

From: Mark Nelson

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Subject: Public Comment to Torrance, Redondo, Hermosa and Manhattan Mayors and Councils. Public Comment to Redondo and Torrance Planning Commissions. Public Comment to LALAFCO.
(MONOGRAPH #5)

To whom it may concern:

As a 3+ year volunteer at BCHD on the Community Working Group, I have been generally disconcerted by BCHDs lack of commercial and environmental experience and expertise. While they are a public agency, should we offer them a degraded level of performance from the private sector as a basis for their \$15M annual budget and tax revenues? I believe that's exactly what is occurring. BCHD touts its "awards", but apparently they are being bestowed by paid-for trade associations with the same low performance standards that BCHD is currently using.

Attached is the fifth in a several dozen document set of monographs discussing the performance of BCHD and invalidity of its proposed commercially developed, commercially majority owned and operated \$12,500 per month assisted living project. The project is 80% developed for non-residents of the 3 Beach Cities that own BCHD, and 92% for non-residents of Redondo Beach, the city with the permitting responsibility and the Environmental and Economic Injustice impacts.

This monograph discusses how BCHD has no research demonstrating that in the absence of its action as a PUBLIC-ENTITY, using PUBLIC LANDS that the market-priced (i.e., \$12,000+ per month rent assisted living) RCFE needs for the 3 Beach Cities would not be met. BCHD cannot be allowed to falsely claim a need, without providing specific research demonstrating that need exists in the absence of their action. BCHD is a public agency with public funding and can only operate to meet public needs. BCHD responded in California Public Records Act responses (in the attached monograph) that it had no documents demonstrating a need in the 3 Beach Cities and that it had no evidence that the private market for RCFE would not fill any need that is identified. As such, BCHD cannot truthfully claim a need.

As parties should be aware, full market priced, privately developed on commercial land RCFE are being permitted and built absent BCHDs use of public lands.

BCHDs purported project objective of filling an "RCFE need" for the 3 Beach Cities is objectively unsupported. Further, since the City of Redondo Beach must bear 100% (or nearly 100%) of the environmental and economic injustice of BCHDs development and operations activity, the lack of a demonstrated need is prima facie evidence to deny use of the land or any associated permits.

Mark Nelson

3+ Year Volunteer, BCHD Community Working Group
Redondo Beach

BCHD Project Objective #4 is Invalid Based on BCHDs MDS Research Study

From: Mark Nelson
Redondo Beach Property Owner
3+ Year BCHD Volunteer, Community Working Group

Summary

LITTLE NEED IN REDONDO BEACH FOR HIGH COST RCFE - The BCHD MDS study demonstrates that only 4.8% of the need for the proposed RCFE is from south Redondo Beach 90277 which has shouldered 100% of the economic and environmental injustice for over 60 years, as well as the negative impacts of traffic, emissions, lighting, noise, emergency vehicles and chronic stress. Further, the MDS study demonstrates that only 8.1% of the need for the proposed RCFE is from the entirety of Redondo Beach.

LITTLE NEED IN THE 3 ENTIRE 3 BEACH CITIES – The BCHD MDS study also demonstrates that less than one-fifth of the facility is being developed for the residents of the 3 cities that own, fund and operate BCHD. As such, at its currently proposed scale, the facility is over 80% unneeded.

BCHD ASSERTS NEED, BUT HAS NO EVIDENCE OF NEED – BCHD responded in California Public Records Act responses (reproduced below) that it had no documents demonstrating a need in the 3 beach cities and that it had no evidence that the private market for RCFE would not fill any need that is identified. As such, BCHD cannot truthfully claim a need.

STATED PROJECT OBJECTIVE #4 IS INVALID – BCHD falsely claims that it needs to build RCFE to meet a need of the beach cities. The 3 beach cities only “need” less than 20% of the facility size, yet, south Redondo Beach 90277 and more broadly, the 3 beach cities together, suffer 100% of the environmental damages. In the case of south Redondo Beach 90277, the proposed project would extend economic and environmental damages to over a century.

VOTER APPROVED SOUTH BAY HOSPITAL WAS SIZED ONLY FOR THE 3 BEACH CITIES – BCHD has no voter approval. Following the failure of the publicly owned and operated South Bay Hospital in 1984, and the termination of the lease by the commercial operator, SBHD was renamed and BCHD kept the assets. As such, BCHD should be limited to the voter approved service of the 3 beach cities only.

