

AN ORDINANCE to take effect immediately provided it receives the affirmative vote of at least five members of Council, or otherwise to take effect and be in force after the earliest period allowed by law, authorizing the execution and delivery of an agreement by and between the City of Lakewood, Ohio, a municipal corporation and political subdivision in and of the State of Ohio (the “City”), the Lakewood Hospital Association, an Ohio nonprofit corporation (“LHA”), and The Cleveland Clinic Foundation, an Ohio nonprofit corporation (the “Clinic”); and authorizing and approving related matters.

WHEREAS, this Council recognizes that healthcare delivery is moving away from a hospital-based model focused on “sick care” to a population-based model of comprehensive healthcare; and

WHEREAS, consistent with this understanding, the City, LHA and the Clinic have a shared vision to invest in comprehensive ambulatory (outpatient)-based programs, wellness activities and outreach services that will help people live healthier lives and treat health conditions early so as to prevent chronic disease, with the primary focus of these investments being a new family health center owned and operated by the Clinic and a new community health foundation; and

WHEREAS, after an extensive period of due diligence and public input, this Council has determined that it is in the best interests of the residents and taxpayers of the City that a master agreement between the City, LHA and the Clinic be entered into, in substantially the same form attached hereto as Exhibit 1 (“Master Agreement”), as approved by the Director of Law, and in the spirit of the key highlights of the Master Agreement attached hereto as Exhibit 2, in order to carry out this shared vision; and

WHEREAS, pursuant to the Constitution of the State of Ohio, the Ohio Revised Code and the Second Amended Charter of the City of Lakewood, municipalities have the power to enact laws that are for the health, safety, welfare, comfort and peace of the citizens of the municipality, and to provide for local self-government; and

WHEREAS, this Council by a vote of at least five of its members determines that this ordinance is an emergency measure, and that this ordinance shall take effect immediately, as set forth in Article III, Sections 10 and 13 of the Second Amended Charter of the City of Lakewood, and that it is necessary for the immediate preservation of the public property, health and safety, and to provide for the usual daily operation of municipal departments in that the parties wish to effectuate the terms of the Master Agreement immediately in order to preserve the assets of and maximize the benefits to the parties; now, therefore

BE IT ORDAINED BY THE CITY OF LAKEWOOD, OHIO:

Section 1. The City authorizes the execution and delivery of the Master Agreement by and between the City, LHA and the Clinic in substantially the same form attached hereto as Exhibit 1, as approved by the Director of Law.

Section 2. The Mayor is hereby authorized and directed to execute the Master Agreement, and any and all among the Mayor, President of Council, Director of Finance, Director of Law and Director of Planning and Development are hereby authorized and directed to execute such other related and ancillary documents, including those related to closing, and to take such other actions as are necessary and appropriate to give effect to the Master Agreement and any other related and ancillary documents.

Section 3. All provisions of Chapter 155 of the Codified Ordinances with respect to the sale or lease of City-owned property are deemed to have been met or superseded by this ordinance inasmuch as that chapter may apply to the real property transactions contemplated under the terms of the Master Agreement.

Section 4. To the extent this ordinance is inconsistent with any other ordinance or resolution previously adopted by Council with respect to the provision or operation of Lakewood Hospital, the purchase of property by the City or the sale or lease of property owned by the City, this ordinance is meant to and shall supersede such previously-adopted legislation.

Section 5. It is found and determined that all formal actions of this Council concerning and relating to the passage of this Ordinance were adopted in an open meeting of this Council, and that all such deliberations of this Council and of any of its committees that resulted in such formal action were in meetings open to the public, in compliance with all legal requirements.

Section 6. This ordinance is hereby declared to be an emergency measure necessary for the immediate preservation of the public peace, property, health, safety and welfare in the City and for the usual daily operation of the City for the reasons set forth and defined in the preamble to this ordinance, and provided it receives the affirmative vote of at least five members of Council this ordinance shall take effect and be in force immediately, or otherwise shall take effect and be in force after the earliest period allowed by law.

