



COMMUNITY HOSPITAL LONG BEACH
City Council Meeting – October 4, 2022

Community Hospital Actions

- June 19, 2018: Approval of an Exclusive Negotiating Agreement for the lease and potential development of the Hospital campus;
- March 12, 2019: Approval of a short-term lease and Letter of Intent related to the development of a long-term replacement lease for the operation of an acute care facility;
- October 15, 2019: Authorized a long-term replacement Lease for the provision of an acute care hospital, an amendment to existing deed restrictions to allow a for-profit hospital and reimbursement of up to \$25 million through Measure A Funds over the first 15 years of the Lease, for seismic retrofit construction costs.
- February 15, 2022: Approval of a covenant amendment allowing the Hospital campus to be used as a general healthcare campus with related community-serving uses.



Acute Care Hospital

- Acute Care Hospital: Tenant pursued reopening of hospital with acute care services meeting the January 2021 deadline.
- Economic Justification: Final estimated construction costs and failure of demand for acute care services to reach levels to sustain acute care operations led to determination there is no longer economic justification to operate an acute care hospital.
- Termination Notice: Pursuant to terms of the Lease, Tenant issued a Termination Notice 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: California Department of Public Health (CDPH) confirmed in January 2022 that the General Acute Care Hospital License was surrendered effective December 31, 2021.

Lease Termination Reconciliation

Reconciliation Process

- Tenant eligible for reimbursement of Net Hospital Capital Costs (capital costs expended to start up and reopen the hospital less any revenue received from operations).
- Net Hospital Capital Costs **does not** include any of the costs for seismic retrofit, reimbursed through Measure A.
- City’s reimbursement obligation is limited to Fair Market Value of the property.
- If Net Hospital Capital Costs exceed the Fair Market Value of the property, the City can elect to have property transferred as full and complete payment or elect to have the property listed on open market for sale.



**as verified by third-party independent consultant.*

***as determined by averaging City and Tenant appraisals.*

Tenant Option Sale

Terms and Conditions of Transfer

- Uses: Deeds restrictions remain on the property requiring healthcare uses.
- Purchase Price: The Purchase Price shall be zero.
 - Fair Market Value = \$17,710,000, the average of the City and Tenant's independent third-party appraisals.
 - Tenant's Net Hospital Capital Costs = \$26,650,948, as verified by an independent third-party consultant.
- Escrow Period and Closing Costs: Escrow shall close within 15 business days with closing fees and costs apportioned as is usual and customary in LA County.
- Seismic Work Annual Payments: Tenant has received approximately \$2,464,863 in reimbursement of seismic retrofit costs. Remaining balance of roughly \$22.5 million in Measure A funding earmarked for Seismic Work through FY35 will be available for reallocation to other Measure A projects.
- Lease Obligations to Cure: As a condition to close, City and Tenant shall reconcile all outstanding obligations related to the transfer of the property as of the effective date of the lease (October 15, 2019). Tenant shall reimburse the City for maintenance costs, in the amount of \$715,554, and City shall refund a portion of the cash on hand at the effective date of the lease that should have remained with Tenant, in the amount of \$75,930. Balance to be paid in 12 monthly installments.

Surplus Land Act Compliance

Declaration of Surplus

- On June 2, 2022, State Housing and Community Development (HCD) issued a decision that the sale to the Tenant qualifies for a “grandfathering exemption” due to previous agreements in place, provided disposition completed by December 31, 2022.
- Upon completion of the property transfer, the City will submit documentation to HCD as evidence of compliance.



Long Beach Community Wellness Campus

- Deed restriction remains on property requiring the campus to be used for healthcare purposes.
- MWN will be responsible for the property moving forward including site maintenance, construction and the transition to wellness campus.
- Wellness campus is proposed to provide an array of inpatient and outpatient services to respond to the most critical healthcare needs of the community.
- Intended as a central hub for patients seeking health and wellness by bringing together partner providers to help address priorities identified in the 2019 Community Health Assessment, including chronic disease, aging, and mental health.
- City would continue to support efforts to convert to a healthcare campus, which could include support for grants, County/State partnerships, and securing State approvals for construction at the property.

City Council Approval

Recommendation

Declare the City-owned Property located at 1720 Termino Avenue, 1760 Termino Avenue and 4111 Wilton Street, as surplus;

Authorize the City Manager, or designee, to execute any and all necessary documents, including a Purchase and Sale Agreement with MWN Community Hospital, LLC, a California limited liability company, for the transfer of the Subject Property in accordance with certain provisions of Lease No. 35432; and,

Accept the Categorical Exemption CE-22-149