



Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Jacky Morales-Ferrand
Jim Shannon

SUBJECT: SEE BELOW

DATE: April 1, 2022

Approved

Date

4/1/2022

SUBJECT: PROPOSED CHANGES TO THE SPENDING PRIORITIES AND PERCENTAGE ALLOCATIONS OF MEASURE E REAL PROPERTY TRANSFER TAXES

RECOMMENDATION

- (a) Hold the second of two public hearings regarding proposed changes to the spending priorities and percentage allocations of real property transfer tax revenues as described under Section 22 of City Council Policy 1-18.
- (b) Accept the staff report and adopt a resolution amending City Council Policy 1-18, Operating Budget and Capital Improvement Program Policy, to make the following changes to the spending priorities and percentage allocations of real property transfer tax revenue set forth under Section 22, Real Property Transfer Tax Revenues, to modify the category names and the percentage allocations to:
 - (1) 40% for creation of new affordable housing for extremely low-income households;
 - (2) 30% for creation of new affordable housing for low-income households;
 - (3) 5% for creation of new affordable housing for moderate-income households;
 - (4) 10% for homeless prevention and rental assistance; and
 - (5) 15% for homeless support programs including shelter construction and operations.

OUTCOME

This is the second of two public hearings necessary to make proposed changes to the spending priorities and the percentage allocations for the Measure E real property transfer tax revenue consistent with Section 22 of Council Policy 1-18. In order to make these changes, a two-thirds vote of the City Council must be made supporting these changes. If these changes are approved by the City Council, the revised spending priorities and percentage allocations will be used to modify the current Measure E spending plan and will be used for future fiscal years. The proposed changes to Council Policy 1-18 Section 22 can be reviewed in **Attachment A**.

EXECUTIVE SUMMARY

Measure E has quickly become a critical source of funding for both the production of affordable housing and funding for homeless prevention and rental assistance programs. The pipeline for new affordable housing development is strong, while other local sources of funding such as Measure A are being depleted. This dynamic placed a higher demand for Measure E funds to support shovel-ready permanent housing to move forward. At the same time, the City of San José (City) has provided a direct response to the need to house the homeless population by building emergency interim housing and acquiring hotels to provide shelter options for hundreds of families and individuals facing homelessness in San José.

This memorandum provides information regarding the homeless services provided by the Santa Clara County's (County) behavioral health program, and efforts being coordinated across multiple levels of government to match resources with the needs in our community. The memorandum also includes an analysis of the long-term financial impacts of committing to creating additional interim housing communities.

Considering all of this information, staff is recommending changes to City Council Policy 1-18 Section 22 which outlines the use of Measure E funds. Changes will clarify the use of funds in each category and reallocate funding from each category to create a new priority to fund Homeless Services Programs. This will allow the City to use Measure E funds to support homeless programs including case management, outreach teams, encampment services, safe parking, employment and training programs, homeless shelters and interim housing construction and operations.

BACKGROUND

The City has a substantial need for affordable housing. As discussed below, upon approval of Measure E, the City Council updated City Council Policy 1-18 to add Section 22 clarifying the intended use of General Fund revenues raised from Measure E. Measure E is a general tax and the revenues derived from the tax are unrestricted, which means the City can use Measure E revenues for any governmental purpose. While these revenues are deposited in the General Fund and can be used for any governmental purpose, the City Council intended that the revenues be allocated towards addressing the affordable housing and homelessness crisis. The City's most urgent housing issues include, but are not limited to, housing for the individuals and families experiencing homelessness and developing or acquiring new affordable housing.

On December 3, 2019, the City Council voted to place a new Measure E real property transfer tax on the March 3, 2020 ballot. The proposed Measure E real property transfer tax funds general City services and is set at the following rates:

- Transfers valued under \$2 million: exempt (adjusted for inflation)
- Transfers from \$2 million to \$5 million: 0.75%
- Transfers from \$5,000,000.01 to \$10 million: 1.0%

- Transfers over \$10 million: 1.5%.

In June 2020, the City Council amended City Council Policy 1-18 to include a new Section 22 which specifies spending priorities and percentage allocations for Measure E and a process for making changes to the priorities. The policy states *“the City Council intends for the revenues to be allocated towards addressing the homelessness crisis and the City’s most urgent issues including, but not limited to, homeless prevention and developing new affordable housing.”*

The policy also states that up to 5% of the Measure E revenues may be allocated for the administration of funding related to increased workload resulting from more robust homeless prevention efforts and the creation of more affordable housing, including, but not limited to, financial, legal, or administrative and policy programmatic support.

After 5% of the funds are set aside for administration, the remaining funds are distributed on a proportional basis in the funding categories identified in Table 1.

Table 1: Current Measure E Spending Priorities and Percentage Allocations per City Council Policy 1-18, Section 22

Measure E Spending Priorities (After the subtraction of the 5% for Administration Purposes)	
Spending Priority	Percent of Transfer Tax
Permanent Supportive and Affordable Rental Housing for Extremely Low-Income Households	45%
Affordable Rental Housing for Low-Income Households	35%
For-Sale and Moderate-Income Rental Housing Households	10%
Homelessness Prevention and Rental Assistance	10%

Additionally, Section 22 of City Council Policy 1-18 outlines a process for making changes to the percentage allocations. Any modification of the percentage allocations requires:

- 60-day public notice in advance of the effective date of the proposed allocation change;
- At least two public hearings prior to City Council action; and
- Two-thirds vote of the City Council.

On February 15, 2022, the City Council held the first public hearing to consider proposed changes to Measure E spending priorities and percentage allocations. At this meeting, the City Council directed staff to make the following changes to City Council Policy 1-18:

- Accept the staff recommendation to modify the category definitions;
- Adjust the spending priorities and percentage allocations:

April 1, 2022

Subject: Proposed Changes to the Spending Priorities and Percentage Allocations of Measure E Property Transfer Taxes

Page 4

- 40% for creation of new affordable housing for extremely low-income households;
- 30% for creation of new affordable housing for low-income households;
- 5% for creation of new for-sale and rental affordable housing for moderate-income households;
- 10% for homeless prevention and rental assistance; and
- 15% for homeless support programs including shelter construction and operations.

