

RESOLUTION NO. 2023-610

A RESOLUTION AUTHORIZING THE EXECUTION OF A SETTLEMENT AGREEMENT BY AND BETWEEN INSPIRA MEDICAL CENTERS, INC AND THE CITY OF VINELAND REGARDING TAX APPEALS

WHEREAS, the City filed appeals seeking to remove the exemption from Hospital property located at Block 6002, Lot 1 (1505 West Sherman Avenue) on the City's tax map. These appeals are pending before the New Jersey Tax Court under Docket Nos. 006879-2017; 004424-2020; 006433-2021; 001089-2022 and 004176-2023; and

WHEREAS, the City filed appeals seeking to remove the exemption from Hospital property located at Block 6104, Lot 1 (2445 S. Delsea Drive) on the City's tax map. These appeals are pending before the New Jersey Tax Court under Docket Nos. 006916-2017; 004444-2020; 006445-2021; 001094-2022 and 004178-2023; and

WHEREAS, the City filed appeals seeking to remove the exemption from Hospital property located at Block 6002, Lot 1.6 Qual C1E (2950 College Drive, Unit 1E) on the City's tax map. These appeals are pending before the New Jersey Tax Court in Docket Nos. 004414-2020; 006457-2021; 009111-2021 and 006902-2023; and

WHEREAS, the City filed appeals seeking to remove the exemption from Hospital property located at Block 7001, Lot 1706 Quals C4B & C4C (2848 S. Delsea Drive, Units 4B & 4C) on the City's tax map. These appeals are pending before the New Jersey Tax Court under Docket Nos. 007803-2020, 009120-2021 and 006905-2023; and

WHEREAS, The Hospital filed counterclaims in all of the City's appeals listed above herein, seeking to maintain the property's tax-exempt status and to reduce the property's assessed value on the exempt list; and

WHEREAS, the Hospital filed appeals against the City seeking to reduce the assessed value of Hospital property located at Block 2501, Lot 204 Qual CC1 (907 N. Main Road) on the City's tax map. These appeals are pending before the New Jersey Tax Court under Docket Nos. 010915-2017; 005928-2020; 008238-2021; 004202-2022 and 004939-2023; and

WHEREAS, the Hospital filed appeals against the City seeking to reduce the assessed value of Hospital property located at Block 6001, Lot 20 (1430 W. Sherman Ave) on the City's tax map. These appeals are pending before the New Jersey Tax Court under Docket Nos. 010913-2017; 005930-2020; 008232-2021; 004203-2022 and 004941-2023; and

WHEREAS, the New Jersey Legislature enacted Public Law 2021, Chapter 17, supplementing chapter 48 of Title 40 and chapter 4 of Title 54 of the New Jersey Revised Statutes, and Amending N.J.S.A. 54:4-3.6 and N.J.S.A. 54:3-21 (hereinafter referred to in this Agreement as "Chapter 17") on February 22, 2021, addressing the tax exemption for nonprofit hospitals; and

WHEREAS, in addition to bolstering the nonprofit hospital property tax exemption, Chapter 17, requires nonprofit hospitals and satellite emergency care facilities to pay Annual Community Service Contributions (“ACSC”); and

WHEREAS, the Hospital has continued to be granted exemption of certain properties in the City of Vineland by the tax assessor; and

WHEREAS, Section 4 of Chapter 17 does not permit taxing districts to impose or pursue litigation to impose omitted or regular assessments for tax years 2014-2020 on any property that would have been exempt under N.J.S.A. 54:4-3.6j had it been effective in those tax years.

WHEREAS, on or about April 8, 2021, the City and others sued the State of New Jersey, challenging the constitutionality of Chapter 17 under Docket No. MER-L-000738-2021 (the “Constitutional Challenge”); and

WHEREAS, on July 22, 2022, the Constitutional Challenge court found Chapter 17 to be facially constitutional and dismissed the City’s complaint with prejudice, and none of the plaintiffs to that action, including the City, filed an appeal of that Constitutional Challenge case; and

WHEREAS, a proposed settlement has been presented which resolves all of the claims outlined in the litigation.

WHEREAS, City Council finds it to be in the best interest of the City to execute the Settlement Agreement.

NOW, THEREFORE, BE IT RESOLVED by the Council of the City of Vineland that the Mayor and Clerk are authorized to execute the Settlement Agreement attached hereto and made a part hereof.

