

**BEACHWOOD CITY COUNCIL MINUTES COMMITTEE OF THE WHOLE MEETING
HELD AT BEACHWOOD CITY HALL, COUNCIL CHAMBERS, 25325 FAIRMOUNT
BOULEVARD, ON MONDAY, JUNE 20, 2016 AT 5:30 P.M.**

The meeting was called to order at 5:30 P.M. by Council President Martin S. Horwitz, seconded by James Pasch.

ROLL CALL: Present: J. Berns, M.S. Horwitz, A. Isaacson, M.M. Jacobs,
B.B. Janovitz, B.H. Linick, J. Pasch
Absent: None.
Also Present: Mayor Gorden, H.L. Jones, J. Doutt, S. Deitrick,
T. Turick

1. Discussion regarding Penske Logistics – Job Creation Incentive Grant Project

Mr. Doutt introduced Mr. Darryl Haymier, General Manager of Penske and Mr. Lon Marino, Senior Manager of Real Estate for Penske. Mr. Haymier stated that Penske Logistics currently has 308 full-time employees and 35 part-time employees.

Mr. Marino stated that in 1995, Penske Logistics acquired Leaseway Transportation Corporation whose offices were located at 3700 Park East Drive. Leaseway Transportation had their corporate headquarters located in Beachwood since the 1970s. Mr. Marino stated that Penske Logistics had 100 employees in the City of Beachwood in 1995 and, in 2002, became the first tenants in Chagrin Highlands where they currently occupy 2-1/2 floors and house IT, engineering, human resources, real estate, and support staff.

Mr. Marino stated that in December he called Mr. Doutt regarding the Job Creation Incentive Grant Program to discuss future growth at Penske Logistics.

Mr. Haymier stated that Penske is experiencing growth within IT, engineering and transportation and they manage all transportation inbound and outbound for Whirlpool with a staff of 133 employees comprised of analysts, load planners, engineers and managerial positions.

Mr. Haymier stated that Penske will employ 40 new full-time employees over the next two years with wages in excess of 2 million dollars. Mr. Haymier stated that Mr. Roger Penske grew up in Beachwood and he would like to stay in Beachwood.

Mr. Isaacson asked if Chagrin Highlands had any incentives.

Mr. Doutt stated Chagrin Highlands does not offer any incentives.

Mr. Isaacson asked if there are obligations from Penske.

Mr. Doutt stated that there is a claw back provision in the agreement.

Mr. Haymier stated that Penske is currently re-negotiating their lease.

CM 2016-184

Mr. Jacobs asked if the lease re-negotiating was finalized.

Mr. Haymier stated that the lease was signed in February.

Mr. Isaacson asked if the full-time jobs included benefits.

Mr. Haymier stated that the full-time positions include analysts, technicians, IT, network design, load planners and management. A number of these employees are graduates of Case Western University, Kent State University and John Carroll University.

Mr. Isaacson asked Mr. Haymier if these are entry level positions where the employees work their way up.

Mr. Haymier stated that these position are higher education positions.

Mayor Gorden thanked Mr. Haymier and Mr. Marino for their commitment to the City of Beachwood.

2. Discussion regarding Project TOSH

Mr. Doutt introduced Mr. John Lin, Managing Partner of Horse Island Asset Management and Mr. Bill Saltzman, Executive Vice President of Cushman & Wakefield/Cresco Real Estate.

Mr. Lin stated that he would like to build a 50 million dollar hospital and medical office building on 4.5 acres of city-owned land off of Harvard Road, the former Armory Reserve Property.

Mr. Doutt stated that the vacant property is east of Omnova and across Richmond Road from Ahuja Hospital.

Mr. Lin stated that the project will bring 150 jobs to the City of Beachwood and create a payroll of 25 million dollars annually.

Mr. Doutt stated that there would be an additional \$500,000.00 in annual income tax money for the City of Beachwood.

Mr. Doutt stated that the City paid \$1,250,155.00 for 4.65 acres for the Armory Reserve Property.

Mr. Saltzman stated that he has had a long relationship with the City of Beachwood and his primary focus has been Commerce Park and the Chagrin corridor. Mr. Saltzman stated that this is an exciting project and would be beneficial to the community.

Mr. Lin stated that they are an investment company and manage money for a wealthy family, billionaire, Thomas O'Malley.

