



## SUMMARY REPORT

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**Agenda Date:** 9/21/2021

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**To:** Board of Supervisors of Sonoma County

**Department or Agency Name(s):** Department of Health Services, General Services Department

**Staff Name and Phone Number:** Bill Carter, 565-5157; Caroline Judy, 565-8058

**Vote Requirement:** Majority

**Supervisory District(s):** Countywide

**Title:**

Psychiatric Health Facility Agreements

**Recommended Action:**

- A) Authorize the Director of General Services, or designee, to execute the first amendment to the Master PHF Lease and Development Agreement with University Partners, LLC, to revise the term of the agreement.
- B) Authorize the Director of Health Services, or designee, to execute a forgivable loan agreement with the County of Marin reflecting Marin's contribution to the cost of improvements in exchange for exclusive access to two of the sixteen beds at the psychiatric health facility for Marin patients during the lease period.

**Executive Summary:**

On May 19, 2020 the Board approved execution of a Master PHF Lease and Development Agreement with University Partners, LLC for the leasing, design, construction, and maintenance-operations of a psychiatric health facility (PHF) for the County at the former Valley of the Moon Children's Center at Los Guilicos. University Partners is an affiliate of Crestwood Behavioral Health, Inc. with which Health Services will contract to provide dedicated inpatient psychiatric beds at the PHF. As organized, University Partners leases real property and then subleases the property to Crestwood under a triple net sublease so that Crestwood is responsible for all obligations of the affiliated entity (University Partners) related to the property, such as utilities, insurance, maintenance, and repairs.

The term of the agreement is twenty years from the date of execution, which occurred on July 15, 2020. The proposed amendment would change the term of the lease period to twenty years from the date of occupancy, so that the County has the benefit of access to the psychiatric beds for a full twenty years.

The facility will support sixteen inpatient acute care psychiatric beds, of which fourteen will be guaranteed to Sonoma County and two will be guaranteed to Marin County in exchange for Marin County's contribution to the cost of the improvements. Marin's contribution is structured in the form of a no-interest loan which will automatically be forgiven at the end of the twenty-year lease term.

**Discussion:**

**Background:** The County's Need for Acute Care Psychiatric Beds

Under the state of California's Medicaid program known as Medi-Cal, counties are obligated to provide

medically necessary psychiatric inpatient services to beneficiaries with serious and persistent mental illness. There are approximately 129,596 Sonoma County residents enrolled in Medi-Cal. In Fiscal Year 2019-2020, Sonoma County Behavioral Health served approximately 3,700 of those Medi-Cal beneficiaries under its Mental Health Plan (MHP).

Without a PHF that the County can rely on for access, the County currently cannot meet demand for psychiatric inpatient hospitalization. There simply are not enough beds in the area for the number of persons needing acute care. Health Services estimates that this shortage of acute inpatient beds impacts dozens of county residents every month. The shortage interferes with the transfer of individuals in crisis, from hospital emergency departments (EDs) and the county crisis stabilization unit (CSU) delaying appropriate treatment for individuals and negatively impacting ED and CSU operations. Additionally, the County has to utilize non-Medi-Cal facilities which increases the cost of services.

Opening a PHF within Sonoma County will help close the gap in psychiatric crisis care continuum, improve client care, address negative impacts experienced by other local services and realize cost savings. Health Services will have a resource, eligible for Medi-Cal payments, to which it can transfer individuals when crises exceed 24 hours. This will provide improved client care, increase the availability of CSU beds, reduce the frequency in which EDs “board” patients awaiting transfer to psychiatric care for long periods of time and significantly decrease the cost of acute hospitalizations.

For these reasons, your Board entered into an agreement with University Partners, LLC, to lease the former Valley of the Moon Children’s Center at Los Guilicos so that Crestwood Behavioral Health, Inc. could operate a PHF at that location. Permitting and improvements are underway at the site, and the anticipated opening of the PHF is February 2022.

