



**BOARD OF SUPERVISORS AGENDA ITEM REPORT**  
**CONTRACTS / AWARDS / GRANTS**

**Requested Board Meeting Date:** March 7, 2017

**or Procurement Director Award** ☐

**Contractor/Vendor Name (DBA):** Banner-University Medical Center South Campus, LLC, an Arizona limited liability company ("Tenant").

**Project Title/Description:**  
Fourth Amendment to Lease for the medical hospital premises located at 2800 E. Ajo Way, Tucson, Arizona.

**Purpose:**

This Amendment will allow Pima County to reimburse Tenant up to but not to exceed \$3,000,000. for capital improvements to the hospital which are required for Tenant to retain it's accreditation from the Joint Commission. Staff requests the Board of Supervisors to authorize an operating transfer from the contingency fund to the Facilities Management renewal fund for this project.

**Procurement Method:**

**Program Goals/Predicted Outcomes:**

Tenant will continue to provide medical, surgical and out patient services to Pima County residents.

**Public Benefit:**

The hospital located at the Banner-University Medical Center south campus will retain it's accreditation from the Joint Commission. As a result, Pima County residents and visitors will continue to have access to medical care which can positively affect their health and well being.

**Metrics Available to Measure Performance:**

Pima County will continue to fulfill their responsibility to provide hospital and medical services as stipulated by A.R.S. 11-251 sections 5 and 17.

**Retroactive:**

No.

RECEIVED  
FEB 09 17 PM 03 PM 12 03  
ACB

To: COB - 2-23-17 (2)  
pgs. 5  
Addendum

Procure Dept 02/23/17 PM 12:03

### Original Information

Document Type: \_\_\_\_\_ Department Code: \_\_\_\_\_ Contract Number (i.e., 15-123): \_\_\_\_\_

Effective Date: \_\_\_\_\_ Termination Date: \_\_\_\_\_ Prior Contract Number (Synergen/CMS): \_\_\_\_\_

☐ Expense Amount: \$ \_\_\_\_\_ ☐ Revenue Amount: \$ \_\_\_\_\_

Funding Source(s): \_\_\_\_\_

Cost to Pima County General Fund: \_\_\_\_\_

Contract is fully or partially funded with Federal Funds? ☐ Yes ☐ No ☐ Not Applicable to Grant Awards

Were insurance or indemnity clauses modified? ☐ Yes ☐ No ☐ Not Applicable to Grant Awards

Vendor is using a Social Security Number? ☐ Yes ☐ No ☐ Not Applicable to Grant Awards

If Yes, attach the required form per Administrative Procedure 22-73.

### Amendment Information

Document Type: CT Department Code: FM Contract Number (i.e., 15-123): FM 15\*474 original

Amendment No.: Four AMS Version No.: 8:UPH lease was CT FM12\*2159

Effective Date: 03/07/2017 New Termination Date: no change in termination date

☒ Expense ☐ Revenue ☐ Increase ☐ Decrease Amount This Amendment: \$ 3,000,000.00

Funding Source(s): Facilities Management renewal fund

Cost to Pima County General Fund: \_\_\_\_\_

Contact: Melissa Loeschen

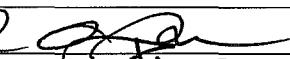
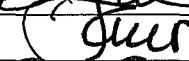
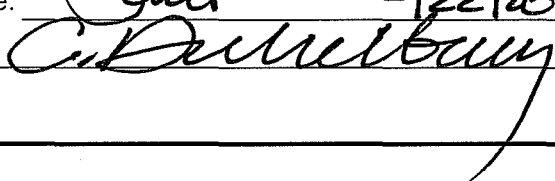
Department: Facilities Management

Telephone: 520-724-8230

Department Director Signature/Date: \_\_\_\_\_

Deputy County Administrator Signature/Date: \_\_\_\_\_

County Administrator Signature/Date:  
(Required for Board Agenda/Addendum Items)

 2/22/17  
 2/22/2017  
 2/23/17

**FOURTH AMENDMENT TO  
AMENDED AND RESTATED LEASE AGREEMENT  
BETWEEN PIMA COUNTY AND UNIVERSITY PHYSICIANS HEALTHCARE  
FOR KINO HOSPITAL CAMPUS  
[PIMA COUNTY CONTRACT CT FM 12\*2152]**

This Fourth Amendment to Amended and Restated Lease Agreement, dated November 15, 2016 for reference purposes, is made and entered into by and between Pima County, a political subdivision of the State of Arizona ("County"), and Banner-University Medical Center South Campus, LLC, an Arizona limited liability company ("Banner").

