

COUNCIL ACTION FORM

**SUBJECT: AGREEMENT BETWEEN MARY GREELEY MEDICAL AND
THE CITY OF AMES REGARDING THE HEALTHY LIFE CENTER**

BACKGROUND:

City staff has been working to finalize this agreement with Mary Greeley Medical Center (MGMC) prior to the September 10th bond referendum for the Healthy Life Center. As highlighted in the staff presentation on May 28, 2019, MGMC will be a tenant in the building while occupying approximately 3,221 square feet for rehabilitation services. The agreement calls for MGMC to provide funding for the construction of the facility as well as ongoing financial support for the operations for a limited number of years of its operations.

The major provisions of this proposed agreement are highlighted below:

- MGMC will contribute \$7,000,000 towards the construction of 3,221 square feet for its tenant space, therapy pool, and other shared spaces within the Healthy Life Center building. This total will be distributed in four payments based on specific performance indicators. (Paragraph 1)
- MGMC will make an annual payment to the City to cover a portion of the operating costs of the Healthy Life Center building and projected operating deficit. The first payment will be \$105,000, which will be increased by 3% each succeeding fiscal year. The initial payment will be due in the first fiscal year that an individual is hired to manage the facility. (Paragraph 3)
- MGMC will be responsible to pay for any improvements to its tenant space and purchase any equipment after the Healthy Life Center is constructed. (Paragraph 4)
- MGMC is responsible for 100% of its operating expenses (staffing, supplies, etc.). (Paragraph 5)
- Rather than collect funds from MGMC in the future to help cover the cost for the building replacement items, the City will establish a Replacement Fund derived from the operating revenues each year of the Healthy Life Center to be used to replace these items. (Paragraph 8)

- The City will be responsible for maintenance and repairs of the MGMC's tenant space (custodial services, painting walls, plumbing, HVAC, electric). (Paragraph 9)
- The term of this agreement is for 15 years after the Healthy Life Center is first opened. After this initial term, the agreement can be extended or renegotiated by mutual consent of the parties. (Paragraph 10)
- Within 30 days after the agreement is terminated, MGMC is required to remove all of its possessions/equipment from its tenant space and the City will have the right to utilize the space without any compensation to MGMC. (Paragraph 10)
- The agreement provides for a "hold harmless" covenant, along with insurance requirements in order to protect both the City and MGMC. (Paragraphs 11&12)

ALTERNATIVES:

1. The City Council can approve the attached agreement with Mary Greeley Medical Center in regards to the Healthy Life Center.
2. The City Council can approve the attached agreement with Mary Greeley Medical Center in regards to the Healthy Life Center, with modifications suggested by the City Council.
3. The City Council delay making a final decision regarding the proposed lease agreement until the results of the September 10, 2019 bond election are known.

CITY MANAGER'S RECOMMENDED ACTION:

Rather than wait until the results of the September 10th bond election are known to begin negotiations with the Mary Greeley Medical Center regarding the Healthy Life Center, staff has been working to finalize the attached agreement to avoid any delays in starting construction should the referendum pass.

Therefore, it is the recommendation of the City Manager that the City Council support Alternative #1 and approve the attached agreement between the City and the Mary Greeley Medical Center.

**MEMORANDUM OF AGREEMENT
BETWEEN THE CITY OF AMES
AND MARY GREELEY MEDICAL CENTER
REGARDING THE HEALTHY LIFE CENTER**

WHEREAS The City, Story County, Heartland Senior Services, and Mary Greeley Medical Center have been working together over the last three years to develop the concept of the Healthy Life Center (HLC) that will help achieve the life-long goal of making healthy living accessible and enjoyable to people of all ages and socio-economic status; and,

WHEREAS the City of Ames has agreed to construct, own, and manage the Healthy Life Center; and,

WHEREAS the Healthy Life Center will help all employers in Story County recruit and retain employees, reduce health care costs, and improve the overall health of everyone who lives within Story County; and,

WHEREAS Mary Greeley Medical Center will be a tenant in the Healthy Life Center in which approximately 3,221 square feet will be built to house their rehabilitation center; and,

WHEREAS user fees alone will not support the annual operating costs of the Healthy Life Center;

NOW Therefore, the City of Ames and Mary Greeley Medical Center agree to the following on this _____ day of _____, 2019.

OBLIGATIONS OF MARY GREELEY MEDICAL CENTER

1. Mary Greeley Medical Center (hereinafter "MGMC") will pay to the City of Ames (hereinafter "City") a total of \$7,000,000 for construction of approximately 3,221 square feet of MGMC tenant space for rehabilitation services, the therapy pool, and other shared spaces within the Healthy Life Center. The obligation to pay \$7,000,000 will become effective only if the City Council enters into a contract to construct the Healthy Life Center. The \$7,000,000 payment will be due and payable to the City from MGMC as follows:
 - a. 30% due within 30 days after the award of the contract for construction of the Healthy Life Center building.
 - b. 30% due within 30 days after the initial start of construction of the Healthy Life Center building.
 - c. 30% due within 30 days after substantial completion of the construction of the Healthy Life Center building.
 - d. 10% due immediately upon issuance of occupancy permit for the Healthy Life Center building.
2. MGMC's tenant space shall be used only for rehabilitation services or any other programs consistent with the vision of the Healthy Life Center.

