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August 2, 2010

Mr. Jim Dinley
Municipal Administrator
100 Lincoln Street, Room 305
Sitka, AK
99835

In re: Assembly Agenda

Dear Mr. Dinley:

This is to request that we be put on the Assembly Agenda for the August 10, 2010 meeting. At that time, on behalf of SCH I would like to request funding for \$750,000.00 for the purchase of a temporary medical office building to be placed on site at the SCH campus.

I would respectfully request that the source of the money to be approved be from the Southeast Economic Development Fund – Public Infrastructure Revolving Loan area.

The purpose of the medical office building is to alleviate lease cost and the crowding, poor patient privacy and ease of care conditions that exist in our current leased medical office building at 814 Halibut Point Road.

Sincerely,

A handwritten signature in black ink that reads "Hugh Hallgren". The signature is fluid and cursive.

Hugh Hallgren
Administrator/CEO

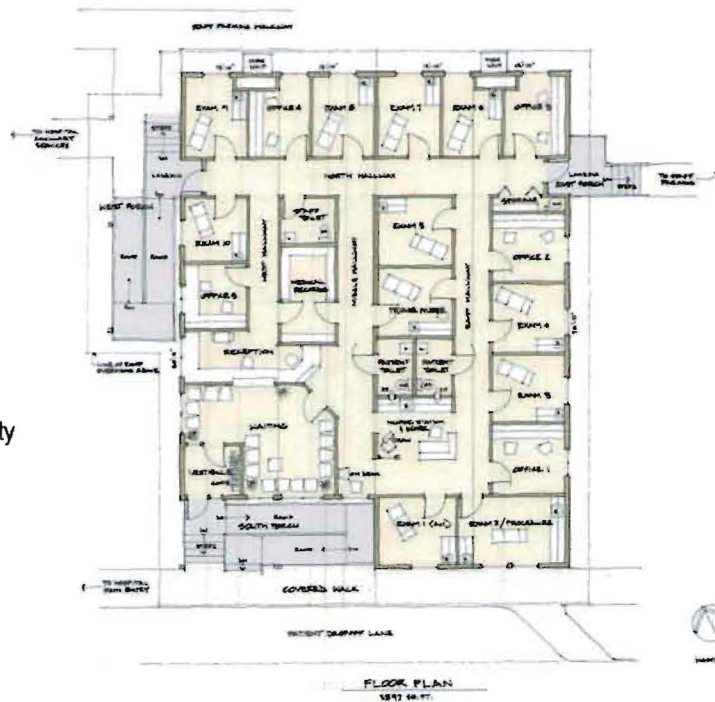
Modular Medical Office Building Justification

