



AGENDA REPORT

DATE: November 10, 2016

TO: CITY COUNCIL

FROM: Jennifer Stapleton, City Administrator

SUBJECT: Reconsideration of the Parking Agreement with Boundary Regional Community Health Center Inc., dba Kaniksu Health Services

DESCRIPTION/BACKGROUND:

At its last meeting, the Sandpoint City Council unanimously approved the reconsideration of the parking agreement with Boundary Regional Community Health Center Inc., dba Kaniksu Health Services. As reflected in the attached minutes, the City Council approved several changes to the parking agreement presented by City Administration.

Since that meeting, Kaniksu Health Services has been working with Mayor Rognstad and the City Administrator on outreach to downtown businesses.

Kaniksu Health Services has also expressed the necessity for the term of the parking agreement to reflect the term of their lease agreement in order for them to get financing. The term of the lease agreement is an initial ten years with two five year renewals.

In addition, Kaniksu Health Services has requested that the reduction in parking spaces should a smaller building be constructed be commensurate with the recommended 4.5 parking spaces per gross square foot for medical office buildings.

WILL THERE BE ANY FINANCIAL IMPACT? Yes

HAS THIS ITEM BEEN BUDGETED? No

ATTACHMENTS: Minutes of the regular meeting of the Sandpoint City Council on October 19, 2016

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G-2. RESOLUTION NO. 16-81 – PARKING SPACE AGREEMENT WITH BOUNDARY REGIONAL COMMUNITY HEALTH CENTER, DBA KANIKSU HEALTH SERVICES

City Administrator Jennifer Stapleton noted that Kaniksu Health Services and their developer, Richard Villelli, approached the Mayor and City staff with a desire to relocate all their facilities into a single location in our downtown. Their current primary location for their medical offices is in the City of Ponderay, but they have outgrown their facility and are having challenges with lack of parking spaces. Many of their administrative offices are in our downtown. Their preferred location would be within close proximity to Bonner General Health. Kaniksu Health Services has entered into an agreement for the purchase of the facility located at 200 Main Street, which is adjacent to the City parking lot. They want to remodel the building for their medical offices at this location and erect a new building on the west side of the same property in order to consolidate their services. They would have approximately 40 parking spaces on this site but will require a minimum of 100 parking spaces in order to address the challenges they have for their patients. The impact of this project will bring employees to our downtown. Kaniksu Health Services currently has 85 employees and over 35,000 patient visits annually. They are requesting to pay for 60 reserved parking spaces within the City parking lot. There is a need to conduct a parking study to determine the parking rate for the reserved parking spaces, to assess enforcement, what impact there will be for downtown businesses and potential future development considerations. Kaniksu Health Services won't move into their new location until June 2018. Upon commencement of the lease in June 2018, Kaniksu Health Services would have the ability to exercise their right to reserve the 60 parking spots at a market rate payment for each space and agree to pay up to one-half or \$10,000 toward the parking study. They will agree to pay a set-up fee for signage for each space that will include the cost of signs and installation at a rate of up to \$85 per parking space.

Richard Villelli said he is contracted with Kaniksu Health Services to find a new location for their headquarters. Kaniksu Health Services is the second largest health provider north of Coeur d'Alene. They also have facilities in Bonners Ferry and Priest River. They want to consolidate their offices, as a large portion of their clientele lives in Sandpoint. Their Chief Financial Officer would like to have an identity to the downtown. They will develop at least 40 and up to 46 covered parking spaces. Kaniksu Health Services has agreed to provide these covered parking spaces to the public when not utilized by their clientele according to the proposed agreement. They currently have 85 employees, including more than 20 practitioners. They provide veteran and pediatric services downtown. They are a non-profit organization that is government funded, as they provide services to everyone. Their facility is the top-rated veteran administration service in the United States. The agreement is subject to their constructing the building. A large portion of the funding will be from Federal and State government, which may require that language in the agreement state that the parking agreement can be assigned to any user of the building.