Adopted: _____

PRESIDENT

CLERK

Approved: _____

MAYOR

EXHIBIT 1

Master Agreement

(See following pages)

(To be provided)

EXHIBIT 2

Key Highlights of Master Agreement

(See following pages)

FUTURE OF HEALTHCARE IN LAKEWOOD

Key Highlights of Master Agreement

Summarized below are the key highlights of a proposed binding agreement (the “Master Agreement”) that have been discussed among the City of Lakewood (the “City”), Lakewood Hospital Association (“LHA”) and the Cleveland Clinic Foundation (the “Clinic”) to address the future healthcare needs of the City of Lakewood and the related goals described below. Subject to approval by Lakewood City Council, with the consent and agreement of the Mayor of Lakewood, LHA and the Clinic, the parties anticipate entering into a Master Agreement along the terms outlined in this summary.

1. **Shared Vision** – The City, LHA and the Clinic share the understanding that healthcare delivery is moving away from a hospital-based model focused on “sick care” to a population-based model of comprehensive healthcare. Consistent with this understanding, the City, LHA and the Clinic desire to invest in comprehensive ambulatory (outpatient)-based programs, wellness activities and outreach services that will help people live healthier lives and treat health conditions early so as to prevent chronic disease. The primary focus of these investments will be a new family health center owned and operated by the Clinic (the “Lakewood Family Health Center”) and a new community health foundation.
2. **Construction and Operation of Lakewood Family Health Center**
 - a. *Construction and Location* – The Clinic will commit approximately \$34 million in capital to the construction of the Lakewood Family Health Center, which will consist of approximately 62,100 square feet located on the approximately 1.7 acre site of the existing Professional Office Building and Parking Garage located on the southwest corner of Belle and Detroit Avenues (the “FHC Site”). The Clinic contemplates that the Lakewood Family Health Center will embrace architecturally noteworthy design, consistent with the innovative and comprehensive design aesthetic adopted by the Clinic beginning in 2008. The Lakewood Family Health Center’s planned architectural style and building layout are intended to create a calming environment for patients and their families and to be sensitive to patient, family, and staff needs. The structure is intended to serve as a primary component of a vibrant new Lakewood business district. The parties contemplate a construction schedule that would allow the Lakewood Family Health Center to open by June 2018. This schedule assumes no unexpected delays and requires the cooperation and commitment of all parties in a spirit of partnership.
 - b. *Commitment to Population Health Management* – The Lakewood Family Health Center’s activities will include a focus on population health management programs aimed at improving the health of the Lakewood Family Health Center’s patients and the community that the Lakewood Family Health Center serves. The parties contemplate creating population health management programs through partnerships with City government and the community related to outreach

programs and home health care models. As part of the commitment to population health management, the Clinic and the City contemplate reporting on population health statistics and metrics compiled by the Clinic in connection with the Lakewood Family Health Center's operations.

- c. *Emergency Department and Other Services to be Provided* – The parties recognize that there is a present need for an emergency department in Lakewood on a 24 hours a day, 7 days a week, 365 days a year basis. The Clinic will address this need upon the opening of the Lakewood Family Health Center. The Clinic further contemplates that the services available at the Lakewood Family Health Center will initially consist of the services described on Exhibit A. Additionally, the Clinic will incorporate Lakewood into regularly performed community health needs assessments.
- d. *Family Residency Program* – Promptly after the opening of the Lakewood Family Health Center, the family residency program currently located at Fairview Hospital will be relocated to the Lakewood Family Health Center. For so long as the Clinic operates a family medicine residency program, the Clinic will operate a family medicine residency program at the Lakewood Family Health Center's campus while the Clinic owns and operates the Lakewood Family Health Center.
- e. *LGBT Primary Care Clinic* – As part of the population health model embraced by the Lakewood Family Health Center, the Clinic will establish an LGBT-focused primary care clinic within the Lakewood Family Health Center and will make the Lakewood Family Health Center its Westside hub for LGBT care and referrals.
- f. *Mobile Stroke Unit* – The Clinic's mobile stroke unit is acclaimed for its innovative, high-tech approach to the diagnosis and rapid treatment of strokes. Subject to negotiation of the required protocols, the Clinic will provide Lakewood with access to the mobile stroke unit. The deployment of the Clinic's mobile stroke unit within the City will reinforce the City's status as a local leader in stroke care.
- g. *Community Involvement* – The Clinic will create a community advisory panel to support the Lakewood Family Health Center by providing advice and counsel to the Medical Director of the Lakewood Family Health Center.