Adopted:

President of Council

ATTEST:

City Clerk

SETTLEMENT AGREEMENT

This **SETTLEMENT AGREEMENT** (this "Agreement"), dated _____, 2023, is by and between Inspira Medical Centers, Inc. (also referenced under former name South Jersey Hospital and South Jersey Hospital, Inc.) and Jersey Health Management Corp. (collectively the "Hospital"), and the City of Vineland, a municipal corporation of the State of New Jersey ("Vineland" or the "City").

RECITALS

WHEREAS, the City filed appeals seeking to remove the exemption from Hospital property located at Block 6002, Lot 1 (1505 West Sherman Avenue) on the City's tax map. These appeals are pending before the New Jersey Tax Court under Docket Nos. 006879-2017; 004424-2020; 006433-2021; 001089-2022 and 004176-2023; and

WHEREAS, the City filed appeals seeking to remove the exemption from Hospital property located at Block 6104, Lot 1 (2445 S. Delsea Drive) on the City's tax map. These appeals are pending before the New Jersey Tax Court under Docket Nos. 006916-2017; 004444-2020; 006445-2021; 001094-2022 and 004178-2023; and

WHEREAS, the City filed appeals seeking to remove the exemption from Hospital property located at Block 6002, Lot 1.6 Qual C1E (2950 College Drive, Unit 1E) on the City's tax map. These appeals are pending before the New Jersey Tax Court in Docket Nos. 004414-2020; 006457-2021; 009111-2021 and 006902-2023; and

WHEREAS, the City filed appeals seeking to remove the exemption from Hospital property located at Block 7001, Lot 1706 Quals C4B & C4C (2848 S. Delsea Drive, Units 4B & 4C) on the City's tax map. These appeals are pending before the New Jersey Tax Court under Docket Nos. 007803-2020, 009120-2021 and 006905-2023; and

WHEREAS, The Hospital filed counterclaims in all of the City's appeals listed above herein, seeking to maintain the property's tax-exempt status and to reduce the property's assessed value on the exempt list; and

WHEREAS, the Hospital filed appeals against the City seeking to reduce the assessed value of Hospital property located at Block 2501, Lot 204 Qual CC1 (907 N. Main Road) on the City's tax map. These appeals are pending before the New Jersey Tax Court under Docket Nos. 010915-2017; 005928-2020; 008238-2021; 004202-2022 and 004939-2023; and

WHEREAS, the Hospital filed appeals against the City seeking to reduce the assessed value of Hospital property located at Block 6001, Lot 20 (1430 W. Sherman Ave) on the City's tax map. These appeals are pending before the New Jersey Tax Court under Docket Nos. 010913-2017; 005930-2020; 008232-2021; 004203-2022 and 004941-2023; and

WHEREAS, the New Jersey Legislature enacted Public Law 2021, Chapter 17, supplementing chapter 48 of Title 40 and chapter 4 of Title 54 of the New Jersey Revised Statutes, and Amending N.J.S.A. 54:4-3.6 and N.J.S.A. 54:3-21 (hereinafter referred to in this Agreement as "Chapter 17") on February 22, 2021, addressing the tax exemption for nonprofit hospitals; and

WHEREAS, in addition to bolstering the nonprofit hospital property tax exemption, Chapter 17, requires nonprofit hospitals and satellite emergency care facilities to pay Annual Community Service Contributions ("ACSC"); and

WHEREAS, the Hospital has continued to be granted exemption of certain properties in the City of Vineland by the tax assessor; and

WHEREAS, Section 4 of Chapter 17 does not permit taxing districts to impose or pursue litigation to impose omitted or regular assessments for tax years 2014-2020 on any property that would have been exempt under N.J.S.A. 54:4-3.6j had it been effective in those tax years.

WHEREAS, on or about April 8, 2021, the City and others sued the State of New Jersey, challenging the constitutionality of Chapter 17 under Docket No. MER-L-000738-2021 (the “Constitutional Challenge”); and

WHEREAS, on July 22, 2022, the Constitutional Challenge court found Chapter 17 to be facially constitutional and dismissed the City’s complaint with prejudice, and none of the plaintiffs to that action, including the City, filed an appeal of that Constitutional Challenge case; and

WHEREAS, the Hospital and Vineland have agreed to resolve their differences and settle the Tax Appeals, neither admitting nor conceding the others claims in these tax appeals;

NOW, THEREFORE, in consideration of the mutual covenants, terms and conditions, Hospital and Vineland hereby agree as follows:

1. Except for the Cancer Center as set forth herein, the pending tax appeals filed by the City seeking to remove the exempt status of the Hospital properties for the tax years 2017, 2020, 2021, 2022, and 2023, and all counterclaims filed by the Hospital, will be withdrawn within fourteen (14) days of this Agreement.