Councilman Snedden asked how Mr. Villelli arrived at the 100 spaces that are necessary for the development, why the request is for a twenty-year term (ten years with two five year

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options to renew) and what designs were provided for construction on their site. Mr. Vilelli replied that the code requires that a typical medical development provide four parking spaces per 1,000 square feet. They anticipate the building to be at 30,000 square feet, which would require 120 parking spaces. They will provide 40 parking spaces, along with the 60 reserved parking spaces from the City. The Board feels they can find 20 more spaces, which will be enough for now. Kaniksu Health Services has agreed to a ten-year lease, but several lenders require a 15-year lease. The lender may require that Kaniksu Health Service exercise their option prior to commencement of lending, at which time they will notify the City that they already have a 15-year commitment. Kaniksu Health Services may purchase the building, but they are not in a position to purchase it right now, because they purchased the Bonners Ferry building. The Federal government will only allow Kaniksu Health Services to have so much of their balance sheet in a real estate investment. He said he did not bring with him the construction design that was the original rendering when they were considering building at the old Safeway building site at Cedar and Second. The ground floor would be for parking, and the second, third and fourth floors would be medical offices to be complementary to the existing 200 Main Street building, utilizing timber masts, which substitutes wood with steel. It would be constructed as a green building. There are three contingencies purchasing the property: a lease with Kaniksu Health Services, a parking agreement with the City and the lending aspect.

Councilman Snedden said he is struggling with the agreement based on several contingencies. He asked why there is no memorandum of understanding at this time instead of a contract. Mr. Vilelli responded that the contract is contingent to the development. If there's no development, there's no obligation for the City. He replied to **Councilman Camp** that they will not remove the old building on 200 Main. They will build the new building on the parking lot west of the current building. The property is 14,312 square feet. The first floor will be approximately 12,000 square feet, the second floor will be approximately 8,000 square feet and the third floor will be approximately 6,000 square feet, with a total of 26,000 square feet. They don't know if the building will be 30,000 square feet. They will lease the old building from Sotheby's for two more years, and Independent Mortgage has the lease on the single story building on the northern location of the lot. They don't have many other parking options. They looked at building a medical facility above the City parking lot, but it would be burdensome for everyone and would take a long time to accomplish. Kaniksu Health Services hopes to move into a new facility in June 2018. They also looked at the granary site, but this entailed building a parking garage, which is cost prohibitive. They also looked at vacant land near Super 1 Foods, but the property was already purchased. This location is the farthest distance Kaniksu Health Services wants to be from the hospital.

Mayor Rognstad asked if it would be agreeable to Kaniksu Health that 60 reserved spaces could be within a one block radius, whether they were on the streets or a private parking lot within the vicinity. Mr. Vilelli stated yes, as long as there's proximity close to the facility. There's concern that practitioners will have to walk a long distance, particularly during the winter season. He stressed that the clock is ticking. If we go another couple of months before entering into an agreement, then he would have to tell Kaniksu Health Services that

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their development won't occur downtown. They would like to have an indication that the agreement is acceptable, and if we need to have a provision that the City will provide an alternative within a block of their facility, to incorporate that into the agreement. He will have to go back to the Board for their approval.

Councilwoman Williamson said there would be potential to accommodate business owners in the event the City moves forward with this decision. Based on the outcome of the study, there would there be an opportunity to revisit what our current parking regulations and fee structure is. **Councilman Aitken** asked if this proposal was discussed with the Chamber of Commerce and downtown businesses. He noted the City parking lot has been utilized since the City provided free parking. He is hesitant to compromise several City parking spots that are being utilized, and we are making these spaces exclusive to one business downtown. He also raised concern with enforcement. Jennifer Stapleton confirmed that the Chamber of Commerce was communicated with on the proposal and supports the development. There have been conversations with downtown retailers who will have their next meeting on Wednesday at 8:00 a.m. She will be attending this meeting to provide outreach to these businesses.

Mayor Rognstad explained that we still allow permits for street parking and at the parking lot. The lease holder can park anywhere on a designated spot on the street. There would be greater flexibility for those parking on the streets, with an exception of First and Second Avenues. One of the objectives in creating free parking in the City parking lot was to free up spaces on the street. At the conclusion of the parking study, we will have a better understanding of how our parking resources are used downtown. There would be an opportunity to make adjustments, if necessary, to further cater to downtown businesses and to expand free parking available on City streets. The agreement is contingent upon the successful development of this facility. The development should drive economic health and vitality to downtown based on our goal of the recently adopted economic policy. Parking problems are a good problem to have. Jennifer Stapleton agreed that a significant amount of public outreach is important to our downtown businesses. The parking study will be in conjunction of our downtown planning. It is anticipated that there will be additional downtown street parking that will coincide with the construction of the facility. Until June 2018, Kaniksu Health Services would continue to remain under our current parking structure.

