

CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY (Authority)

Community Services Infrastructure Grant Program

Resolution Number CSI 2023-02 (Third Funding Round) and

Resolution Number CSI 2023-03 (Fourth Funding Round)

**County of Santa Clara, Behavioral Health Services Department
Forensic, Diversion and Reintegration Division**

December 12, 2024

BACKGROUND:

The County of Santa Clara, Behavioral Health Services Department - Forensic, Diversion and Reintegration Division (County) was approved by the California Health Facilities Financing Authority (“Authority” or “CHFFA”) for two Community Services Infrastructure Grant Program (CSI) grants during two funding rounds.

1st CSI Grant (Round 3):

On January 26, 2023, the Authority approved Resolution Number CSI 2023-02, authorizing a CSI grant for the County in the amount of \$2,000,000 to add 8 new beds to expand the County’s Transitional Housing Unit (THU) Program, through the purchase of at least one facility. The program is expected to provide specialty mental health services for justice-involved individuals, and the County anticipates the program will serve approximately 16 additional individuals annually. The project was scheduled to be open and operational by November 31, 2024. The County intends to utilize leveraged funding to renovate, furnish, staff, and operate the facility.

2nd CSI Grant (Round 4):

On May 25, 2023, the Authority approved Resolution Number CSI 2023-03, authorizing a CSI grant for the County in the amount of \$6,000,000 to add 18 new beds to expand the County’s existing THU Program, through the purchase of at least three facilities. The program is expected to provide specialty mental health services for justice-involved individuals, and the County anticipates the program will serve approximately 36 additional individuals annually. The project was scheduled to be open and operational by November 31, 2024. The County intends to utilize leveraged funding to renovate, furnish, staff, and operate the facilities.

CSI PROJECT STATUS:

On November 30, 2023, the County submitted a request to change the project description for both CSI grants to the Authority. Due to the rising costs of properties and the competitive housing market, the County determined that the acquisition costs of four properties, as initially proposed and approved, is no longer feasible in the current housing market. Additionally, the County’s search for properties in residential neighborhoods has led to grievances from community members who oppose the integration of justice-involved adults into their neighborhoods, prompting complaints to government officials.

On February 29, 2024, the Authority approved a project description change, allowing the County to combine the total CHFFA grant funding to be utilized together for the acquisition of one larger property, such as a hotel or motel, instead of the purchase of four individual residential properties. By consolidating both CSI grant fund amounts, the County had broader options and would still be able to maintain the combined approved CSI project bed capacity of 26-beds as well as the number of clients to be served annually. The County had identified three potential buildings from a list received from the County's Fleet and Facilities Real Estate Department, but unfortunately after conducting site visits, the buildings were determined to be not suitable for the CSI project, and therefore the County was not able to proceed with the acquisition.

On June 18, 2024, the County received approval from the Santa Clara County Board of Supervisors to acquire two properties (6066 Monterey Road, San Jose, CA and 1072 Vermont Street, San Jose, CA); however, on September 17, 2024, the County encountered a setback when the City of San Jose decided not to proceed with the sale of the Monterey Road property due to community concerns about housing justice involved individuals at said location. On December 3, 2024 the San Jose City Council approved the sale of the Vermont Street property and the County is currently working to finalize the acquisition, which will accommodate approximately 12 beds. The County is also implementing a contingency plan to identify and evaluate other suitable properties for the CSI project and the remaining 14 beds .

On October 4, 2024, the Authority received a request from the County to extend its milestone condition deadline to be open and operational from November 30, 2024 to January 29, 2025, a 60-day extension. In order to support the County with the implementation of the CSI projects, Authority staff extended the County's milestone condition deadline to January 29, 2025, and informed the County of its intent to present an informational item at the December 12, 2024 Authority board meeting to bring the Authority up-to-date on the status of the County's CSI projects and to discuss next steps.

Authority staff had numerous conversations with the County and their administration regarding the CSI projects and the use of the properties to be purchased with CSI grant funds, specifically around the types of treatment and services that need to be provided to the clients and the demographics that the clients have to meet to be eligible to participate in the program.

Additionally, staff discussed with the County the different scenarios that could occur at the January 30, 2025 Authority meeting depending on how they are progressing with the CSI project, including the option to set a cure period if the County is unable to meet the January 29, 2025 open and operational milestone condition deadline.

ISSUE/DISCUSSION:

The CSI program's statutory/budget end date is June 30, 2025, which means all projects need to be open and operational and all funds need to be disbursed by this deadline.

As such there are only six months left for the County to finalize the purchase of the Vermont Street property and any additional CSI property, become open and operational, submit all supporting documentation for disbursement, and for Authority staff to review all documentation, reconcile the disbursement, and approve disbursement of funds.

Depending on the County's progress by the extended open and operational milestone condition date of January 29, 2025, the following courses of action could be recommended at the next Authority board meeting:

- 1) If the County is successful in meeting the open and operational milestone condition deadline and is successful in finalizing and acquiring the Vermont Street property and another property that can cumulatively fully accommodate a 26-bed capacity, no further action is needed by the Authority board as long as the County can submit all capital cost disbursement requests, including required supporting documentation, to the Authority by March 31, 2025, and receive their full grant disbursement by June 30, 2025.
- 2) If the County is successful in meeting the open and operational milestone condition deadline for at least a portion of the beds, Authority staff could recommend a project description change, separating the two CSI projects, and considering one CSI project (and the number of beds added) to have met the open and operational milestone deadline, and setting a cure period for the remaining CSI grant amount for the County to become open and operational, as required per the grant agreement, of 30-60 days, or the grant agreement will be cancelled and grant funds forfeited.
- 3) If the County is unsuccessful in meeting the open and operational milestone condition deadline for any of the beds, Authority staff could recommend setting a cure period for both of the grants for the County to become open and operational, as required per the grant agreement, of 30-60 days, or the grant agreement will be cancelled and grant funds forfeited.