Additionally, staff was directed to gather information and initiate discussions providing a basis for recommendations to amend Measure E allocations. The items below summarize the information requested and actions to be taken prior to the second public hearing.

- Estimated Homelessness Prevention System capacity for the effective distribution of rental assistance by both monetary amount and the number of households served from the current date through June 30, 2022 and for the time period July 1, 2022 through June 30, 2023.
- An estimated source and use funding plan for the construction and operations of 1,000 emergency interim housing units including a more comprehensive collection of revenue sources. These include potential sources such as Homeless Housing Assistance and Prevention (HHAP) Rounds 3 and 4; the Project HomeKey program; federal sources such as the Emergency Shelter Grant; the County; and the County Housing Authority voucher revenue.
- Begin a formal conversation with the County regarding their responsibility to provide a social safety net such as drug, alcohol, and behavioral mental health services, to the City's unhoused residents.
- Work with City and County Intergovernmental Relations teams and the Mayor's Office to lobby for funding of support services.

This memorandum provides an update on these items and recommendations for changes to City Council Policy 1-18.

ANALYSIS

The City continues to face both a homeless and an affordable housing crisis. Given that limited funding remains in Measure A fund, the unexpected surplus of Measure E revenue in the current fiscal year, and stronger revenues preliminarily forecasted in the future, staff is exploring opportunities to use Measure E to address the future funding gaps to address our affordable housing and homeless crisis. This memorandum includes an analysis of funding sources in response to the direction provided to staff at the Rules and Open Government Committee on September 29, 2021 to create 1,000 emergency housing community units and 300 HomeKey motel units under construction or completed by December 2022.

Strong Measure E Revenues

For Fiscal Year 2020-2021, the total amount of Measure E revenues generated was \$50.5 million, exceeding the initial 2020-2021 Adopted Budget estimate of \$40.0 million. The 2021-2022 Adopted Budget also estimated \$40.0 million in Measure E revenue. Based on revenues received through December 2021 and revised projections for the remainder of the fiscal year, actions included in the 2021-2022 Mid-Year Budget Review increased the budgeted estimate for 2021-2022 by \$50.0 million, for a new total estimate of \$90.0 million. The significant 2021-2022 collection level is due to several factors, including the timing of when the payment from the County was processed for June collections, resulting in additional 2021-2022 revenues of \$9.7 million; and ten high-value commercial property transfers occurring between July and December 2021 totaling \$32.9 million. Though this revenue stream remains volatile and is disproportionately impacted by large commercial real estate transactions – for example, a property known as “HQ @ First” was sold for \$535 million in August 2021 and generated over \$8 million in Measure E revenues – the Administration preliminarily estimates future year ongoing revenues at \$65 million.

Any revenues collected in excess of the budgeted estimate are proportionately allocated to each spending category specified in City Council Policy 1-18 as part of the City Manager’s Annual Report that is approved by the City Council each October.

Table 2: Measure E Revenue Actuals and Projections

Measure E Revenue Actuals and Projections			
Fiscal Year	Initial Estimate/ Forecast	Actual/Revised Forecast	Surplus/ (Deficit)
2020 – 2021	\$40,000,000	\$50,530,828	\$10,530,828
2021 – 2022	\$40,000,000	\$90,000,000	\$50,000,000
2022 – 2023	\$65,000,000	TBD	TBD

I. Current Challenges in Funding Housing Programs

Depletion of Measure A Funding

In 2016, the County passed Measure A, which created a \$950 million affordable housing bond with a goal to construct 4,800 units of affordable housing and assist 235 families in first time homebuyer programs. Approximately \$773 million or 81% of the \$950 million Measure A Housing Bond is committed with the recent approval of the six new developments in February 2022. Setting aside \$25 million for homeownership programs and \$67 million for mixed income rental and homeownership housing, there is only \$85 million left in Measure A funding to invest in the development of affordable housing. In the future, as this valuable resource to the production of permanent supportive housing in San José is expended, local funding sources will

be essential in meeting the City's goals to produce affordable housing to end homelessness in addition to addressing the affordable housing needs of our residents.

Need for Funding the Production of Affordable Housing

On December 20, 2021, the Housing Department released a Notice of Funding Availability for \$150 million for the development of new affordable housing throughout San José. Nearly half of these funds were made available through Measure E. Nineteen developments submitted by 15 developers are requesting a total of \$241 million dollars in funding. The Notice of Funding Availability was oversubscribed by \$91 million which demonstrates a strong pipeline in San José for affordable housing development. Staff is recommending moving forward with awards for 11 developments totaling 1,288 new affordable that will guarantee affordable rents for the next 55 years providing housing stability to at-risk residents in San José. Based on information gathered from the Planning Division, nearly 30 new affordable housing developments have submitted preliminary applications for more than 3,000 new affordable apartments. At the \$125,000 per unit subsidy provided by San José, this would require \$375 million in funding from the City in gap financing. To continue this momentum, it is critical that developers know that there is an ongoing source of funding for the development of new affordable housing.

Over the past few years, the Housing Department has limited its investment to \$125,000 per unit primarily due to the availability of Measure A funds that leveraged City funds to close the financing gap for affordable developments. As Measure A funds are depleted, the City will need to reconsider the level of subsidy necessary for funding future affordable units. The per unit subsidy amount is expected to rise in the coming years. Measure E funds can provide the additional funding needed to fill these gaps.

Creation of New Interim Housing

In January 2020, the City opened its first Bridge Housing Community (BHC). The BHC program provides interim housing for formerly unhoused individuals. The City has two BHC communities that each have 40 cabins designed for individual occupancy. Each community includes community support facilities including shared bathrooms, showers, laundry, kitchen and community space (community garden space and a dog run) for the residents. Residents who move into the site are provided case management to support their transition into a permanent home. The program gives participants an opportunity to stabilize their lives and work toward self-sufficiency.

