



Legislation Text

File #: 19-0297, **Version:** 1

Recommendation to authorize City Manager, or designee, to enter into a Grant Agreement with Community Hospital Long Beach Foundation, a Long Beach-based nonprofit corporation, in an amount not to exceed \$1,000,000, for reimbursement of predevelopment costs incurred by the City of Long Beach to rebuild and replace buildings located at 1720 Termino Avenue, 1760 Termino Avenue, and 4111 East Willow Street (Subject Property), to continue to operate an acute care hospital at the site; and

Adopt resolution authorizing City Manager, or designee, to execute an agreement with Perkins + Will, a private for-profit corporation in Los Angeles, CA, for hospital facility architectural design and consulting services, in an amount not to exceed \$1,000,000. (District 4)

On July 3, 2018, the Subject Property, commonly known as Community Hospital, was returned to the City of Long Beach (City). On June 19, 2018, the City Council authorized certain actions related to the Subject Property including the execution of an Exclusive Negotiating Agreement with MWN Community Hospital, LLC, a California limited liability company (MWN), while the feasibility of a lease and potential development could be determined. City staff have been working with MWN, the State of California Office of Statewide Health Planning and Development (OSHPD), and architectural and engineering consultants to conduct extensive review of the operational, engineering, and financial plans needed to bring the Subject Property into seismic compliance.

To support the City's efforts to continue to provide an acute care hospital facility at the site, the Community Hospital Long Beach Foundation (Foundation) has offered the City up to \$1,000,000 in grant funding reimbursements for predevelopment architectural planning and consulting costs, conditioned upon the City executing an agreement with MWN to operate an acute care hospital. The funds, if the condition is met, will benefit the City by assisting with the completion of construction plans required by the State, securing an extension to legislative deadlines, and securing OSHPD permits to operate an acute care hospital facility at the Subject Property beyond 2020.

The Grant Agreement will provide reimbursement in amount not to exceed \$1,000,000, for actual out-of-pocket expenses incurred by the City for predevelopment and planning costs, including direct professional services, in connection with the improvements necessary to seismically rebuild and replace buildings on the Subject Property. The Foundation will not reimburse the City for general management, overhead, or non-direct administrative expenses. The City will be required to submit a request for payment along with documentation of direct expenses to receive reimbursement on a quarterly basis. Further,

reimbursement of funds is contingent on the City's successful execution of an agreement with MWN that requires the continued operation of an acute care hospital at the Subject Property. An agreement with these requirements is an express goal of the City Council and MWN. On March 12, 2019, the City Council approved an Interim Lease with MWN with the understanding that staff would return for approval of a permanent long-term lease prior to May 17, 2019. Should successful negotiation or approval of a replacement lease not occur, the City would no longer be eligible to receive the grant. The proposed terms and conditions of the Grant Agreement are as follows:

Grantor: Community Hospital Long Beach Foundation, a nonprofit corporation.

Grantee: City of Long Beach, a municipal corporation.

Grant Amount: Not to exceed \$1,000,000.

Use: Reimbursement for actual out-of-pocket predevelopment and planning costs, including direct professional services, incurred in connection with the improvements necessary to seismically rebuild and replace buildings to continue to operate an acute care hospital at the Subject Property. Receipt of funds is contingent on the City's successful execution of an agreement with MWN that requires the continued operation of an acute care hospital at the Subject Property.

Reimbursement: City will deliver a request for payment to the Foundation for actual costs incurred and will include supporting documentation. City will be reimbursed by the Foundation on a quarterly basis. Per the Grant Agreement, the City will not be reimbursed for expenses related to general management, overhead, or non-direct administration.

Term: Commence upon full execution of the Grant Agreement and will expire immediately upon suspension by the City of further efforts to re-open the Subject Property as an acute care facility. Foundation will have no further obligation to process any further requests for payment and the City will not be obligated to reimburse any amounts received in accordance with the Grant Agreement.

Foundation Participation: The City will include a designated Foundation representative in all major discussions or meetings related to the master plan and long-term visioning for the Subject Property.

Access to Information: The City will provide Foundation representatives and/or their invitees reasonable access to the Subject Property, as well as copies of predevelopment planning documents, for the purposes of marketing

and promotional purposes while the Subject Property is controlled by the City.

Contingency: Reimbursement of expenses incurred will be contingent on the City's successful execution of an agreement with MWN, that seeks the continued operation of an acute care hospital at the Subject Property.

Additionally, to meet critical deadlines imposed by State legislation, the City must submit construction plans to OSHPD no later than July 1, 2020. As such, City Council approval is requested to authorize the City Manager, or designee, to execute all documents necessary to enter an agreement with Perkins + Will, Inc., for hospital facility architectural design and consulting services, in an amount not to exceed \$1,000,000, offset by grant reimbursement revenue from the Foundation.

City policy requires that contracts for professional services be awarded to the most qualified vendor after a competitive process but allows for contracts without a competitive process if accompanied by a Resolution adopted by the City Council. Perkins + Will has a history of working with OSHPD to achieve seismic compliance for dozens of hospitals in the State of California. Given the short timeframe, expertise, existing working relationships with parties involved, unique knowledge of the Subject Property, and capacity to deliver construction plans by July 1, 2019, staff are requesting a contract for Perkins + Will.

This matter was reviewed by Deputy City Attorney Richard F. Anthony on March 12, 2019 and by Budget Management Officer Rhutu Amin Gharib on March 14, 2019.

City Council action is requested on April 2, 2019, to allow for timely execution of the Grant Agreement and begin the design work to complete it in a timely manner.

The Grant Agreement with the Foundation will allow for reimbursements in an amount not to exceed \$1,000,000. The total contract cost with Perkins + Will, Inc., will not exceed \$1,000,000 and is currently unbudgeted. The Economic Development Department will request reimbursement of actual expenses incurred by the contract from the Foundation on a quarterly basis. The Department will request a quarterly budget adjustment to offset actual expenses that have been reimbursed. Both revenues and expenditures will accrue to the General Fund (GF) in the Economic Development Department (ED). The receipt of funds from the grant is contingent on the City's successful execution of an agreement with MWN, that requires the continued operation of an acute care hospital at the Subject Property. At this time, there is no assurance that a long-term agreement will be executed. The City's intent is to immediately begin work on the design. If an agreement is not executed, further work on the seismic plans will be stopped and any cost at that time that is not reimbursed by the Foundation may need to be taken from General Fund operating reserves, if year-end surplus is not available as there is no assurance that it will be. If approved, an appropriation for the General Fund (GF) in the Economic Development Department (EP) will be requested in the next Budget Adjustment City Council letter. There is no direct local job impact associated with

this recommendation. The agreement with the Foundation is not expected to require additional staff hours beyond the normal budgeted scope of duties and is consistent with existing City Council priorities.

Approve recommendation.

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JOHN KEISLER
DIRECTOR OF ECONOMIC DEVELOPMENT

APPROVED:

PATRICK H. WEST
CITY MANAGER