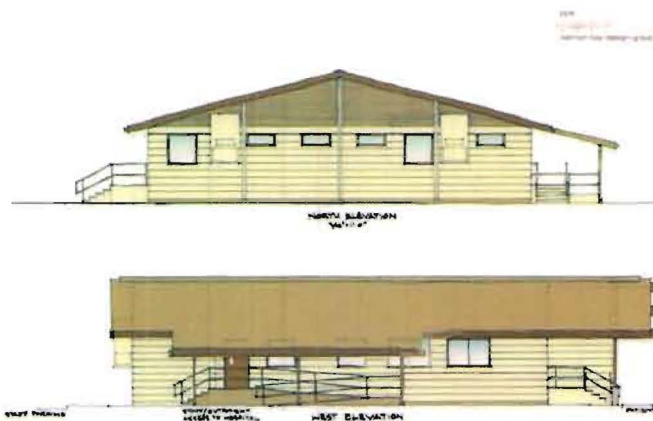
Sitka Community Hospital

August 3, 2010

Issue	Current	Proposed
Parking	<p>Poor:</p> <ul style="list-style-type: none"> Not easily accessible for handicapped Difficult for van to exit Exits into busy traffic 	<p>Very good:</p> <ul style="list-style-type: none"> Plenty of spaces Traffic flow design Aid of traffic light into busy lanes
Exam rooms	<ul style="list-style-type: none"> 6 (7 if including the triage exam space) Each has a different set up causing one to readjust to work spaces 	<ul style="list-style-type: none"> 10 Each is designed with the same floor plan (no need to re-orient to the area)
Work space	<p>Split level:</p> <ul style="list-style-type: none"> Providers and support staff typically not in same vicinity and sometimes far from exam rooms Not efficient and potential safety hazard with staircase. Medical records on lower level 	<p>One level:</p> <ul style="list-style-type: none"> Providers and nurses/assistants to share space located closely to exam rooms Team communication/proximity to exam rooms more efficient Medical records located next to Triage and Reception
Noise level	<p>High:</p> <ul style="list-style-type: none"> Interior doors are hollow and insulation between rooms sparse Must use radios in hallways to distract from voices in rooms 	<p>Low:</p> <ul style="list-style-type: none"> Interior doors will be solid core Each exam room and office has medical grade insulation, providing more privacy
Proximity to Hospital	<p>Poor:</p> <ul style="list-style-type: none"> Building is close but front entrance is away from hospital May confuse patients of relationship with hospital 	<p>Excellent:</p> <ul style="list-style-type: none"> Located near main entrance of hospital May provide clearer understanding of relationship with hospital
Savings	Escalating lease	Purchase at 40% savings vs. lease

Sitka Community Hospital Clinic
Floor Plan



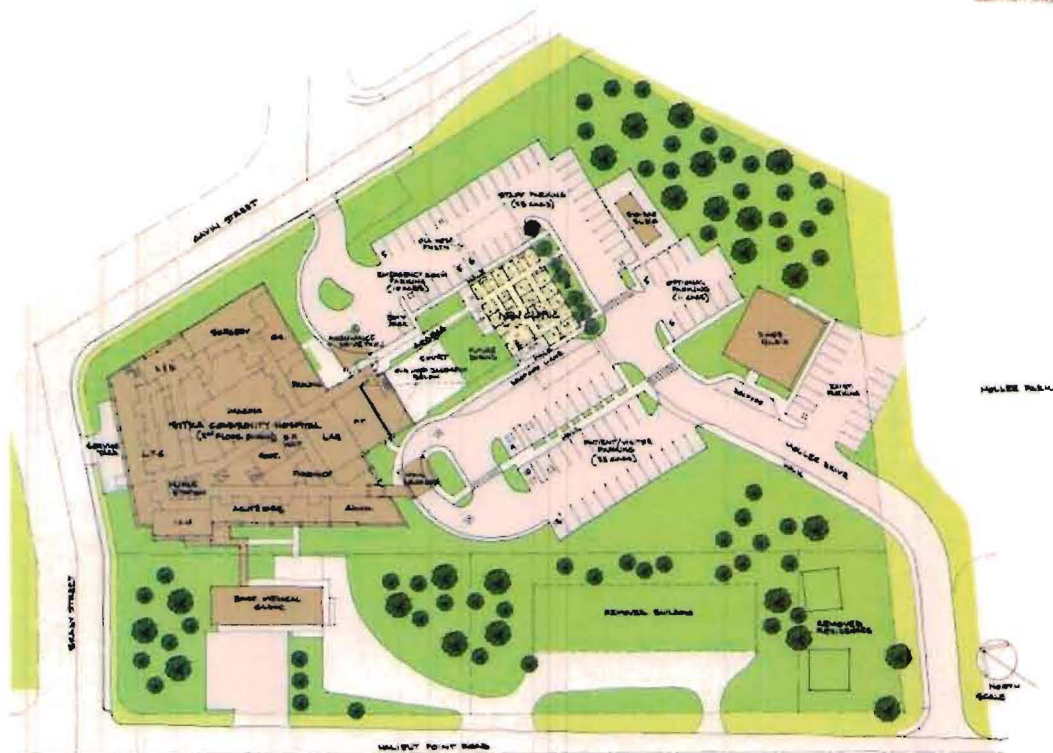


Sitka Community Hospital Clinic
North and West Elevations



Sitka Community Hospital Clinic
South and East Elevations

oie
salmon bay design group



Sitka Community Hospital Clinic
Site Plan (not to scale)

SITE PLAN
SCALE: 1/8" = 1' (APPROX)
5/17/07

Medical Office Building Purchase

By the Numbers

Current Rent/mo.	12,552.00	escalates per cpi
Proposed Mortgage/mo.	7,416.00	fixed-10 yr. 3.5% interest
current sq. footage	3700	Much unusable
proposed sq. footage	3597	> useable space
current \$/sq. ft	\$3.39	rent per month
proposed \$/sq. ft.	\$2.06	mortgage per mo.
MOB price	\$750,000.00	Key turn



Excerpt from the Long Range Planning and Economic Development Commission
Draft Minutes August 12th

LRPEDC review of SCH Economic Development Fund Request:

1. NEW BUSINESS

a) Hospital Loan Request from the Economic Development Fund.