During the coronavirus pandemic the City built Emergency Interim Housing (EIH) communities, which use modular premanufactured housing instead of individual cabins. EIHs provide the same services and support as the BHC communities. For the duration of the pandemic, both BHC and EIH communities are predominately being used to house medically vulnerable unhoused residents who are at risk of severe illness or death if they contract COVID-19. When the pandemic subsides, EIH and BHC communities will serve a variety of individuals with a wide range of abilities and disabilities. Referrals will come from multiple points, including those from

street outreach teams referring individuals from nearby encampments, abatements and referrals from the City’s homeless employment programs.

The City also applied and received funding for the purchase of the SureStay Hotel through the Project HomeKey program. Project HomeKey is an opportunity for state, regional, and local entities to develop a broad range of housing types and convert commercial properties and buildings to permanent or interim housing. The City recently submitted applications to the State Department of Housing Community and Development for two additional HomeKey sites at the Arena Hotel and the Branham & Monterey location. Additionally, staff anticipates submitting an application for the Pacific Motor Inn in the current HomeKey funding round. The state does not cover the entire cost of operating the HomeKey sites and the City must provide additional funding to cover the gap. The HomeKey sites will no longer need ongoing operating subsidies when the sites are redeveloped, likely within the next five years.

Interim Housing Sites: Funding Needed for Ongoing Operations

Currently the BHC and EIH communities house 473 at-risk individuals and families, and the Plaza Hotel and SureStay Hotel shelters another 115. At full capacity the four additional Project HomeKey sites awaiting notification of award could provide an additional 438 shelter beds. Each of these sites requires funding for ongoing operational costs. Table 3 below displays the estimated annual expense to operate all sites. If all sites were open at the same time, the combined annual cost is expected to exceed \$30 million. However, as discussed below and represented in greater detail in **Attachment C**, not all sites will be operational at the same time, and some will cease as the redevelopment of the sites move forward.

Table 3: Interim Housing Operating Costs

Annual Interim Housing Operating Costs Per Bed				
Interim Housing Site	Number of Beds	Estimated Annual Operating Costs	Estimated Annual Operating Cost per Bed	Anticipated End
Current Sites				
Mabury Road BHC	40	\$1,924,000	\$48,100	2023
Felipe Ave BHC	40	\$1,924,000	\$48,100	2025*
Monterey/Bernal EIH	78	\$3,621,000	\$46,423	2025*
Rue Ferrari EIH	118	\$3,621,000	\$30,686	2025*
Evans Lane EIH	121	\$2,881,000	\$23,810	2025*
Guadalupe EIH	76	\$3,200,000	\$42,105	2025*
Plaza Hotel	42	\$1,050,000	\$25,000	2026
SureStay Hotel **	73	\$1,800,000	\$24,658	2023
Pending Project HomeKey Application Sites				
Branham & Monterey EIH***	204	\$5,463,000	\$26,779	-

April 1, 2022

Subject: Proposed Changes to the Spending Priorities and Percentage Allocations of Measure E Property Transfer Taxes

Page 8

Arena Hotel***	89	\$2,186,000	\$24,562	2026
Pacific Motor Inn****	72	\$3,125,000	\$43,403	2025
Total	953	\$30,795,000	\$383,626	

* *Current legislation gives the City authority to develop and operate these emergency housing sites through 2025; Department staff intends to work with the City’s Intergovernmental Relations team to advocate for legislation extending this authority*

** *The SureStay Hotel is anticipated to convert to permanent housing in 2023-2024*

****These sites have been placed on the waitlist for Project HomeKey Program grant awards*

*****The Pacific Motor Inn has not yet submitted a Project HomeKey Program grant application*

While the Housing Department currently leverages a number of federal, state, and local funding sources to operate these communities, the majority of these funding sources are set to expire in Fiscal Year 2024-2025. The use of Measure E dollars will be critical to supplement the gap in funding sources.

Interim Housing Sites: Funding Needed for New Sites

On September 29, 2021, the Rules and Open Government Committee approved a memorandum from the Mayor and Councilmembers Peralez, Jimenez, Foley and Mahan seeking to have 1,000 pandemic-era EIH units and 300 HomeKey motel units under construction or completed by December 2022. Actions approved by the City Council at the first public hearing regarding Measure E on February 15, 2022 included direction to staff to return with “an estimated source and use funding plan for the construction and operations of 1,000 quick-build units (EIHs), including a more comprehensive review of revenue sources, including such potential sources as HHAP Rounds 3 and 4, HomeKey, federal sources such as Emergency Shelter Grant, the County, and Housing Authority voucher revenues.”

As requested, staff has developed a source and use model providing financial projections from the current year through Fiscal Year 2029-2030. The model lays out the available funding from a range of sources which are described in more detail in **Attachment B**. Staff developed three scenarios, each case building on the previous scenario, demonstrating the long-term financial impacts for each proposed case. In each of the three scenarios, the existing funding sources are not adequate to fully cover operating costs through 2029-2030, with additional funding being needed from the City’s General Fund and the American Rescue Plan Fund. These scenarios are included as **Attachment C**. Key assumptions were made to build the model and are summarized below.

- In all cases, the only ongoing revenues sources beyond 2023-2024 are Senate Bill 2, Measure E, and the General Fund.
- All scenarios assume the use of Measure E revenues: \$12.2 million in 2021-2022 and \$6.2 million ongoing. A breakdown of this allocation is provided below in Table 9.
- While other federal or state sources might be provided in later years, the financial projections only include funding expected to be received in the next few years.

April 1, 2022

Subject: Proposed Changes to the Spending Priorities and Percentage Allocations of Measure E Property Transfer Taxes

Page 9

- These projections do not include any philanthropic donations, which have been used to build the current sites and will be critical in constructing additional sites.
- Each scenario results in different levels of funding allocations from the American Rescue Plan in 2022-2023, and the General Fund in 2022-2023 and beyond.

