

**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**

**January 25, 2024**

**PURPOSE OF THE REQUEST:**

The County of Santa Clara, Behavioral Health Services Department - Forensic, Diversion and Reintegration Division (County) is requesting to have the project description changed for both of its approved Community Services Infrastructure (CSI) Grant Program projects.

**BACKGROUND:**

The County was approved by the Authority for two CSI grants during two funding rounds.

1<sup>st</sup> CSI Grant (Round 3):

Resolution Number CSI 2023-02 was approved by the Authority on January 26, 2023, authorizing a CSI grant for the County in the amount of \$2,000,000 to add eight new beds to expand the County's Transitional Housing Unit (THU) Program, through the purchase of at least one facility. The program will 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.

2<sup>nd</sup> CSI Grant (Round 4):

Resolution Number CSI 2023-03 was approved by the Authority on May 25, 2023, 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 will 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.

Additionally, on August 27, 2020, the Authority approved Procedures for Addressing Future Requests for Project Description Changes (Procedures) on how to address future requests for project scope/description changes for all Authority Grant Programs that Authority staff will utilize to ensure consistent reviews and recommendations. In such instances, Authority staff would work closely with the grantees that request a project scope/description change to obtain updated information and determine whether the project scope/description change continues to meet the intent of the statute and CSI Grant Program regulations, would have scored appropriately to be awarded, was feasible and sustainable, and would have been originally approved had the change been submitted in the original application, before presenting a recommendation to the Authority (See Exhibit D).

**ISSUE:**

The County is facing challenges in finding suitable properties that would meet the CSI program awarded grant budgets, requirements, and approved deadlines. Rising real estate costs have significantly reduced the County's purchasing power for acquiring four CSI suitable properties, as home prices in Santa Clara County increased by 7% from 2022 to 2023. 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.

In an effort to fill the gap in the continuum of care and expand community alternatives to incarceration, the County re-evaluated its existing resources and is requesting to alter its initially approved project descriptions.

**NEW PROPOSED PROJECT:**

The County is requesting to change the project description to allow the combined total of CHFFA grant funding to be utilized together for the acquisition of one 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 has broader property options and is still able to maintain the combined approved CSI project bed count of 26-beds, as well as the number of clients to be served annually.

**PROGRESS:**

The County intends to purchase a hotel or motel to be used for the implementation of both CSI grant awards, most likely located in a commercial or industrial area, which may be more beneficial and have less community opposition. The County has identified three potential suitable buildings from a list received from the County's Fleet and Facilities Real Estate Department (see Exhibit C), and intends to engage in purchase discussions, as the County's appraisals indicate valuations significantly below the buildings' listed sale prices. Once the County confirms the property pricing is within the combined CHFFA award amount of \$8,000,000, site visits will be scheduled to preview the three identified buildings.

The CSI program deadline is currently statutorily set for June 30, 2025, which means all projects must be completed, be operational, and be fully disbursed prior to that date. Any funds that are not disbursed by the deadline or are forfeited will automatically revert to the General Fund.

**NEXT STEPS:**

Authority staff has some initial concerns regarding the County's proposed changes to the initial approved CSI projects as the submitted timeline (see Exhibit B) does not include any time for renovations of the facility if needed.

In light of the challenges that the County is facing due to the rising costs of real estate and community concerns with the placement of justice-involved individuals in residential neighborhoods, Authority staff is seeking preliminary thoughts and direction from the Board as well as whether they would entertain the County's proposed changes to the CSI projects.

Authority staff would then further discuss changes to the projects with the County, discuss Authority staff's concerns, and follow the Procedures to come back before the Authority Board with a recommendation on whether to approve or deny. If the recommendation is to deny the County would likely forfeit the funding, and grant funds would revert back to the General Fund.

**EXHIBITS:**

- A. County's Request for Project Change Letter
- B. New Project Timeline
- C. County's Motel Acquisition Assessment List
- D. Procedures for Addressing Project Description Changes

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November 30, 2023

California Health Facilities Financing Authority  
 Attention: Stephanie Heiner  
 901 P Street, Room 313  
 Sacramento, CA 95814

Dear Ms. Heiner:

The Santa Clara County (SCC) Behavioral Health Services Department (BHSD) is requesting an adjustment of the California Health Facilities Financing Authority (CHFFA) Round 3 Grant readiness January 25, 2024, deadline to align with the CHFFA Round 4 reading deadline of May 25, 2024. The alignment of the two (2) CHFFA Round 3 and 4, will allow the SCC BHSD to acquire a larger facility to house a minimum of 26 justice-involved individuals while simultaneously providing behavioral health outpatient treatment services.

Given the increasingly high cost of real estate in Santa Clara County, the SCC-BHSD has faced challenges in finding suitable properties utilizing only the Round 3 grant funding. This was the case when SCC-BHSD was in the process of acquiring a property and the seller increased the original price by 20% which resulted in termination of the acquisition process, due to the cost being more than what was available through the Round 3 grant award. Thus, rising real estate prices and inability to utilize both Round 3 (\$2 million for 8 beds) and Round 4 (\$6 million for 18 beds) funding simultaneously has resulted in reduced purchasing power to acquire suitable properties. Further, the lack of purchasing power, has restricted SCC-BHSD to search for real estate properties in family-oriented neighborhoods which are often located near schools. This in turn, has resulted in community members complaints to government officials objecting the placement of justice-involved adults and older adults releasing from correctional settings into their neighborhoods.

