

**Job and Wage Loss Associated with Closing of
Lakewood Hospital**

JOB LOSS

Lakewood Hospital Employment Numbers				
Year	Employees	Percentage of Lakewood Employment		
2014	1688	14.01%	2014 CAFR	Source
2015	1662	14.16%	2015 CAFR	Source
Two Year Average	1675	14.09%		
Source: City of Lakewood Comprehensive Annual Financial Reports, 2014 & 2015				

WAGE LOSS

Year	Employees	Average Salary	Estimated Wage Loss to Lakewood	
2014	1688	\$49,466	\$83,498,608	(1)
2015	1662	\$49,466	\$82,212,492	(1)
Note (1): Average salary figure from Metro Health System Presentation, p. 10.				

How Much Did The City of Lakewood Lose on
Lakewood Hospital

Value Description: Revenues	Value of Revenues	
Lease / Tax Revenues (LHA/CCF Leases to 2026 Term)	\$23,515,877	(1)
Master Agreement (Lease Revenues)	\$2,887,500	(1)
Master Agreement (Tax Revenues -2026 - Estimated by City)	\$4,607,909	(1)
Value of Lost Lease & Tax Revenues	\$16,020,468	

Loss to City: \$16,020,468 for Lakewood Hospital Lease / Tax Revenues

Note (1) Source -- City of Lakewood Spreadsheet, dated April 16, 2018

How Much Did The City of Lakewood Lose on
Lakewood Hospital

Value Description: Asset	Value of Asset	
Vacant Lakewood Hospital Site	\$5,200,000	(1)
Purchase Price	\$1.00	
Loss to City of Lakewood	\$5,199,999	

Value Description: Asset	Value of Asset	
Hospital Building & Land	\$20,000,000	(2)
Purchase Price	\$1.00	
Loss to City of Lakewood	\$19,999,999	

Range of Loss to City: \$5,199,999 - \$19,999,999 for Lakewood Hospital

Note (1): Source: City Appraisal Letter dated May 7, 2018

Note (2): Source: Mayor's Deposition Exhibit H; confirmed by Anderson.

How Much Did The City of Lakewood Lose on
Lakewood Hospital (3)

Value Description: Demo, Remediation, Site Prep.	Value of Payment	
Total Master Agreement Pymnt.	\$7,000,000	(1)
Estimated Costs to City	\$2,500,000	
Value conveyed to developer (for \$1.00)	\$2,500,000	(2)
"Gain" to City of Lakewood	\$4,500,000	

Value Description: Demo, Remediation, Site Prep.	Value of Payment	
Total Master Agreement Pymnt.	\$7,000,000	(1)
Estimated Costs to City	\$7,000,000	
Value conveyed to Developer (for \$1.00)	\$7,000,000	(2)
Loss to City of Lakewood	\$7,000,000	

Range of Gain or Loss to City: \$4,500,000 to (\$7,000,000)

Note (1): Source: City of Lakewood Spreadsheet, dated April 16, 2018.

Note (2): Value of direct subsidy provided to developer by City for a nominal amount (\$1.00).

Value of Liquidated Business
Lakewood Hospital

Value Description: Business Liquidation Value	Value of Liquidated Business	Master Agreement: December 21, 2015
New Medical Office Building (FHC with ER)	\$34,000,000	Section 2.1
New Foundation Funding (Healthy Lakewood Foundation)	\$32,400,000	Section 6.1
Estimated Wind-Down Costs	\$13,100,000	(1)
Medical Office Building (850 Columbia Road)	\$8,200,000	Section 5.4
Demoliton Payment	\$7,000,000	Section 6.2
Post-Closure Lease Payments	\$2,887,500	Section 5.5
New Parking Lot Commitment	\$2,500,000	Section 2.2
Wind-Down Insurance Costs	\$2,500,000	Section 9.12
M.O.B & Parking Garage	\$1,576,000	(2)
Total	\$104,163,500	(3)

Note (1): Source - Huron Business Advisory report, August 14, 2015

Note (2): Source - City of Lakewood, CAFR, 2015, p. 19

Note (3): Total is missing a dollar value for equipment and fixtures conveyed by MA at Section 33(d).