Scope of MDS Study

BCHD commissioned three studies from MDS to assess the “need” for RCFE for a wide geographic area surrounding BCHD. MDS conducted no independent analysis of the need for RCFE or pricing based on the specific residents for the three beach cities that chartered, own, and fund BCHD based on their publicly available reports and responses to California Public Records Act requests to BCHD.

MDS conducted no primary research of the taxpayers or residents of the three beach cities according to its three reports. MDS appears to have relied on public documents and rules of thumb either from the RCFE industry or from its internal operations. It also appears to have completed surveys of potential competitors in RCFE space and used syndicated data.

Prospective Tenant Screening

MDS used an age and financial screen and concluded target seniors will require minimum annual pre-tax incomes of \$141,000 to \$204,000 annually for the new-build BCHD facility.

EXHIBIT 1-6

MINIMUM QUALIFYING CASH FLOW INCOME REQUIREMENTS FOR

A NEW ASSISTED LIVING AND MEMORY CARE DEVELOPMENT IN REDONDO BEACH, CALIFORNIA

Based on 2021 Monthly Service Fees

<u>Unit Type</u>	<u>Number of Units</u>	<u>Monthly Fee</u>	<u>Annualized Monthly Fee</u>	<u>Total Annual Cash Flow Requirement After Tax ¹</u>	<u>Likely Annual Cash Flow Before Tax ²</u>
<u>Assisted Living Units</u>					
One Bedroom	102	\$9,250 - \$12,250	\$111,000 - \$147,000	\$138,750 - \$183,750	\$154,167 - \$204,167
<u>Memory Care Units</u>					
Studio - Semi-Private	60	\$8,985	\$107,820	\$126,847	\$140,941

MDS never assesses the need for RCFE in the three beach cities that own and operate BCHD. Instead, it assesses a broad area surrounding BCHD, and includes that 30% of tenants are expected to be from outside that area as well. The listing of qualified prospects by area is below. Note that the table does not include the 30% of tenants that MDS expects to be from outside the zip codes listed. Also note that the annual escalators that MDS provides for qualified prospects are based on proprietary work and have no transparency beyond vague sourcing.

EXHIBIT 3-3

SUMMARY OF INCOME QUALIFIED AGE 75+

HOUSEHOLDS BY ZIP CODE IN THE PRIMARY MARKET AREA

After Income Screen

Zip Code / Community			Total 2019 Age 75+	\$150,000 + Qualifying Income Screen			Absolute 2019-2024	Average Annual % Change
			Households	2019	2021	2024		
*	90275	Rancho Palos Verdes	3,550	787	887	1,062	275	6.2%
*	90274	Palos Verdes Peninsula	2,425	744	826	965	221	5.3%
	90503	Torrance	2,386	152	182	238	86	9.4%
*	90505	Torrance	2,287	196	233	303	107	9.1%
*	90277	Redondo Beach **	1,890	194	232	305	111	9.5%
*	90266	Manhattan Beach	1,612	338	397	506	168	8.4%
	90504	Torrance	1,542	79	96	129	50	10.3%
	90278	Redondo Beach	1,344	134	167	234	100	11.8%
	90254	Hermosa Beach	691	119	145	196	77	10.5%
	90260	Lawndale	656	21	27	39	18	13.2%
	90245	El Segundo	577	67	80	104	37	9.2%
Total			18,960	2,831	3,277	4,081	1,250	7.6%

Because MDS does not describe its annual escalator methodology, 2019 data was used to describe the sources of likely tenants. Approximately 38% are from the high income Palos Verdes Peninsula, 30% are assumed to be from outside a 10 mile radius, including new entrants to the state and the area. Only 4.8% of tenants are expected to originate in 90277, the south Redondo Beach area that has incurred 60 years of economic and environmental injustice from the failed South Bay Hospital and the area that BCHD proposed to incur 50-100 years of future economic and environmental injustice from BCHDs proposed campus expansion from 312,000 sqft to 793,000 sqft. Only 19.4% of tenants overall are expected to originate from the three beach cities that chartered South Bay Hospital District and own, fund and operate BCHD. All economic and environmental injustices and damages are expected to occur to those three beach cities from the project, and as noted, more explicitly, the overwhelming majority of damages occur in the 90277 Redondo Beach area. Overall, Redondo Beach is expected to see only 8.1% of the benefit of tenancy per MDS analysis. This 12-to-1 damages to benefits impact on Redondo Beach should alone stop issuance of a conditional use permit for what is documented as an unneeded facility for the area by MDS.

