



City of Broken Arrow

Request for Action

File #: 19-1058, Version: 1

**Broken Arrow Economic Development Authority
Meeting of: 08-20-2019**

Title:

Consideration, discussion, and possible approval of and authorization to execute Resolution No. 1260, a Resolution of the Broken Arrow Economic Development Authority approving and authorizing execution of a certain Economic Development Agreement for the Sale of Real Property, by and among the Broken Arrow Economic Development Authority, an Oklahoma Public Trust, the sole beneficiary of which is the City of Broken Arrow, Oklahoma, and SoundMind Behavioral Health Hospital, LLC, an Oklahoma Limited Liability Company, for the sale of approximately 14 acres, located near north of the Creek Turnpike and west of Aspen Avenue in Tulsa county, Oklahoma, in the sum of three hundred thousand dollars (\$300,000.00); to effect such sale, designating representatives of the authority for purposes of granting certain approvals and executing certain instruments as required under and in connection with said agreement; and other provisions relating thereto

Background:

SoundMind is an Oklahoma limited liability company whose founding mission is to provide accessible and affordable comprehensive inpatient psychiatric care for adults and senior in crises. SoundMind has received a Certificate of Need from the Oklahoma State Department of Health to establish a seventy-two (72) bed freestanding adult and geriatric psychiatric hospital designed to serve those fifty-five (55) and older, to include an acute evaluation center (emergency room) and an area for intensive outpatient services. SoundMind estimates the average patient stay will be between seven (7) and twelve (12) days.

In the fall of 2017, the City of Broken Arrow's Economic Development Manager was approached by representatives of SoundMind who expressed an interest in purchasing property located north of the Creek Turnpike around Aspen Avenue for construction of the Facility and related appurtenances. The Authority owns unencumbered fee title to certain lands within the City, portions of which are suitable for construction of the Facility. Said lands being acquired in 2009, consisting of 25.48 acres of real property, and purchased for the sum of \$1,390,609.35. On December 5, 2017, in open public session the Authority directed the City Manager to move forward with formal negotiations with SoundMind for a comprehensive Economic Development Agreement, including the sale of a portion of the Aspen Property and development in a manner meeting the City's sales tax generation and economic development objectives. On January 2, 2018, The Broken Arrow Economic Development Authority authorized an Economic Development Agreement with SoundMind Behavioral Health Hospital, LLC, for the sale of approximately 14.1569 acres of BAEDA owned land located north of the Creek Turnpike and West of Aspen Avenue for the sum of \$1,200,000.00. Closing on the property was scheduled for October 2, 2018; however, an issue with SoundMind's lending institution required the closing be delayed due to their request for additional information from SoundMind. The Authority granted the Extension to the Agreement, requiring closing on the property to take place by or before December 31, 2018. Two additional extensions were requested by SoundMind and authorized by BAEDA, with the final one requiring SoundMind to close on the land no later than August 30, 2019.

On March 12, 2019, Mr. Steve Easley contact Broken Arrow Economic Development Manager to discuss

SoundMind Behavioral Health Hospital. Mr. Easley explained he had been retained by the owners of SoundMind and he 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 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.

On June 4, 2019 SoundMind reached an agreement with Signature Healthcare Services, LLC (SHS) based in Corona, California to serve as the operator of the specialty hospital. Signature Healthcare is one of the largest privately held psychiatric hospital companies in the county, 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.

SoundMind reported it will employ 150 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.

SoundMind informed the Authority in a letter dated July 29, 2019 that SoundMind was in default of the Agreement as they would be unable to close on the property by August 30, 2019 at the purchase price of \$1,200,000 as it was not financially feasible. The letter also states that SoundMind is surrendering the \$50,000 held by BAEDA in escrow and request that good faith negotiations begin for a new Economic Development Agreement. Per the Authority's direction, Staff start negotiations with SoundMind for a new Economic Development Agreement; specifically, upon the terms and conditions set forth herein, the Authority desires to sell and SoundMind desires to purchase approximately 14.1569 acres located north of the Creek Turnpike and west of Aspen Avenue for the sum of \$300,000.00.

A Specialty Hospital supports a total of \$11.2 million in income earned at the hospital and elsewhere in the Broken Arrow economy. A Specialty Hospital's job creation of 150 jobs supports the collection of approximately \$119,000 in local sales taxes and approximately \$95,000 in property taxes annually throughout the Broken Arrow economy. This job creation also supports a total of 58 more jobs throughout the City of Broken Arrow economy.

SoundMind does agree in each of the ten (10) consecutive years following two years from the commencement date, SoundMind shall maintain an average of 150 full-time employees at the Facility. Should SoundMind fail to employ an aggregate of 150 full-time employees and equivalent contract employees at the facility during an annual period within the first ten (10) years following the Substantial Completion Date, SoundMind shall pay the authority the sum of \$500.00 per year for every full-time employee or equivalent contract employee not employed for the entire calendar year under 150 until the end of the tenth (10th) year following the commencement date.

During the construction of the new facilities, SoundMind will invest in excess of fourteen million dollars (\$14,000,000) in the development of the premises. In Phase II, SoundMind shall commence construction of a 10,000 square foot commercial building, consisting of retail and office space on a portion of the 14 acres. Construction of this Phase II shall be commenced within two years of the Substantial Completion Date. SoundMind's failure to commence construction on Phase II within the required period, will result in SoundMind paying the Authority \$500,000.00.

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Cost: \$0

Funding Source: Source

Requested By: Norman Stephens, Economic Development Manager

Approved By: City Manager's Office

Attachments: Economic Development Agreement
Resolution No. 1260

Recommendation:

Approve Resolution No. 1260 and authorize its execution.