Value of Liquidated Business
Lakewood Hospital

Inculding Hospital Building on Site

Value Description: Business Liquidation Value		Value of Liquidated Business	Master Agreement: December 21, 2015
New Medical Office Building (FHC with ER)		\$34,000,000	Section 2.1
New Foundation Funding (Healthy Lakewood Foundation)		\$32,400,000	Section 6.1
Estimated Wind-Down Costs		\$13,100,000	(1)
Medical Office Building (850 Columbia Road)		\$8,200,000	Section 5.4
Demoliton Payment		\$7,000,000	Section 6.2
Post-Closure Lease Payments		\$2,887,500	Section 5.5
New Parking Lot Commitment		\$2,500,000	Section 2.2
Wind-Down Insurance Costs		\$2,500,000	Section 9.12
M.O.B & Parking Garage		\$1,576,000	(2)
ADD	Hospital Building Value	\$24,499,500	(3)
Total		\$128,663,000	(4)

Note (1): Source - Huron Business Advisory report, August 14, 2015

Note (2): Source - City of Lakewood, CAFR, 2015, p. 19

Note (3): Source - Cuyahoga County Auditor (2015)

Note (4): Total is missing a dollar value for equipment and fixtures conveyed by MA at Section 33(d).

Value Description: Business Liquidation Value		Value of Liquidated Business	Master Agreement and other sources
New Medical Office Building (FHC with outpatient ER)		\$34,000,000	Section 2.1
New Foundation Funding ("Healthy Lakewood")		\$32,400,000	Section 6.1
Estimated Wind-Down Costs		\$13,100,000	Huron Report
Medical Office Building (850 Columbia Rd.)		\$8,200,000	Section 5.4
Demolition Payment		\$7,000,000	Section 6.2
Post-Closure Lease Payments		\$2,887,500	Section 5.5
New Parking Lot Commitment		\$2,500,000	Section 2.2
Wind-Down Insurance Costs		\$2,500,000	Section 9.12
M.O.B & Parking Garage		\$1,576,000	2015 CAFR, p. 19
Hospital Building Value		\$24,499,500	(1)
ADD	Estimated Revenue Loss to CCF Avon Hospital	\$26,923,726	(2)
ADD	Lost Beneficial Interest in Lakewood Hospital Foundation	\$33,500,000	(3)
Total		\$189,086,726	(4)

Note (1): Source - Cuyahoga County Auditor (2015)

Note (2): Source - Subsidium, pp. 58-62

Note (3): Source - Huron Report, p. 56

Note (4): Total is missing a dollar value for equipment and fixtures conveyed by MA at Section 33(d).

WHO GOT WHAT AND HOW MUCH

The Private Parties

PRIVATE PARTIES	DESCRIPTION	VALUE	Source	Notes
Cleveland Clinic Foundation	New Medical Building	\$34,000,000	MA 2.1	(1)
	Revenues for New Hospital	\$26,923,726	Subsidium, pp. 58-62	
	Wind-Down Costs	\$15,600,000	MA 9.2, Huron Report	
	Westlake Office Building	\$10,000,000	MA 5.2	
	New Parking for MOB	\$2,500,000	MA 2.2	
	TOTAL	\$89,023,726		
PRIVATE PARTIES	DESCRIPTION	VALUE	Source	Notes
Three Arches Foundation	Repositioned LHF Funds	\$33,500,000	Huron Report, p. 56	(2)
	TOTAL	\$33,500,000		
PRIVATE PARTIES	DESCRIPTION	VALUE	Source	Notes
Healthy Lakewood Foundation	MA Distribution Across Time	\$32,400,000	MA 6.1	
	TOTAL	\$32,400,000		
PRIVATE PARTIES	DESCRIPTION	VALUE	Source	Notes
Selected Developer	Hospital Building	\$24,499,500	County Auditor MA 6.2	2015 (3)
	Benefit of Demolition Costs	\$7,000,000		
	TOTAL	\$24,499,500		

Note (1): The FMV of this asset may have been significantly higher than the price paid. It was not an arms-length sale.

Note (2): Lakewood Hospital Foundation successfully pivoted its funds from its prior charitable purpose of supporting the hospital.

Note (3): Published statements of Lakewood officials; one statement went as high as \$10M.

**What the City Lost,
What the City Got,
and Where It Went**

Description of Value	Amount	Description of Payment-Cost	Amount	Gain /Loss	Notes	LWT
Long-term Lease / Tax Revenues	\$23,515,877	Short-term Lease Revenue	\$2,887,500			Yes
		Future Tax Revenues	\$4,607,909			
Subtotal	\$23,515,877	Subtotal	\$7,495,409	\$16,020,468		
Return of Hospital Bldg. & Land	\$5,200,000	Transfer of Land to Developer	\$1	\$5,199,999	(1)	Yes
Westlake Medical Building	\$8,200,000	"Early Termination Payment"	\$8,044,731	\$155,269	(2)	Yes
Detroit-Belle Medical Building & Parking Garage	\$1,576,000	Payment for Assets	\$1,557,084	\$18,916		Yes
Demolition Payments	\$7,000,000	Estimated Demolition Costs	\$2,500,000	\$4,500,000	(3)	
		Addnl. Parking Costs for FHC	\$2,500,000	\$2,500,000		
		Total		\$23,894,652 Loss	(4)	

Note (1): Based on the City's "as vacant land" appraisal (2018). County Auditor valuation significantly higher: \$24,499,500 (2015).

