

**CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY (Authority)**  
**Community Services Infrastructure Grant Program**  
**Second Amendment to Resolution No. CSI 2023-02 (Third Funding Round)**  
**and**  
**Second Amendment to Resolution Number CSI 2023-03 (Fourth Funding Round)**  
**and**  
**Resolution No. CSI 2023-03B**  
**County of Santa Clara**  
**January 30, 2025**

**PURPOSE OF THE REQUEST:**

The County of Santa Clara Behavioral Health Services Department - Forensic, Diversion and Reintegration Division (County) is requesting the Authority:

1. Approve a second amendment to Resolution No. CSI 2023-02 to amend its project description and extend the milestone conditions for its Community Services Infrastructure Grant Program (Welf. & Inst. Code, §5848.51) (CSI) project; and
2. Approve a second amendment to Resolution No. CSI 2023-03 to amend its project description.

Authority staff is also requesting that the Authority concurrently take a third action:

3. Approve a cure period for Resolution Number CSI 2023-03 ending on March 31, 2025 for the County to cure an event of default through the approval of Resolution No. CSU 2023-03B as explained herein.

**BACKGROUND:**

The County was approved by the Authority for two 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.

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, was no longer feasible in the current housing market. Additionally, the County's search for properties in residential neighborhoods 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, through a First Amendment to Resolution No. CSI 2023-02 and First Amendment to Resolution No. 2023-03, 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 at least 8 beds. The County is also implementing a contingency plan to identify and evaluate other suitable properties for the CSI project and the remaining 16 beds.

On November 25, 2024, the Executive Director, under delegated authority from the Authority, approved the County's request to extend the milestone condition deadline to be open and operational from November 30, 2024 to January 29, 2025, a 60-day extension.

On December 12, 2024, Authority staff provided the Authority with an update on the County CSI projects and informed the Authority that an action item will be presented at the January 2025 meeting to discuss and approve a course of action based on the progress the County has made in meeting the January 29, 2025 open and operational milestone deadline.

**ISSUE:**

The County was not able to meet its milestone condition deadline of being open and operational by January 29, 2025, due to delays in obtaining suitable properties for the combined CSI projects. The issues and recommendations for each CSI project is as follows:

1st CSI Grant (Round 3), Resolution No. CSI 2023-02: The County was able to acquire one property (1072 Vermont Street, San Jose, CA) and anticipates to close escrow on the property on January 24, 2025. The County has confirmed that a service provider has been selected and that they are currently looking to purchase furnishings and equipment necessary for the program to become open and operational. Additionally, the County has confirmed that the property will have at least 8 beds, which satisfies the number of beds stated in the original project description and anticipates the project will be open and operational by March 31, 2025.

Due to the progress made towards the acquisition of the Vermont property, the County is now requesting to amend the resolution as follows: 1) amend the project description by reverting it back to its original approval and keeping the funding as approved and 2) amend the milestone condition deadlines of being open and operational from January 29, 2025 to March 31, 2025 and to submit all disbursement documentation from March 31, 2025 to April 15, 2025. This will provide the County time to finalize the purchase of the property, furnish it, and make minor renovations, so the program can become open and operational.

2nd CSI Grant (Round 4), Resolution No. CSI 2023-03: Because the County is requesting the project amendment for the first CSI Grant be restored to its original state, the County also needs to amend the project description for the second CSI grant by reverting it back to the original approval and keeping the funding as approved.

The County was not able to meet the open and operational milestone condition deadline of January 29, 2025 and has not yet identified another property to purchase. With the County's failure to meet the open and operational milestone deadline requirement and no progress towards meeting it, the County is currently in default of its Grant Agreement. Section 6.2 of the Grant Agreement requires the Authority to provide the County written notice of the default and provide the County an opportunity to cure the default, which shall not be less than 30 calendar days. If the County is unable to meet the open and operational milestone deadline on or before the last day of the cure period, the grant is cancelled.

**RECOMMENDATION:**

Given the progress made towards acquiring one property, staff recommends the Authority approve a second amendment to Resolution No. CSI 2023-02 to amend the project description and amend the following milestone conditions:

- The County shall provide evidence acceptable to Authority staff demonstrating that the project shall be open and operational on or before March 31, 2025, and funding shall not be disbursed if the County is unable to provide evidence acceptable to the Authority staff.
- The County shall submit all capital cost disbursement requests, including required supporting documentation, to the Authority by April 15, 2025.

