January 12, 2021

Marin County Board of Supervisors
3501 Civic Center Drive
San Rafael, CA 94903

SUBJECT: Lease of 920 Grand Avenue in San Rafael to the Progress Foundation and associated Funding Agreement related to the development of a new Adult Transitional Residential Treatment Program.

Dear Board Members:

RECOMMENDATIONS:

1. Authorize the President of the Board to execute a Lease agreement with Progress Foundation, a California non-profit, for the building at 920 Grand Avenue for a term of 10 years at a rental rate of $13,320 per month.

2. Authorize the President of the Board to execute a Funding Agreement of up to $4,840,000 with the Progress Foundation for redevelopment of 920 Grand in order to construct a new sixteen-bed Adult Transitional Residential Treatment Program.

3. Authorize the Department of Finance to make the budget adjustments to H&HS budget as detailed in staff report.

SUMMARY: The County of Marin owns the building located at 920 Grand Avenue in Downtown San Rafael. The facility is currently partially occupied for office use purposes by the Department of Health and Human Services (H&HS). The building contains approximately 5,720 usable square feet (about 6,600 gross square feet) and was originally constructed in the 1952-53 timeframe and renovated in 1973. It is licensed as a clinic and originally was the Public Health Lab for Marin County. The site is approximately 11,980 square feet (APN 014-093-01).

At the budget hearings in April 2019, the Board of Supervisors approved the concept for the facility to be developed for an Adult Transitional Residential Treatment Program and identified funding.

The Adult Transitional Residential Treatment Program provides residential support to individuals with serious mental illness and co-occurring substance use disorders appropriate for maintaining stability and working on long-term goals. Clients participate for three to twelve months and are fully integrated into household life and, where applicable, also participate in job-training, school, work, or day treatment programs. This program’s ultimate goals include developing
critical social skills and coping strategies, finding housing, and securing ongoing services and supports in preparation for discharge from the program.

Having the County own its own Adult Transitional Residential Treatment facility, in contrast to the current model of paying for beds in facilities owned by others, will provide the County with more control over the costs. It should reduce County expenditures on out-of-county services and the additional costs associated with them while supporting access to clients by their loved ones in Marin County, improving quality of life for both the residents and their families. Finally, it will allow the County to be reimbursed for services by billing through Medi-Cal and receiving Social Security revenue, neither of which the County is able to utilize with the current contracted beds.

Over the past four years, the cost of residential care has increased by 36%. One of the key reasons for the increased costs is that there is minimal room to negotiate with providers on their rate increases as there is significant demand for beds from counties throughout the Bay Area. Due to the lack of available beds within Marin County, residents who require treatment are sent outside the Bay Area region, at times as far as Fresno. Sending residents outside the county for treatment comes with higher costs and more barriers, including:

- Long-distance ambulance rides, at times as far as 200 miles;
- Additional case management costs incurred for County case managers to oversee caseloads across Northern California;
- A burden on family members living in Marin County who need to travel significant distances to see their loved ones, and;
- An emotional strain on patients who often have better outcomes and higher quality of life when kept closer to home, allowing for a more successful transition from residential placement back to the community.

Further, this residential facility will be the first of its kind in the County, providing residential treatment and support to those with co-occurring serious mental illness and substance use services that will also have dual licensure from the Department of Health Care Services (DHCS), Drug Medi-Cal Organized Delivery System (DMS ODS), and American Society of Addiction Medicine (ASAM).

County staff from H&HS and the Administrator’s office have been working with outside professional design and construction consultants to confirm the feasibility of constructing the Adult Transitional Residential Treatment Program at this site. The estimated total cost is $4.84 million. This estimate includes the programming, design, engineering, construction, and transformation of the current building at 920 Grand Avenue into a sixteen-bed Adult Transitional Residential Treatment Program. The estimated timing for the building transformation is approximately eighteen months from the time the lease and funding agreements are executed.

In November 2019, H&HS released a Request for Letters of Interest in which three responses were received. A panel that included a multidisciplinary group of individuals from across the County, including the County Administrator’s Office (CAO), Whole Person Care (WPC), and the Behavioral Health & Recovery Services (BHRS) residential teams reviewed the responses. The consensus from the panel was to issue a Request for Proposal based on letters of interest.
received to get more information and clarity from potential applicants. Letters were sent to all applicants of the decision with the invitation to apply to the Request for Proposal. The Request for Proposal was released in July 2020 and included additional questions regarding the scope of work and expectations of the vendor, as well as the Lease and Funding agreements. Only one response was received for the Request for Proposal. The same panel reconvened to review the application with the addition of a representative from BHRS Substance Use Services. The panel came to consensus to move forward with and approve Progress Foundation as the vendor for the Adult Transitional Residential Treatment Program, as the proposal satisfactorily met the requirements outlined in the Request for Proposal. The Lease and Funding agreements were included in the Request for Proposal released by H&HS in July 2020, to which the Progress Foundation responded. Though not a contractual requirement, H&HS and the Progress Foundation are targeting to be in full operation of the new facility early in Fiscal Year 2022-23. To meet the deadline to open the new facility, the Progress Foundation will manage the process that includes planning, design, and construction processes. The total cost estimate is up to $4.84 million (which includes $305,000 of design and construction contingency). The Funding Agreement between the Progress Foundation and the County provides the process for how H&HS and CAO staff will work with the Progress Foundation. Upon completion of the construction and the Progress Foundation receiving the licensing by the State of California, the lease term of ten years will commence at a monthly rental rate of $13,320 per month, flat for the duration of the lease. These are similar lease terms provided to Marin Community Clinics in the lease of the County building at 3260 Kerner Boulevard in San Rafael at the County’s Health and Wellness Campus.

This is exempt from the California Environmental Quality Act ("CEQA") under the following exemptions: 1) State CEQA Guidelines Section 15061(b)(3) "The activity is covered by the common sense exemption that CEQA applies only to projects which have the potential for causing a significant effect on the environment. Where it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment, the activity is not subject to CEQA"; and 2) The project is categorically exempt pursuant to State CEQA Guidelines, Section 15301, Class 1 Existing Facilities.

The Director of Health and Human Services and the County Administrator recommend your Board’s approval of the items outlined above.

**FISCAL IMPACT:** The initial one-time construction and start-up costs are currently projected to be up to $4.84 million over the next two fiscal years. Of that amount $3,968,665 is currently available in prior year funding in the HHS Operations Fund that was set-aside for this purpose. The remaining $871,335 is available in Non-Departmental designations of prior year funding for countywide projects within the General Fund.
Once the construction is complete, ongoing operational costs are expected to be approximately $1.7 million annually. These costs will be partially offset by client contributions, insurance billing and cost savings within the Adult Transitional Residential Treatment Program that result from using the facility to treat clients in a more cost-effective manner. The net contribution from County General Funds will be less than the alternative model for out-of-county mental health residential treatment services. We will work with HHS to reflect the ongoing costs in the budget and will return to your Board in coming months with required operating agreement.

Your Board’s approval will increase H&HS expenditure appropriations in the HHS Grants and Project Fund (Fund 2980) by $4,840,000, fully offset by the use of prior year available funds in the HHS Operations Fund (Fund 2800) and a transfer of $871,335 from General Fund (Fund 1000) Non-Departmental as shown below.

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Please let us know if you have any questions or concerns.

REVIEWED BY:

[X] County Administrator [ ] N/A
[X] Department of Finance [ ] N/A
[X] County Counsel [ ] N/A
[X] Human Resources [X] N/A

Respectfully submitted,

Benita McLarin
Director

Matthew H. Hymel
County Administrator

Munis Budget Adjustment Document Number: TBD