3. Community Health Foundation

- a. *Initial Contribution* – \$24.4 million will be contributed to a new community health foundation to support future healthcare needs in Lakewood. This contribution is intended to be funded by the value of LHA's assets as of its dissolution. To the extent LHA assets upon dissolution are not sufficient to fund the full commitment, the Clinic will fund any difference between remaining LHA assets and the \$24.4 million commitment. The \$24.4 million contribution will be paid to the new foundation on the following schedule: \$200,000 on or before March 31, 2016 to fund the initial creation of the foundation; \$7.6 million

contributed on the opening date of the Lakewood Family Health Center; \$4.3 million contributed on the second anniversary of the opening; \$4.1 million contributed on the fourth anniversary of the opening; \$4.1 million contributed on the sixth anniversary of the opening; \$4.1 million contributed on the eighth anniversary of the opening. The financial terms expressed above are premised upon a timely cessation of inpatient operations at the Lakewood Hospital. To ensure that these intentions are met, if LHA is unable to cease inpatient operations by an agreed upon date in early 2016 after the effective date of the Master Agreement due to action taken by a judicial or quasi-judicial body or a governmental body or agency (other than a governmental body or agency whose primary function is oversight of health care providers) and the operations of Lakewood Hospital generate an EBIDA loss, the \$24,400,000 payment obligation will be reduced by the aggregate amount of such EBIDA losses incurred between the agreed upon date and the cessation of Lakewood Hospital's inpatient operations.

- b. *Annual Contribution from the Clinic* – Commencing with the opening of the Lakewood Family Health Center, the Clinic will make annual contributions of \$500,000 to the community health foundation for 16 years.
- c. *Use of Community Health Foundation Funds* – Use of the funds contributed to the community health foundation shall be at the foundation's discretion, subject to the bylaws and other guidelines of the foundation. The foundation will establish a mutually agreeable approach with respect to naming rights and first refusal rights associated with programming funded using the Clinic's annual contributions or partial distributions of such funds. The Clinic will have the reasonable rights to name programs funded using the Clinic's annual contributions and a right of first refusal on programming funded using the Clinic annual contributions.
- d. *Governance* – Promptly following execution of the Master Agreement, the City and LHA will jointly agree upon a process for the formation of the community health foundation, the development of the governing documents and the selection of the initial board. The board of the community health foundation shall not exceed 21 voting members. The Clinic will have the right to appoint up to 2 voting members to the board.

4. Hospital and LHA Wind Down

- a. *Wind down of Lakewood Hospital; Continuation of Emergency Department* – Following the execution of the Master Agreement, LHA and the Clinic will commence the termination of services (excluding emergency department services and certain outpatient services) at Lakewood Hospital and the wind down and dissolution of LHA. LHA will continue to operate an emergency department (including emergency room and related ancillary services) at Lakewood Hospital on a 24/7/365 basis until the emergency department (including emergency room) at the Lakewood Family Health Center is open and operating. LHA also contemplates continuing to provide some outpatient services at Lakewood

Hospital following the cessation of inpatient hospital operations, including diabetes care services, congestive heart failure clinic and certain cardio pulmonary services.