Scenario 1: Current Sites - This scenario includes the funding sources and costs for current sites that are either operational, under construction, or will be approved to receive funding in the future. This scenario does not include the waitlisted or pending HomeKey applications of Monterey/Branham EIH, Arena Hotel, and Pacific Motor Inn.

- American Rescue Plan Fund 2022-2023 Allocation: \$0
- General Fund Allocation: \$4.0 million in 2029-2030

Scenario 2: Current Sites + Pending Project HomeKey Application - This scenario also includes the waitlisted or pending HomeKey applications of Monterey/Branham EIH, Arena Hotel, and Pacific Motor Inn)

- American Rescue Plan Fund 2022-2023 Allocation: \$10.0 million
- General Fund Allocation: \$2.0 million in 2025-2026 that steadily increases to \$12.0 million in 2029-2030 (total potential multiyear allocation of \$37.0 million)

Scenario 3: Current Sites + Pending Project HomeKey Application + Four New EIH Sites - This scenario also includes four additional EIH sites developed between 2022-2023 and 2023-2024 to achieve the 1,000-unit goal. For forecasting purposes, the cost to develop, design and construct a new EIH site is estimated at \$15.0 million; the cost to maintain a new EIH site is estimated at \$3.5 million, escalated at 3.0% annually.

- American Rescue Plan Fund 2022-2023 Allocation: \$20.0 million to kick-start construction
- General Fund Allocation: \$20.0 million in 2022-2023 to kick-start construction; annual contributions begin in 2023-2024 at \$5.0 million, escalate to \$12.0 million in 2024-2025, and rise to \$32.0 million in 2029-2030 (total potential multiyear allocation of \$179.0 million)

It is important to stress that these scenarios are provided for illustrative purposes to show the relative magnitude of investment required to provide homeless sheltering options for our unhoused community. The actual costs and level of future General Fund contributions will be based on the availability of pending Project HomeKey applications; the number, type, and design of new EIH sites authorized for construction; and the availability of other funding sources and philanthropic efforts. One of these sources could include funding from the Housing Authority. The City has started discussions with the Housing Authority to explore using funds to provide a shallow rent subsidy to a specific site to provide for operating costs. Using funding from the Housing Authority will require additional research and potentially the addition of a new Move to Work activity. It is anticipated that the new activity will be included in the 2024 Move to Work Plan.

City Council's approval of the Mayor's March Budget Message for Fiscal Year 2022-2023 directed the City Manager to: 1) allocate a sufficient amount of one-time funding – through a combination of federal, state, and General Fund sources – to enable the development, construction, and ongoing operations of emergency and interim housing at six sites, including quick-build communities and converted motels; and 2) identify a funding strategy to ensure that the combination of anticipated external and internal resources, including the General Fund, as necessary, are sufficient to operate any authorized EIHS and converted motels over the next five years. The 2022-2023 Proposed Operating Budget is anticipated to include American Rescue Plan Fund and General Fund allocations in 2022-2023 that combine to total approximately \$40 million to support this direction, and a Manager's Budget Addendum will be released later in the budget process to provide additional context and strategies to achieve a sustainable strategy to operate EIHS sites and converted motels into the future.

Study of Interim Housing Operating Costs

The Rules and Open Government Committee approval of the memorandum on September 29, 2021, also included direction to study the costs of interim housing operations and provide options to reduce operating costs. The Housing Department is working with the San Francisco Foundation to engage a consultant. The consultant study will identify proven best practices (local or national) for interim housing, specifically:

- Models of services and operations that reduce operations and service costs;
- Service and operational models that engage residents in the governance, and operations of their own community; and
- Service and support models that move participants to permanent housing.

The San Francisco Foundation has identified a consultant and is in the process of finalizing a contract. It is anticipated that the consultant's findings will be released this fall.

II. Additional Research

This section of the memorandum provides additional research gathered in response to questions asked by the City Council at the first public hearing held on February 15, 2022. Information includes an evaluation of capacity within the Homelessness Prevention System, information regarding the County safety net programs, and an update regarding efforts from the Intergovernmental Relations team.

Homelessness Prevention System Capacity

The homeless prevention system was established in 2017 with the goal of addressing the needs of individuals and families who are at risk of homelessness. Addressing the needs of these at-risk households results in keeping residents housed, rather than facing the challenges of becoming homeless. The program has been successful and has grown from serving a few hundred households in early years to over 1,200 per year for the last three years. The goal of the program,

as stated in the Community Plan to End Homelessness is to serve 2,500 households countywide annually by 2025. Approximately 65% of all residents served by the homeless prevention system live in San José.

The pandemic created an acute need for rental assistance programs and challenged our local homeless prevention program to stretch to meet the needs of thousands of households across the City. To meet the needs of the most vulnerable, the local rental assistance program grew and was able to provide over \$29.5 million in rental assistance. Mid-stream, the state required that all rental assistance be centralized, causing the local program to unwind over the past several months. The state rental assistance program will be closing at the end of March 2022, creating a need for local assistance once again.

The Homelessness Prevention System does not have capacity to ramp back up in the remaining three months of this fiscal year. The existing homeless prevention contract for 2021-2022 is \$3.8 million funded through Measure E. An assessment was made of the capacity for additional funds for the remaining three months of the year and the capacity is for an additional \$1.7 million in funding. Discussions with the team have led to recommend that any remaining Measure E funds in the current fiscal year should be reallocated to the homeless prevention program in 2022-2023. The shifting of eviction protections combined with the closing of the state rental assistance program creates a greater need for Measure E funds in the coming fiscal year. Destination: Home will be seeking funding from the City, the County and private funds to meet the funding need of the Homeless Prevention Program. Table 4 below summarizes the funding need to meet the capacity and maximize the service level in the homeless prevention system for the current and upcoming fiscal year.

