



BOARD OF SUPERVISORS  
AGENDA LETTER

Agenda Number:

Clerk of the Board of Supervisors  
105 E. Anapamu Street, Suite 407  
Santa Barbara, CA 93101  
(805) 568-2240

Department Name: Behavioral Wellness  
Department No.: 043  
For Agenda Of: March 10, 2020  
Placement: Administrative  
Estimated Time: N/A  
Continued Item: No  
If Yes, date from:  
Vote Required: Majority

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TO: Board of Supervisors

FROM: Department Alice Gleghorn, PhD, Director  
Director(s) Department of Behavioral Wellness 805.681.5220  
Terri Maus-Nisich, Assistant County Executive Officer  
County of Santa Barbara – County Executive Office 805.568.3400  
Contact Info: Chris Ribeiro, Chief Financial Officer  
Department of Behavioral Wellness 805.681.5220

SUBJECT: **Memorandum of Understanding between Crestwood Behavioral Health Center and the County of Santa Barbara Related to the Champion Healing Center**

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**County Counsel Concurrence**

As to form: Yes

**Auditor-Controller Concurrence**

As to form: Yes

**Other Concurrence: Risk Management and General Services**

As to form: Yes

**Recommended Actions:**

That the Board of Supervisors:

- A. Approve and authorize the Chair to execute a Memorandum of Understanding (MOU) with **Crestwood Behavioral Health Center, Inc.** (“Crestwood”) (not a local vendor) for the contribution of up to \$1 million in County funds for tenant improvements to convert the existing medical facility located at 303 South C Street, Lompoc, California, into an in-county Mental Health Rehabilitation Center (MHRC), known as the “Champion Healing Center”;
- B. Authorize the Department of Behavioral Wellness, through General Services, to negotiate a sublease with Crestwood for office space for its crisis service staff at the Champion Healing Center consistent with Section 6 of the MOU and subject to final approval of the Board of Supervisors or General Services Director if within her designated authority;
- C. Authorize the Department of Behavioral Wellness to negotiate a service contract with Crestwood for MHRC beds and services at the Champion Healing Center consistent with

Section 5 of the MOU and return to the Board for approval of the contract; and

- D. Determine that the recommended actions are categorically exempt under the California Environmental Quality Act (CEQA) pursuant to CEQA Guidelines section 15301 (Existing Facilities) and direct staff to file the attached Notice of Exemption on that basis.

**Summary Text:**

This item is on the Board agenda to request approval to enter into a Memorandum of Understanding (MOU) with Crestwood Behavioral Health Center, Inc. (“Crestwood”) for the contribution of up to \$1 million (\$1M) in County funds for tenant improvements to convert the existing medical facility located at 303 South C Street, Lompoc, California, into an in-county Mental Health Rehabilitation Center (MHRC). Under the terms of the proposed MOU, the County would contribute to the tenant improvements to convert the existing medical facility into an Institutional Group I-3 Condition 2 occupancy pursuant to the California Building Code, including causing the building separations to be compliant for I-3 occupancy in order to meet licensing requirements for an MHRC. In exchange, the County will receive access to 32 MHRC beds for mental health clients in need of long-term rehabilitative care services. The contribution would be repaid through a reduction in the daily bed rate Crestwood would charge the County.

Additionally, the MOU sets forth basic terms that will be incorporated into a sublease with Crestwood for office space for crisis service staff at the Champion Healing Center subject to final approval of the Board of Supervisors or General Services Director, if within her designated authority under the County Code; and a service contract with Crestwood for the MHRC beds and services at the Champion Healing Center.

This Board Letter describes the public need that is addressed by this MOU, the public benefits of this opportunity, and outlines the key terms of the MOU. Approval of the recommended actions would permit the establishment of a new model of care within the County’s mental health system.

**Background:**

***Need for an In-County MHRC***

The availability of an in-county MHRC has long been a goal of the Department of Behavioral Wellness (BWell). Effective Behavioral Health Systems require sufficient facility and programmatic capacity at each level along the continuum of care and recovery. As an adjunct to treatment, accessible, safe, and affordable housing fosters recovery and stability for those with behavioral health needs; creates successful outcomes; and aids consumers in avoiding periods of regression. It also limits the use of high cost and inappropriate systems (such as emergency rooms, inpatient psychiatric hospitals and the criminal justice system). MHRCs are primarily engaged in providing long-term rehabilitative care for those with mental health issues to develop residents’ skills to and increase independence. Currently, there are no MHRC beds within the County. To meet care needs, BWell contracts for these services throughout the State. At the August 23, 2016 Board hearing, in its Capital Resources and Behavioral Health Facilities presentation, BWell identified an in-county MHRC as its top priority. BWell has subsequently identified that there is a need for 50 MHRC locked (IMD) beds in the County’s system of care. Currently, there are 57 of County’s clients in MHRCs state-wide.