2. Except for the Cancer Center as set forth herein, the Hospital’s exempt parcels, namely those identified on the City’s tax map as Block 6002, Lot 1 (1505 West Sherman Avenue); Block 6104, Lot 1 (2445 S. Delsea Drive); Block 6002, Lot 1.6, Qual

C1E (2950 College Drive, Unit 1E); Block 7002, Lot 1706, Quads C4B & C4C (2484 S. Delsea Drive, Units 4B & 4C) (“Exempt Parcels”), will remain exempt from ad valorem property taxes for the tax years under appeal: 2017, 2020, 2021, 2022, and 2023.

3. The Parties agree that the Cancer Center located at 1505 West Sherman Drive shall be subject to ad valorem property taxes for tax years 2017, 2020, 2021, 2022, 2023 and continuing through 2030, the term of this Agreement, so long as occupied by the current tenant, another for-profit user, or is otherwise used for purposes which are not themselves exempt pursuant to Chapter 17. This portion of the Hospital occupies approximately 13,365± square feet and will be assessed based on a value of \$375 per square foot, for a total value of \$5,011,875 to be multiplied by the applicable annual assessment ratios through 2023. Payment of any taxes due for tax years 2017, 2020, 2021, 2022, and 2023 will be made within thirty (30) days of an invoice being provided by the City.

4. All pending tax appeals filed by the Hospital seeking a reduction in the assessment of Hospital property in the City of Vineland under Docket Nos. 010913-2017, 010915-2017, 005928-2020, 005930-2020, 008232-2021, 008238-2021, 004202-2022, 004203-2022, 004939-2023, and 004941-2023 will be withdrawn within fourteen (14) days of this Agreement.

5. The parties acknowledge that this Agreement does not impact rights and obligations pertaining to the ACSC.

6. Pursuant to this Agreement the City shall not challenge the Hospital’s property tax exemptions for the Exempt Parcels through tax year 2030, i.e., the term of this Agreement, provided that no changes to the use or ownership occur that pursuant to

Chapter 17 render the Exempt Parcels taxable during this time period. In the event of an such alleged change to taxable use or ownership, any challenge by the City would be limited to the space impacted by such change.

7. Vineland will not initiate or in any way support challenges to the tax exempt status agreed to herein of the Exempt Parcels for tax years 2023 through 2030 and while this Agreement remains in effect; provided that no changes to the use or ownership occur that pursuant to Chapter 17 render the Exempt Parcels taxable during this time period. In the event of an alleged change to taxable use or ownership, any challenge initiated or supported by the City would be limited to the space impacted by such change.

8. Both Parties agree to use their best efforts to defend this Agreement at their own cost should any third party bring a challenge to same. If a challenge to the legal enforceability of any paragraph of this Agreement is raised by any third party, Hospital agrees to defend the terms of this Agreement, and further provided that Vineland shall provide Hospital and Hospital shall provide Vineland with notice of any such action within fourteen (14) days of either's receipt of notice of any claim.

9. Nothing contained in this Agreement shall be interpreted to interfere with the Constitutional obligations of the Tax Assessor of Vineland to assess or exempt the Property and/or other properties in Vineland, including, but not limited to, properties owned by Hospital, and/or any entity related to Hospital in Vineland, and the Hospital reserves all rights to appeal such decisions.

10. Absent a change in use or, in ownership, if the Exempt Parcels are removed from the City's exempt list during the term of this Agreement, the Hospital will file an appeal to reinstate the exemption and absent any change in use or in ownership, the City

will enter into a Stipulation of Settlement providing for the exemption.

11. Hospital and Vineland agree that in the event any one or more of the provisions contained in this Agreement shall for any reason be held to be invalid, illegal, unconstitutional or unenforceable in any respect, such invalidity, illegality, unconstitutionality or unenforceability shall not affect any other provision of this Agreement, but this Agreement shall be construed as if such invalid, illegal, unconstitutional or unenforceable provision had never been contained herein or therein. If any provision of this Agreement is found by a court of law to be in violation of any applicable local, state or federal ordinance, statute, law, administrative or judicial decision, or public policy, and if such court shall declare such provision of this Agreement to be illegal, invalid, unlawful, void or unenforceable as written, then it is the intent of both parties that the remainder of this Agreement shall be construed as if such illegal, invalid, unlawful, void or unenforceable provision was not contained herein, and the rights, obligations and interests of the parties under the remainder of this Agreement shall continue in full force and effect.