- b. *Control of Wind Down* – The wind down will occur pursuant to the guiding principles for the wind down described in the Master Agreement. The wind down plan shall instruct the Clinic to wind down Lakewood Hospital’s operations (excluding emergency department services and certain outpatient services) as quickly as practicable, taking into consideration patient safety and the preservation of LHA’s assets. The manner and timing of the wind down shall be determined solely by the Clinic in consideration of its promises pertaining to the new community health foundation. LHA will be the recipient of all revenues and incur all expenses, whether direct or allocated, associated with the continuing existence of LHA between the execution of the Master Agreement and the ultimate dissolution of LHA.
- c. *Lease Payments* – Until the opening of the Lakewood Family Health Center and vacation by LHA of the Lakewood Hospital property, LHA will continue to make the additional payments due under the existing lease up to a maximum of \$2,877,500.
- d. *LHA Assets and Obligations* – As described more fully in the Master Agreement, LHA will bear all costs of terminating and winding down its patient and other operations at the current Lakewood Hospital site and all costs of demolition to prepare the land west of Belle Avenue for the construction of the Lakewood Family Health Center, up to the maximum amount of LHA’s net asset value, less the Excluded Assets (defined below). The parties acknowledge and agree that (i) the current wind down budget may exceed the remaining LHA assets and (ii) LHA may incur additional losses prior to and during the wind down. The Clinic has agreed to fund any shortfall in LHA assets out of the Clinic assets, which constitutes a significant assumption of risk by the Clinic. Upon the completion of the wind down, all remaining LHA assets will be transferred to the Clinic, except for the excluded assets described on Exhibit B (the “Excluded Assets”), and the Clinic will retain the obligation to fund the community health foundation and the redevelopment reserve to the City out of the LHA assets or its own assets, as well as any other LHA obligations that may survive its dissolution, including severance payments and pension obligations.
- e. *Employees* – If circumstances arising from the transactions related to the Master Agreement result in the job of a Lakewood Hospital employee or a Clinic employee working at the Lakewood Hospital being eliminated, the Clinic will offer such individual another job opportunity within the Clinic’s health system. The Clinic’s human resource team will work with such individuals to provide information and guidance about opportunities at Clinic health system locations, including the proposed Lakewood Family Health Center. Such individuals will be given top priority for open positions within the Clinic’s health system.

- f. *Insurance Protection* – In consideration for insurance premiums with an estimated fair market value of \$2.5 million paid by or allocated to LHA, the Clinic will provide insurance protection (indemnity and defense), including professional liability and directors and officer insurance, for the officers, trustees, employees and other agents of LHA for LHA occurrences both prior to and subsequent to the wind down and dissolution of LHA.
- g. *Documentation* – Upon the execution of the Master Agreement, the existing lease between the City and LHA will be modified as necessary to reflect the terms and understandings of the Master Agreement.

5. Transfer of Real Estate

- a. *Existing Hospital Site and Related Hospital Property* – The City will retain ownership of the existing Lakewood Hospital site and all other property currently leased to LHA (other than the Professional Office Building and Belle Garage, as described below). The Lakewood Hospital site (consisting of approximately 5.7 acres) will be available for redevelopment.
- b. *FHC Site* – Promptly following execution of the Master Agreement, the Clinic will purchase the FHC Site for fair market value, to be determined by an appraiser acceptable to the City and the Clinic, who will value the sites as vacant land. The costs associated with the demolition of the existing Professional Office Building and Belle Garage will be part of the LHA wind down budget. The Clinic will coordinate the relocation of existing tenants in the Professional Office Building and will work collaboratively with the City to successfully transition independent physicians and other tenants of the Professional Office Building to new locations. Costs incurred in connection with relocation of Professional Office Building tenants will be included in the LHA wind down budget.
- c. *City Repurchase Option* – If the Clinic elects to sell the Lakewood Family Health Center property, the City will have an option to repurchase the land or the land and buildings.
- d. *850 Columbia Road* – Promptly following execution of the Master Agreement, LHA will convey the 850 Columbia Road property to the Clinic for \$8.2 million. In recognition of the transactions contemplated by the Master Agreement, LHA will direct the Clinic to pay the proceeds of this sale to the City. The Clinic will pay \$6.8 million (the appraised value in the Summer of 2015) at the closing of the sale agreement and the additional \$1.4 million will be evidenced by a note payable upon the opening of the Lakewood Family Health Center.
- e. *Curtis Block Building* – Promptly following the closing sale of the FHC Site, LHA will convey title to the Curtis Block building to the City for \$1.

