



Date: February 3, 2020

To: Thomas B. Modica, Acting City Manager *T.M.*

From: Linda F. Tatum, Director of Development Services *LT*

For: Mayor and Members of the City Council

Subject: **Incentives for Urgent Care Facilities**

At its April 9, 2019 meeting, the City Council requested the City Manager to coordinate with appropriate departments on potential incentives and strategies to expand access to quality urgent care in neighborhoods with limited access to an acute care facility. It was noted that areas like North and West Long Beach have limited access to health care services. In the absence of local, convenient health care, people increasingly turn to emergency rooms for non-life-threatening medical care, which results in overburdened emergency rooms and long wait times. As a solution, urgent care facilities can help provide convenient access to health care and relieve overcrowding of emergency rooms. In addition, they also can provide affordable costs, evening and weekend hours, and shorter wait times.

Provided below is a summary of the potential land use and other incentives and strategies the City of Long Beach (City) may employ to encourage urgent care facilities to locate in underserved communities. Based upon a review of the City's current regulatory framework, discussions with industry and health experts, and input from City departments, staff have developed initial options and recommendations for the City Council's consideration.

Notwithstanding the proposed changes to land use regulations, staff's research indicates that the lack of urgent care facilities in underserved communities is driven primarily upon factors outside of the City's control, including the financial performance and operating costs of urgent care facilities, and insurance reimbursement rates. The most significant factor influencing industry decisions over where to site an urgent care center is not land use regulations, but rather the number of potential customers with high-reimbursement rate private insurance in the surrounding area. Therefore, changes in state and federal policy will be required to more fully and effectively incentivize the location and expansion of urgent care facilities to underserved areas, which have higher rates of uninsured, and Medicaid and Medicare insured individuals.

Potential Land Use Incentives

Streamlined Process: Currently, urgent care facilities are not called out or listed as a use in commercial districts in the zoning code. A code amendment to define the urgent care use and specify that it does not require an Administrative Use Permit (AUP) or Conditional Use Permit (CUP) would allow these establishments to operate in commercial areas by-

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right, and avoid the time and costs associated with a discretionary review process. Currently, professional services not listed in the Long Beach Municipal Code require an AUP.

Some medical uses are limited or prohibited in Industrial zones. Further analysis would be required to determine the trade-offs of allowing medical uses in Industrial zones, and the compatibility of medical uses with nearby industrial uses, in light of potential emissions and impacts.

Reduced Parking Requirements: A common way to encourage certain land uses is to reduce parking requirements. Parking is expensive to provide. Reducing parking requirements for urgent care facilities in new construction, and/or exempting urgent care and other similar health care uses from parking requirements for changes of use in existing buildings, can both create incentives for these uses and further other City goals to reduce storefront vacancy and activate commercial corridors. A typical impediment to activating storefronts is that prospective businesses are not able to meet parking requirements, which are triggered by a change of use to uses that typically have higher parking ratios than retail, such as restaurants or medical uses. This condition is present, for example, on corridors in North Long Beach, such as Atlantic Avenue and Artesia Boulevard, where there is also a documented need for access to non-emergency health care. Per today's standards, urgent care facilities would be required to provide parking similar to the medical office use, which requires five (5) parking spaces per 1,000 square feet. An urgent care facility is typically 2,500 square feet, which would require 13 parking spaces.

The current parking requirements are particularly burdensome for change-of-use in existing commercial buildings. Office and retail uses are parked at four (4) parking spaces per 1,000 square feet, meaning a change-of-use to a medical use typically requires the provision of additional parking for an existing building. While the incremental additional parking required is typically small (e.g. three spaces for an average-sized urgent care clinic), it is oftentimes physically impossible to add additional parking to existing structures or lots that may have been built out many decades ago. This lack of flexibility increases the number of vacant storefronts and inhibits higher-parking uses such as medical services.

To create additional flexibility, parking reductions can be scaled to the size of the facility to encourage neighborhood-serving urgent care facilities on transit-accessible commercial corridors. Smaller establishments could be exempted from any parking requirements, while a reduced parking standard could be applied to larger facilities that may serve a larger geographic area.

