



CITY OF

NEWPORT BEACH

City Council Staff Report

July 28, 2020
Agenda Item No. 13

TO: HONORABLE MAYOR AND MEMBERS OF THE CITY COUNCIL

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TITLE: Ordinance No. 2020-16: Two-Year Extension to the Hoag Development Agreement (PA2020-065)

ABSTRACT:

Hoag Memorial Hospital Presbyterian ("Hoag") has requested a fourth amendment to extend the Term of the Restated Development Agreement No. 5 ("Agreement") an additional year in light of COVID-19-related impacts that have constrained their ability to plan for future development. The Agreement grants Hoag the vested right to develop the hospital campus consistent with an extensive set of regulations and mitigation measures, all of which would remain unchanged by this proposed fourth amendment. State law and the Newport Beach Municipal Code require City Council consideration of a development agreement or an amendment to a development agreement. The Planning Commission has reviewed the request and recommends City Council approve a two-year extension. For City Council's consideration is a two-year extension to the Hoag Agreement.

RECOMMENDATION:

- a) Conduct a public hearing;
- b) Find all significant environmental concerns for the proposed project have been addressed in a previously certified Final Environmental Impact Report (EIR) and Supplemental EIR, and that the City of Newport Beach intends to use said document for the above noted project, and further that there are no additional reasonable alternative or mitigation measures that should be considered in conjunction with said project; and
- c) Waive full reading, direct the City Clerk to read by title only, and introduce Ordinance No. 2020-16, *An Ordinance of the City Council of the City of Newport Beach Amending a Development Agreement Between the City of Newport Beach and Hoag Memorial Hospital Presbyterian (Development Agreement Amendment No. DA2020-003)*, and pass to second reading on August 25, 2020 (Attachment A).

FUNDING REQUIREMENTS:

There is no fiscal impact related to this item.

DISCUSSION:

Hoag Hospital is an existing facility located at One Hoag Drive in the City of Newport Beach (“City”). The site (approximately 38 acres), inclusive of the Lower Campus (20.41 acres) and Upper Campus (17.57 acres), is generally bounded by Hospital Road to the north, West Coast Highway to the south, Newport Boulevard to the east, and residential development and open space to the west. Superior Avenue is the closest major street to the west.

Hoag was constructed in 1952 as a 75-bed, 50,000 square-foot facility. The complex has undergone several major construction phases that have expanded and remodeled the facilities. In 1979, the first Master Plan and EIR were prepared and approved for Hoag. At the time the 1979 Master Plan was prepared, Hoag facilities were located solely on what is now known as the Upper Campus. In June of 1984, Hoag purchased the approximate 22-acre Lower Campus from the State of California. In 1991, Hoag constructed the Patty and George Hoag Cancer Center and a child care center on the Lower Campus.

In 1992, the City certified the Hoag Hospital Master Plan Final EIR No. 142 certifying the Hoag Hospital Master Plan and adopted both Planned Community regulations and Development Agreement No. 5 (“Development Agreement”). The Planned Community Development Plan (“PC Text”) is the Hoag Master Plan. In 1994, the City approved Ordinance No. 94-8 to readopt the Development Agreement to reflect Coastal Commission consideration. The term of the agreement was 25 years from the effective date of the ordinance and the agreement expiration date was March 16, 2019.

In 2008, the City approved changes to the Master Plan (PC Text) and Development Agreement to allow more flexibility where existing entitled Hoag-related uses could be developed. The 2008 amendment did not extend the term of the agreement. The current PC Text and Development Agreement are attached to this report for review (Attachment A).

On March 12, 2019, the City Council adopted Ordinance No. 2019-6 approving a second amendment to the Development Agreement, which became effective on April 11, 2019. The second amendment extended the Term of the Agreement for an additional six months, with an expiration of September 15, 2019.

On July 23, 2019, the City Council adopted Ordinance No. 2019-12 approving a third amendment to the Agreement (“Third Amendment”) that went into effect on August 22, 2019. The Third Amendment was executed and recorded, as document number 2019000318392, on August 27, 2019. The Third Amendment extended the Term of the Agreement for an additional 10 years to September 15, 2029, in exchange for certain community public benefits provided by Hoag. The existing development regulations and required mitigation measures as provided in the Agreement and subsequent amendments remained unchanged by the Third Amendment.