Note (2): This sale was not an "arm's length" transaction and value of asset may have been higher by several million dollars.

Note (3): Assumes that the City can minimize its costs for remediation, demolition, and site preparation for developer. Published statements reflect that these costs could be in the \$7M to \$10M range.

Note (4): Excludes all lost business estimates for hospital and medical buildings.

LWT: Likely Wash Transactions: Amounts received by the City may have been no more than the "wash" value for assets or contract rights that the City already enjoyed or owned.

How Much Did the City of Lakewood Net on Lakewood Hospital?
- Example of a Wash Transaction -

Description of Payment	Amount	FMV	Gain / Loss	Information Source	Notes
Post-Closure Lease Payments	\$2,887,500	\$2,887,500	\$0	MA Section 5.5	(1)
TOTAL			\$0.00		"Wash"

Comment: This is a wash transaction because the amount paid in post-closure lease payments is the same as the amount of the prior lease payments on a pro rata basis. The post-closure lease payments are no greater than the pre-closing prior lease obligation.

Abbreviation:

FMV - Fair Market Value (from prior contractual obligation pre-closure)

MA - Master Agreement

Note (1): See also, 2015 CAFR, p. 88 (\$2,877,500); City Revenue Spreadsheet, April 2018.

How Much Did the City of Lakewood Make on Lakewood Hospital?
Non-Hospital Real Estate Transactions

Description	Amount	FMV	Gain - Loss	Source	Notes
Sale of MOB (850 Columbia Rd)	\$8,044,731	\$8,200,000	-\$155,269	2015 CAFR, p. 14, 88	(1)
Sale of MOB (14601 Detroit Rd) (with parking garage)	\$1,557,084	\$1,576,000	-\$18,916	2018 City Spreadsheet	(2)
			TOTAL		(3)
			-\$174,185		
<u>Abbreviations:</u> FMV - Fair Market Value MOB - Medical Office Building					

Real estate transactions appear to be "wash" or loss

Note (1): Also described as an "early termination payment", however, other documents establish that these are proceeds from the sale of the LHA Columbia Road asset. I have not seen an appraisal document for this parcel.

Note (2): City of Lakewood, Revenue spreadsheet, April 18, 2018. Exhibit A lists FMV appraisal amount. I have not seen this appraisal.

Note (3): Amount is post-closing and transaction costs.

Community Losses vs. Community Gains
Closure of Lakewood Hospital

MODEL ONE	Community Losses	Notes
	Value of Lost Wages	\$83,498,608
	Value of Lost Charity Care	\$75,900,000
	TOTAL	\$159,398,608
	Community Gains	Notes
	Healthy Lakewood Foundation	\$32,400,000
	Family Health Center	\$32,400,000
	Mixed/Use Development	\$40,500,000
	TOTAL	\$105,300,000
	NET LOSS	\$54,098,608

MODEL TWO	Community Losses - Community Gains	Back-out Donated Hospital Bldg-Land	
	Liquidation Value of Lkwd. Hosp.	\$189,086,726	
	Family Health Center	\$32,400,000	
	Mixed/Use Development	\$40,500,000	
	TOTAL	\$72,900,000	TOTAL
	NET LOSS	\$84,686,726	\$116,186,726 NET LOSS

Community Losses vs. Community Gains II
Closure of Lakewood Hospital

MODEL THREE	Community Losses -- Wages	Notes
	Value of Lost Wages \$83,498,608	Hospital Employment (2014) 1688 EEs Source: CAFR (2014)
	TOTAL \$83,498,608	
	Community Gains -- Wages	Notes
	Value of New Wages (FHC) \$11,129,850	FHC Employment (Projected) 225 EEs Source: Subsidium, p. 43
	TOTAL \$11,129,850	
	NET LOSS \$72,368,758	Annually
MODEL FOUR	Community Losses -- Charitable Care	Notes
	Value of Lost Charity Care \$6,900,000	Average of Lakewood Hospital Charity Care Source: LHA Financials (2010-2014)
	TOTAL \$6,900,000	
	Community Gains -- Charitable Care	Notes
	Value of New Charity Care \$3,398,864	Combined Projected and Estimated Grants from HLF and Three Arches Foundation.
	TOTAL \$3,398,864	
	NET LOSS \$3,501,136	Annually

HLF: Healthy Lakewood Foundation (2024 projection - \$1,148,864)

Three Arches: Estimated annual distribution of \$2,250,000. (MDK)