



MEMORANDUM

Date: May 24, 2022

To: The Honorable Chair and Members
Pima County Board of Supervisors

From: Jan Leshner *Jan Leshner*
County Administrator

Re: Lease of Clinic Space in Abrams Building – Board of Supervisors May 17, 2022
Consent Agenda Items 2 and 3

Supervisor Christy requested further background on the above consent agenda items during your Board Meeting last week.

Pima County operated Kino Community Hospital from 1977 to 2004 when the Board of Supervisors voted to transfer the operation to what was then called University Physicians, Inc. (UPH), the faculty practice for the University of Arizona College of Medicine.

In 2012 UPH entered into an agreement with Pima County for the lease of 26,006 square feet of clinic space on the ground floor of the Abrams Building located at 3950 S. Country Club Road adjacent to the hospital and on the Kino Campus. This was done to enlarge the primary care practice and referral base for UPH in support of the overall hospital enterprise.

Since that time there have been a number of organizational changes including the merger of the faculty practice, the health plan it operated and the former University Medical Center Hospital. As such, the lease was assigned to the University of Arizona Health Network in 2015, and subsequently to Banner University Medical Center in 2016. During this entire period of time the base rent per square foot was fixed at \$11.84 as per the original lease.

Since 2021, Banner University Medical Center has been exploring the possible transition of that primary care site to El Rio. This partnership, which became official this month, enlarges the primary care referral network for Banner, while expanding the footprint of El Rio which is among the largest and most comprehensive primary care provider in the region excels in the delivery of outpatient clinical services. This arrangement is beneficial to Pima County in that it achieves the goal of delivering excellent care to a historically underserved area, and does so in a way that continues to support the viability of the hospital which we still own.

Consent Agenda Items 2 and 3, merely memorializes the termination of the Banner lease and the initiation of a new lease with El Rio. As part of negotiating a new lease, Facilities based the rent on a lease appraisal conducted in April 2021, which determined the market rate value

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The Honorable Chair and Members, Pima County Board of Supervisors

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for this clinical space. Based on that analysis the new lease starts at a \$15.00 per square foot and has a built in yearly cost escalator for the proposed 5 year term. Such market rate adjustments are critical to avoid potential violation of the gift clause.

JKL/dym

c: Francisco García, MD, MPH, Deputy County Administrator & Chief Medical Officer,
Health and Community Services
Carmine DeBonis, Jr., Deputy County Administrator for Public Works
Lisa Josker, Director, Facilities Management