

October 30, 2024

To: Mayor and Members of City Council

202402284

From: Sheryl M. M. Long, City Manager

Subject: Emergency Ordinance – CMO: Transfer of Bon Secours Mercy Health, Inc. Repayment to Deferred Appropriations Reserve

Attached is an Emergency Ordinance captioned:

AUTHORIZING the transfer of \$7,037,174 from the General Fund unappropriated surplus to General Fund balance sheet reserve account no. 050x3422, “Deferred Appropriations,” to preserve resources the City received from Bon Secours Mercy Health, Inc. pursuant to a Property Investment Reimbursement Agreement repayment to be used to support projects benefitting neighborhoods affected by the closure of the Bon Secours Mercy Health facility in the Bond Hill neighborhood.

Approval of this Emergency Ordinance authorizes the transfer of \$7,037,174 from the General Fund unappropriated surplus to General Fund balance sheet reserve account no. 050x3422, “Deferred Appropriations,” to preserve resources from Bon Secours Mercy Health, Inc. pursuant to a Property Investment Reimbursement Agreement (PIRA) repayment to be used to support projects benefitting neighborhoods affected by the closure of the Bon Secours Mercy Health facility in the Bond Hill neighborhood.

Ordinance No. 0170-2014 authorized the City to enter into a PIRA with Mercy Health (f/k/a Catholic Health Partners) pursuant to which Mercy Health committed to constructing a new office building at 1788 Tennessee Avenue and to creating and retaining new jobs within the City. In exchange, the City committed to providing up to \$19,500,000 in funding over a 15 year period with such annual payments limited to 65% of the annual income tax revenue generated by such jobs.

Ordinance No. 0320-2019 authorized a First Amendment to the PIRA with Bon Secours Mercy Health, Inc. (the parent company which acquired Mercy Health), which increased their obligation to invest in the City by creating 700 additional new jobs, increasing payroll by an additional \$90,000,000, and constructing a new \$10,000,000 private parking garage at 1701 Mercy Health Place with the City providing, in lieu of direct property investment reimbursement payments, a refundable job creation tax credit equal to 65 percent of the income tax revenues generated from the project.

Bon Secours Mercy Health defaulted under the terms of the PIRA by failing to create and retain the requisite number of jobs and payroll. On June 20, 2024, the City sent

Bon Secours Mercy Health a demand notice for \$7,037,174 as repayment to the City for their non-compliance with the PIRA. On August 15, 2024, Bon Secours Mercy Health responded to the City's demand and provided a \$7,037,174 repayment to the City. The City Council wishes to set those funds aside until a determination is made as to which projects will be funded with the repayment.

The reason for the emergency is the immediate need to preserve resources to be used for future projects benefitting neighborhoods affected by the closure of the Bon Secours Mercy Health facility.

The Administration recommends passage of this Emergency Ordinance.

cc: Andrew M. Dudas, Budget Director
Karen Alder, Finance Director

Attachment