The total design, permitting and construction costs for building the PHF at the premises is estimated to be \$4,625,600. The County and University Partners will review the final budget per the Master Lease and PHF Development Agreement following approval of the permits. Staff will return to the Board for any necessary budget adjustments if the final budget exceeds the estimated total project budget. The County has secured contributions totaling \$625,000 from Kaiser Permanente, Sutter Health, and Providence. In addition, the Marin County Department of Health Services will recommend to its Board a contribution of \$500,000, in exchange for exclusive access to two of the sixteen beds at the PHF. The Sonoma County Board of Supervisors has committed \$500,000 toward this initiative, with the remaining \$3,000,600 being funded by Intergovernmental Transfer (IGT) fund balance.

#### Marin Loan Agreement

Marin has structured its contribution as a no-interest loan to Sonoma County in the amount of \$500,000 in exchange for exclusive access to two of the sixteen PHF beds for Marin County patients. Marin County will enter into its own separate agreement with Crestwood Behavioral Health, Inc. for those beds. The County would be in default of the loan if during the twenty-year lease period in the County’s agreement with University Partners, LLC, the County chooses to convert the property to another use. As long as the County continues to use the property as a PHF pursuant to its agreement with University Partners, LLC, the loan will be automatically forgiven at the end of the lease term.

**Project Development Agreement Amendment**

In order to secure a full twenty years of use of psychiatric beds, the Master PHF Lease and Development Agreement with University Partners, LLC needs to be amended to reflect that the term commences when the improvements are complete and the license to operate has been issued. It is only at that point that Crestwood is able to occupy the space and operate the PHF. As the agreement is currently written, the County and its funding partners would have less than nineteen years of enjoyment of access to these critically needed inpatient psychiatric beds.

**Prior Board Actions:**

On May 19, 2020 the Board approved a Master PHF Lease and Development Agreement with University Partners, LLC for the leasing, design, construction, and maintenance-operations of a psychiatric health facility (PHF) for the County at the former Valley of the Moon Children's Center at Los Guilicos.

**FISCAL SUMMARY**

<b>Expenditures</b>	<b>FY 21-22 Adopted</b>	<b>FY 22-23 Projected</b>	<b>FY 24-25 Projected</b>
Budgeted Expenses			
Additional Appropriation Requested	500,000		
<b>Total Expenditures</b>	<b>500,000</b>	<b>0</b>	<b>0</b>
<b>Funding Sources</b>			
General Fund/WA GF			
State/Federal			
Fees/Other	500,000		
Use of Fund Balance			
Contingencies			
<b>Total Sources</b>	<b>500,000</b>	<b>0</b>	<b>0</b>

**Narrative Explanation of Fiscal Impacts:**

The total design, permitting, and construction costs for building the PHF at the premises is estimated to be \$4,625,600. The County has secured contributions totaling \$625,000 from Kaiser Permanente, Sutter Health, and Providence. In addition, the Marin County Department of Health Services will recommend to its Board a contribution of \$500,000, in exchange for exclusive access to two of the sixteen beds at the PHF. The Sonoma County Board of Supervisors has committed \$500,000 toward this initiative, with the remaining \$3,500,600 being funded by Intergovernmental Transfer (IGT) fund balance. The Marin County contribution of \$500,000 reduces the Department IGT contribution to \$3,000,600. This adjustment will be reflected in the FY 2021-2022 first-quarter consolidated budget adjustments (CBAs) upon receiving the Marin County \$500,000 contribution.

<b>Staffing Impacts:</b>			
<b>Position Title (Payroll Classification)</b>	<b>Monthly Salary Range (A-I Step)</b>	<b>Additions (Number)</b>	<b>Deletions (Number)</b>

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**Narrative Explanation of Staffing Impacts (If Required):**

N/A

**Attachments:**

Attachment 1 - First Amendment to Agreement with University Partners

Attachment 2 - Forgivable Loan Agreement with the County of Marin

**Related Items “On File” with the Clerk of the Board:**

None