Floor Area Ratio Bonuses (FAR): Increased development rights in the form of FAR bonuses can be used as an incentive to promote urgent care facilities and similar health care uses. This would serve as an incentive to developers to include urgent care facilities in new development and set rent prices at an appropriate level. This is effectively done by exempting the urgent care facility from the maximum development calculations, meaning that if the developer includes an urgent care facility, along with other uses on a site, the

urgent care facility does not count towards the maximum allowable development. This incentive will enable the property owner to offer below-market rental rates to the urgent care operator and offset the loss in rent with rents collected from the additional leasable square footage. Development projects obtaining such FAR bonuses could be subject to a discretionary process and can be conditioned to require that an applicant has an agreement with a health care service provider at the time of application or prior to issuance of the building permit. Further analysis is required before implementing this type of incentive.

Potential Economic Development Incentives

While there is currently no direct City funding available to support the establishment of urgent care facilities, staff identified the following services that could be provided by the City.

Ombudsman Services: Economic Development and Development Services staff can facilitate the location of neighborhood-serving urgent care facilities along the City's commercial corridors by providing ombudsman services to help applicants navigate the permitting process.

Marketing and Outreach: Economic Development staff can engage brokers, property owners, developers, health industry professionals and others in promoting and marketing Long Beach as an ideal location to open new urgent care facilities.

Department of Health and Human Services Input

Like other medical providers, medical professionals and groups that operate urgent care facilities rely on reimbursements from insurance companies to defray the cost of providing services. Lower income communities tend to have higher rates of uninsured, which may reduce the feasibility of locating in those communities, even while these areas may have the greatest need. The ability to enroll residents from a given community into healthcare plans, such as those offered under the Affordable Care Act, increases the potential pool of customers for medical providers and can increase the likelihood that new medical providers will open in the community.

Staff from the Department of Health and Human Services (DHHS) contacted an industry expert to identify potential strategies to address this need. The industry expert noted that Medicare and Medicaid often do not provide sufficient reimbursements for urgent care visits to substantially cover the cost of providing the service. It was suggested that urgent care clinics would be more viable if public funding could subsidize urgent care visits for low-income or uninsured patients. Further investigation revealed that the City is not in a position to provide funding to subsidize urgent care visits or otherwise direct funding to private clinics to provide such services. The federal government provides funding for community-based health care providers in underserved areas (known as Federally Qualified Health Center [FQHC]). There are FQHC's in the City that are operated by private medical groups. Additionally, the DHHS operates health clinics that provide specialty services for

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communicable diseases such as tuberculosis, HIV, and sexually transmitted diseases. Prior to the Great Recession, the DHHS operated primary care clinics, which operated at a loss, but has not done so since 2010, due to general fund deficits and cuts in state funding. In the future, there may be other federal programs and funding that can be administered by DHHS to improve the economic viability of urgent care clinics in some of Long Beach's underserved areas. DHHS staff will monitor federal rules and funding for health care, which are constantly evolving and subject to repeated change.

Some further policy considerations include staffing urgent care or other medical facilities with nurse practitioners or physician's assistants who earn lower salaries than medical doctors, but are licensed to provide many of the same medical services and can help reduce the cost of providing non-acute services. The use (or restrictions) of nurse practitioners and physician's assistants to staff medical facilities are governed by State and Federal regulations, not City action. The City may wish to support policies within its State Legislative Platform, which would provide this staffing flexibility.

Next Steps

The parking requirements and other land use incentives described above are contemplated in the draft UPLAN study and zoning ordinance for North Long Beach that will be presented to the Planning Commission and City Council in early 2020. Development Services staff will consider implementation of these measures citywide as part of a future omnibus zoning code update at a future date in late 2020. Other incentives and policy changes described in this memo will be evaluated at a future date depending on staff resources, as well as any potential changes in State and Federal regulations.

If you have questions regarding this matter, please contact Patricia Diefenderfer at (562) 570-6261, or patricia.diefenderfer@longbeach.gov.

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