; Resolution authorizing the Borough on behalf of the South Kenai Peninsula Hospital Service Area to enter into a ten-year lease agreement with South Peninsula Professional Services, LLC for medical office space within the Kachemak Bay Professional Building located at 4201 Bartlett St., Homer, Alaska 99603, and authorizing an amendment to the sublease and operating agreement with South Peninsula Hospital, Inc. to include this lease.

Memorandum reviewed by Marcus Mueller

PC Meeting: 5/9/11

The SPH, Inc. administration has identified 3,780 sf. ft. of office space for lease in close proximity to the South Peninsula Hospital campus that is available and suitable for a medical clinic and X-Ray room to provide for the operational needs of the hospital. (See vicinity map.)

A ten-year lease has been negotiated to begin May 23, 2011, with an annual rental cost of \$100,512.00 for years one through three and \$106,581.60 for the remaining years with a CPI adjustment added to the rent starting in the sixth year. The rental cost includes property taxes, water usage, janitorial services in the common areas, landscaping, lawn maintenance, snow removal, ice sanding. The cost of electric and propane utilities will be based on usage as metered. The cost of fuel will be pro-rated based on square footage.

The leased property would be sublet to SPH, Inc., and SPH, Inc. would be responsible for the costs associated with the lease. An amendment to the Sublease and Operating Agreement has been drafted to effect this transfer.

South Peninsula Hospital is excited in that they have recently brought on an orthopedic clinic. They are excited for the services that will provide as well as the revenues that come with it.

Consideration of the resolution authorizing both the lease and an amendment to the sublease and operating agreement with SPH, Inc is appreciated.

END OF MEMORANDUM

Chairman Bryson opened the meeting for public comment. Seeing and hearing no one else wishing to speak, Chairman Bryson closed the public comment period and opened discussion among the Commission.

MOTION: Commissioner Gross moved, seconded by Commissioner Carluccio to recommend approval of Resolution 2011-047; resolution authorizing the Borough on behalf of the South Kenai Peninsula Hospital Service Area to enter into a ten-year lease agreement with South Peninsula Professional Services, LLC for medical office space within the Kachemak Bay Professional Building located at 4201 Bartlett St., Homer, Alaska 99603, and authorizing an amendment to the sublease and operating agreement with South Peninsula Hospital, Inc. to include this lease.

Commissioner Tauriainen asked if the office was to be used permanently and if so why wasn't it being purchased.

Bob Letson, SPH CEO: The reason they looked at leasing rather than purchasing is that the area that is involved is approximately 50% of the clinic with the other half being family practice and internal medicine doctors. He stated they were leasing half of their clinic which used to house an orthopedic surgeon. That surgeon has ceased his practice. They have missed that revenue greatly and have recently recruited an orthopedic surgeon who will be here in July to resume the orthopedic practice. Mr. Letson also stated that they will use part of the space for their specialty clinic for visiting doctors. He felt that having a ten year lease was a way to secure it but not be tied in forever.

Commissioner Tauriainen asked if the lease price was in line for normal pricing for a building of this size. Mr. Mueller replied that they consulted with the Borough Assessing Department who looks at lease space for their assessing purposes. He stated they determined that this was in line with market value lease rates.

Commissioner Ecklund asked for clarification that the Borough is entering into the lease and the money is being paid by South Peninsula Hospital. Mr. Mueller replied that Borough Code requires that the ownership interest in the property come to the Borough. They transfer those interests through sublease and operating agreement.

Commissioner Carluccio asked if the lease would terminate if South Peninsula Hospital (SPH) did not have the money to pay the lease. Mr. Mueller replied this is common in all the Borough leases. When SPH is the Sublessee then they are obligated for the lease however when SPH is no longer in that position with the Borough then the lease is taken back with the lease being terminated if the Assembly did not appropriate the funds. He stated that this provision is in most of their leases that if the Assembly fails to appropriate funds then the agreement is terminated. Commissioner Carluccio understood that if SPH moves out and the Borough cannot find someone else to use the space then the lease is terminated. Mr. Mr. Mueller replied that was essentially correct.

VOTE: The motion passed by unanimous consent.

BRYSON YES	CARLUCCIO YES	COLLINS YES	ECKLUND YES	FOSTER ABSENT	GROSS YES	HOLSTEN YES
ISHAM YES	LOCKWOOD ABSENT	MARTIN YES	PARKER YES	RUFFNER YES	TAURIAINEN YES	11 YES 2 ABSENT

AGENDA ITEM F. PUBLIC HEARINGS

7. Resolution 2011-048; Resolution authorizing the lease of 420 square feet of office space in the SeaView Community Plaza Building for the Seward Annex Office for up to 5 years.

Memorandum reviewed by Marcus Mueller

PC Meeting: May 9, 2011

The borough has leased office space in the SeaView Plaza building on Railway Avenue in Seward since 2006 for the purpose of providing liaison services to the eastern peninsula including distribution/collection of forms and general information, GIS mapping and property information, and public notices. The annex office provides teleconference connections to the borough assembly meetings for the eastern peninsula. The current lease at the SeaView Plaza Building expires June 30, 2011.

The borough competitively sought and advertised request for quotes (RFQ) for office space in the Seward area. The RFQ was published in the Seward Phoenix Log on March 24, 2011 and published on the Land Management web page. Three quotes were received and considered responsive. SeaView Community Services was the successful respondent with a proposal to lease the same facility that the Seward annex office currently occupies for \$735/month for 420 square feet of office space for years 1 and 2 and 4% increases in years 3 and 5.

This resolution would authorize the Kenai Peninsula Borough to enter into a one-year lease agreement with the option to renew for up to four additional one-year periods with SeaView Community Services. The administration respectfully requests consideration of this resolution.

END OF MEMORANDUM

Chairman Bryson opened the meeting for public comment. Seeing and hearing no one else wishing to speak, Chairman Bryson closed the public comment period and opened discussion among the Commission.

MOTION: Commissioner Ecklund moved, seconded by Commissioner Ruffner to recommend approval of Resolution 2011-048; Resolution authorizing the lease of 420 square feet of office space in the SeaView Community Plaza Building for the Seward Annex Office for up to 5 years.

Commissioner Ecklund stated she visited the offices and spoke with Cheryl Sees who was the Borough office manager. Ms. Sees stated they were happy with the offices which are nice and easily accessible by the