

Introduced by:
Date:
Action:
Vote:

Administration
July 25, 2012
Approved
Yes – 6, No – 0, Excused - 3

**SOUTH PENINSULA HOSPITAL
BOARD RESOLUTION
2012-12**

**A RESOLUTION OF THE SOUTH PENINSULA HOSPITAL BOARD OF DIRECTORS
APPROVING A LEASE AGREEMENT FOR BASEMENT SPACE IN THE
KACHEMAK BAY PROFESSIONAL BUILDING
LOCATED AT 4201 BARTLETT, SUITE 101, HOMER, ALASKA, AND
AUTHORIZING AN AMENDMENT TO THE SUBLEASE AND OPERATING AGREEMENT
WITH KENAI PENINSULA BOROUGH TO INCLUDE THIS LEASE**

WHEREAS, the Kenai Peninsula Borough has entered into a Sublease and Operating Agreement ("SLOA") with South Peninsula Hospital, Inc. ("SPHI") for the sublease and operation of South Peninsula Hospital ("Hospital") and other Medical Facilities through the South Kenai Peninsula Hospital Service Area ("Service Area"); and,

WHEREAS, under the SLOA, SPHI shall endeavor to operate the Medical Facilities on a self-supporting basis while preserving the same or a better level of service to the residents of the Service Area, and may provide other authorized and approved health care programs, services and facilities, all for the benefit of the Kenai Peninsula Borough ("Borough") and the residents of the Service Area; and,

WHEREAS, pursuant to the SLOA, the Borough may enter into a lease of property on behalf of the Service Area and may sublease the property to SPHI; and,

WHEREAS, in 2011, at the approval and recommendation of the SPHI Board of Directors and the recommendation of the Service Area Board, the Borough entered into a ten (10) year lease with South Peninsula Professional Services, LLC ("SPPS"), the owner of property, including the Kachemak Bay Professional Building ("Building"), located at 4201 Bartlett St., in Homer, Alaska; and,

WHEREAS, in 2011, the Borough subleased to SPHI the leased premises in the Building designated as Suite 201 for Medical Office Space for the Hospital's Orthopedic Clinic, and designated as Suite 203 for the Hospital's outpatient X-Ray Room and X-Ray Waiting Room, all being office space and built-out X-Ray Room in the Building, together with the right to use in common the Building's interior common areas and the exterior parking areas and grounds; and,

WHEREAS, SPHI intends to expand its Pediatric Physical Therapy Program; and,

WHEREAS, the SPHI Administration has identified 3,225 sq. ft. of space for lease in the basement of the Building, designated as Suite 101, which basement space is in close proximity to the Hospital, is available, and is suitable for use as business offices, as storage, and as a future additional health care clinic; and,

WHEREAS, the lease by the Borough and the sublease by SPHI of the basement of the Building, designated as Suite 101, from SPPS would allow SPHI to relocate offices in order to make room near the current Physical Therapy Department for the Hospital's expanded Pediatric Physical Therapy Program; the lease would also allow SPHI to move some business offices and storage to Suite 101, and space in Suite 101 is also suitable to be renovated in the future for additional outpatient clinic space for the Hospital; and,

WHEREAS, the SPHI Administration has negotiated terms for the Lease Agreement with SPPS, subject to the approval of the SPHI Board of Directors and the approval of the Borough Assembly, that include the following:

- (1) The lease will be of 3,225 s.f in the Building's basement, and the leased premises are described as follows:

Suite 101, containing approximately 3,225 square feet, located as the basement in the Kachemak Bay Professional Building that is situated on the real property described as follows:

LOT 1-A, BLOCK 9, Fairview Subdivision 2003 Addition, T 6S R 13W Sec. 18 Seward Meridian HM 2004101, located in the Homer Recording District, Third Judicial District, State of Alaska.

Street address: 4201 Bartlett Street, Homer, Alaska 99603
Assessor's Parcel No.: 17505509

- (2) The lease's term shall be ten (10) years, commencing on September 1, 2012, with the Borough and SPHI having the right and option to renew this lease for two (2) successive additional terms, with each individual additional term being a period of five (5) years; and,
- (3) The lease will allow the Borough to sublease the leased premises to SPHI for the term and for the two (2) successive additional terms, and to assign the lessee's obligations to SPHI as sublessee, subject to the terms and conditions of this lease and the SLOA; and if the SLOA terminates before this lease terminates, then the Borough may sublease the property to another entity subject to the approval of SPPS, the owner; and,
- (4) The lease's term is also subject to the appropriation and availability of funds, but the expenditures for this lease will be paid by SPHI for the term of the SLOA between the Borough and SPHI, including any extension or renewal of the term of the SLOA; and,
- (5) As sublessee, and subject to the terms and conditions of the SLOA, SPHI will perform the Borough's obligations under this lease for as long as SPHI is the sublessee; and,
- (6) The fair market value rent for years one (1) through five (5) will be at the rate of \$1.20 per s.f.; and,
- (7) The fair market value rent for years six (6) through ten (10) will be at the rate of \$1.50 per s.f.; and,
- (8) The lease will give SPHI the right to use in common the Building's interior common areas and the exterior parking areas and grounds with the other lessees; and
- (9) SPHI will assume responsibility for the snow removal and sanding of the two parking lots that will be used primarily by SPHI's employees. These parking lots are described as the south and west parking lots; and,
- (10) SPHI will pay an additional pro rata share of SPPS' monthly expenses for utilities (except for electric power due to the cost of power for X-Ray services), janitorial services in the common areas, landscaping, and lawn maintenance, with an adjustment to its share on snow removal and ice sanding due to SPHI's responsibility for the south and west parking lots. Under the existing lease of Suite 201 and Suite 203, SPHI pays its pro rata share of these costs, except SPHI pays a greater share of the cost of electric power; and,