Approval to adjust the Round 3 and Round 4 timelines, will allow SCC-BHSD to purchase a larger facility, potentially located in a commercial area, capable of housing at a minimum 26 individuals with minimal community objection. This approval will allow for SCC-BHSD to expand transitional housing units for justice involved adults and older adults transitioning from the justice system into community via Intercept 3.

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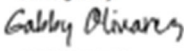


Lastly, the SCC-BHSD intends to present a project description change to the CHFFA Board proposing the combination of Round 3 and Round 4 grant funding for the purchase of a different and larger property type (i.e., motel, hotel, etc.).

Please do not hesitate to reach out if any questions or concerns arise.

Sincerely,

DocuSigned by:  
  
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Sherri Terao, Director  
Behavioral Health Services Department  
County of Santa Clara Health System

DocuSigned by:  
  
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Gabby Olivarez, Division Director  
Forensic, Diversion and Reintegration Division  
Behavioral Health Services Department  
County of Santa Clara Health System

*New Round 3 and Round 4 Timeline*

<i>Action Item</i>	<i>Date</i>	<i>Parties Involved</i>
1. SCC-BHSD <u>submits letter requesting adjustment</u> of the Round 3 Grant readiness deadline to align with Round 4 reading deadline of May 25, 2024	November 22, 2023	SCC-BHSD and CHFFA
2. SCC-BHSD <u>submits proof of SCC Board of Supervisors' support</u> for project description change (letter on official letterhead from 1 to 2 individuals).	December 11, 2023	SCC-BHSD and SCC-Board of Supervisors
3. SCC-BHSD <u>submits Evidence of real estate markups.</u>	December 11, 2023	SCC-BHSD and SCC-Fleet and Facility
4. SCC-BHSD <u>submits Documentation addressing nimby issues.</u>	December 11, 2023	SCC-BHSD
5. SCC-BHSD <u>submits Assurance that services will not be reduced.</u>	December 11, 2023	SCC-BHSD
6. SCC-BHSD <u>presents Project Description Change.</u>	January or February 2024	SCC-BHSD and CHFFA
7. CHFFA Board <u>votes on Project Description Change.</u>	February or March 2024	CHFFA Board
8. SCC-BHSD <u>identifies and purchases property.</u>	June or July 2024	SCC-BHSD and SCC-Fleet and Facilities
9. SCC-BHSD <u>identifies and establishes contract agreement</u> with Community Based Provider (CBO) to run facility.	July or August 2024	SCC-BHSD and CBO
10. SCC-BHSD <u>facility begins accepting and housing justice-involved clients.</u>	October or November 2024	SCC-BHSD and CBO

## COUNTY'S MOTEL ACQUISITION ASSESSMENT LIST

Location/Address	Name	Rooms/Units	Specs	Ownership Asking Price For Sale	Asking Price FAF comments	Appraisal Estimates	Appraisal to Purchase
3477 El Camino Real, Santa Clara, CA 95051	The Driftwood Hotel	43 w/ Manager 2 bed Units	15,599 sqft building and 31,325 sqft lot	Sale we are looking to net <b>\$10,535,000</b> to our family which prices the property at <b>\$245,000</b> per unit	At \$170,000/per unit site maybe valued at \$7.310M range.	\$4.3M- \$6.9M	<b>\$5,390,000</b>
1525 Monterey Hwy, San Jose, CA 95110	3 A Motel	25 Units + Managers Unit	6,858 sqft buildg and 40,821 sqft lot	The hotel lot is approximately 28,102 square feet and the car lot is approximately 13,452 square feet for a total combined lot size of 41,554 square feet. We are looking at a sales price of <b>\$6,000,000</b> net to our family. <b>\$5,000,000</b> for the hotel and <b>\$1,000,000</b> car dealership portion	At \$170,000/per unit site maybe valued at \$4.250M range + land value for car dealership (TBD).	\$2.5M-\$4M	<b>\$2,920,000</b>
1315 S 1st St, San Jose, CA 95110	Travelers Rest Motel	21 Units	6,645 sqft building and 18,159 sqft lot	looking at <b>\$4,515,000</b> which is <b>\$215,000</b> a unit.	At \$170,000/per unit site maybe valued at \$3.57M range.	\$2.1M-\$3.3M	<b>\$2,220,000</b>

### **Procedures for Addressing Future Requests For Project Description Changes**

The below steps will be taken when Authority staff receives a request:

1. Present an Information Item to the board to request preliminary thoughts and direction prior to staff working on the request, so the board is aware of the issue.
2. If applicable, Grantee must provide proof of budget cuts and must specifically detail how these cuts were allocated among all county programs, including the CHFFA-funded program.
3. Grantee must provide the report that was presented to the Board of Supervisors that looks at all of the potential courses of action that grantee could take besides just the one presented to staff. The report should include the following:
  - a. The other county programs that would be affected and how these programs would be affected by continuing to fund the CHFFA project at the promised bed capacity.
  - b. A list of solutions that consider a reduction in Authority approved capacity along with a prorated grant award (from a reduction to complete forfeiture of the grant) and their effects on the county operationally and on meeting the need for services in the county, including the annual number of clients that would no longer be served.
  - c. A report/study on the updated need for services in the county.
4. Grantee must submit updated information that is required in the grant application for the new/amended project.
5. CHFFA staff will evaluate (and present before the grant committee, including the program's technical advisor) the new information submitted and determine if it meets the intent of the statute, meets the regulations/program requirements, is feasible and sustainable, and will score it as if it were a new application.
6. Staff will assess whether it would have awarded the applicant originally had it submitted the new/amended project information and make a recommendation based on that determination.