Table 4: Homeless Prevention Program Funding Needs

Homeless Prevention Program	Households Served	Funding Needed
2021-2022 Current Year Capacity	1,100	\$1,700,000
2022-2023 Funding Need	1,830	\$16,700,000
2023-2024 Estimated Need	2,160	\$19,200,000
2024-2025 Estimated Need	2,500	\$22,000,000

County Safety Net Services

The City Council requested information regarding the County’s role and responsibility to provide safety net services to the residents of the County. The County’s Behavioral Health Services Department (BHSD) has an annual budget of over \$600 million, funding 749 full time equivalent positions. The BHSD oversees a network of outpatient and inpatient care for Medi-Cal beneficiaries, primarily children with a serious emotional disturbance and adults with a serious mental illness. Table 5 below is a summary of the funding by program for the BHSD in Fiscal Year 2021-2022.

Table 5: The BHSD Program Funding

Program Name	2021-2022 Appropriation	FTE
Acute Psychiatric Hospital Care	\$97,349,223	6.0
Blended	88,973,744	126.0
Community Clinics Across the Lifespan	136,728,968	261.1
Community Crisis Services	6,382,374	30.0
Community Training	7,698,664	25.0
Intensive Wraparound Services	143,202,119	10.0
Peer and Family Support	4,296,633	25.0
School Based Services	7,800,453	19.0
Substance Use Detox and Residential Services	46,946,979	93.5
Substance Use Prevention	3,575,306	10.0
Suicide Prevention	1,626,697	9.0
Supportive Housing Services	29,072,243	57.0
Treatment Courts and Post Justice Services	36,074,511	77.5
Total	\$609,727,914	749.1

Source: County Fiscal Year 2021-2022 Adopted Budget

<https://home.sccgov.org/sites/g/files/exjcpb1196/files/document/FY-21-22-Adopted-Budget.pdf>

On February 28, 2022, the Santa Clara County Board of Supervisors held a special meeting to hold a Behavioral Health Workshop. In this meeting, staff provided an overview of the behavioral health services provided for the County. The full packet for the workshop can be found on the [County's website](#). The following is an excerpt of the staff report for the workshop.

The Behavioral Health Services Department (BHSD) is both the provider and the Mental Health Plan for behavioral health services in Santa Clara County. BHSD has a scope of responsibilities that includes providing a network of care for both children and adults, and this network includes both county-operated and contracted community-based providers, as well as inpatient psychiatric facilities.

The behavioral health continuum of care is a public mental health system in a county of approximately two million residents. Out of 31,449 unique clients served in Calendar Year (CY) 2021, a total of 29,380 received outpatient services provided by the county and contractors. Outpatient services make up the largest percentage (94%) of services provided in the continuum. Of the remaining 6% in CY 2021, 360 clients were seen in locked, long-term facilities (e.g., Skilled Nursing Facilities and Institutions for Mental Diseases) and 335 clients were served at Barbara Arons Pavilion. Although the data is unavailable for CY 2021 for short-term acute facilities, the FY 2021 data is available to reflect 1,374 clients in short-term acute facilities (i.e., both contracted acute and non-contracted acute facilities throughout the rest of the state) which is a decent analog for CY 2021.

April 1, 2022

Subject: Proposed Changes to the Spending Priorities and Percentage Allocations of Measure E Property Transfer Taxes

Page 13

The 6% of the total population served have intense needs, and in a county of approximately two million residents, the public mental health system will serve the most profoundly challenging clients with intellectual delays, histories of trauma, substance abuse, and assaultive behaviors. Locating a set of services, even with a system as robust as the current continuum of care, will be a constant challenge when serving this population. On top of these challenges, there are overarching behavioral health needs exacerbated by significant events in the community. For example, throughout the COVID-19 pandemic, there has been an increase in depression and anxiety, increased experiences with racism and violence, and other traumatic incidents that have impacted the community in a more concentrated manner. These impacts began with the Gilroy Garlic Festival shooting in 2019 and continued through George Floyd’s murder in 2020, the wildfires, COVID-19 surges, the January 6th, 2021 insurrection, the May 2021 Valley Transportation Authority shooting, the August 2021 Valley Transportation Authority suicide, the October 2021 Gilroy shooting, and the precipitous rise in opioid addiction and deaths due to overdoses. Throughout all of this, the continuum has operated with a reduced workforce due to deployment of Disaster Service Workers, loss of staff through the Great Resignation, and the ongoing professional workforce shortage of clinical positions.

The presentation for the workshop is included in this memorandum as **Attachment D** In reviewing this information, it is clear behavioral health is complex and the level of care necessary for individuals varies greatly with each situation.

As requested by the City Council, the presentation includes a chart showing the number of beds available across the County to support individuals in need of acute, sub-acute, or residential treatment. The chart below is a summary of the beds available.

Table 6. Bed Capacity

Bed Type	Current Capacity
Institutes for Mental Diseases	183
Residential Care Facility – Supplemental Patch Services	236
Adult Residential Treatment	55
Crisis Residential	83
Withdrawal Management	28
Master Lease Housing – Shared Housing	22
Total	607

As the report indicates, the number of available beds is not adequate to meet the needs of the community and the County has developed a strategy to address the unmet need.

Intergovernmental Relations Coordinated Efforts

On an annual basis the City Council adopts legislative advocacy priorities. In the current legislative year, identifying homeless funding opportunities is one of the City's four top advocacy priorities. The Intergovernmental Relations team has actively sought opportunities to advocate for interim housing's funding needs—both capital and operational. The team continues to highlight the need for ongoing, flexible emergency housing operating funds during the state budget process. Additionally, the team is examining federal earmark opportunities for one-time funding to sustain operations at the Mabury Emergency Interim Housing site, Evans Lane Emergency Interim Housing site and the SureStay Hotel, though if successful, these additions would only be one-time supports. Moving forward, the team will collaborate with regional partners to continue pursuing funding at the County, state, and federal level to support operations at interim housing sites and other emergency housing options.

The City's Intergovernmental Relations team is also working closely with the County's team to align efforts to secure additional funding for housing, homeless and behavioral health services. For example, they are working to understand and support the Governor's proposal to set aside \$14 billion to create the Care Court which will be a new approach to provide support to residents with mental health and substance abuse disorders. This new framework will create accountability through the court system while continuing to maintain individual's rights. This legislation will be closely tracked to understand the potential to bring critical resources to San José.