***Anticipated Public Benefits***

This opportunity with Crestwood will permit the County to purchase a minimum of 32 MHRC beds at the Champion Healing Center. Additionally, when a non-County bed becomes available, the County would have an opportunity to contract for additional beds at the County-agreed rate. The Champion Healing

Center offers broad opportunities to expand needed mental health services within Santa Barbara County. Anticipated public benefits include: freeing up beds at the Psychiatric Health Facility (PHF) by moving individuals who are not in acute crisis to a lower level of care so that individuals who are experiencing an acute phase of crisis requiring a higher level of care are able to receive treatment at the PHF; minimizing staff time and transportation costs associated with transporting clients out of county; more efficient step down into the community; benefits for institutionalized individuals to be closer to family and support systems within the County; and lower per day cost for beds.

The PHF is a Medi-Cal and Medicare certified facility, with the capability to draw revenue from these sources for services provided to eligible clients who are medically classified as “Acute”. When a client is transitioned to an “Admin” (non-Acute) status, the County can no longer bill Medicare, and can bill Medi-Cal at a rate that is 66% lower than the Acute Rate: \$515/day Admin vs. \$1,532/day for Acute. These new in-county MHRC beds, therefore, are anticipated to result in a significant reduction in the average number of Admin Days, and a corresponding increase in Acute days. The Estimated annual additional PHF Medi-Cal plus Medicare revenue generated by this improvement is \$1.5M.

**Project Overview**

Below is a summary of the proposed arrangement between the County and Crestwood.

<i>Key Element</i>	<i>Details</i>
<b>Tenant Improvements</b>	
1. <i>Crestwood is Primary Leaseholder</i>	<ul style="list-style-type: none"> <li><input type="checkbox"/> Crestwood will enter into a lease with Lompoc Valley Medical Center for the real property at 303 South C Street, Lompoc, California, known as the Champion Healing Center.</li> </ul>
2. <i>County contributes up to \$1M to establish MHRC Beds at Champion Healing Center (the “Contribution”)</i>	<ul style="list-style-type: none"> <li><input type="checkbox"/> County will contribute up to \$1M to Crestwood for tenant improvements that are necessary in order to meet licensing requirements as an MHRC.</li> <li><input type="checkbox"/> Tenant improvements include: locked ingress to and egress from the MHRC; a fenced outdoor space; and modifications needed to meet patient safety requirements.</li> <li><input type="checkbox"/> Crestwood must provide a proposed budget for the tenant improvements.</li> <li><input type="checkbox"/> Crestwood will cover any costs for the TIs in excess of \$1M.</li> <li><input type="checkbox"/> Prevailing wage must be paid for the work on the TIs.</li> <li><input type="checkbox"/> The Contribution will be reserved for tenant improvements until 12/31/20; no commitment beyond that date if Crestwood is unable to demonstrate ability to complete the Project.</li> <li><input type="checkbox"/> The County may seek immediate reimbursement of the Contribution if there is no work on the project for 90 days or the project is delayed for 120 days or more.</li> </ul>
<b>Service Agreement</b>	
3. <i>County Enters into a Services Agreement with Crestwood for MHRC Beds and Services</i>	<ul style="list-style-type: none"> <li><input type="checkbox"/> Contractual agreement structured to provide maximum relief to the PHF in the timing and intensity of beds at the Champion Healing Center.</li> <li><input type="checkbox"/> Crestwood will provide three levels of service for intensive and long-</li> </ul>