Additionally, staff recommends the Authority approve a second amendment to Resolution No. CSI 2023-03 to amend the project description back to its original terms.

All other conditions in the Resolutions shall remain the same and in full effect, including extensions to the milestones.

Staff also recommends the Authority approve Resolution No. CSI 2023-03B to set a cure period ending on March 31, 2025 for the grant of \$6,000,000. If the County is not able to meet the open and operational milestone condition by March 31, 2025, the grant will be cancelled.

~~FIRST~~SECOND AMENDMENT TO RESOLUTION NO. CSI 2023-02

**A RESOLUTION OF THE CALIFORNIA HEALTH  
FACILITIES FINANCING AUTHORITY APPROVING  
EXECUTION AND DELIVERY OF GRANT FUNDING UNDER  
THE COMMUNITY SERVICES INFRASTRUCTURE GRANT PROGRAM  
TO THE COUNTY OF SANTA CLARA**

WHEREAS, The California Health Facilities Financing Authority (the “Authority”), a public instrumentality of the State of California, is authorized by the Community Services Infrastructure Grant Program (Welf. & Inst. Code § 5848.51) to implement the Community Services Infrastructure Grant Program (Cal. Code Regs., tit. 4 § 7413 et seq.) to award grants for capital funding to expand local resources for the development, capital, equipment acquisition, and applicable program startup or expansion costs to increase capacity for client assistance and services for jail diversion programs; and

WHEREAS, The County of Santa Clara (“Grantee”) qualifies as an eligible entity under Welfare and Institutions Code section 5848.51(h); and

WHEREAS, On January 26, 2023, the Authority approved Resolution Number CSI 2023-02 after it reviewed the Grantee’s application against the eligibility requirements of the Community Services Infrastructure Grant Program, and pursuant to the Community Services Infrastructure Grant Program (“Program”) and implementing regulations, recommends the approval of a grant in an amount not to exceed \$2,000,000.00 for the eligible project (the “Project”), as described in the Grantee’s application;

WHEREAS, On February 29, 2024, through a First Amendment to Resolution No. CSI 2023-02 the Authority approved a project description change, allowing the Grantee to combine the \$2,000,000 award with a separate Community Services Infrastructure Grant Program award (CSI 2023-03) for the acquisition of one larger property to fulfill objectives of the Program;

WHEREAS, Setbacks due to community concerns about housing justice-involved individuals and lack of feasible real estate options made the combined projects untenable in consideration of the Project milestones and deadlines and where the Grantee has requested that the consolidated projects now return to their original separate grant conditions, which Authority staff believes is in the best interest of fulfilling the objectives of the Program.

NOW, THEREFORE, BE IT RESOLVED by the California Health Facilities Financing Authority as follows:

Section 1. The Authority hereby reapproves a grant for capital costs in a total amount not to exceed \$2,000,000.00 to the Grantee to complete the Project as described in the Community Services Infrastructure Grant Program application and Exhibit A to this Resolution (Exhibit A is here by incorporated by reference), by June 30, 2025, the end of the grant period. Within this grant period, Grantee shall provide evidence acceptable to Authority staff demonstrating the Project shall be open and operational by ~~November 31, 2024~~ March 31, 2025, and funding shall not be disbursed if the Grantee is unable to provide

evidence acceptable to Authority staff. The Grantee shall submit all capital cost disbursement requests, including required supporting documentation, to the Authority by ~~March 31, 2025~~ April 15, 2025.

Section 2. For and on behalf of the Authority, the Executive Director and the Deputy Executive Director are hereby authorized and directed to do all of the following:

(a) Approve any minor, non-material changes in the Project described in the application submitted to the Authority. Nothing in this Resolution shall be construed to require the Authority to provide additional funding, even if more grants are approved, exceeding available funding. Any notice to the Grantee shall indicate that the Authority shall not be liable to the Grantee in any manner whatsoever should that funding not be available for any reason whatsoever.

(b) Allocate funding not to exceed those amounts approved by the Authority for the Grantee.

(c) Execute and deliver to the Grantee any and all documents necessary to complete the transfer of moneys that are consistent with the Community Services Infrastructure Grant Program.

(d) Do any and all things and to execute and deliver any and all documents that the Executive Director, or the Deputy Executive Director, deems necessary or advisable to effectuate the purposes of this Resolution and the transactions contemplated hereby.