CM 2016-185

Mr. Lin stated that they have built one hospital and one medical center in Jenks, Oklahoma which would be similar to the one he would like to build in Beachwood. Mr. Lin stated that Horse Island built a new hospital last year in addition to a luxury hotel next to the 25-bed hospital.

Mr. Lin stated that their objective was to build a premium specialty hospital with the best doctors in the City with the nicest facilities and who are not limited to practicing in one hospital. Mr. Lin stated that the identity of doctors cannot be released at this time.

Mr. Lin stated that the specialty doctors would be orthopedists, ophthalmologists, ENTs, and surgeons at a state-of-the-art facility.

Mr. Lin stated that the four-story 25-bed hospital would have an emergency room that would care for all types of medical emergencies. Mr. Lin stated that the hospital in Jenks, Oklahoma was finished in 14 months.

Mr. Lin has offered the City of Beachwood \$2.25 million for the property plus \$250,000.00 in real estate fees.

Mr. Saltzman stated that this is a long term commitment to the City of Beachwood and the facility could be completed within 18 months.

Ms. Jones stated that Mr. Linick was concerned there could be a conflict with doctors and Council members.

Mr. Lin stated that physicians do not own or cannot own hospitals.

Mr. Pasch asked what the conflict would be.

Ms. Jones stated that she was asked the question and to inquire if Council would be able to determine if they had a conflict.

Mr. Berns stated that this is not part of Chagrin Highlands property and that the City of Beachwood would receive all the income benefits.

Mr. Isaacson asked if this was for profit.

Mr. Pasch asked if the hospital will take insurance.

Mr. Lin stated that 70-75% of the billing is Medicaid and workers' compensation and the remainder is insurance. Mr. Lin stated that they would take anyone regardless of their ability to pay.

Mr. Horwitz stated that this is an exciting project. Mr. Horwitz asked Mr. Lin because of the concentration of medical facilities does he need clearance from anyone.

Mr. Lin stated no.

CM 2016-186

Mr. Horwitz stated that there is a four story limit.

Mr. Doutt stated that the building would be 600 feet from Harvard north with a 125 foot setback.

Mr. Isaacson asked Mr. Lin if they need room to expand.

Mr. Lin stated that there are parking restrictions.

Mr. Isaacson asked Mayor Gorden about Police and Fire safety.

Mayor Gorden stated that there are no issues.

Mr. Linick asked why this parcel.

Mr. Lin stated that this parcel is a great place for a medical facility.

Mr. Linick asked why not Chagrin Highlands.

Mr. Saltzman stated that Chagrin Highlands has restrictive covenants and easement with University Hospital and University Hospital has blocked all medical development. Mr. Saltzman stated that the balance of Chagrin Highlands is off limits.

Mr. Linick asked Mr. Doutt if the City of Beachwood has an appraisal.

Mr. Doutt stated that he would provide the appraisal and restrictive covenants.

Mr. Linick asked if any incentive package was being requested.

Mr. Doutt stated that this is a 50 million dollar investment with a payroll of 25 million dollars.

Mr. Saltzman stated that this is not a 3-5 year lease renewal but rather a long term commitment from the physicians for decades.

Mr. Doutt stated that Ms. Jones will draft the agreement.

Mr. Jacobs asked what the timeframe will be.

Mr. Lin stated 18 months.

Mr. Pasch stated that the numbers sound good and he would like to see the solid numbers.

Mr. Horwitz asked when Council would know who the doctors and surgeons involved with the project will be.

Mr. Pasch stated that he fails to see a conflict.