12. Hospital and Vineland agree to execute or cause its counsel to execute any additional documents and take any further action, which may reasonably be required to consummate this Agreement.

13. This Agreement shall be interpreted pursuant to the laws of the State of New Jersey.

14. Any notices, statements, demands, consents, approvals or other communications required or permitted to be given or to be served upon either party hereto in connection with this Agreement (but not including assessment notices issued by the

tax assessor and tax bills or payments issued by or to the tax collector), must be in writing and must be delivered personally, sent by a nationally recognized overnight delivery service or sent by United States certified or registered mail, return receipt requested, and will be deemed to have been given and received on the day delivered personally, or on the first business day after the day it is dispatched to a nationally recognized overnight delivery service, or on the third business day after so mailed. Such notice must be given to the parties at their following respective addresses or at such other address as either party may hereafter designate to the other party in writing in the manner herein above provided:

If to Hospital:

Inspira Medical Centers, Inc.
165 Bridgeton Pike, Mullica Hill, NJ 08062
Attn: CEO

And

Inspira Medical Centers, Inc.
165 Bridgeton Pike, Mullica Hill, NJ 08062
Attn: Chief Legal Officer

If to Vineland:

Richard Tonetta, Esq., Director of Law
City of Vineland
City Hall
640 E Wood St
Vineland, NJ 08360

And

Martin Allen, Esq.
DiFrancesco, Bateman, Kunzman, Davis,
Lehrer, Flaum, PC
15 Mountain Boulevard
Warren, NJ 07059

15. This Agreement is binding upon the successors and assigns of any and all of the parties hereto except as indicated above.

16. The parties acknowledge and agree that the terms of this Agreement are unique to the parties. Hospital acknowledges that Vineland is a municipal corporation subject to the New Jersey and United States Constitution and this Agreement shall be subject to the Open Public Records Act, N.J.S.A. 47:1A-1 et seq. and the Common Law Right of Access. Notwithstanding these obligations neither party will issue a press release or any public statement about the Tax Appeals or this Agreement absent such other party's written consent.

17. The foregoing terms are an integral part of the settlement of the Parties, each party having entered into this Agreement, in consideration for the foregoing terms.

18. The undersigned have made such examination of the value and proper assessment and exemption of the property and have obtained such appraisals, analysis and information with respect to the valuation, assessment, and exemption of the property as they deem necessary and appropriate for the purpose of enabling them to enter into this Agreement. The assessor of the taxing district has been consulted by the counsel for the taxing district with respect to this agreement and has concurred.

19. Based upon the foregoing, the undersigned shall represent to the court that the above settlement will result in exemptions pursuant to Chapter 17 consistent with assessing practices generally applicable in the taxing district as required by law.

20. Based upon the foregoing, the undersigned shall represent to the court that the above settlement will result in an assessment of the Cancer Center as required by Chapter 17, at the fair assessable value of the property consistent with assessing practices generally applicable in the taxing district as required by law.

21. Except as otherwise provided in this Agreement, this Agreement constitutes the entire agreement of the Parties with respect to the subject matter hereof and supersedes any and all prior written or oral understandings, negotiation, and agreements.

22. This Agreement may be modified only by a written amendment signed by the Parties, and no waiver of any provision of this Agreement or of a breach thereof shall be effective unless in writing signed by the waiving Party. The waiver by any Party hereto of any of the provisions of this Agreement or of the breach thereof shall not operate or be construed as a waiver of any other provisions or any other breach.

23. All of the terms of this Agreement shall survive any Judgment issued by the Tax Court of New Jersey, whether or not the terms are specifically included in the Judgment.

24. This Agreement was jointly drafted by the Parties and the language of all Parties of this Agreement shall in all cases be construed as a whole according to its meaning and not strictly for or against any of the Parties.

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement as of the day and year first above written.

ATTEST:

Inspira Medical Centers, Inc. and
Jersey Health Management Corp.

BY: _____
Amy Mansue, CEO and President

DATE: _____

DATE: _____

ATTEST:

City of Vineland

BY: _____
Anthony R. Fanucci, Mayor

DATE: _____

DATE: _____