

CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY (Authority)

Community Services Infrastructure Grant Program Resolution Number CSI 2019-01B (First Funding Round) County of Los Angeles, Office of Diversion and Reentry

March 25, 2021

PURPOSE OF THE REQUEST:

Authority staff is requesting the Authority set a cure period for Resolution Number CSI 2019-01 ending on May 28, 2021 for the County of Los Angeles, Office of Diversion and Reentry (County) to cure an event of default.

ISSUE:

The County was unable to meet its readiness, feasibility, and sustainability grant requirement by the February 28, 2021 deadline.

At the February 25, 2021 Authority meeting, staff shared three concerns regarding the County's requested project scope/description change originally presented to the Authority board in July 2020. Staff's first concern regarding the project eligibility was addressed by the County, and it confirmed that the proposed project was for ground-up, new construction, and as such, not an eligible expense under the Community Services Infrastructure (CSI) grant program.

The County has indicated that it is actively pursuing new project options that can meet the intent and requirements of the CSI grant program and can be operational by the deadline.

With the County's failure to meet the readiness, feasibility, and sustainability program requirements by the deadline, 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 readiness, feasibility, and sustainability program requirements on or before the last day of the cure period, the grant is cancelled and encumbered funds would revert to the General Fund.

If the County proposes a new project that meets the intent and requirements of the CSI grant program and satisfactorily provides all the required documentation, needed to meet the Procedures for Requests for Project Description Changes approved by the Authority on August 27, 2020, within the cure period, staff may bring forth an item before the Authority for an amendment to the resolution, recommending the proposed changes to the initial approved CSI grant project before the end of the cure period, otherwise the grant will be cancelled.

RECOMMENDATION:

Staff recommends the Authority approve a cure period ending on May 28, 2021, for the County of Los Angeles, Office of Diversion and Reentry. If the County is not able to meet the readiness, feasibility, and sustainability program requirement by May 28, 2021, or receive an approval by the Authority to change the scope of the project within the cure period, the grant will be cancelled.

EXHIBIT 1 – Timeline of Events

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TIMELINE OF EVENTS

1. Initial Grant Award

Approved: July 25, 2019

Award amount not to exceed \$6,000,000 to add at least 75 new beds in a new jail diversion program.

Resolution and Grant Period Expiration Date: June 30, 2022

2. Information Item - Request to change the approved project description and scope of the program

Heard: July 30, 2020

County requested to change the approved project description and scope of the program. The change included relocating the project from the Salvation Army Bell Shelter to the LAC+USC Medical Center Recuperative Care Center (LAC+UCC RCC), and reducing the number of dedicated beds from 75 to 24 while retaining all grant funds.

Authority directed staff to present procedures of addressing requests for project description changes, and present the project changes at an upcoming Authority meeting, following the project changes description procedures.

3. Information Item - Request to change the approved project description and scope of the program

Heard: February 25, 2021

Authority staff presented the following concerns regarding the requested project description change:

1. the project budget submitted appeared to be for ground-up, new construction, which is not an eligible expense under the CSI program;
2. the new project is integrated into a pre-existing project that is underway and expected to be completed in May 2021, raising concerns about supplanting grant funds;
3. the County states that neither certification nor licensing is required for this program. This raises concern because if mental health treatment would be provided on-site, then a Medi-Cal site certification is most likely required.

Additionally, Authority staff reported that they were missing supporting documentation as required by the project description change procedures and anticipated that the County would miss its second extension of February 28, 2021.

RESOLUTION NO. CSI 2019-01B

**RESOLUTION OF THE CALIFORNIA HEALTH
FACILITIES FINANCING AUTHORITY APPROVING A
CURE PERIOD FOR THE COUNTY OF LOS ANGELES,
OFFICE OF DIVERSION AND REENTRY'S
EVENT OF DEFAULT**

WHEREAS, on July 25, 2019, the California Health Facilities Financing Authority (“Authority”) approved Resolution No. CSI 2019-01 that awarded to County of Los Angeles, Office of Diversion and Reentry (“Grantee”) a grant in an amount not to exceed \$6,000,000 for the eligible project under the Community Services Infrastructure Grant Program;

WHEREAS, section 7425(a)(3)(B) of the Regulations authorizes the Executive Director to provide on a case-by case basis limited extensions to the readiness, feasibility, and sustainability requirement of the project;

WHEREAS, on July 23, 2020, the Executive Director approved an extension of the deadline to meet the readiness, feasibility, and sustainability requirement from July 25, 2020 to October 30, 2020;

WHEREAS, on October 30, 2020, Executive Director approved a second extension of the deadline to meet the readiness, feasibility, and sustainability requirement to February 28, 2021; and

WHEREAS, Grantee did not meet the readiness, feasibility and sustainability deadline by February 28, 2021.

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

Section 1. The Authority hereby sets a cure period ending May 28, 2021 to cure an event of default. If Grantee is unable to meet the readiness, feasibility and sustainability 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 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.

Section 3. This Resolution expires May 28, 2021.

Date Approved: _____