Councilman Eddy asked what would happen to the agreement if the City decided to develop on the City parking lot. Jennifer Stapleton noted there's a provision in the agreement that, if the City wanted to develop on the parking lot, the 60 parking spaces would need to be incorporated into the development. **Councilman Snedden** stated that one of his long-term goals for the City parking lot is to develop structured parking with mixed use retail with possible residential. He commented that this development may assist the City to reach this goal. His concern is that he has no idea how much revenue this would generate. Jennifer Stapleton replied that, based on discussions with experts involved in parking management and parking studies, they indicated a market rate for a reserved parking space in our current situation would be \$30 per month. This would be

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based on the availability and our current market in Sandpoint. There has been some discussion with funding agencies about the possibility for development of a parking structure on the City parking lot. She spoke with grant writers who have been highly successful of obtaining EDA grants. On the advice provided, you have to consider where our workforce is commuting so we can define a broader regional area of impact that will significantly impact our ability to secure grant funding for a project like this. **Mayor Rognstad** commented that, until we have the stress on demand, there's no opportunity to invest the capital for the structure.

Councilman Snedden said there's no requirement mentioned in the agreement that they develop 40 spaces for themselves first. He raised concern that the City would be obligated to provide the full 60 reserved spaces if they weren't required based on current building code requirements. He suggested that the City provide up to 60 parking spaces or as many as they need according to current code requirements. City Attorney Scot Campbell replied that it's in conjunction with the time they construct their building. He agreed with the suggested changes. **Mayor Rognstad** felt this would be a fair commitment, that Kaniksu Health Services provide a minimum of 40 spaces on their private lot to be available for public parking after regular working hours. There is a potential for City Council to create a provision that, if a certain number of spaces aren't used over a period of time, City staff can monitor it to reclaim the lots.

Councilman Camp agreed the development will be an economic benefit to our downtown, but we should consider that our existing retail businesses downtown have an opportunity to reserve parking spaces. He pointed out that Kochava recently opened their new development downtown. Jennifer Stapleton stated that the results of the parking study might provide a recommendation that the City dedicate 75% of the lot for reserved parking, and, in addition, there would be a certain percentage to be available for other businesses, as well. We currently have 120 parking spaces in the parking lot. There are plans to do upgrades to the lot next year. Kochava anticipates expanding into their full building space they currently have. They may have to build an additional structure in their parking lot. This would be another consideration as to the parking availability in our downtown. **Councilman Snedden** said that he views this as a tool to recruit a major development downtown but has difficulty with what the costs and impacts will be on existing businesses. **Councilwoman Williamson** said that we have the ability to restructure our parking fees and parking regulations downtown within the next 1½ years. This is a time sensitive decision, and she can't see another business coming to our downtown that will provide critical service to our residents. This is a relatively small commitment from the City. **Councilman Camp** suggested postponing a decision for three weeks and asked if this would impact Kaniksu Health Services' schedule.

Mr. Villelli responded that the project is time sensitive, but it's more important to get it right for Kaniksu Health Services and the City. We have to have drawings and loan commitments in January but no later than February, with a closing on March 1st. We would start construction on April 2nd. We will not spend money on designs and engineering unless they have a commitment.

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City Clerk Maree Peck read a comment from Ben Tate, owner of Finan McDonald. He urged City Council not to lease one half of our public parking lot to a private business. Kaniksu Health may be good for downtown, but our City parking lot is critical to our retail businesses. Kaniksu Health would be wise to look at areas in the perimeter of the retail core, such as vacant space in the Columbia Bank building and undeveloped areas to the west of Fifth Avenue that have room for buildings and parking.

Councilman Camp moved that City Council approve the proposed resolution, Parking Space Agreement with Boundary Regional Community Health Center, dba Kaniksu Health Services. **Councilwoman Williamson seconded the motion.**

Councilman Snedden moved to amend that Kaniksu Health is required to provide 40 spaces on their private lot prior to exercising their option to use 60 parking spaces in the City's parking lot. **Councilman Camp seconded the motion.**

A roll call vote of Council resulted as follows:

Councilwoman Ruehle	Absent
Councilman Aitken	Yes
Councilman Snedden	Yes
Councilman Camp	Yes
Councilwoman Williamson	Yes
Councilman Eddy	Yes

The motion passed by a unanimous roll call vote of Council present.

Councilwoman Williamson moved to amend that the City has the ability to reevaluate the utilization of 60 reserved parking spaces by Kaniksu Health. **Councilman Eddy seconded the motion.**

Councilwoman Williamson asked if a timeframe was necessary. City Attorney Scot Campbell said City staff could come up with a specific deadline to reevaluate the usage of the 60 reserved parking spaces.

A roll call vote of Council resulted as follows:

Councilwoman Ruehle	Absent
Councilman Aitken	Yes
Councilman Snedden	Yes
Councilman Camp	Yes
Councilwoman Williamson	Yes
Councilman Eddy	Yes

The motion passed by a unanimous roll call vote of Council present.