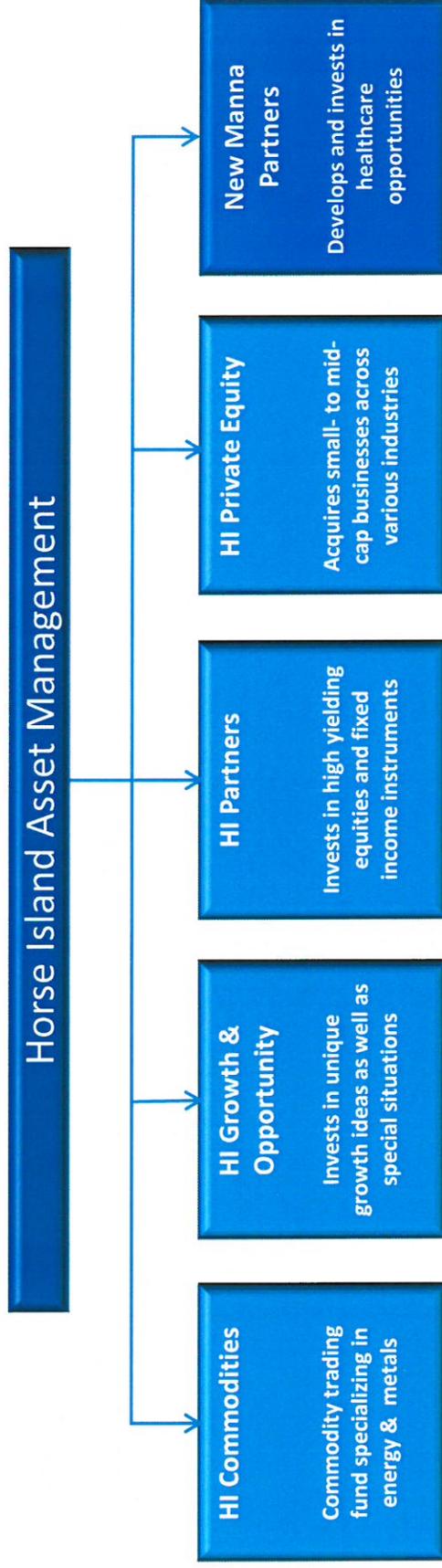
A Shared Vision for Beachwood

Presented by New Manna Partners

June 2016

Horse Island Asset Management

Horse Island Asset Management is an investment management firm that manages and oversees investments across multiple asset classes.



New Manna Partners

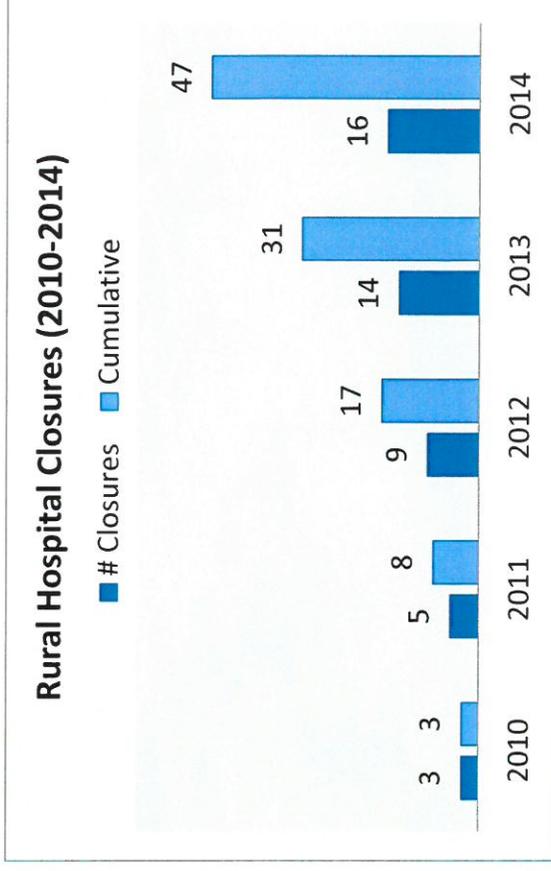
Why New Manna Partners (NMP) was formed ...

- To build beautiful high-quality, exceptional facilities that our hospital partners, physicians and the local community will be proud to call their own.
- To help top physician groups and local healthcare systems maximize their revenue potential with New Manna Partners taking the bulk of the capital risk.
- To utilize our vast resources and expertise for the benefit of all healthcare stakeholders – patients, physicians and the community.



