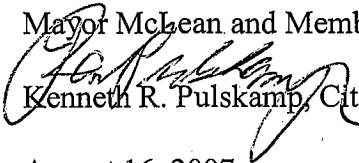


**CITY OF SANTA CLARITA**

**INTEROFFICE MEMORANDUM**

TO: Mayor McLean and Members of the City Council

FROM:  Kenneth R. Pulskamp, City Manager

DATE: August 16, 2007

SUBJECT: RESPONSE TO ISSUES & QUESTIONS REGARDING THE DEVELOPMENT AGREEMENT PROPOSED FOR THE HENRY MAYO NEWHALL MEMORIAL HOSPITAL (HMNMH) MASTER PLAN PROJECT

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At the June and July 2007 City Council meetings, several questions and issues were raised regarding the proposed Development Agreement for the Henry Mayo Newhall Memorial Hospital (HMNMH) Master Plan project. This memorandum provides topical responses to the major issues raised regarding the terms of the Development Agreement and provides a description of the revised Development Agreement. Please note that the revised Development Agreement with a detailed summary of the terms and conditions, will be distributed prior to the September 25, 2007, City Council meeting. The September 25, 2007, City Council meeting will include a focused discussion on the proposed Development Agreement.

Development Obligation

The City Council requested information on the revised Development Agreement clause regarding the "no obligation to develop on the part of the developer." The Development Agreement is a negotiated contract between the City and the Developer. From the Developer's perspective, the Development Agreement provides certainty (in the form of a statutorily endorsed agreement) that the Developer will be able to complete its project during the life of the Agreement. According to the Developer, this level of certainty will help it to secure financing. However, given that the Developer of Inpatient Building A is a non-profit hospital, the Developer has indicated it cannot guarantee construction of the inpatient building until they have secured financing - which, according to the HMNMH, cannot be secure until the Development Agreement is completed. This is not an unusual circumstance when dealing with any developer in the context of a long-term plan for development - the agreement facilitates fundraising for the building program, but ultimately some (or all) of the intended building program might not be completed if funding is not secured.

From the City's perspective, the Development Agreement presents an opportunity for the City to gain benefits it would not otherwise be entitled to in the normal conditioning of a

project, as well as a level of control over the development that is to occur. If the City Council accepts the financing uncertainties asserted by the Developer, the provisions to terminate the Agreement if buildings are not built are inappropriate. Staff's negotiations to date have been focused on what happens if the buildings are built, such as sequencing, off-site improvements and other related issues. HMNMH/G&L has made a commitment to a sequencing that will require certain improvements and/or buildings be completed prior to the issuance of permits for other buildings.

#### Development Agreement versus Conditions of Approval

During the June 12, 2007 City Council meeting, a question was raised that if the City Council were to deny the request for a development agreement; could the City Council accomplish everything it wanted with the project simply by imposing conditions on the conditional use permit and/or master plan. From the City's perspective, the conditions that the City can impose on the conditional use permit and master plan are limited to those that will address the impacts of the project on surrounding uses. In other words, this is the "nexus" requirement imposed by California case law. That same nexus limitation does not apply to a development agreement. The only limit on conditions that can be imposed in a development agreement is the willingness of the parties to the development agreement to agree to the terms. Therefore, to the extent that the City wishes to obtain commitment from the applicant that are not related to the impacts created on the surrounding uses, those requirements cannot be included as conditions of approval. They could only be included as provisions in a development agreement. For example, phasing of construction and traffic improvements likely could be imposed as conditions of approval or as provisions in the development agreement. Requirements for specific medical services in the hospital (such as a neonatal ICU) could not be imposed as a condition of approval, but could be a provision in the development agreement.

#### Development Agreement Review

At the June 12, 2007, City Council meeting, an inquiry was made as to whether the Development Agreement gave the City the ability to review the Master Plan at each implementation phase. As part of its approval of the Master Plan, Conditional Use Permit and Development Agreement, the City Council would be approving the first two improvements, Medical Office Building 1 and Parking Structure 1. The remaining structures would be reviewed by the Community Development Director for exterior elevation consistency, along with conformance with the mitigation measures, conditions of approval, the approved master plan and the Unified Development Code. All other building and engineering development codes will be applied to the project, including the Uniform Building Code in place at time of building permit submission. In addition, any modification to the Master Plan will require review by the appropriate reviewing agency depending on the scope of the proposal.

Development Agreement Terms

A number of questions were raised regarding the items that could be included in the Development Agreement. The City Council can request a number of public benefits from the applicant as long as they are agreeable to such terms. A number of the City Council requests have been included in the latest version of the document. These include the sequencing of improvements and buildings, the requirement that no eminent domain occur on the existing single-family residences for the implementation of the Master Plan, a financial contribution to support efforts for the establishment of a transitional care unit in the Santa Clarita Valley, and the restriction on use of on-campus medical office buildings.

If you have any questions regarding the above information, please contact me or Paul Brotzman, Director of Community Development, at (661) 255-4330.

KRP:PDB:LMH:lep

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cc: Ken Striplin, Assistant City Manager  
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