There was a consensus of City Council that City staff would come up with an appropriate deadline.

Councilman Snedden moved to amend that the City is only required to provide the lesser of 60 reserved parking spaces or as necessary to meet the parking standards for medical

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facilities. **Councilwoman Williamson seconded the motion.**

Planning and Economic Development Director Aaron Qualls stated Kaniksu Health Services would not be required to provide any parking spaces in our downtown core. We deregulated parking in our downtown core in order to maintain the traditional urban fabric in our downtown core.

Mayor Rognstad left the meeting at 7:15 p.m. Council President Shannon Williamson presided over the meeting in his absence.

Jennifer Stapleton stated that City staff would assess what the standard is in the medical industry outside of City Code and incorporate it into the agreement.

A roll call vote of Council resulted as follows:

Councilwoman Ruehle	Absent
Councilman Aitken	Yes
Councilman Snedden	Yes
Councilman Camp	Yes
Councilwoman Williamson	Yes
Councilman Eddy	Yes

The motion passed by a unanimous roll call vote of Council present.

Councilman Snedden noted that, in Mr. Vilelli's presentation, he provided a timeframe of one ten-year lease with two five-year options to renew because of potential lender requirements, but we don't know what those requirements are. In the numbers provided by Vilelli, it was 15 years. He may come back to City Council with additional requirements by the lenders. If required additionally by the lender, then we can look at a possible 20-year lease in the future.

Mayor Rognstad returned to the meeting at 7:17 p.m.

Councilman Snedden moved to amend that the City enter into a ten-year lease with an additional one five-year renewal. **Councilwoman Williamson seconded the motion.**

A roll call vote of Council resulted as follows:

Councilwoman Ruehle	Absent
Councilman Aitken	Yes
Councilman Snedden	Yes
Councilman Camp	Yes
Councilwoman Williamson	Yes
Councilman Eddy	Yes

The motion passed by a unanimous roll call vote of Council present.

A roll call vote of Council resulted as follows to the main motion:

Councilman Eddy	Yes
Councilwoman Ruehle	Absent
Councilman Aitken	Yes

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Councilman Camp	Yes
Councilman Snedden	Yes
Councilwoman Williamson	Yes

The motion passed by a unanimous roll call vote of Council present.

No: 16-
Date: November 16, 2016

RESOLUTION
OF THE CITY COUNCIL
CITY OF SANDPOINT

**TITLE: PARKING SPACE AGREEMENT WITH BOUNDARY REGIONAL COMMUNITY
HEALTH CENTER, DBA KANIKSU HEALTH SERVICES**

WHEREAS: During their October 19, 2016, regular meeting, City Council approved an amended Parking Space Agreement with Kaniksu Health Services ("Kaniksu") with its developer, Vilelli Enterprises, who will remodel an existing building and construct a new building for Kaniksu at 200 Main Street in Sandpoint, utilizing 60 reserved parking spaces in the current City parking lot; and

WHEREAS: During their November 2, 2016, regular meeting, City Council voted to reconsider their approval of the Parking Space Agreement.

NOW, THEREFORE, BE IT RESOLVED THAT: The Parking Space Agreement between the City of Sandpoint and Kaniksu, dated October 19, 2016, shall be replaced by the new Agreement between the City of Sandpoint and Kaniksu, and the same is approved.

BE IT FURTHER RESOLVED THAT: The Mayor is authorized, on behalf of the City, to execute the Agreement, a copy of which is attached hereto and made a part hereof as if fully incorporated herein.

Shelby Rognstad, Mayor

ATTEST:

Maree Peck, City Clerk

City Council Members:

YES NO ABSTAIN ABSENT

1. Eddy
2. Aitken
3. Williamson
4. Camp
5. Ruehle
6. Snedden

PARKING SPACE AGREEMENT

This Agreement is entered into by and between the City of Sandpoint, a municipal Corporation of the State of Idaho, 1123 Lake Street, Sandpoint, Idaho 83864 (hereinafter “City”), and Boundary Regional Community Health Center, Inc., d/b/a Kaniksu Health Services, _____, an Idaho nonprofit corporation (hereinafter “Kaniksu”).