3. MGMC will pay an annual amount to the City to cover a portion of the operating costs for the Healthy Life Center as well as the annual operating deficit. The payment from MGMC to the City will be as follows:
 - a. The first payment will be \$105,000. Realizing that the City will need to expend funds for the Healthy Life Center in advance of its opening, this first payment by MGMC will be due 30 days after an individual, or entity, is hired to manage the facility. The City will give a minimum of three months' notice as to when this payment will be due.
 - b. Each succeeding fiscal year (July 1 to June 30), the annual payment to the City by MGMC will be increased by 3% over the previous fiscal year (For example, Year 1-\$105,000, Year 2=\$108,150, Year 3=\$111,395, Year 4=\$114,737, etc.).
 - c. After the initial payment, annual payments will be due each year from MGMC to the City by the first day October of each year.
4. MGMC will be responsible to pay for any minor or major improvements to its tenant space and purchase any equipment (movable or fixed) within MGMC's tenant space after the Healthy Life Center construction is finalized. Improvements do not include maintenance and repairs to its tenant space.
5. MGMC is responsible for 100% of its operating expenses (i.e. staffing, supplies, etc.).

OBLIGATIONS OF THE CITY

6. The City will construct, own, and manage the Healthy Life Center.
7. The City will construct, within the Healthy Life Center, approximately 3,221 square feet of tenant space to be occupied by MGMC in accordance with the cost estimates contained in the RDG HLC Planning Study.
8. In accordance with the recommended Replacement Fund reflected in the RDG HLC Planning Study (pages 101-116), the City will be responsible for those associated costs.
9. The City will be responsible for the maintenance and repairs of MGMC's tenant space.

DURATION OF THE AGREEMENT

10. The term of this agreement shall commence on the effective day of this agreement and end fifteen years after the Healthy Life Center has been open to the public. After this initial term, the agreement can be extended or renegotiated by mutual consent of the parties. The agreement will terminate should the City fail to construct the Healthy Life Center. Within 30 days after the termination of this agreement, MGMC shall remove all of its

possessions and moveable equipment from its tenant space in the Healthy Life Center and the City will have sole use of the tenant space, and the City will not be responsible to reimburse or refund to MGMC for payments made under paragraphs 1 and 3.

HOLD HARMLESS

11. The parties do hereby covenant and agree to indemnify and hold harmless the other party, its officers and employees, against any loss or liability whatsoever, including reasonable attorney's fees, pertaining to any and all claims by any and all persons, resulting from or arising out of the City's construction, location, operation, and maintenance of the Healthy Life Center and MGMC's tenancy of the Healthy Life Center.

INSURANCE REQUIREMENTS

12. MGMC shall maintain:

Commercial General Liability (CGL) with limits of Insurance not less than \$1,000,000 each occurrence, and \$2,000,000 Annual General Aggregate. The City of Ames, its officials, employees and agents shall be included as insured on the CGL. This insurance for the additional insured shall be as broad as the coverage provided for the named insured. It shall apply as Primary Insurance before any other insurance or self-insurance, including any deductible, maintained by, or provided to, the additional insured. To the fullest extent provided by the laws of Iowa, the insurer shall agree to waive all rights of subrogation against the City of Ames, its officials, employees, and volunteers for losses arising from occupancy of the premises.

Workers' Compensation Insurance in accordance with state law and Employers Liability Insurance limits of at least \$500,000 each accident for bodily injury by accident and \$500,000 each employee for injury by disease. To the fullest extent provided by the laws of Iowa, the insurer shall agree to waive all rights of subrogation against the City of Ames, its officials, employees, and volunteers for losses arising from occupancy of the premises.

Each insurance policy required by this paragraph shall be endorsed to state that coverage shall not be suspended, voided, canceled by either party, reduced in coverage or in limits except after thirty days prior written notice. MGMC shall furnish the City with certificates of insurance and with original endorsements effecting coverage required by this paragraph. The certificates and endorsements for each insurance policy shall be signed by a person authorized by that insurer to bind coverage on its behalf. The certificates and endorsements shall be on standard insurance company forms and shall be received and approved by the City before occupancy commences. The City reserves the right to require complete, certified copies of all required insurance policies, at any time.

SUB-LEASE

13. MGMC shall not sub-lease their tenant space without prior written approval of the City Council.

TENANT SPACE DESIGN

14. MGMC may configure its tenant space in any reasonable manner. However, the space shall be designed without any interior load bearing walls if possible.

USE OF THE HEALTHY LIFE CENTER SHARED SPACE

15. MGMC may use the cardio/weight/walking track/therapy pool areas at no cost if the activity is conducted one on one by a MGMC rehabilitation staff member with a patient.

16. If MGMC clients or staff wish to use the Healthy Life Center for personal use, the individuals must pay all costs associated with that use of the facilities.

17. MGMC may use the meeting rooms in the Healthy Life Center at no cost based on terms mutually agreeable to the parties. These terms will be determined prior to the Healthy Life Center opening to the public.

USE OF MGMC'S TENANT SPACE

18. The City may use MGMC's tenant space during non-business hours for wellness related activities at no cost based on terms mutually agreeable to the parties. These terms will be determined prior to the Healthy Life Center opening to the public.

The parties hereby agree to the above:

CITY OF AMES, IOWA

By: _____
John A. Haila, Mayor

Date: _____

Attest by: _____
Diane R. Voss, City Clerk

MARY GREELEY MEDICAL CENTER

By: _____
Brian Dieter, President & CEO

Date: _____