



City of Broken Arrow

Request for Action

File #: 19-907, Version: 1

**Broken Arrow Economic Development Authority
Meeting of: 07-16-2019**

Title:

Presentation and consideration, discussion and possible direction regarding the Economic Development Agreement by and among Broken Arrow Economic Development Authority, an Oklahoma Public Trust and SoundMind Behavioral Health Hospital, LLC, an Oklahoma Limited Liability Company; and other provisions relating thereto

Background:

On December 19, 2017 the Broken Arrow Economic Development Authority approved Resolution No. 1079, authorizing execution of a certain economic development agreement by and among the Broken Arrow Economic Development Authority and SoundMind Behavioral Health Hospital, LLC. The Authority agreed to sell 14.1569 acres of Authority owned land to SoundMind for the sum of \$1,200,000.00.

SoundMind agreed to build or cause to be built, a seventy-two (72) bed freestanding adult and geriatric psychiatric hospital, designated to serve those fifty-five (55) years of age and older, including an acute evaluation center (emergency room) and an area for intensive outpatient services. SoundMind estimated they will employ no fewer than 150 skilled individuals with an annual payroll of \$5.4 million in 2019, increasing to \$8.1 million in 2021. SoundMind agreed to construct an extension of Norfolk Road through the Project area in accordance with City Standards and Applicable Codes, as approved through the platting process; and dedicate through platting process right-of-way for continuation of Norfolk Road from the southern-most point of the roadways on the Real Property.

On October 16, 2018, Broken Arrow Economic Development Authority approved the extension to the Purchase and Sale of Real Estate from October 2, 2018 to November 9, 2018 after representatives of SoundMind made a request to City Staff. The reason for the extension was an issue with SoundMind's lending institution.

On December 19, 2018, representatives of SoundMind requested a 60-day extension to the Agreement. The ownership of SoundMind had been negotiating with CenterPoint Behavioral Health Center to serve as the operator of the specialty hospital. The second amendment approved by the Authority required SoundMind to close on the land no later March 1, 2019

On January 23, 2019 representatives of SoundMind reported negotiations recently broke down between SoundMind and CenterPoint, forcing SoundMind to search for another operating partner for the behavioral hospital. The Authority approved the third extension requiring SoundMind to close no later than August 30, 2019.

On March 12, 2019, Mr. Steve Easley contacted Broken Arrow Economic Development Manager Norman Stephens to discuss SoundMind Behavioral Health Hospital. Mr. Easley explained he had been retained by the Doctors who are financing the purchase of land from BAEDA. Mr. Easley was working with Signature Healthcare Services to partner with SoundMind on the construction and operation of the Hospital. Mr. Easley explained he felt he could finalize the transaction; however, the cost of the land was extremely problematic.

Mr. Easley stated the only way he could make the “deal” work, was lowering the cost of the land from the previously agreed \$1,200,000.00 to no greater than \$300,000.00. Mr. Easley reasoned, due to the total cost of the project and equity requirements, the project at the original amount is not feasible and thus cannot be accomplished. Reducing the land cost still results in a high risk to the investor’s project; however, it is one that can be financed and move forward in a timely manner, which is demanded by the deadlines on the Certificate of Need with the State of Oklahoma.

Signature Healthcare Services, LLC based in Corona, California, is one of the largest privately held psychiatric hospital companies in the country, serving thousands of patients every year. SHS delivers mental health and substance abuse treatment through its hospitals located in California, Illinois, Massachusetts, Nevada, Arizona, and Texas. All facilities are accredited by CMS and The Joint Commission, the highest authorities in healthcare.

Each hospital has a comprehensive treatment team to ensure quality patient care. A variety of inpatient and outpatient programs along with aftercare and 12 Step programs are offered at each location. Each hospital contracts with most managed care companies and accepts patients on a voluntary basis. SHS is committed to providing excellence in quality patient care.

SoundMind reports they will employ 150-175 full time employees. The primary Doctors for SoundMind will be contract employees of Signature Healthcare. This is a common practice by hospital groups to lower their insurance expenses and the hospitals’ exposure to liability. The Doctors are included in the overall full time employee count, due to working full time at the hospital, even though they are contract employees. There will be a clawback in the contract indicating SoundMind will reimburse BAEDA in the amount of \$500.00 per employee, if the workforce ever falls under the 150 full time employees. The estimated total construction budget for the hospital is \$14,000,000.00.

Additionally, SoundMind will also be contractually obligated to construct an office building on a portion of the 14.1569 acres within two years of the opening for SoundMind Behavioral Hospital. In the event construction of Phase II does not take place within two years of the opening of SoundMind, there will a clawback in the contract indicating SoundMind will reimburse the Authority in the amount of \$500,000.00. The Phase II building will include a combination of retail, office and medical, consisting of not less than 10,000sq. ft.in size. Mr. Easley stated Signature Healthcare Services has already expressed an interest in expanding the hospital in the future; therefore, the Phase II building will allow for this type of future expansion.

Cost: No Cost

Funding Source: No Source

Requested By: Norman Stephens, Economic Development Director

Approved By: City Manager’s Office

Attachments: Economic Development Agreement

Recommendation:
As the Authority Directs.