Summary Expected Sources of Tenants by Originating Area

BCHD Consultant MDS 2019 Marketing Results	
2019 Income Qualified Prospective Renters (by area)	
Palos Verdes	37.9%
> 10 mile Radius	30.0%
*90254+*90266	11.3%
*90278	3.3%
*90277	4.8%
Torrance	11.5%
Other	1.2%
CONTROL TOTAL	100.0%
Redondo Beach Total	8.1%
*=BCHD Owners Total	19.4%

South Bay Hospital District Services Sized Exclusively for the Three Beach Cities

According to the Daily Breeze, “in ... 1947, a survey by Minnesota hospital consultants James A. Hamilton and Associates already had concluded that the beach cities would need a 238-bed hospital to meet demand by 1950, only three years in the future. Hospital backers were asking only for a 100-bed facility. Frustrated by having to travel to use the only two other large hospitals nearby at the time, Torrance Memorial and Hawthorne Memorial, beach cities residents and health authorities began pulling together in 1951 to mount another effort.”

The hospital was conservatively sized for less than the full surveyed need of the three beach cities (Hermosa, Manhattan, and Redondo Beach) and completed in 1960. According to the Daily Breeze, “with funding in place, the 146-bed hospital project finally began to gather steam. A site was chosen: 12 acres of undeveloped land (believe it or not) bounded by Prospect Avenue, Diamond Street, and the Torrance city limit to the east. Preliminary sketches were drawn up as well.”

South Bay Hospital was subsequently expanded, but yet again, in a conservative manner for fewer beds than needed for the three beach cities. Again according to the Daily Breeze, “the hospital boomed during the 1960s, and construction began on the planned new wing of the facility, now trimmed to 70 beds, in August 1968. It opened in 1970.”

Failure of South Bay Hospital and the Benefit of Conservative Sizing

South Bay Hospital effectively failed twice, once as a publicly owned hospital (the only voter-approved charter for the enterprise and campus at Prospect) and again as a rental endeavor. According to the Daily Breeze, “Facing increasing competition from private hospitals such as Torrance Memorial Medical Center and Little Company of Mary, the publicly owned South Bay Hospital began to lose patients and falter financially in the late 1970s. Layoffs became increasingly common. By 1984, the 203-bed hospital was forced to give up its publicly owned status. The South Bay Hospital District signed a lease deal with American Medical International in 1984, with AMI taking over operation of the facility.” Further, the continued rental of the building shell failed as well, “Tenet Healthcare Corp. assumed control over the hospital when it acquired AMI in 1995. By then, the hospital’s future was becoming increasingly bleak, with fewer doctors signing on as residents. In 1997, Tenet announced

that it would give-up its lease with the Beach Cities Health District in May 1998, essentially abandoning the hospital. After 38 years of operation, South Bay Medical Center closed its doors for good on Sunday, May 31, 1998.”

Had South Bay Hospital been oversized, or even built at the original survey size, the losses and abandoned buildings would have been even larger. The conservative nature of the actions and investments was a mitigating factor.

BCHD Response to CPRA Requests – No Studies Available or Relied Upon

A. Public Records Request MEN 20191109-0:

1) “Informational Items”

Please find below the link to the presentation provided by The District in response to this request. If you believe we have not correctly interpreted your request please resubmit your request with a description of the identifiable record or records that you are seeking.

https://legistarweb-production.s3.amazonaws.com/uploads/attachment/pdf/476050/Finance_Committee_2019_11_12_Final_11122019_Website.pdf

2) “Specifically Regarding 4. RCFE Community Needs & Market Assessment Study”

- a. According to the Needs and Market Assessment Studies or any other resource in the possession of BCHD, what is the total estimated number of RCFE units required for the exclusive use of the “Beach Cities” that chartered the BCHD? To avoid ambiguity, the “Beach Cities” is defined as exclusively the residents of Manhattan, Hermosa and Redondo Beach. Any zip code level analysis must be entirely within the “Beach Cities” as defined.