III. Proposed Policy Changes

Definitions of Measure E Allocation Categories

The spending priority descriptions are being revised to provide clarity regarding the use of funds for each category. The language broadens the definitions providing transparency on the types of activities that may be used to meet the goals of each category.

Table 7: Revised Measure E Categories and Potential Uses

Proposed Spending Priority Category Descriptions		
Existing Spending Priority Language	Proposed Spending Priority Language	Proposed Uses of Funds
Permanent Supportive and Affordable Rental Housing for Extremely Low-Income Households	Creation of New Affordable Housing for Extremely Low-Income Households	Predevelopment, acquisition, construction, operating costs and reserves, and permanent financing for new construction, acquisition/rehabilitation or preservation developments serving extremely low-income households for newly restricted for-sale and rental housing for a minimum of 20 years and limited funding for neighborhood serving commercial space for households up to 30% of the Area Median Income. For-sale activities can include but are not limited to forgivable loans, down payment assistance, first-time homeownership opportunities, sites under land trusts and shared-equity programs. Case management activity may be funded when it is used to support the creation of extremely low-income units.
Affordable Rental Housing for Low-Income Households	Creation of New Affordable Housing for Low-Income Households	Predevelopment, acquisition, construction, operating costs and reserves, and permanent financing for new construction, acquisition/rehabilitation or preservation developments serving low-income households for newly restricted for-sale and rental housing for a minimum of 20 years and limited funding for neighborhood serving commercial space for households up to 80% of the Area Median Income. For-sale activities can include but are not limited to forgivable loans, down payment assistance, first-time homeownership opportunities, sites under land trusts and shared-equity programs. Case management activity may be funded when it is used to support the creation of low-income units.
For-Sale and Moderate-Income Rental Housing Households	Creation of New Affordable Housing for Moderate-Income Households	Predevelopment, acquisition, construction, operating costs and reserves, and permanent financing for new construction, acquisition/rehabilitation or preservation developments serving moderate-income

		households for newly restricted for-sale and rental housing for a minimum of 20 years and limited funding for neighborhood serving commercial space for households up to 120% of the Area Median Income. Financing may also include funding rent-restricted Accessory Dwelling Units. For-sale activities can include but are not limited to forgivable loans, down payment assistance, first-time homeownership opportunities, sites under land trusts and shared-equity programs.
Homelessness Prevention and Rental Assistance	Homelessness Prevention and Rental Assistance	Programs and services targeting people who are homeless or at-risk of becoming homeless including homeless prevention, gender-based violence programs, legal services, and rental assistance. Case management services may be funded if directly supporting these activities.
N/A	<i>New Category:</i> Homeless Support Programs Including Shelter Construction and Operations	Programs and services targeting people who are homeless or at-risk of becoming homeless including but not limited to case management, outreach teams, encampment services, safe parking, employment and training programs, homeless shelters and interim housing construction and operations.

- **Creation of new affordable housing for extremely low-income households, low-income and moderate-income households** – All three funding categories have been aligned to clarify that both for-sale and rental housing are eligible activities. Activities include acquisition/ rehabilitation of existing apartment buildings and preservation of naturally occurring affordable housing throughout the City as long as it results in a new income restricted housing for a minimum of 20 years. The proposed use of funds also clarifies that funds may be used for predevelopment and acquisition funding for the creation for the targeted incomes. For-sale activities included forgivable loans, down payment assistance, first-time homeownership opportunities, sites under land trusts and shared-equity programs. The moderate-income category may be used to rent-restrict Accessory Dwelling Units. Case management activity may be funded with these categories if the services are supporting these new affordable units. In limited cases, these funds may be used for neighborhood serving commercial space within an affordable housing development serving extremely low-income households.
- **Homelessness prevention and rental assistance** – This category will preserve the original intent of the measure to set aside 10% of Measure E revenue for homeless prevention, rental assistance, and legal services providing housing security for residents housed, potentially facing homelessness and individuals and families fleeing violence. In

addition to the housing provided, case management services to support the housing is eligible under this category when it is tied to an eligible housing activity in this category.

- **Homeless support programs including shelter construction and operations** – This is a new category introduced to allow the use of funds for a broad range of homeless programs. This includes outreach teams, encampment services, mobile services, safe parking, employment and training programs, case management, homeless shelters and interim housing construction and operations. Creating this new category will allow funding of ongoing programs and shelters created in the past three years.

Proposed Solution to Support Interim Housing

After carefully weighing the needs and resources available, staff is recommending a change to the percentage allocation between each category and revising the definition of Homeless Prevention and Rental Assistance to allow for funding the operations of interim housing in addition to the current uses. Table 8 below shows the proposed change in the percentage allocation and the resulting amounts of funding in each category. This table includes the action in the 2021-2022 Mid-Year Budget Review to increase the 2021-2022 revenue estimate by \$50 million (from \$40 million to \$90 million) and the preliminary forecast of \$65 million for 2022-2023.

Table 8: Revised Allocations for Measure E Funds – Assuming \$90 Million

Spending Priority	Current Allocation		Proposed Allocations			
	FY 2021-2022		FY 2021-2022		FY 2022-2023	
	%	Amount (\$40M)	%	Amount (\$88M)*	%	Amount (\$65M)
Creation of new affordable housing for Extremely Low-Income households (40%)	45%	\$17,100,000	40%	\$35,200,000	40%	\$24,700,000
Creation of new affordable housing for Low-Income households (30%)	35%	\$13,300,000	30%	\$26,400,000	30%	\$18,525,000
Creation of new affordable housing for Moderate-Income households (5%)	10%	\$3,800,000	5%	\$4,400,000	5%	\$3,087,500
Homelessness prevention and rental assistance (10%)	10%	\$3,800,000	10%	\$8,800,000	10%	\$6,175,000

Homeless support programs including shelter construction and operations (15%)	0%	\$0	15%	\$13,200,000	15%	\$9,262,500
Total	100%	\$38,000,000	100%	\$88,000,000	100%	\$61,750,000

*The allocation for Program Administration for 2021-2022 is recommended to remain at \$2 million, consistent with the Adopted Budget, as additional resources will not be needed for the remainder of the current fiscal year.