As a part of the Agreement, Hoag has agreed to provide benefits to the community through a payment of \$3,000,000 in equal annual installments of \$300,000 paid directly to one or more non-profit community partner(s) determined by the City Council upon recommendation of the Homeless Task Force. To date, Hoag has paid \$600,000 to the City, which has been placed in a reserve account until the City Council finalizes a non-profit community partner.

Development Agreement Extension Request

Hoag has requested a fourth amendment to extend the Term of the Agreement for one year in light of COVID-19-related impacts that have constrained their ability to plan for the future development of the hospital campus consistent with the amended Agreement. The existing development regulations and required mitigation measures as provided in the Agreement and subsequent amendments remained unchanged by the Fourth Amendment.

Hoag has worked diligently with the City throughout the Term of the Agreement to plan the growth and development of the hospital campus. After the Third Amendment was granted in 2019, planning efforts were reinvigorated. Notwithstanding, COVID-19 has put an unprecedented strain on the healthcare system, demanding Hoag's attention and action. Temporary closures in the development industry resulting from COVID-19 have also reduced the time Hoag has to act on the by-right development provisions of the Agreement within the Term provided. Hoag intends to fully exercise development assurances provided by the Agreement and they requested one additional year to account for the unforeseeable complications and delay from COVID-19. Without the extension, Hoag may incur increased development costs and additional expenditure of time and resources because long-term development plans would need to be reconstituted under a tighter future timeframe.

Planning Commission Review

On July 9, 2020, the Planning Commission conducted a public hearing to consider the extension of the agreement as required by Newport Beach Municipal Code (NBMC) Chapter 15.45 and Government Code Section 65867. At the conclusion of the public hearing, the Planning Commission voted 6-0 to recommend a two-year extension of the Development Agreement (Attachment C and D) given that the COVID-19 pandemic is ongoing and may require a longer focus than initially anticipated.

If the two-year extension is adopted by the City Council and executed, the term of the Agreement would expire on September 15, 2031 with no additional funding for community benefits for the extended term.

ENVIRONMENTAL REVIEW:

In accordance with the California Environmental Quality Act (“CEQA”) (Cal. Pub. Res. Code §§21000, et seq.) and its implementing State regulations (CEQA Guidelines) (14 Cal. Reg. §§15000, et seq.), the City of Newport Beach prepared Final EIR No. 142, which was certified by the City of Newport Beach in 1992. Final EIR No. 142 was prepared to address the potential environmental effects associated with the Hoag Hospital Master Plan development program.

A Supplemental Final Environmental Impact Report (SCH No. 19910071003) was prepared in accordance with the provisions of the CEQA Public Resources Code §§21000, et seq., and the State CEQA Guidelines, California Code of Regulations §§15000, et seq. The purpose of the Supplemental EIR was to analyze the potential impacts of the proposed changes to the Hoag Hospital Master Plan development program. The City Council considered and certified the Supplemental Final Environmental Impact Report on April 16, 2008, by adopting certain CEQA Findings of Facts and a Statement of Overriding Considerations contained within City Council Resolution No. 2008-27.

All significant environmental concerns for the proposed project have been addressed in the previously certified Final Environmental Impact Report No. 142 (certified 1992) and its Supplemental Final Environmental Impact Report (certified 2008). The proposed Amendment to the Amended and Restated Development Agreement only extends the term of the agreement and does not amend any development standards, development requirements, or required mitigation measures identified in Final EIR No. 142 and the Supplemental Final EIR (SCH No. 19910071003).

NOTICING:

Notice of this hearing was published in the Daily Pilot, mailed to all owners of property within 300 feet of the boundaries of the site (excluding intervening rights-of-way and waterways) including the applicant and posted on the subject property at least 10 days before the scheduled meeting, consistent with the provisions of the Municipal Code. Additionally, the item appeared on the agenda for this meeting, which was posted at City Hall and on the City website.

ATTACHMENTS:

Attachment A – Ordinance No. 2020-16

Attachment B – Hoag’s Extension Request Letter

Attachment C – Planning Commission Resolution No. 2020-026

Attachment D – Planning Commission Minutes