WITNESSETH

WHEREAS, Kaniksu intends to relocate its medical facility to downtown Sandpoint in a new, approximately 30,000 square foot building (hereinafter “Building”), to be constructed on the land located west of 200 Main Street in Sandpoint;

WHEREAS, Kaniksu is concerned at this time and into the future about having sufficient parking on the streets and in parking lots in the general area of the new medical facility;

WHEREAS, the City owns the real property across the street from the proposed medical facility, which is currently being used as a parking lot (hereinafter “City Lot”);

WHEREAS, parking is currently free at the City Lot on an “as available” basis;

WHEREAS, City intends, at some undetermined time in the future, to develop the City Lot;

WHEREAS, Kaniksu desires that City keep in reserve up to 60 parking spaces within the current City Lot and any subsequent development for use by Kaniksu at the then current rate per parking space; and

WHEREAS, City desires to aid in the relocation of the medical facility to downtown Sandpoint, including assistance with parking.

NOW THEREFORE, in consideration of the mutual promises contained herein and other valuable consideration, the sufficiency of which is hereby acknowledged, the parties agree as follows:

1. City may choose to lease certain parking spaces to various parties for their exclusive use during business hours for that business.
2. City agrees to keep available, by not leasing to other parties, up to 60 parking spaces to be used by Kaniksu upon completion of Kaniksu’s Building. Upon request of the City, or every five (5) years, whichever event occurs sooner, the parties agree to reevaluate Kaniksu’s utilization of the 60 parking spaces held for use by Kaniksu. Kaniksu agrees to make any unreserved parking spaces available to the City to lease to other parties or otherwise use as the City deems in the best interest of the City.

3. In the event that the Building to be constructed for Kaniksu is smaller than 30,000 square feet, then the 60 parking spaces being reserved by the City for Kaniksu will be reduced on a pro-rata basis depending on the size of the building, as constructed.

34. City agrees to consider Kaniksu's need for parking in any proposed development of the City Lot. Any future development at the City Lot will accommodate Kaniksu's need for at least 60 parking spaces.

45. This Agreement is personal to Kaniksu and is not assignable to any other person, persons, or entity, except that Kaniksu may, without the prior consent of City, assign all its rights and obligations under this agreement to a parent, subsidiary, purchaser of all or substantially all assets of Kaniksu, or a third party participating in a merger, acquisition, sale of Kaniksu assets or other corporate reorganization, provided, however, such assignee continues to provide the same or similar medical services.

56. This Agreement shall be for a period of ten (10) years, upon commencement of the date of Kaniksu's lease for and completion of the Building, and Kaniksu shall have ~~two~~one five (5) year options to renew this agreement ~~which option coincide with the two five year options in Kaniksu's lease for the Building.~~

67. Upon Kaniksu's lease commencement, it shall pay a monthly rate per parking space, once City commences charging for reserved parking in the above described City Lot, which rate shall be established by a market study to be commissioned by City, and any changes to the rate shall also be tied to current market parking rates. Kaniksu shall pay one half (1/2) the cost, not to exceed ten thousand dollars (\$10,000), of the commissioned market study, providing said parking study shall be commenced after this agreement is approved by the appropriate government agency and after Kaniksu has notified City that it is going forward with construction and leasing of the Building. It is understood that the rate shall change from time to time, and Kaniksu shall pay the rate per space charged by City for parking spaces owned or operated by City.

78. In addition to the monthly lease rate, Kaniksu shall pay a one-time set up fee to the City for each parking space, in accordance with the current fee schedule adopted by the Sandpoint City Council. This fee shall cover installation of signs at the parking spaces. This fee shall not exceed \$85 per space.

89. Kaniksu shall have the right, but not the obligation, to rent additional spaces from the City if those spaces are available.

910. Kaniksu shall construct a minimum of 40 parking spaces for its primary use~~make parking that is~~ onsite of the Building and agree to make such parking available for public parking after regular work hours (6:00 a.m. until 7:00 p.m.), Monday through Friday, and during weekends and holidays under~~at~~ the same price-terms and conditions as the City shall currently~~then~~ be charging during the term of this Agreement.

~~10~~11. This Agreement shall be conditioned on the approval of the City Council and the development of the Building.

~~11~~12. If special events that entail use of streets and City parking occur during Kaniksu work hours, the City and Kaniksu will work to mitigate the impact of said events on the availability of parking impact to Kaniksu. This mitigation will entail possible notices to allow for shuttle or other area parking.

~~12~~13. This Agreement contains the entire agreement of the parties, and there are no other promises or conditions in any other prior agreements whether oral or written concerning the subject matter of this Agreement.

EXECUTED AND AGREED by the parties hereto on the ____ day of _____, 20__.

CITY OF SANDPOINT

Boundary Regional Community Health
Center Inc., d/b/a Kaniksu Health Services

Shelby Rognstad, Mayor

Kevin Knepper, CFO

ATTEST:

Maree Peck, City Clerk