Hugh Hallgren, CEO of Sitka Community Hospital (SCH), introduced himself. He reported City Staff recommended he present LRPEDC with information regarding SCH request for City Economic Development Funds.

Mr. Hallgren reviewed the details of the proposed project. He noted the economic benefits to the hospital to own an energy efficient building rather than expend 40% of its budget in rent for an older Sitka residence modified for use as a medical clinic. He reviewed the inadequacies of the expensive and obsolete building, though quaint and charming, to provide quality health care.

In response to Commissioners' questions, Mr. Hallgren provided background information and reviewed the needs identified by the Sitka Community Hospital strategic plan which led to the Hospital Board's approval in June 2010 of the modular clinic building designed for placement on the location of the old hospital foundation. It was noted the modular building would be an interim facility, with the long term goal to raise funds for a permanent addition to Sitka Community Hospital.

Financial benefits to ownership of the modular clinic were noted: SCH would own the building in ten years; commercial interest rates are not as low as the Sitka Economic Development Fund at 3.5% interest. The City would benefit as it would earn the interest; SCH would save 40% in rent payments and the expense would go toward ownership.

The number of exams rooms would expand from six to ten; retention and recruitment of physicians would be benefited; proximity is as close and easier access to the hospital.

The architectural design of the building will match the existing hospital. The only competitor in town, Sitka Medical Clinic, has been invited to join Mountainside Clinic in the new building. Sitka Medical Clinic has declined that offer.

Commissioners noted the process problem faced by LRPEDC to provide fiduciary review of a significant community project in such a short period of time, with little background information provided in advance.

Commissioner Kidd noted the project would commit a fair chunk of the funds available in the Economic Development Fund. Mr. Hallgren noted the City Administrator and Finance Director recommended financing SCH's plans for the modular clinic through the Economic Development Fund when it was presented to them about a month ago. Energy costs projected for the new building would be good to compare to the existing building.

Commissioner Adams summarized: SCH would borrow \$750,000 and pay back \$7400.16/month. Since this would save SCH \$60,000 annually, it would be a "no brainer" good move for the community.

Commissioner Gorman observed two points:

1) Process: if this Commission is going to provide community long range planning, the Commission needs to be brought in to the process earlier than was the case in this project.

2) Concerns: negative aspects of the project must be addressed by whoever is approving this proposal; Commissioner Gorman recognized the Sitka Community Hospital Board has likely vetted the project well. He encouraged continued public discussion prior to the expenditure of public funds.

Commissioner Kidd recommended in the future LRPEDC be provided with budget information (previous five years and five years projection) for loan reviews.

Mr. Hallgren offered to provide a report(s) on SCH as an informational item on a future LRPEDC agenda. The Assembly and Dave Wolfe review the SCH budget on a regular basis. As a not-for-profit hospital, SCH's main goal is to keep health care affordable for the community. A positive bottom line would be helpful to save for expansion funds. Recently, SCH had to divert patients to Mt. Edgecumbe Hospital because it did not have enough beds for admitted patients. Mr. Hallgren welcomed LRPEDC involvement in strategizing funding opportunities to meet expansion needs of Sitka Community Hospital.

Commissioner Gorman recommended Mr. Hallgren document the financial role of Mountainside Clinic to the economic viability of Sitka Community Hospital.

Commissioner Kidd is concerned with the process; there hasn't been adequate time to perform due diligence. LRPEDC is reliant on SCH Board's process.

M – Gorman/S – Kidd to support the Sitka Community Hospital Board's request for funds from the Economic Development Fund.

Motion carried unanimously.