One investment impacting three communities

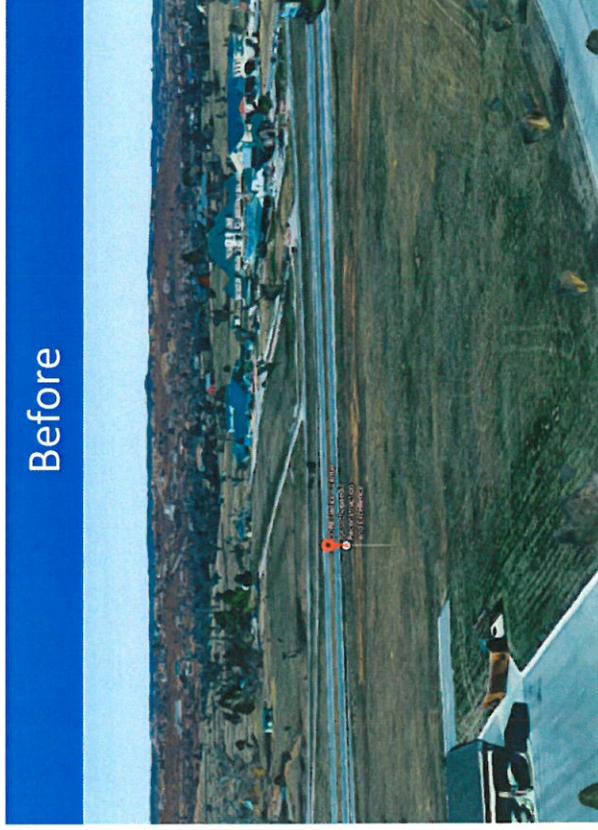
- Bristow Medical Center (BMC), like many rural hospitals, faced challenges to stay financially viable
 - Low volumes due to demographic trends
 - Disproportionate mix of low reimbursement payers and high rates of charity care
 - Capital constraints
- Jenks, an affluent suburb of Tulsa, was an ideal location for a specialty hospital
 - Median per capita income of \$76,000, approximately 2x the median of the state
 - Excellent school system
 - Forward-thinking and business friendly government
 - Proximity to Tulsa
- In adding CORE to BMC, we were able to enhance three communities
 - Expanded payroll and tax base of Jenks
 - Added 150 jobs in Jenks, preserved another 130 jobs in Bristow and Cushing



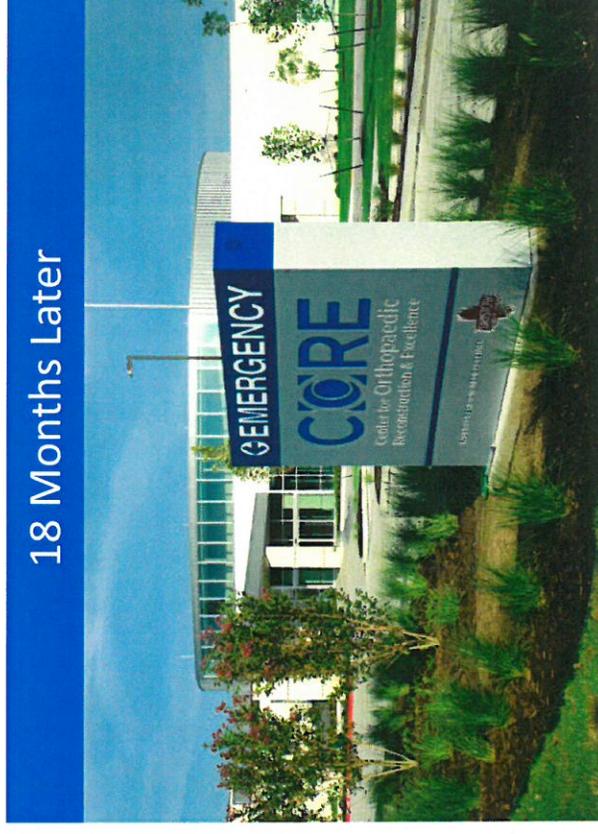
New Manna's Model in Action – CORE, Jenks, OK

We worked quickly and efficiently with all stakeholders, including our physician partners, local and state officials, developer, construction contractors and finance partners, to turn a plot of unused land to a beautiful, full-service hospital.