Section 4. All funding from this grant shall be used in support of the Grantee's jail diversion Project, as described in the Community Services Infrastructure Grant Program application and Exhibit A to this Resolution.

Section 5. This Resolution shall repeal on June 30, 2025, unless extended by action of the Authority prior to that date.

Date Approved: \_\_\_\_\_

## EXHIBIT A

### PROJECT DESCRIPTION

The proceeds of the grant will be used by the County of Santa Clara (County) as follows:

~~Utilizing the combined funding awarded through Resolution No. CSI 2023-03 and this resolution, Resolution No. CSI 2023-02, the~~ The County must develop a new ~~combined~~ jail diversion facility, ~~with at least 26 beds,~~ with at least 8 beds, to provide mental health treatment. As a condition of funding, the grant can only fund eligible costs of projects, or portions of projects, implementing Jail Diversion Programs that provide on-site treatment services to the Target Population of Justice-Involved Individuals as defined under California Code of Regulations, title 4, section 7413(p), (q), (r), and (y) of the Community Services Infrastructure Grant Program regulations. ~~This resolution is subject to the approval of Resolution No. CSI 2023-03, which may be voted upon separately.~~

### Summary of Amount:

Project	Approved Grant Amount
SCC BHSD-Forensic, Diversion & Reintegration (FDR) Division Transitional Housing Unit	\$ 2,000,000.00

**Total**      \$      **2,000,000.00**

~~FIRST~~SECOND AMENDMENT TO RESOLUTION NO. CSI 2023-03

**A RESOLUTION OF THE CALIFORNIA HEALTH  
FACILITIES FINANCING AUTHORITY APPROVING  
EXECUTION AND DELIVERY OF GRANT FUNDING UNDER  
THE COMMUNITY SERVICES INFRASTRUCTURE GRANT PROGRAM  
TO THE COUNTY OF SANTA CLARA**

WHEREAS, The California Health Facilities Financing Authority (the “Authority”), a public instrumentality of the State of California, is authorized by the Community Services Infrastructure Grant Program (Welf. & Inst. Code § 5848.51) to implement the Community Services Infrastructure Grant Program (Cal. Code Regs., tit. 4 § 7413 et seq.) to award grants for capital funding to expand local resources for the development, capital, equipment acquisition, and applicable program startup or expansion costs to increase capacity for client assistance and services for jail diversion programs; and

WHEREAS, The County of Santa Clara (“Grantee”) qualifies as an eligible entity under Welfare and Institutions Code section 5848.51(h); and

WHEREAS, On May 25, 2023, the Authority approved Resolution Number CSI 2023-03 after it reviewed the Grantee’s application against the eligibility requirements of the Community Services Infrastructure Grant Program (“Program”), and pursuant to the Community Services Infrastructure Grant Program and implementing regulations, recommends the approval of a grant in an amount not to exceed \$6,000,000.00 for the eligible project (the “Project”), as described in the Grantee’s application;

WHEREAS, On February 29, 2024, through a First Amendment to Resolution No. CSI 2023-03 the Authority approved a project description change, allowing the Grantee to combine the \$6,000,000 award with a separate Community Services Infrastructure Grant Program award (CSI 2023-02) for the acquisition of one larger property to fulfill objectives of the Program;

WHEREAS, Setbacks due to community concerns about housing justice-involved individuals and lack of feasible real estate options made the combined projects untenable in consideration of the Project milestones and deadlines and where the Grantee has requested that the consolidated projects now return to their original separate grant conditions, which Authority staff believes is in the best interest of fulfilling the objectives of the Program. NOW, THEREFORE, BE IT RESOLVED by the California Health Facilities Financing Authority as follows:

Section 1. The Authority hereby reapproves a grant for capital costs in a total amount not to exceed \$6,000,000.00 to the Grantee to complete the Project as described in the Community Services Infrastructure Grant Program application and Exhibit A to this Resolution (Exhibit A is here by incorporated by reference), by June 30, 2025, the end of the grant period. Within this grant period, Grantee shall provide evidence acceptable to Authority staff demonstrating the Project shall be open and operational by January 29, 2025, and funding shall not be disbursed if the Grantee is unable to provide evidence acceptable



to Authority staff. The Grantee shall submit all capital cost disbursement requests, including required supporting documentation, to the Authority by March 31, 2025.