<b><i>Key Element</i></b>	<b><i>Details</i></b>
	<p>term residential treatment for clients requiring locked service settings.</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> Service Agreement will have an initial term of 4-years with an option to renew the service agreement for one additional 4-year period, plus an additional 2-year period. If Crestwood exercises its option to renew its lease with LMVC, County shall have an additional 2-year option on the service agreement.</li> <li><input type="checkbox"/> Service Agreement automatically renews at the end of the initial term if Crestwood has not repaid the Contribution in full.</li> </ul>
<p>4. <i>In Exchange for the Contribution, County will Receive Reduced Daily Bed Rates at the Facility until the Contribution is repaid in full</i></p>	<ul style="list-style-type: none"> <li><input type="checkbox"/> Crestwood will reduce the base rate it charges to County by \$21 per bed/per day (“ppd”) until Crestwood has reimbursed the County for the Contribution.</li> <li><input type="checkbox"/> Crestwood may increase the base rate by up to 3.5% per year which will be allocated to the paydown of the Contribution. Example: the paydown of the Contribution would be made at the rate of \$21 ppd through 7/1/2021, \$34.40 ppd through 7/1/2022, \$48.25 ppd through 7/1/2023 and \$62.60 through 7/1/2024, based on the average base rate of \$383.</li> <li><input type="checkbox"/> Should the Project not be completed or should Crestwood cease providing services to County before the Contribution is repaid in full, Crestwood must pay the remaining balance due as a single lump sum (i.e., the Contribution minus all reimbursements) plus interest within 90 days after cessation of services.</li> </ul>
<p><b><i>Sublease for Crisis Services</i></b></p>	
<p>5. <i>County Subleases Space at Champion Healing Center for Crisis Services</i></p>	<ul style="list-style-type: none"> <li><input type="checkbox"/> In addition to MHRC beds, Crestwood will sublease approximately 3,000 square feet to the County for office space for its crisis service staff.</li> <li><input type="checkbox"/> Sublease will have an initial term of 4-years with an option to renew the sublease for one additional 4-year period, and an additional 2-year period. If Crestwood exercises its option to renew its lease with LMVC, County shall have an additional 2-year option on the sublease.</li> <li><input type="checkbox"/> Behavioral Wellness will consolidate its current crisis services office space into the subleased space at the Champion Healing Center.</li> </ul>
<p><b><i>Safeguards</i></b></p>	
<p>6. <i>Safeguards</i></p>	<ul style="list-style-type: none"> <li><input type="checkbox"/> Crestwood contractually bound to cover any costs above \$1M for the tenant improvements.</li> <li><input type="checkbox"/> Payment and Performance Bonds required of the construction contractor, each in the amount of not less than 100% of the Project Budget.</li> <li><input type="checkbox"/> Insurance and indemnification requirements.</li> <li><input type="checkbox"/> Repayment rights if project not completed or Crestwood stops providing services.</li> <li><input type="checkbox"/> Termination provisions (for cause; for nonappropriation of funds).</li> </ul>

***Project Timeline***

March 10, 2020	Board of Supervisors (BOS) considers MOU with Crestwood for a contribution to tenant improvements of the MHRC at the Champion Healing Center
March 15, 2020	If MOU approved by BOS, Crestwood enters into lease with Lompoc Valley Medical Center
March 13, 2020	Due date for construction bids
May 25, 2020	Design complete
June 16, 2020	Target BOS – bring service contract w/ Crestwood to BOS for review
July 23, 2020	All permits will be in place
October 21, 2020	Construction complete
October 31, 2020	Licensing obtained from DHCS
November 1, 2020	Champion Healing Center opens/first admissions

**Performance Measures:**

A County representative will meet with Crestwood weekly to review the status of the TI’s, review and agree upon any change orders, and to review and approve all bills for the TI’s. The MHRC services to be provided by Crestwood will be monitored through the Services Agreement.

**Fiscal and Facilities Impacts:**

Budgeted: Will be included in FY 20-21 Recommended Budget.

**Fiscal Analysis:**

<u>Funding Sources</u>	<u>Current FY Cost:</u>	<u>Annualized On-going Cost:</u>	<u>Total One-Time Project Cost</u>
General Fund			
State		\$ 4,313,800.00	\$ 1,070,000.00
Federal			
Fees			
Other:			
Total		\$ 4,313,800.00	\$ 1,070,000.00

Narrative: The funding sources will be included in the FY 2020-2021 Recommended Budget.

**Key Contract Risks:**

Approval of the MOU poses medium risk for the County given the potential amount of the County’s contribution, the fact that the project budget is unknown at this time, the contribution is cost reimbursable over an estimated 4-year period, and the tenant improvements will be controlled by Crestwood. These risks have been mitigated by the following: the Auditor-Controller received and reviewed two years of Crestwood’s financials; Crestwood has more experience than the County in constructing and operating MHRC facilities; the County and Crestwood will meet frequently to monitor the costs and status of project; the project is bonded with performance and payment bonds; and Crestwood and the construction

contractor will obtain and maintain insurance on the project and indemnify the County for any incident arising out of the MOU. The County may terminate the MOU for cause or nonappropriation of funds. Crestwood may terminate the MOU if it is unable to obtain the necessary permits from the City of Lompoc or if it does not enter into a lease with LVMC. In the event of a dispute as to the reasonable costs of the TIs, the dispute shall be resolved by non-binding third party mediation.

**Special Instructions:**

Please email one (1) complete executed MOU and one (1) minute order to [mejohanson@co.santa-barbara.ca.us](mailto:mejohanson@co.santa-barbara.ca.us) and [bwellcontractsstaff@co.santa-barbara.ca.us](mailto:bwellcontractsstaff@co.santa-barbara.ca.us).

**Attachments:**

Attachment A: Notice of Exemption

Attachment B: Champion Healing Center Memorandum of Understanding

**Authored by:**

Melanie Johnson