Impact of Proposed Changes

- **Permanent Supportive Housing and Affordable Housing for Extremely Low-Income Allocation** – This category will be reduced from 45% to 40%. The City Council holds a policy stating 45% of all funding be dedicated to extremely low-income households in the new construction program. With this proposal, moving 5% of funding to the Homelessness Prevention and Rental Assistance category will continue providing funding support to the most vulnerable populations in our community. The combined allocation of Extremely Low-Income, Homelessness Prevention and Rental Assistance, and Homeless Support Programs is 65% of all Measure E funding.
- **Affordable Rental Housing for Low-Income Allocation** – This category will be reduced by 5% from 35% to 30%. This change will result in a combined total of \$61.6 million in the current year will be available for funding new construction of affordable low and extremely low-income housing. This level of funding will create stability to produce future permanent housing.
- **For Sale and Affordable Housing for Moderate Income Allocation** – The moderate-income allocation will be reduced by 5% providing \$4.4 million for funding moderate income programs. This is the same level that has been allocated in the past two years for the moderate-income category.
- **Homelessness Prevention and Rental Assistance** – This category will be preserved at the 10% level ensuring adequate funding for the homelessness prevention and rental assistance programs. Historically, the City has supported 50% of the funding needed for the Homeless Prevention System. For example, the projected need from the City of San José for the Homeless Prevention System for FY 2022-2023 is \$8,350,000, assuming the City committed 50% of the costs. However, with the 10% spending cap for homelessness prevention and rental assistance activities, only \$6,175,000 is projected to be available to support this activity in FY 2022-2023. As a result, the City would be unable to meet the overall funding gap for the system. The capacity of the system is expected to grow even more in FY 2023-2024 resulting in a greater unmet gap.
- **Homeless Support Programs Including Shelter Construction and Operations** – This new category will be set at 15% of the allocation creating a new source of funding for the construction and operations of interim housing.

Table 9 below provides a draft allocation of the 15% Measure E allocation for homeless support programs. Of the existing available funding, per City Council action in its approval of the 2021-2022 Mid-Year Budget Review on February 8, 2022, a portion of the funds will be used to provide supportive services for those unhoused individuals currently residing within the Guadalupe River Park Area that accept housing assistance. While the County will provide the rental assistance, support services for the program would need to come from the City. Staff is currently in conversation with the County to determine the details of this agreement, with \$1.0 million potentially needed in 2021-2022 and \$3.0 million needed ongoing, depending upon the number of people within the Guadalupe River Park Area accepting assistance and remaining in the program. The remaining \$12.2 million in 2021-2022 and \$6.3 million ongoing would be available to support construction and operations of EIHCs and converted motels.

Table 9. Measure E Capacity for Funding Interim Housing

Description	2021-2022	Ongoing
Estimated 15% Allocation of Measure E Revenue	\$13,200,000	\$9,262,500
Support to Santa Clara County for Guadalupe River Park Area Unhoused Residents	(\$1,000,000)	(\$3,000,000)
Remaining Available Funding	\$12,200,000	\$6,262,500

CONCLUSION

Production of affordable housing continues to be a priority for the San José and the region. As other local sources, such as Measure A, are beginning to be exhausted, the Housing Department has determined that it is necessary to maintain an alternative stable local funding source. At the same time, an ongoing need for operating support to interim housing solutions and rental assistance has emerged and needs to be addressed. Adjusting the spending categories to include a new category specifically for homeless programs including construction and operating costs associated with interim housing will create a new source of funding for this growing need. This hybrid solution of funding recommits the City to our goals of providing permanent housing and providing much needed funding for the operation of interim housing.

As the real estate market in the San Francisco Bay Area has historically proven to be a strong market, Measure E will continue to prove an investment in affordable housing for years to come. This vital funding source can also function as a resource for addressing critical housing related needs in our community. The City would greatly benefit from the flexibility within Measure E to address the housing crisis.

EVALUATION AND FOLLOW-UP

In order to maintain compliance with City Council Policy 1-18, the dates outlined in Table 10 below must be followed:

Table 10: Timeline for Amendments to Measure E Spending Priorities and Spending Plan

Activity	Date
Minimum 60-day notice to public of the proposed amendments	February 4, 2022 to April 5, 2022
First public hearing to consider changes to the Measure E spending priorities	February 15, 2022
Second public hearing and City Council action to approve the recommended policy changes	April 12, 2022
Proposed Adjusted Measure E Spending Plan to Measure E Oversight Committee (Housing and Community Development Commission)	April 14, 2022
Adjusted Measure E Spending Plan to City Council	April 26, 2022
New percentage allocations included in the release of the 2022-2023 Proposed Operating Budget	May 2, 2022

CLIMATE SMART SAN JOSE

The recommendation in this memorandum does not affect Climate Smart San José energy, water, or mobility goals.

POLICY ALTERNATIVE

Alternative #1: Combine the Homeless Prevention and Homeless Support Services Categories into One Category for 25% of the Allocation

Pros: Combining the two categories into one larger category will provide maximum flexibility for the City to fund the most urgent needs facing our homeless residents.

Cons: Combining the categories may erode the original intent of the City Council to prioritize homeless prevention programs.

Reason for not recommending: Ensuring adequate funding for homeless prevention programs continues to be a priority.

HONORABLE MAYOR AND CITY COUNCIL

April 1, 2022

Subject: Proposed Changes to the Spending Priorities and Percentage Allocations of Measure E Property Transfer Taxes

Page 21

PUBLIC OUTREACH

Consistent with City Council Policy 1-18, a 60-day public noticing period was held from February 4, 2022 to April 5, 2022 for these proposed policy changes. An initial public hearing was held on February 15, 2022 to consider changes to the category names and allocation amounts of Measure E funds. Public comments were made expressing concern related to maintaining an allocation of Measure E funding for homelessness prevention and rental assistance; concern regarding the use of Measure E funds for commercial space within affordable housing developments; and general support for staff recommended changes to the updated description and amounts of Measure E allocations.