This request does not reasonably describe identifiable records as required CA Government Code 6253, however, the District has no records to provide in response to this request. For this particular request the District does not have a chartered number of RCFE units.

- b. According to the Needs and Market Assessment Studies or any other resource in the possession of BCHD, what is the total estimated number of RCFE units required for the “Beach Cities” that chartered the BCHD that are REQUIRED to be built by BCHD instead of the private sector in order to avoid a shortfall in the supply of RCFE units for the “Beach Cities”.

This request does not reasonably describe identifiable records as required CA Government Code 6253, however, the District has no records to provide in response to this request. For this particular request the District does not have a chartered number of RCFE units.

- c. According to the Needs and Market Assessment Studies or any other resource in the possession of BCHD, what is the total estimated number of RCFE units required for the “Beach Cities” that chartered the BCHD that are REQUIRED to be built by BCHD instead of the private sector in order to avoid a significant change in market cost of RCFE for the “Beach Cities” due to a short fall in the total supply of units without the BCHD units? If a change is identified, what is the estimated value per month paid by average RCFE tenant of the change?

This request does not reasonably describe identifiable records as required CA Government Code 6253, however, the District has no records to provide in response to this request. For this particular request the District does not have a chartered number of RCFE units.

Conclusion

The MDS market study provides no apparent direct “voice of the customer” research for the three beach cities residents that chartered South Bay Hospital and own, fund and operate BCHD. Based on MDS’s unsubstantiated 5 (industry rate) to 10% (MDS rate) “capture rate” of prospective tenants, the three beach cities require only 35-70 beds and not 220 or more.

The MDS market study also fails to take into account economic and environmental justice issues, that is, due to the location of the campus, damages and injustice disproportionately occurs to south Redondo Beach 90277, while the same area receives less than 5% of the tenancy benefit according to MDS.

Based on demonstrated action of voters, the South Bay Hospital was sized exclusively for the three beach cities the formed and funded South Bay Hospital District and execution was conservative, with total beds never reaching the surveyed estimate of need. Further, the hospital failed both under public and private operation.

Other Studies

In its CPRA response, BCHD clearly states that it has no other studies of need by the 3 beach cities nor does it have any studies of market pricing impacts from expansion of RCFE supply, or the need for publicly developed RCFE. In short, BCHD has not valid evidence of a need for RCFE that BCHD is required to fill.

MDS Surveys

https://www.bchdcampus.org/sites/default/files/archive-files/Market-Feasibility-Study_2016.pdf

https://www.bchdcampus.org/sites/default/files/archive-files/MARKET-FEASIBILITY-STUDY_AUG.2018.PDF.pdf

https://www.bchdcampus.org/sites/default/files/archive-files/Market-Feasability-Study_2019_0.pdf

CEQA Purpose and Need Conformance

BCHD is a public agency that is owned, funded and operated by Hermosa Beach, Redondo Beach and Manhattan Beach taxpayers and residents. The BCHD campus is entirely housed in south Redondo Beach 90277 and has inflicted 60 years of economic and environmental damages and injustice on that area. Based on BCHD's lack of demonstrated need for additional “upscale” “expansive view” RCFE (as described by BCHD investment banker Cain Brothers) this project’s Purpose and Need is invalid. Additionally, the economic and environmental injustice impacts on south Redondo Beach 90277 are disproportionately high, with south Redondo Beach suffering 100% of the EJ impacts for less than 5% of the benefits. As such, this project fails both Purpose and Need and EJ analysis under CEQA.

Reference – BCHD Project Objectives

Project Objectives

1. Eliminate seismic safety and other hazards of the former hospital building (514 Building).
2. Generate sufficient revenue through mission-derived services to replace revenues that will be lost from discontinued use of the former Hospital Building and support the current level of programs and services.
3. Provide sufficient public open space to accommodate programs that meet community health needs.
4. Address the growing need for assisted living with onsite facilities designed to be integrated with the broader community through intergenerational programs and shared gathering spaces.
5. Redevelop the site to create a modern Healthy Living Campus with public open space and facilities designed to meet the future health needs of residents, including a Community Wellness Pavilion with meeting spaces for public gatherings and interactive education.
6. Generate sufficient revenue through mission-derived services or facilities to address growing future community health needs.