



AGENDA STAFF REPORT

ASR Control 26-000094

MEETING DATE: 04/14/26
LEGAL ENTITY TAKING ACTION: Board of Supervisors
BOARD OF SUPERVISORS DISTRICT(S): 2, 3
SUBMITTING AGENCY/DEPARTMENT: Health Care Agency (Approved)
DEPARTMENT CONTACT PERSON(S): Veronica Kelley (714) 834-7024
 Ian Kemmer (714) 834-2160

SUBJECT: Retroactive Assignment, Novation and Consent Agreement

CEO CONCUR Concur	COUNTY COUNSEL REVIEW Approved Agreement to Form	CLERK OF THE BOARD Discussion 3 Votes Board Majority
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Budgeted: N/A **Current Year Cost:** N/A **Annual Cost:** N/A
Staffing Impact: No **# of Positions:** **Sole Source:** N/A
Current Fiscal Year Revenue: N/A
Funding Source: N/A **County Audit in last 3 years:** No
Levine Act Review Completed: Yes
Prior Board Action: 5/24/2022 #39

RECOMMENDED ACTION(S):

1. Approve retroactive Assignment, Novation and Consent Agreement to assign the Contract for Mental Health Inpatient Services from Royale Health Care Center, Inc. to 1030 Warner Avenue I Opco, LLC, effective March 1, 2025.
2. Approve the Contract with 23228 Madero Opco, LLC, for Mental Health Inpatient Services.
3. Authorize the County Procurement Officer or Deputized designee to execute the Assignment, Novation and Consent Agreement, and the Contract for Mental Health Inpatient Services, as referenced in the Recommended Actions above.
4. Approve and execute the Assignment and Assumption of Lease Agreement between the County of Orange and Royale Health Care Center, Inc., a California corporation and 23228 Madero Opco, LLC, a California limited liability company, for Mental Health Inpatient Services at the County-owned facility located at 23228 Madero, Mission Viejo, CA 92691.
5. Approve and execute the Assignment and Assumption of Sublease Agreement between the County of Orange and Royale Health Care Center, Inc., a California corporation and 1030 Warner Avenue I Opco, LLC, a California limited liability company for Mental Health Inpatient Services at the County leased facility located at 1030 W. Warner Avenue, Santa Ana, CA 92701.

6. Authorize the Chief Real Estate Officer or designee to exercise and execute subsequent documents and amendments that make non-monetary and/or monetary changes that do not increase County costs or liability by more than \$75,000 per year, as approved by County Counsel.

SUMMARY:

Approval of the retroactive Assignment, Novation and Consent Agreement, the Contract for Mental Health Inpatient Services, and the related Assignment and Assumption of Lease and Sublease agreements, will assign the current service contracts and respective lease agreements with Royale Health Care Center, Inc. to 1030 Warner Avenue I Opco, LLC, and 23228 Madero Opco, LLC, and allow the County of Orange to continue providing short and longer term inpatient treatment services to clients with serious mental illness including those with co-occurring substance use disorders.

BACKGROUND INFORMATION:

On May 24, 2022, your Honorable Board of Supervisors (Board) approved the contract with Royale Health Care Center, Inc. (Royale) for the provision of Mental Health Inpatient Services at two locations - Royale Therapeutic Residential Center (RTRC) in Santa Ana and the Mental Health Rehabilitation Center (MHRC) in Mission Viejo - for the period of July 1, 2022, through June 30, 2027. Since execution of this Contract, Royale's two locations were acquired by 1030 Warner Avenue I Opco, LLC (Warner – NewGen) and 23228 Madero Opco, LLC (Madero – NewGen). A legal assignment of the contract obligations is required given this ownership change. As each location was acquired by a separate entity, the parties are assigning to Warner - NewGen the portion of the current contract covering services at RTRC and issuing a new contract to Madero – NewGen for the portion of the current contract covering services at MHRC.

Under Contract Policy Manual Section 3.3-104, in all cases where the result of the assignment is that the contracted entity has been released from further performance under the County contract, Board approval is required. As such, Health Care Agency (HCA) requests the Board approve the retroactive Assignment, Novation and Consent Agreement for the assignment of the Contract from Royale to Warner – NewGen, and approval of the Contract with Madero – NewGen. The Orange County Preference Policy is not applicable to this Contract.

On June 24, 2025, Warner - NewGen and Madero – NewGen received their licenses from the State of California to operate the mental health facilities. With the appropriate licensing in place, Warner – NewGen and Madero - NewGen will finalize lease assignments from current operator Royale, to acquire certain operational assets and take over the management and operations at the Mission Viejo and Santa Ana facilities, consistent with the terms of HCA's service contract. HCA, in conjunction with CEO Real Estate, is requesting that the Board approve the respective Assignment and Assumption of Lease and Sublease agreements to assign the current lease and sublease agreements, including the related management and operations, from Royale to the new operators Warner – NewGen and Madero - NewGen, for Mental Health Inpatient Services at 1030 W. Warner Avenue in Santa Ana and 23228 Madero in Mission Viejo, respectively.

This Contract has subcontractors or pass through to other providers. See Attachment C for Contract Summary Forms.

HCA has conducted due diligence on Warner – NewGen and Madero - NewGen. Contractors' performance has been confirmed as satisfactory. HCA has verified there are no concerns that must be addressed with respect to the Contractors' ownership/name, litigation status or conflicts with County interests.

HCA is requesting that the Board approve the Assignment, Novation and Consent Agreement retroactively due to the extensive licensing timeframe between the date that HCA was notified and the effective date of the Assignment, Novation and Consent Agreement.

HCA requests that the Board authorize the County Procurement Officer or Deputized designee to execute the Assignment, Novation and Consent Agreement and the Contract for Mental Health Inpatient Services, as referenced in the Recommended Actions above.

FINANCIAL IMPACT:

There is no financial impact. The \$14,500,497 of the previously approved agreement now transferring to Madero Opco, LLC.

STAFFING IMPACT:

N/A

ATTACHMENT(S):

Attachment A - Assignment, Novation and Consent Agreement for Contract MA-042-23010021 for Mental Health Inpatient Services

Attachment B - Contract No. MA-042-26011025 for Mental Health Inpatient Services

Attachment C - Contract Summary Forms

Attachment D - Assignment and Assumption of Lease

Attachment E - Assignment and Assumption of Sublease