- (11) Before SPHI's occupancy, at SPPS' sole expense, SPPS will provide improvements in the Building's basement, including four (4) sewer and drain stubs and a concrete slab to engineered specifications; and,
- (12) After SPHI's occupancy, at SPHI's sole expense including architectural, engineering, fire-marshall and build-out costs, SPHI will have the right to construct improvements and alterations in the Building's leased basement space, to renovate and build out the space to desired specifications, subject to any Borough approval that may be required by the SLOA; and,
- (13) The rent payable to SPPS would not change due to SPHI's construction of improvements, alterations and renovations; and,
- (14) SPPS will grant the Borough and SPHI a right of first refusal and an option to purchase the real property and Building; and,

WHEREAS, the SPHI Administration has prepared and reviewed the financial projections of this transaction and lease, and finds that the financial projections are favorable to SPHI; and,

WHEREAS, this transaction aligns with the following strategy from the Strategic Plan: "Provide services that increase utilization of SPHI as a first choice medical facility and service point in Service Area. Patient focused functions: SPHI must identify those programs and services which meet the healthcare needs of the community, are consistent with the clinical expertise of the medical staff, promote utilization and financial growth, and support the achievement of the hospital's mission;" and,

WHEREAS, pursuant to the SLOA, this lease of property requires the approval of the Borough Assembly; and,

WHEREAS, this lease of property requires an amendment to the SLOA at Section 2 DESCRIPTION OF THE LEASED FACILITIES to include the leased premises as subleased property subject to the terms and conditions of the SLOA, with the amendment to be approved by the SPHI Board of Directors and the Borough Assembly; and;

WHEREAS, a draft of the Lease Agreement, as described in subparagraphs (1) through (14) of this resolution, with SPPS as Lessor, the Borough as Lessee, and SPHI as Sublessee, has been prepared and approved by SPHI's legal counsel; and;

WHEREAS, the SPHI Administration recommends that the SPHI Board of Directors approve a Lease Agreement, as described in subparagraphs (1) through (14) of this resolution, with SPPS as Lessor, the Borough as Lessee, and SPHI as Sublessee, and that the Board approve an amendment to the SLOA at Section 2 to include this lease as subleased property subject to the terms and conditions of the SLOA; and,

WHEREAS, at its July 17, 2012 meeting, the SPHI Finance Committee reviewed and approved this resolution, and forwarded this resolution to the Board with a recommendation for approval;


NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF SOUTH PENINSULA HOSPITAL, INC., A NOT-FOR-PROFIT ALASKA CORPORATION, THAT:

1. The SPHI Board of Directors approves the draft of the Lease Agreement, as described in subparagraphs (1) through (14) of this resolution, with SPPS as Lessor, the Borough as Lessee, and SPHI as Sublessee, subject to the approval of the Borough.
2. The SPHI Board of Directors authorizes the Chief Executive Officer to execute a Lease Agreement as described in subparagraphs (1) through (14) of this resolution, with SPPS as Lessor, the Borough as Lessee, and SPHI as Sublessee, that is substantially in the form of the


draft Lease Agreement in the board packet, which draft Lease Agreement is incorporated herein by reference, subject to the approval of the Borough.

3. The SPHI Board of Directors approves an amendment to the SLOA at Section 2 to include this lease as subleased property subject to the terms and conditions of the SLOA, subject to the approval of the Borough.
4. The SPHI Board of Directors authorizes the Board President to execute an amendment to the SLOA at Section 2 to include this lease as subleased property subject to the terms and conditions of the SLOA, subject to the approval of the Borough.
5. The SPHI Board of Directors directs the SPHI Administration to (1) forward this resolution to South Kenai Peninsula Hospital Service Area Board with SPHI's request for the Service Area Board's recommendation of approval to the Borough Assembly, and (2) forward this resolution to the Borough Assembly with SPHI's request for the Assembly's approval.
6. This resolution takes effect immediately upon its adoption.

I CERTIFY THAT THE ABOVE RESOLUTION WAS PASSED AND ADOPTED BY VOTE OF THE BOARD OF DIRECTORS OF SOUTH PENINSULA HOSPITAL, INC. THIS 25th DAY OF JULY, 2012.


Julie Woodworth, Board President

ATTEST:


Bernadette Wilson, Secretary