Before



18 Months Later

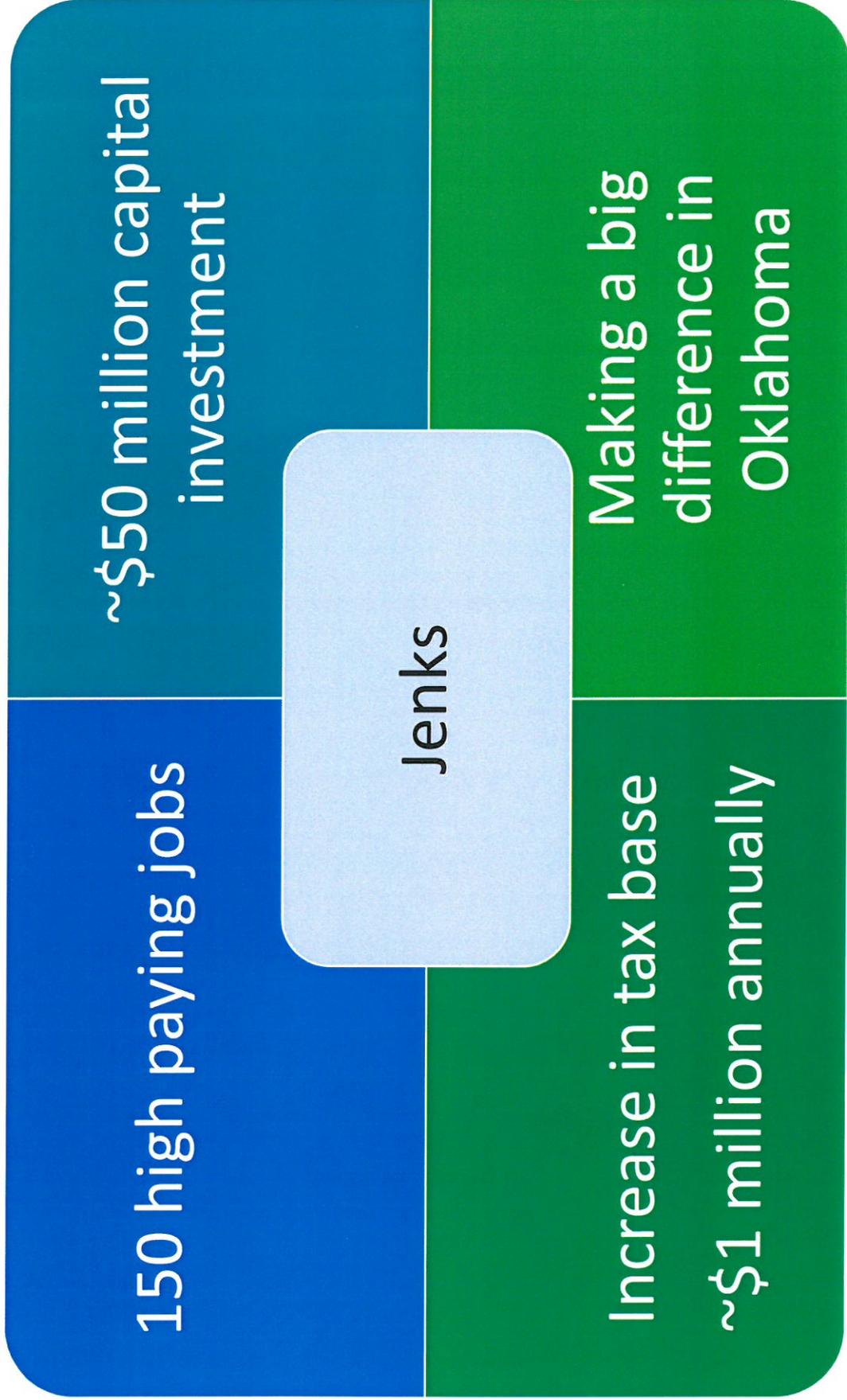


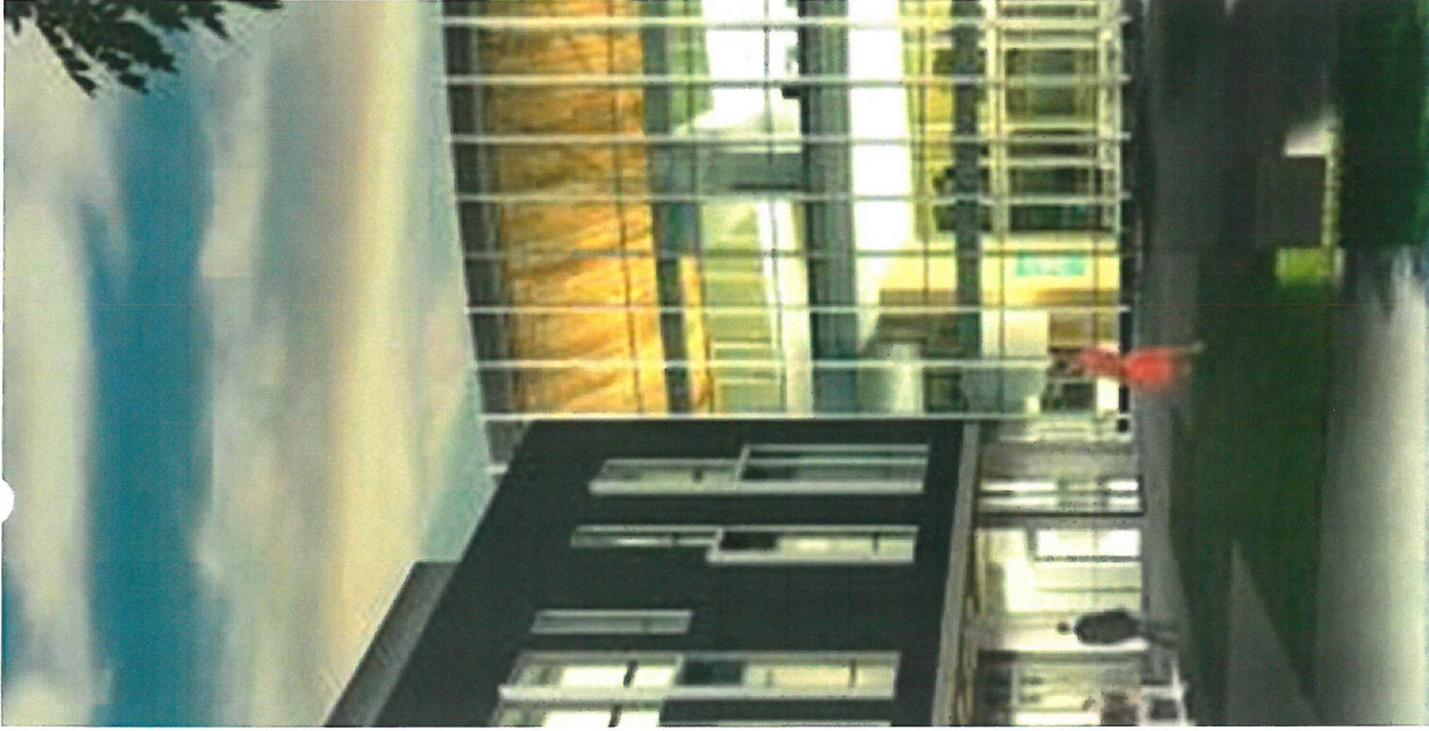
New Manna's Model in Action – CORE, Jenks, OK

Welcome to CORE, Jenks, OK's new state of the art 51,000 ft², 25 bed hospital with 6 operating rooms, 4 procedure rooms, an emergency room, and a physical therapy wing.



CORE's benefit to Jenks





A Shared Vision for Beachwood

- Beachwood already has well-established medical faculties but we wish to establish the first ultra-premium specialty hospital to further bolster Beachwood's offerings and solidify the city as the destination for healthcare
- New state-of-the-art facility equipped with the latest medical technology
- A high-end, specialty medical campus with an unrelenting focus on a differentiated patient experience through exceptional service and care