**RECITALS**

- A. County and University Physicians, Inc., the name of which was later changed to University Physicians Healthcare ("UPH"), an Arizona nonprofit corporation, previously entered into a lease agreement dated April 27, 2004 (as subsequently amended, the "Lease"), pursuant to which County leased to UPH a hospital facility and some associated real property (the "Hospital") formerly operated by County as Kino Community Hospital.
- B. The Lease was subsequently amended several times and then completely amended and restated by the parties pursuant to the Amended and Restated Lease dated June 21, 2011 for reference purposes. The Lease was further amended by the First Amendment to Amended and Restated Lease executed by the County on August 20, 2012, the Second Amendment to Amended and Restated Lease which was fully executed on May 13, 2014, and the Third Amendment to Amended and Restated Lease which was fully executed on August 16, 2016.
- C. UPH assigned the Lease to Banner, effective February 27, 2015.
- D. Banner has informed County that the Hospital needs certain capital improvements in order for Banner to retain its accreditation from the Joint Commission, including but not limited to, a partial replacement and upgrade of the fire alarm system, and replacement of two critical air handlers, as described on Exhibit A (the "Improvements").
- E. Banner has also informed County that it intends to construct a new psychiatric outpatient clinic within the Hospital as shown on the floor plan attached as Exhibit B (the "Clinic").

**AGREEMENT**

Now, therefore, the parties agree as follows:

- 1. Payment for Capital Improvements.
  - 1.1. Banner will construct the Improvements in compliance with Pima County's competitive procurement standards. All provisions of Section 17 of the Lease regarding improvements apply to such Improvements, including the requirement to comply with Title 34 of the Arizona Revised Statutes in contracting for the work.

- 1.2. County will pay Banner for the actual cost of the Improvements periodically as Banner incurs the cost, up to but not in excess of \$1,200,000, and for costs incurred between July 1, 2017 and June 30, 2019, up to but not in excess of an additional \$1,800,000.
- 1.3. The periodic payments will be made within ten (10) days after Banner delivers to the County an invoice with documentation substantiating the actual cost or portion of Improvements completed. Documentation of the system and equipment specifications must be provided to County.
2. Preventative Maintenance. Banner will establish and implement a preventative maintenance program for any new systems that are part of the Improvements. Banner will, before or at the same time it submits a request for reimbursement, provide a copy of the program to the Pima County Facilities Management Director for review and approval.
3. Reimbursement for Outpatient Clinic Construction
  - 3.1. Banner will design and construct the Clinic in compliance with competitive procurement standards of Pima County.
  - 3.2. In the event that the Lease is terminated pursuant to Section 3.5 of the Lease, County will reimburse Banner up to but not in excess of \$2 million for the actual cost of designing and constructing the Clinic. The reimbursement amount will be reduced at a depreciation rate of 20% per year from the date the Clinic is substantially complete. The reimbursement will be made within thirty (30) days of Banner's written request for payment.
  - 3.3. Banner must obtain County's prior approval of all Clinic plans and specifications, as required under Section 17.1 of the Lease. Banner must also provide County with documentation substantiating the actual cost of the Clinic at the same time Banner provides County with as-built drawings pursuant to Section 17.2 of the Lease. All other provisions of Section 17 regarding improvements apply as written to such improvements.
4. Lease Remains in Effect. The Lease remains in full force and effect as modified by this Fourth Amendment.

IN WITNESS WHEREOF, County and Banner have executed this Fourth Amendment as of the date indicated below.

**THE REMAINDER OF THIS PAGE IS INTENTIONALLY LEFT BLANK**

**PIMA COUNTY**, a political subdivision  
of the State of Arizona

**BANNER-UNIVERSITY MEDICAL  
CENTER SOUTH CAMPUS, LLC**  
an Arizona limited liability company

By: Sharon Bronson  
Chair of the Board of Supervisors

By:  
Title:


Date: \_\_\_\_\_

Date: 2/13/17


ATTEST:

By: Julie Castaneda  
Clerk of the Board of Supervisors

APPROVED AS TO CONTENT:

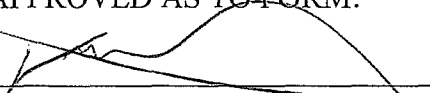
  
By: Lisa Josker  
Director, Facilities Management Department

Date: 2/6/17

 2-23-17  
By: Jan Leshner  
Deputy County Administrator, Community  
and Health Services

Date: \_\_\_\_\_

APPROVED AS TO FORM:

  
By: Deputy Pima County Attorney Tobin K. Ryan

Date: 2/3/17

EXHIBIT A – Building Improvements  
EXHIBIT B – Outpatient Clinic Location

## **EXHIBIT A**

Air Handler Unit #6 serving the Surgery Department on the 2nd floor.

Air Handler Unit #9 serving the Sterile Processing/Distribution and surrounding areas on the 1st floor.

Install a new Edwards System Technology Fire Alarm Control Panel and field devices for the retrofit which will replace the existing Simplex and Johnson Control fire alarm system.

## EXHIBIT B