6. Parking for Lakewood Family Health Center

- a. *Onsite and Adjacent Parking* – The Clinic contemplates constructing a parking structure on the Lakewood Family Health Center property that will accommodate approximately 120 parking spots. To the extent available following wind down, \$2.5 million of LHA’s assets will be used to finance the construction of such structure. In addition, the City will lease the existing Emergency Department lot on the east side of Belle Avenue (expanded and reconfigured to provide 75 parking spaces) to the Clinic at fair market rental rates that reflect the parties’ responsibilities (e.g., security and maintenance, etc.). In certain circumstances to be specified in the Master Agreement, the number of parking spaces in the lease between the City and the Clinic may be reduced from 75 parking spaces if reasonably acceptable alternative parking becomes available.
- b. *Additional Parking* – The Clinic contemplates making additional arrangements to accommodate its employee parking needs.

7. **Redevelopment of Hospital Site**

- a. *Demolition/Redevelopment Fund* – The City will be paid \$7 million for the demolition and/or redevelopment of the Hospital building and other structures on the Lakewood Hospital site. This amount will be transferred to the City by LHA and/or the Clinic (using LHA funds to the extent available) as follows: \$500,000 on the date of the transfer of the FHC Site to the Clinic and the remaining \$6.5 million will be funded on the opening of the Lakewood Family Health Center.
- b. *Access to Hospital Site* – During the wind down period, the City will have reasonable access to the Lakewood Hospital building in order to evaluate demolition and redevelopment options, provided such access will not interfere with patient care or materially interfere with any other ongoing operations at the site.
- c. *Use Protection* – In exchange for the operation of the Lakewood Family Health Center, the City will agree that for so long as the Clinic operates the Lakewood Family Health Center, the 5.7 acre Lakewood Hospital site will be restricted to provide that (i) no general, oncology or specialty hospital (as defined by the Joint Commission) may be operated and (ii) no organization that owns, operates or manages one or more general, oncology or specialty hospitals will be permitted to operate or manage a health care facility or service or have signage identifying such organization will be permitted on the 5.7 acre Lakewood Hospital Site. The limitation in subparagraph (ii) would not restrict the activities of independent physician groups, licensed provider groups or other non-health care system providers (i.e. an organization that owns operates or manages a general, oncology or specialty hospital). The use limitation will be effective only as long as the Clinic operates the Lakewood Family Health Center and, if the Clinic ceases operation of a 24/7/365 emergency room at the Lakewood Family Health Center, the restriction will be amended to allow another party to operate an emergency room on the 5.7 acre Lakewood Hospital site.

8. Miscellaneous

- a. *Transportation* – Promptly following execution of the Master Agreement, the City and the Clinic will collaborate on an application for a planning grant from the Lakewood Hospital Foundation or any other foundation agreed to by the parties to address transportation needs during the transition and following the opening of the Lakewood Family Health Center.
- b. *Insurance Programs* – The City will include among its employee benefits at least one health plan with Tier I and/or preferred provider access to the Clinic to the extent reasonably practicable.
- c. *FHC Construction* – The Master Agreement contains provisions to address the unlikely event that the FHC is not constructed due to the default of any of the parties or due to causes beyond the control of the parties.

EXHIBIT A

Description of Initially Contemplated Services

Emergency Department (24/7/365)
Family Medicine/Pediatrics
Women's Health (incl. Midwifery)
Diabetes Care
Musculoskeletal Care
Ophthalmology /Optometry
Brain Health/ Behavioral Health
Pulmonology
Neurology
Cardiac Care
Geriatrics
Digestive Diseases
Chronic Disease Clinics
Pharmacy
Physical/Occupational Therapy
Primary Care featuring an advanced medical home model
Radiology and Lab Services
Home Care coordinated with Fairview Hospital
eVisits/My Chart

EXHIBIT B

Excluded Assets

- Curtis Block building
- All real property leased from the City (other than the Professional Office Building and the Belle Garage)
- LHA's "Beneficial interest in Lakewood Hospital Foundation, Inc." as reflected on the LHA balance sheet
- All residential properties owned by LHA and not leased from the City
- All plaques, donor walls and works of art located within Lakewood Hospital that are not owned by the Clinic and specified as excluded on a schedule to the Master Agreement