- Specialty areas include orthopedics, ophthalmology, ENT and specialty surgery
- Only the top specialists in their respective fields will be credentialed at the facility

Development Plan Highlights

- The medical campus will include a modern Medical Office Building (MOB)
 - Will enable our hospital physicians to work on-campus
 - Ancillaries for the hospital are easily accessible to our patients including outpatient physical therapy, imaging, labs and preoperative work-up.
 - Easy accessibility for patients



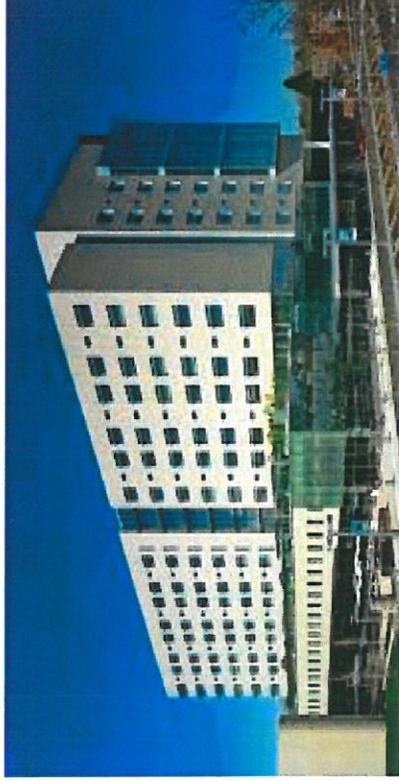
- We will work to ensure the design is consistent with the aesthetic of the “physical city brand”

We aim to create Cleveland’s first world-class specialty hospital, which will meet or exceed “Beachwood Quality” standards, and will serve the needs of the population now and in the future as the city continues to prosper.

