



Legislation Text

File #: 18-0543, **Version:** 1

Recommendation to authorize City Manager, or designee, to execute all documents necessary for an Exclusive Negotiating Agreement with Molina, Wu, Network, LLC (MWN), a California limited liability company, for the lease and potential development of property owned by the City of Long Beach, located at 1720 Termino Avenue, 1760 Termino Avenue, and 4111 East Wilton Street;

Authorize City Manager, or designee, to execute all documents necessary to accept the assignment, management, and revenue collection for existing leases between Long Beach Memorial Medical Center (MemorialCare), and tenants located at City-owned property at 1720 Termino Avenue, 1760 Termino Avenue, and 4111 East Wilton Street; and

Authorize City Manager, or designee, to express the position of the City Council that maintenance of uninterrupted emergency services is critical and urging MemorialCare to take steps necessary to ensure a smooth transition to a new operator. (District 4)

On March 22, 2011, the City Council authorized the execution of Lease No. 32175 with Long Beach Memorial Medical Center (MemorialCare) for the use of City-owned property at 1720 Termino Avenue, 1760 Termino Avenue, and 4111 E. Wilton Street (Site) for the operation of an acute care non-profit hospital and other health care services for a period of 55 years commencing April 1, 2011 and terminating March 31, 2066. The Site includes approximately 8.7 acres of land with multiple facilities and medical office buildings.

On March 5, 2018, MemorialCare formally notified the City of Long Beach (City) of their decision to terminate the lease agreement at Community Hospital, effective July 3, 2018. The City and many Long Beach residents have made it clear they would like to see the doors of Community Hospital remain open. The City is committed to continuing engagement with local and statewide stakeholders with an interest in supporting quality health care and seismic compliance at Community Hospital, including users and providers of the region's emergency medical system, potential hospital operators, and workforce groups.

Soon after MemorialCare's notification of their intent to terminate the lease agreement, the City Council authorized the City Manager to conduct a targeted request for information process to identify potential operators with the demonstrated ability to continue operating a general acute care facility, including an emergency department with basic support services, at the Site. The City received five non-binding proposals from potential operators and further authorization from the City Council to engage in a due diligence process that included extensive review of the operational, engineering, and financial plan for the Site.

As a result of this process, City staff recommends entering into an Exclusive Negotiating Agreement (ENA) with Molina, Wu, Network, LLC (MWN), for a period of up to 180 days to allow, for each party to negotiate exclusively towards the terms of a ground lease for the proposed development of the Site. The time period is requested to allow for the completion of construction plans and the resolution of the City's request to extend the State-established deadline for seismic compliance at the Site.

The proposed terms and conditions of the ENA are as follows:

- Landlord: City of Long Beach, a municipal corporation.
- Lessee: Molina, Wu, Network, LLC, a California limited liability company.
- Site: 1720 Termino Avenue (hospital), 1760 Termino Avenue (physician's medical building), and 4111 E. Wilton Street (MRI Center) (Attachment - Property Map).
- Use: At a minimum, the use of the Site shall include an acute care hospital and other health care facilities, including a medical office building and other health and/or well ness-related uses, and emergency and urgent care services. Other uses may include a combination of behavioral health services, independent and assisted living, inpatient and outpatient behavioral health services, Program for All-Inclusive Care for the Elderly (PACE), medical education in conjunction with a local university, outpatient medical and surgical services, and the possibility of additional nonmedical residential services.
- Length of Term: The term of the agreement shall be for a minimum period of 40 years for all properties, facilities, and equipment at the Site.
- Rent: The rent shall be one dollar per year.
- Staffing: The Lessee shall make a good faith effort to hire current Community Hospital Long Beach staff impacted by the change in operators who desire to remain at the Site.
- Negotiating Period: Shall be for 180 days from the date of the full execution of the document. During this period, both parties shall work diligently, in conjunction with the current operator and acute care license holder (MemorialCare), to negotiate and prepare a ground lease for the development of the property. The Negotiating Period may be extended for up to two periods of 90 days each at the sole discretion of the City Manager.
- Due Diligence: At its sole cost, the Lessee shall be responsible for conducting any and all tests, studies, and investigations of the property for the purpose of performing its Due Diligence.

Upon the completion of negotiations between the City and MWN, staff will return to the City Council for review and approval of the final ground lease terms and conditions.

Concurrent to the negotiating period, the City may need to take over the management and revenue collection for existing leases between MemorialCare and the tenants located at the Site. To allow the City maximum flexibility to accept assignment of the leases, as well as management of the Site during this interim period, staff is requesting approval to accept assignment of the leases and the ability to enter into any agreements necessary for the property management functions of the buildings including maintenance and collection of lease payments.

This matter was reviewed by Deputy City Attorney Linda T. Vu on June 15, 2018 and by Budget Analysis Officer Julissa Jose-Murray on June 14, 2018.

City Council action is requested on June 19, 2018, to allow the MWN to immediately enter into negotiations with MemorialCare to establish a transition plan for the hospital prior to its scheduled closing of July 3, 2018, and to limit the impact to life-saving services in the service area.

There is no immediate fiscal or local job impact associated with the approval of the proposed ENA. Until an agreement is reached with a new operator, the City will be responsible for managing the current leases and property management including security. It is currently estimated that monthly costs to maintain the facility are approximately \$60,000. These costs may be partially offset by lease revenue if current tenants choose to remain onsite, and assignment of those lease agreements to the City is approved. The City is working with a commercial brokerage firm to manage this process. Additional financial information will be brought back to the City Council as the situation progresses and more information becomes available.

Approve recommendation.

JOHN KEISLER
DIRECTOR OF ECONOMIC DEVELOPMENT

APPROVED:

PATRICK H. WEST
CITY MANAGER