Section 2. For and on behalf of the Authority, the Executive Director and the Deputy Executive Director are hereby authorized and directed to do all of the following:

(a) Approve any minor, non-material changes in the Project described in the application submitted to the Authority. Nothing in this Resolution shall be construed to require the Authority to provide additional funding, even if more grants are approved, exceeding available funding. Any notice to the Grantee shall indicate that the Authority shall not be liable to the Grantee in any manner whatsoever should that funding not be available for any reason whatsoever.

(b) Allocate funding not to exceed those amounts approved by the Authority for the Grantee.

(c) Execute and deliver to the Grantee any and all documents necessary to complete the transfer of moneys that are consistent with the Community Services Infrastructure Grant Program.

(d) Do any and all things and to execute and deliver any and all documents that the Executive Director, or the Deputy Executive Director, deems necessary or advisable to effectuate the purposes of this Resolution and the transactions contemplated hereby.

Section 4. All funding from this grant shall be used in support of the Grantee's jail diversion Project, as described in the Community Services Infrastructure Grant Program application and Exhibit A to this Resolution.

Section 5. This Resolution shall repeal on June 30, 2025, unless extended by action of the Authority prior to that date.

Date Approved: \_\_\_\_\_

**EXHIBIT A**

**PROJECT DESCRIPTION**

The proceeds of the grant will be used by the County of Santa Clara (County) as follows:

~~Utilizing the combined funding awarded through Resolution No. CSI 2023-02 and this resolution, Resolution No. CSI 2023-03, the~~ The County must develop ~~a new combined~~ three new jail diversion ~~facility,~~ facilities with at least ~~26~~ 16 beds, to provide mental health treatment. As a condition of funding, the grant can only fund eligible costs of projects, or portions of projects, implementing Jail Diversion Programs that provide on-site treatment services to the Target Population of Justice-Involved Individuals as defined under California Code of Regulations, title 4, section 7413(p), (q), (r), and (y) of the Community Services Infrastructure Grant Program regulations. ~~This resolution is subject to the approval of Resolution No. CSI 2023-02, which may be voted upon separately.~~

**Summary of Amount:**

<b>Project</b>	<b>Approved Grant Amount</b>
SCC BHSD-Forensic, Diversion & Reintegration (FDR) Division Transitional Housing Unit	\$ 6,000,000.00
<b>Total</b>	<b><u>\$ 6,000,000.00</u></b>

**RESOLUTION NO. CSI 2023-03B**

**RESOLUTION OF THE CALIFORNIA HEALTH FACILITIES FINANCING  
AUTHORITY APPROVING A  
CURE PERIOD FOR THE COUNTY OF SANTA CLARA  
EVENT OF DEFAULT**

WHEREAS, on May 25, 2023, the California Health Facilities Financing Authority (the “Authority”), approved Resolution No. CSI 2023-03 that awarded to County of Santa Clara (“Grantee”) a grant in an amount not to exceed \$6,000,000 for the eligible project under the Community Services Infrastructure (CSI) Grant Program;

WHEREAS, on February 29, 2024, through a First Amendment to Resolution No. CSI 2023-03 the Authority approved a project description change, allowing the Grantee to combine the \$6,000,000 award with a separate Community Services Infrastructure Grant Program award (CSI 2023-02) for the acquisition of one larger property to fulfill objectives of the Program and develop a new combined jail diversion facility with at least 26 beds.

WHEREAS, on November 25, 2024, the Executive Director approved a 60-day extension, under delegated Authority from the Authority, to amend the open and operational milestone condition from November 30, 2024 to January 29, 2025;

WHEREAS, Grantee did not meet the milestone condition deadline of being open and operational by January 29, 2025.

NOW, THEREFORE, BE IT RESOLVED by the California Health Facilities Financing Authority as follows:

Section 1. The Authority hereby sets a cure period ending March 31, 2025 to cure an event of default. If Grantee is unable to meet the open and operational milestone condition deadline on or before the last day of the cure period, the Authority will require cancellation of the grant agreement and forfeiture of grant funds.

Section 2. The Executive Director and the Deputy Executive Director, in the absence of the Executive Director, are hereby authorized and directed, for and on behalf of the Authority, to do any and all things and to execute and deliver any and all documents, which the Executive Director and the Deputy Executive Director deem necessary or advisable in order to effectuate the purposes of this Resolution and the transactions contemplated hereby.

Date Approved: \_\_\_\_\_