Room for Multiple Players in the Market

“Big box” hospitals are fine, but sometimes you do not need to a one stop shop to fulfill your needs

Big Box Hospital



Big Box Retailer



Beachwood Specialty Facility



Specialty Retailer



It starts with the talent ...

Multiple Awards Based on Patient Reviews



X 6 years



Nationally Ranked by Castle Connolly Through Peer and Patient Reviews



Annually Recognized Among Cleveland's Top Doctors

Making Headlines

The Top 28 U.S. Shoulder Surgeons

- Orthopedics This Week

Ranked 2nd in the Nation on Orthopaedic Surgery Board Exam

Presented with the Carter-Makley Teaching Award for Orthopedic Surgery

Cleveland Physicians earn Charles S. Neer Award from American Shoulder and Elbow Surgeons

Prestigious international award for research in the area of shoulder and elbow surgery

Developed 1st Shoulder Cartilage Transplant Procedure Performed Arthroscopically

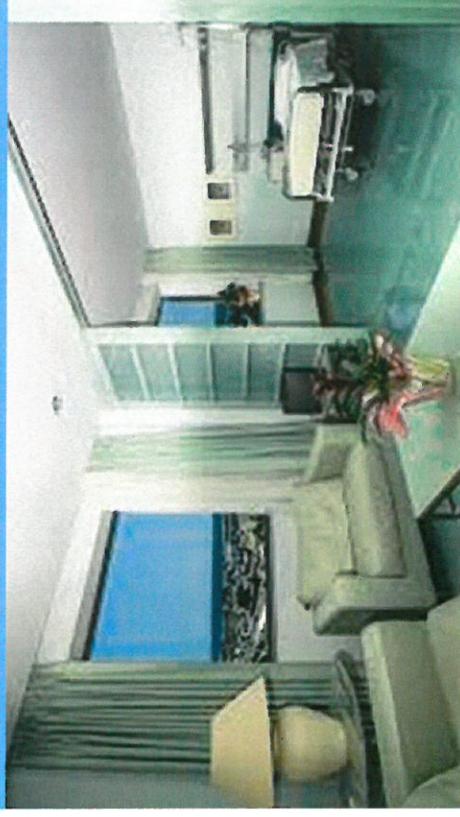
Cutting Edge Technology and Techniques

Brand-new state-of-the-art specialty hospital consisting of:

4 – 6 operating rooms equipped with the latest, cutting-edge robotics



20+ beds in well-appointed rooms that will rival any of the best hotels in Beachwood



Other Features:

- 4 procedure rooms
- 24-hour emergency room
- Modern Medical Office Building
- Physical therapy wing

Our biggest challenge could be getting the patients to go home

The Differentiated Experience

Arrival



Valet parking



Patient ambassador greets you at the door

Family/loved ones can wait in comfort at the lounge or café, have a massage at our spa or a meal at our high-end restaurant on campus!



Stay

Patient ambassador guides you through registration, surgery preparations and discharge



Family/loved ones will receive constant updates through electronic patient monitoring and updates from patient ambassador

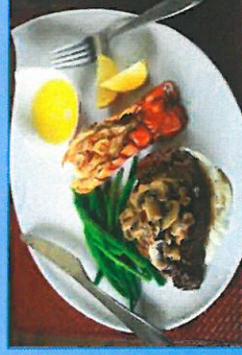


Post-Surgery

Luxurious, hotel suite-like recovery room with sleeping accommodations for family members for those requiring overnight stays



Hospital chef will prepare customized meals during your stay



Impact to the Beachwood Community

170 high paying jobs

\$50 million capital investment

Beachwood

Increase in tax base

Providing unique healthcare experience

Project Details & Timeline

	Budget	Size	Employees
Hospital	\$20 million	~50,000 SF	~130
Medical Office Building (MOB)	\$7 million	~20,000 SF	~40
Equipment & Start-up Capital	\$23 million		
Total	\$50 million	~70,000 SF	~170

