



**COMMUNITY HOSPITAL LONG BEACH**  
City Council Meeting - February 15, 2022

# Community Hospital Lease

## Current Lease No. 35432:

- Tenant: MWN Community Hospital, LLC.
- Uses: Lease requires acute care hospital with emergency room and other health services (deed restriction recorded on the property).
- Termination Right: Tenant has right to terminate Lease if there is no longer economic justification to support acute care services at site.
- State Seismic Compliance: Tenant was required to initiate seismic compliance construction by January 1, 2022, per State law.



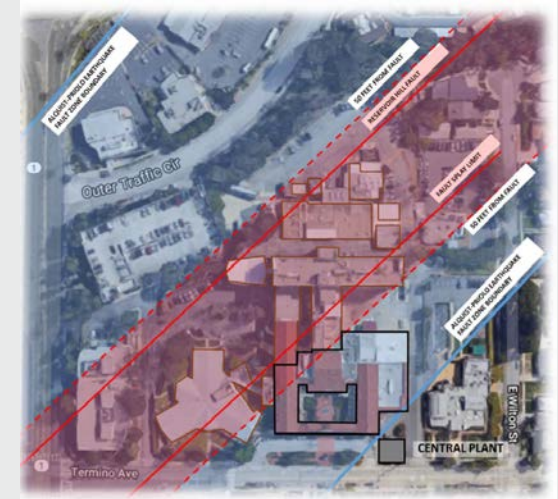
# Notice of Termination

## Economic Justification

- Financial Feasibility: Tenant abandoned seismic compliance in late-2021 after receiving final estimated construction costs; and, demand for acute care services failed to reach levels to sustain acute care operations.
- Termination Notice: Tenant issued on September 27, 2021, requesting:
  - ✓ Modification of current deed restriction to remove general acute care hospital requirement; and
  - ✓ First Amendment to Lease to allow for negotiation of a transition plan to use campus for other non-acute healthcare uses.
- Acute Care License: Tenant surrendered General Acute Care Hospital License effective December 31, 2021, and received confirmation from California Department of Public Health (CDPH) that acute care was no longer licensed at the property effective January 1, 2022.

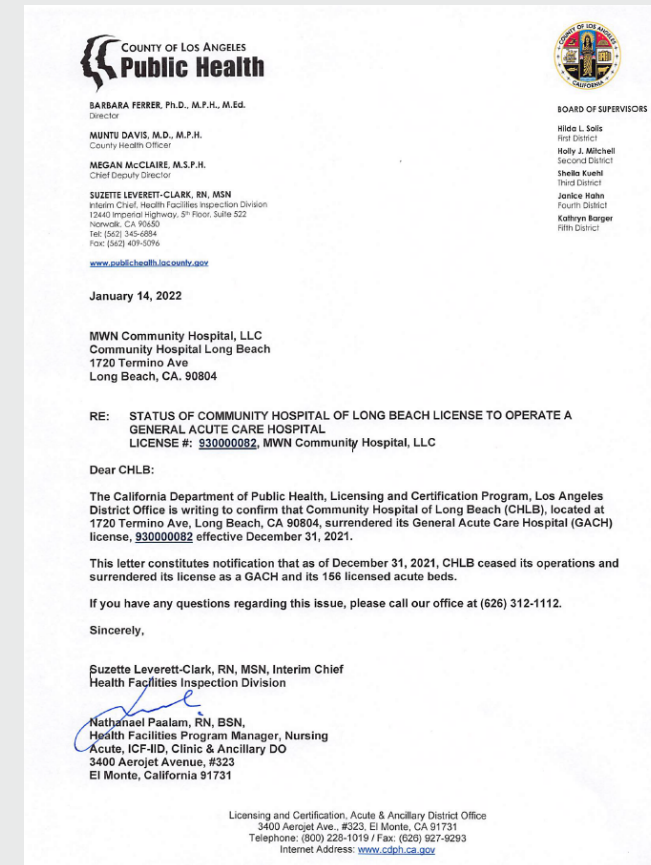
## Seismic Compliance

- SB-1953 and SB-90 required acute care hospitals to meet seismic regulations by June 30, 2019 or to begin wind-down of acute care services.
- AB 2190 allowed hospitals to apply for a seismic compliance extension.
- On May 28, 2019, the California Department of Health Care Access and Information (HCAI) [approved](#) CHLB for a seismic compliance extension through January 1, 2025, if certain conditions are met.
- AB 2190 (e)(1) requires the submittal of a construction schedule, obtaining a building permit, and start of construction will be completed no later than January 1, 2022.
- Note: MWN elected to suspend seismic compliance due to \$75M construction estimates and did not commence construction by deadline.



## Hospital Licensing

- On December 31, 2020, CHLB received licensing from the California Department of Public Health (CDPH). The license allows the hospital to operate up to 158-beds in the acute care facility.
- CDPH licensing requires CHLB to meet all current seismic permitting requirements and to be actively working with HCAI to ensure compliance with the latest seismic standards by January 1, 2025.
- On September 27, 2021, MWN notified the City that it would no longer pursue seismic compliance due to high costs of construction and that it would begin wind-down of acute care services (per State law).
- Note: On January 14, 2022, CDPH, Licensing and Certification Program, Los Angeles District Office, formally notified MWN that acute care is no longer licensed at the site, effective January 1, 2022.



# Proposed Amendment

## Transition of Uses

- Acute care is no longer allowed. City Council must modify deed restriction to allow for non-acute healthcare uses.
- New deed restriction will require non-acute health care services that benefit the community including:
  - ✓ Behavioral Health
  - ✓ Recuperative Care
  - ✓ Social Services
  - ✓ Education
  - ✓ Government Offices
  - ✓ Housing (Healthcare Students)
  - ✓ Specialized Services

# Proposed Amendment

## Additional Provisions

- Additional amendments will accommodate ongoing negotiations between the City and the Tenant for potential sale of the Subject Property to Tenant or another party.
- Amendments include extension of noticing provisions and deadlines applicable to:
  - ✓ Reconciliation of Net Hospital Capital Cost reimbursement; and
  - ✓ Preparation of appraisals to establish fair market value of Subject Property.
- Note: Any proposed agreement for the sale of the Subject Property to the Tenant or another party will be presented to the City Council and the public for final review and approval.



# City Council Approval

## Recommendation

Authorize the City Manager, or designee, to execute the First Amendment to Amended and Restated Lease No. 35432, and necessary documents, with MWN Community Hospital, LLC (Tenant), for modifications to various provisions of such Lease; and,

Adopt a Resolution finding that the Community Hospital and surrounding campus remains necessary for the City of Long Beach use as a general healthcare campus with related community-serving uses and authorizing the recordation of amended covenants so restricting use of the Subject Property.