



*Creating a healthier Marin together.*

# Marin Healthcare District (“District”) – Marin General Hospital (“MGH”)

## New Hospital Lease Summary of Material Terms

- Premises: All of the Hospital and surrounding real property and improvements, subject to Marin County's co-ownership right regarding the Mental Health Building parcel
- Term: 30 years, commencing December 2, 2015 (upon expiration of existing lease on December 1, 2015); expires December 1, 2045

## Rent - Rationale

- Provide District sufficient rent to permit it to fulfill its obligations including oversight of the Hospital and its operations
- Permit MGH to achieve a strong financial condition as soon as possible
- Retain most profit at MGH for the development of additional services
- Once MGH is in strong financial position, a portion of profit is paid to the District to fund other healthcare related programs

## Rent: Four Components

- Base cash rent of \$500,000 per year plus an annual CPI increase
- MGH provides District administrative and secretarial support services, office space, furniture, computer hardware and software and equipment as required for District to conduct its affairs. Subject to an annual ceiling of \$509,000, plus an annual CPI increase
- MGH pays District clinic/facilities deficits

## - Additional Contingent Rent – Paid Only if MGH

- Has 150 days cash on hand
- Has earnings before interest, depreciation and amortizations (“EBIDA”) that is in excess of the higher of (a) 10% of MGH’s Net Revenue or (b) the then current level of EBIDA as a percentage of Net Revenue required for MGH to achieve an “A” category credit rating
- Once achieved, MGH pays District 2% of any amount of Hospital EBIDA that is in excess of the applicable formula above
- No additional rent is payable if it would cause MGH to violate any covenants or requirements of any loan or bond issuance that has been approved by the District

- Triple Net Lease: Lease Agreement is based upon a standard commercial triple net lease form with MGH responsible for paying all taxes, insurance, maintenance and utilities; MGH indemnifies District for all matters arising from or related to MGH's use and occupancy of the Premises and Hospital operations
- Permitted Use: as a non-profit, general acute care hospital and related ancillary uses

- New Improvements: MGH agrees to perform and pay for all District obligations to perform seismic requirements, including construction of new Hospital wing, parking structures and related improvements
  - Planning, applying for and processing approvals, entitlements and permits
  - Seeking and obtaining financing /funding (except for General Obligation Bonds to be sought by the District)
  - Implementing and constructing

- Default/Remedies: standard commercial lease default provisions, modified to provide protections likely to be required by lenders and bond issuers
  - Termination over 6 months or longer to permit transition of Hospital assets/operations to District or its designee
  - District's satisfaction of District approved lender/bond holder and other requirements
  - District's assumption of MGH obligations under such approved loans/bonds and other agreements



- District must approve improvements and capital expenditures that have useful lives extending beyond the term of the Lease or 20% of the total cost of which extends beyond the Lease term
  - Until the last 5 years of the Lease term, District cannot unreasonably withhold, condition or delay its consent
    - Reasonable to withhold if the improvement or capital expenditure would result in an indenture requiring District approval, or District could not accept the related lien upon expiration or termination without violating any law
  - During last 5 years
    - District may withhold, condition or delay its consent in its discretion
    - District and MGH form committee to discuss new lease or transition of Hospital assets and operations to District or its designee

- Surrender of Hospital Premises, Assets and Operations at Expiration or Termination
  - MGH surrenders, assigns and transfers all Hospital assets and all affiliated business operations and everything necessary to continue the uninterrupted operation of the Hospital
  - District assumes related debts, obligations and liens
  - District will be entitled to remove and appoint members of the MGHC Board of Directors

- Amendment: the Parties may amend the Lease to the maximum extent permitted by law to address lender and bond issuer/holder concerns and other issues that may arise
- Dispute Resolution: the Parties agree to utilize mediation and arbitration to resolve disputes in order to attempt to contain costs and minimize disruption to Hospital operations