

Introduced by: Mayor
Date: 09/01/15
Hearing: 09/15/15
Action: Enacted as Amended
Vote: 7 Yes, 1 No, 1 Absent

**KENAI PENINSULA BOROUGH
ORDINANCE 2015-19-12**

AN ORDINANCE APPROPRIATING \$435,000 FROM THE SOUTH KENAI PENINSULA HOSPITAL SERVICE AREA (SKPHSA) OPERATING FUND TO THE SKPHSA CAPITAL PROJECT FUND, AUTHORIZING THE ACQUISITION OF REAL PROPERTY LOCATED AT 4136 BARTLETT STREET, HOMER ALASKA ON BEHALF OF SKPHSA, APPROPRIATING \$1,635,000 FROM THE SKPHSA CAPITAL PROJECT FUND FOR THE PURCHASE AND BUILDING EXPANSION DESIGN, AND AUTHORIZING AN AMENDMENT TO THE SPH, INC. SUBLEASE AND OPERATING AGREEMENT

WHEREAS, the Kenai Peninsula Borough ("Borough") owns and provides for the operation of South Peninsula Hospital ("Hospital"), and for other health services and medical facilities, through the South Kenai Peninsula Hospital Service Area, ("Service Area"); and

WHEREAS, the Borough has entered into a Sublease and Operating Agreement ("SL&O") with South Peninsula Hospital, Inc. ("SPH, Inc.") for the sublease and operation of the Hospital and other medical facilities, to operate these medical facilities on a nonprofit basis in order to ensure the continued availability of the medical services to the service area residents and visitors; and

WHEREAS, the borough leases from Paradox Management LLC and subleases to SPH, Inc the medical office building known as Homer Medical Center located at 4136 Bartlett Street which functions as the main primary care facility in the service area; and

WHEREAS, the facility provides a central location for family practice, obstetrics/gynecology, midwifery and other primary care services and is in need of expansion to house existing primary care providers and services necessary for the Medical Home Model of provider coverage; and

WHEREAS, SPH, Inc. has recommended development of a 3,700 square foot addition to the Homer Medical Center to be initiated within the next year; and

WHEREAS, it is the policy of the Borough to only make significant capital investment in property wholly owned by the Borough, therefore purchase of the property is a requisite step to expansion of the Homer Medical Center; and

WHEREAS, an independent fair market value appraisal was completed by Derry and Associates which valued the property in fee simple at \$1,475,000, the proposed purchase price; and

WHEREAS, in addition to the purchase price, the Borough will pay up to \$10,000 for closing costs in connection with this property, including without limitation all escrow fees, title insurance charges, recording fees, bank charges and prorated property taxes; and

WHEREAS, a \$150,000 budget is necessary to plan and design a 3,700 square foot medical office addition to the Homer Medical Center; and

WHEREAS, initial estimates for construction and site improvement cost are \$1,512,000 which will be subject to future appropriation separate from this ordinance; and

WHEREAS, the SPH, Inc. Board of Directors at its meeting of August 26, 2015 recommended approval by unanimous consent; and

WHEREAS, the South Kenai Peninsula Hospital Service Area Board, at its meeting of September 10, 2015 recommended approval; and

WHEREAS, the Kenai Peninsula Borough Planning Commission, at its meeting of September 14, 2015 recommended approval by unanimous consent;

NOW, THEREFORE, BE IT ORDAINED BY THE ASSEMBLY OF THE KENAI PENINSULA BOROUGH:

SECTION 1. That the Assembly finds that purchasing the following described real property located at 4136 Bartlett Street, Homer, Alaska 99603 pursuant to KPB 17.10.040 is in the best interest of the borough as it furthers the purposes of the South Kenai Peninsula Hospital Service Area (SKPHSA) to provide health care services:

Lot 2-A Block 5 Fairview Subdivision, No. 11, as shown on Plat No. 85-28, Homer Recording District, Third Judicial District, State of Alaska (Assessor Parcel No. 175-062-12),

SECTION 2. That the terms and conditions substantially in the form of those in the Purchase Agreement accompanying this ordinance are hereby approved. The purchase price shall be \$1,475,000 plus closing costs and prorated taxes not to exceed \$10,000.

SECTION 3. That this acquisition is for the purposes of providing medical office space for the continuation of necessary outpatient medical services to the community.

SECTION 4. That the above described land is zoned residential office pursuant to City of Homer zoning code and therefore is not proposed to be further classified under KPB 17.10.080.

SECTION 5. That the Mayor is authorized to execute any and all documents necessary to purchase the real property described in Section 1 in accordance with the terms and conditions contained in this ordinance and the accompanying Purchase Agreement, consistent with applicable provisions of KPB Chapter 17.10.

SECTION 6. That \$435,000 is appropriated from the SKPHSA Operating Fund, fund balance to account 601.81210.00000.50491, transfer to capital projects.

SECTION 7. That \$1,485,000 is appropriated in the SKPHSA Capital Project Fund to account No. 491.81210.16HMC.48620 for the purchase price, closing costs, and prorated taxes.

SECTION 8. That \$150,000 is appropriated in the SKPHSA Capital Project Fund to account No. 491.81210.16HMS.49311 for the planning and design of an approximately 3,700 square foot addition to the Homer Medical Center including related renovations and site improvements.

SECTION 9. That the mayor is authorized to execute an amendment to the South Peninsula Hospital Sublease and Operating Agreement with SPH, Inc. substantially in the form of the Second Amendment to the SL&O attached hereto and incorporated herein by reference. This document amends Section 2 of the SL&O Agreement to include the property described in Section 1 of this ordinance as a borough-owned property.

SECTION 10. That sections 1 through 8 and 10 through 11 of this ordinance shall take effect immediately upon its enactment.

SECTION 11. That Section 9 of this ordinance shall take effect upon purchase of the property listed in section 1 above.

ENACTED BY THE ASSEMBLY OF THE KENAI PENINSULA BOROUGH THIS 15TH DAY OF SEPTEMBER, 2015.

Dale Bagley

Dale Bagley, Assembly President

ATTEST:

John Blankenship

John Blankenship, MMC, Borough Clerk

Yes: Cooper, Haggerty, Gilman, Johnson, Ogle, Wolf, Bagley

No: Welles

Absent: McClure



