

RESOLUTION 2015-79

**A RESOLUTION APPROVING A PROPERTY ASSET PURCHASE AGREEMENT
WITH JONAS RIDGE, LLC**

1. **WHEREAS**, the Kenai Peninsula Borough owns and provides for the operation of Central Peninsula Hospital (the "Hospital"), and for other health services and Medical Facilities, through the Central Kenai Peninsula Hospital Service Area, (the "Service Area"); and,
2. **WHEREAS**, the Borough has entered into a Lease and Operating Agreement with Central Peninsula General Hospital, Inc. ("CPGH, Inc.") for the lease 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 Facilities to the Service Area residents and visitors; and,
3. **WHEREAS**, CPGH, Inc. has an opportunity to purchase the property and building located on Lots 1 and 19 Iris Heights Subdivision (Plat # 77-40 Kenai Recording District), Soldotna, Alaska; and,
4. **WHEREAS**, Jonas Ridge, LLC, 203 West Pioneer Street, Homer AK 99603 owner of the building and property at Lots 1 and 19, Iris Heights Subdivision (Plat # 77-40 Kenai Recording District), Soldotna Alaska 99669, desires to sell this property; and,
5. **WHEREAS**, the Hospital is seeking to purchase this property for the purposes of operating up to a 16 bed transitional housing facility; and,
6. **WHEREAS**, Jonas Ridge, LLC is willing to sell the aforementioned property as a "bargain sale" for \$599,000 which is significantly below the current assessed value of \$727,600 for both lots and improvements; and,
7. **WHEREAS**, a bargain sale is a transaction under Internal Revenue Service regulations whereby the owner sells the property below Fair Market Value (FMV) and makes an in-kind charitable donation for the remainder of the value which is determined by a qualified FMV appraisal; and,
8. **WHEREAS**, a FMV appraisal is being conducted to determine the market value and the amount of the in-kind donation (i.e., fair market value minus sale price equals charitable donation amount); and,
9. **WHEREAS**, internal behavioral health data supports this project as consistent with the Hospital's core mission as reviews of the data indicate that approximately 40% of those we serve in our chemical dependency program are in unsatisfactory living situations; and,
10. **WHEREAS**, the client data led to a successful pilot project in 2011 for transitional housing which fostered conversations and plans to obtain funding for a full scale, permanent facility; and,
11. **WHEREAS**, the Hospital financial sustainability model for transitional housing indicates the project will result in a small positive margin capable of covering ongoing operational costs and maintenance; and,

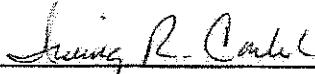
12. **WHEREAS**, the entire estimated cost of the purchase and remodeling for the transitional housing project is estimated at approximately \$1,604,421; and,
13. **WHEREAS**, the Hospital applied for and has been awarded a \$1,000,000 grant from the State of Alaska, Department of Health & Social Services; and,
14. **WHEREAS**, in addition to the state grant for \$1,000,000, additional funding sources for the project include a \$75,000 grant from the Alaska Mental Health Trust, \$25,000 from the Central Peninsula Health Foundation, \$5,000 from the Serenity House Alumni, one outstanding grant application to the Rasmuson Foundation for \$300,000 and the CPGH, Inc. authorized revenue (CPGH, Inc. resolution 2015-43) to cover any funding shortfalls in the project up to \$395,000; and,
15. **WHEREAS**, CPH Administration recommends approval of the proposed purchase between Jonas Ridge, LLC, as Seller, and the Kenai Peninsula Borough (KPB) as Purchaser, for the sale of Lots 1 and 19 Iris Heights Subdivision, (Plat # 77-40 Kenai Recording District) Soldotna, Alaska for \$599,000 and one-half of the closing costs not to exceed \$7,000; and,
16. **WHEREAS**, An Asset Purchase Agreement will be necessary to complete the purchase which will be developed by KPB Administration upon their approval of the purchase; and,
17. **WHEREAS**, corporate legal counsel will review the proposed Asset Purchase Agreement as to legal form and content;

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

- SECTION 1.** The CPGH, Inc. Board of Directors authorizes the purchase of Lots 1 and 19, Iris Heights Subdivision (Plat# 77-40 Kenai Recording District), Soldotna Alaska 99669 from Jonas Ridge, LLC, 203 West Pioneer Street, Homer AK 99603 owner of the assets, for a price of \$599,000 and half of the closing costs not to exceed \$7,000, with the funds to be paid from the Hospital grant receipts; and that the purchase of this building and property are subject to the approval of the Borough Assembly.
- SECTION 2.** The CPGH, Inc. Board of Directors supports approval by the Kenai Peninsula Borough Assembly which must be obtained prior to closing and payment of the purchase price, or the transactions will be cancelled without penalty.
- SECTION 3.** The CPGH, Inc. Board of Directors authorizes the Hospital Administration to proceed with the purchase and remodeling for the Diamond Willow Sober Living Center project for an amount not to exceed \$1,604,421, with the funds to be paid from the Hospital grant receipts and Property Plant and Replacement Funds not to exceed \$395,000; and that the purchase of this building and property are subject to the approval of the Borough Assembly.
- SECTION 5.** This resolution is contingent upon receiving grant funding of at least \$1,209,421
- SECTION 4.** This resolution becomes effective upon adoption by the CPGH, Inc. Board of Directors.

I certify that the above resolution was approved by vote of the Board of Directors of Central Peninsula General Hospital, Inc. at the 12/10/15 Board meeting.

Dated: 12/10/15



Irv Carlisle, Secretary/Treasurer
CPGH, Inc. Board of Directors



Executive Summary

To: CPGH, Inc., Board of Directors

From: Bruce Richards, External Affairs/Marketing

Date: 11/19/15

Re: Diamond Willow Sober Living Facility Purchase and Project Authorization

This resolution would authorize the purchase of the facility located at 362 Tyee St. in Soldotna. This is a facility that we began looking at in February of 2015. After deciding it was worth further exploration due to location, size and potential for purchase at a significantly reduced rate, we engaged the Foraker Group's Pre-Development program (at no cost) to conduct a condition survey, building code analysis, and a concept design based on the outlined needs for the program.

The survey was completed in July and was a necessary component for us to gain final award of the \$1,000,000 State of Alaska Dept. of Health & Social Services grant. That grant was awarded on October 29, 2015. We have also been awarded a \$75,000 grant from the Alaska Mental Health Trust Authority and have pledged grants from the foundation (\$25,000) and the Serenity House Alumni (\$5,000). CPGH, Inc. has approved \$395,000 which is a place holder at this time as we await notice from the Rasmuson Foundation regarding our request for a \$300,000 grant. We do not anticipate using the entire amount authorized by the CPGH, Inc. Board.

The building is currently owned by Jonas Ridge, LLC and they have offered it for sale at a reduced price of the \$599,000 which is expected to be well below Fair Market Value. This provide Jonas Ridge, LLC with a charitable donation that can be used as a deduction against capital gains. This type of transaction is known as a "bargain sale" under IRS regulations. We (the Kenai Peninsula Borough) will benefit from the reduced price and the seller will gain a significant tax deduction. Current borough assessed value is \$727,600.

The cost of purchasing and renovating the 15 bed Diamond Willow Sober Living facility is \$1,604,421. This amount would cover the purchase price, and all remodeling costs as shown on the project cost sheet including alternates.

This resolution would authorize the purchase and the authority to proceed with completing the project following acquisition of the facility upon closing.