



KENAI PENINSULA BOROUGH

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**MIKE NAVARRE
BOROUGH MAYOR**

MEMORANDUM

TO: Dale Bagley, Assembly President
Kenai Peninsula Borough Assembly Members

THRU: Mike Navarre, Mayor *mn*
Craig C. Chapman, Finance Director *C Chapman*
Kevin Lyon, Capital Projects Director *KL*
Max Best, Planning Director *mb*

FROM: Marcus A. Mueller, Land Management Officer *m.a.m.*

CC: Judith Lund, Chair, South Peninsula Hospital Service Area Board

DATE: August 20, 2015

SUBJECT: 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

The Kenai Peninsula Borough provides for health and medical services through the South Kenai Peninsula Hospital Service Area (SKPHSA) through a sublease and operating agreement with the nonprofit South Peninsula Hospital, Inc..

The Homer Medical Center, a leased facility owned by Paradox Management, LLC, is the service area's main primary care facility providing family practice, obstetrics/gynecology, midwifery, nurse practitioners and other services. Expansion of the facility is necessary to accommodate these primary care services. The borough has a policy of limiting significant capital investments to property it owns to the maximum extent possible. Therefore, the property is proposed to be purchased by the borough on behalf of the SKPHSA.

The acquisition is proposed at the fee simple fair market value of \$1,475,000, according to an independent appraisal, plus all closing costs and prorated taxes. The attached ordinance would authorize the acquisition of the property at 4136 Bartlett Street and appropriate additional funds of \$150,000 for design of the planned addition.

The SPH Capital Project Fund has \$1,200,000 available for this project. An additional \$435,000 is required to purchase the facility and design the proposed addition which would come from the SPH Operating Fund. Therefore a transfer from the SPH Operating Fund to the SPH Capital Project fund in the amount of \$435,000 is included in the ordinance.

The proposed addition would consist of approximately 3,700 square feet along with related renovations and site improvements such as additional parking. The Borough's capital project department has estimated the proposed addition will cost between \$1,164,000 and \$1,512,000 including design cost. A source of funding needed for the construction of the proposed addition still needs to be identified. That action would come back to the assembly at a later date.

FINANCE DEPARTMENT ACCOUNT / FUNDS VERIFIED	
Acct. No.	<u>491.27910 (FB)</u>
Amount	<u>\$ 1,200,000.⁰⁰</u>
Acct. No.	<u>601.27910 (FB)</u>
Amount	<u>\$ 435,000.⁰⁰</u>
By:	<u>PP</u> Date: <u>8/20/15</u>