COORDINATION

This memorandum was coordinated with the City Manager's Office of Administration, Policy and Intergovernmental Relation and the City Attorney's Office.

COMMISSION RECOMMENDATION/INPUT

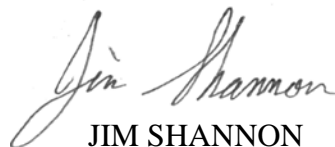
In June 2020, the City Council adopted Resolution 79608 designating the Housing and Community Development Commission to serve as the Community Oversight Committee for the general fund revenues generated by Measure E. The Community Oversight Committee's role is limited to the review of the Measure E Transfer Tax spending plan and providing recommendations to City Council prior to their approval. The Community Oversight Committee is not required to review changes to the reallocation of spending priorities. Therefore, the Community Oversight Committee did not review this proposed change. The updated Measure E spending plan for 2021-2022 and the proposed plan for 2022-2023 will be brought to the Community Oversight Committee following the City Council's action regarding the changes in the allocation policy.

CEQA

Not a Project, File No. PP17 008, General Procedure and Policy Making resulting in no changes to the physical environment.

/s/

JACKY MORALES-FERRAND
Director of Housing



JIM SHANNON
Budget Director

HONORABLE MAYOR AND CITY COUNCIL

April 1, 2022

Subject: Proposed Changes to the Spending Priorities and Percentage Allocations of Measure E Property Transfer Taxes

Page 22

For questions, please contact Rachel VanderVeen, Deputy Director, at (408) 535-8231.

ATTACHMENTS:

Attachment A: Proposed Changes to City Council Policy 1-18 Section 22

Attachment B: Sources of Funds for Homeless Services and Ongoing Housing Funding Sources

Attachment C: Emergency Interim Housing Communities and Hotels Source and Use
Statements

Attachment D: Behavioral Health Workshop Presentation

Attachment A: Proposed Changes to City Council Policy 1-18 Section 22

Excerpt from City Council Policy 1-18 – Section 22

22. Real Property Transfer Tax Revenues

On March 3, 2020, the voters of San José passed Measure E to enact a new real property transfer tax (“Transfer Tax”) on the transfer of certain real property in the City. The provisions of this section shall apply to the budgeting of Transfer Tax revenues. The Transfer Tax is a general tax and the revenues derived from the tax are unrestricted, which means the City can use the Transfer Tax revenues for any governmental purpose. While these revenues are deposited in the General Fund and can be used for any governmental purpose, the City Council intends for the revenues to be allocated towards addressing the homelessness crisis and the City’s most urgent issues including, but not limited to, homeless prevention and developing new affordable housing. The approach for estimating and budgeting Transfer Tax revenues is described below.

- a. Estimating Revenue from the Transfer Tax – Due to the volatile nature of a real property transfer tax such as the Transfer Tax, the City will conservatively estimate revenue from the Transfer Tax as part of the Proposed Budget process. During the course of the fiscal year, revisions to the Transfer Tax revenue estimate may be recommended to the City Council to align with the pace of actual collections.
- b. Spending Allocations of Transfer Tax – The spending priorities for the Transfer Tax are listed below.
 1. Up to 5% of the revenues may be allocated for the administration of funding related to increased workload resulting from more robust homeless prevention efforts and the creation of more affordable housing, including, but not limited to, financial, legal, or administrative and policy programmatic support.
 2. The remaining revenue is allocated as follows:
 - i. 10% for homelessness prevention, gender-based violence programs, legal services, and rental assistance;
 - ii. ~~45% for permanent supportive and affordable housing~~ for 40% for creation of new affordable housing for Extremely Low-Income (ELI) households earning less than 30% of area median income (AMI) as defined by the U.S. Department of Housing and Urban Development;
 - iii. ~~35% for affordable rental housing for 30%–80% AMI households~~ 30% for creation of new affordable housing for Low-Income households earning less than 80% of area median income (AMI) as defined by the U.S. Department of Housing and Urban Development;

- iv. ~~10%~~ 5% for new affordable housing below market rate for sale housing ~~and~~ for moderate-income households rental housing up to and including 120% AMI, including but not limited to, rent-restricted Accessory Dwelling Units (ADU) forgivable loans, down payment assistance, land trusts, shared equity programs, and first-time homeownership opportunities for households up to 120% AMI; and
 - v. 15% for homeless support programs, shelter construction and operations, that may include, but is not limited to case management, outreach teams, encampment services, safe parking, employment and training programs, homeless shelters and interim housing construction and operations.
- c. Modifications to Spending Allocation – Any revisions to the revenue estimate, as well as a reconciliation of year-end actuals to budgeted estimates, will be proportionally applied to the spending categories described above. Modifying the percentage allocations during the Proposed Budget process or during the year requires:
- 1. A 60-day notice in advance of the effective date of the proposed allocation change posted on the City’s website and at least two public hearings prior to City Council action on the proposed allocation change, with a notice of each public hearing posted on the City’s website at least 10 days in advance of the public hearing; and
 - 2. A two-thirds vote of the City Council.

Attachment B: Sources of Funds for Homeless Services and Ongoing Housing Funding Sources

Sources of Funds for Homeless Services

Source of Funds	Total Award	Amount for Interim Housing	One-Time/Ongoing	Allowable Uses
Emergency Solutions Grant CV2 (ESG CV2) (Federal)	\$32,836,839	\$16,586,055	One-Time	Emergency shelter, homeless outreach, homeless prevention, rapid rehousing. Approximately \$11.97 million is remaining for 2021-2022, as shown in Attachment C.
SB 89 (State)	\$3,270,000	\$3,270,000	One-Time	COVID-19 prevention and containment efforts for shelters, including testing, handwashing stations, shelter enhancements to allow social distancing and isolation; emergency shelter operation; shelter capacity; isolation or quarantine at hotels, motels
Community Development Block Grant CV1 (Federal)	\$5,263,414	\$778,000	One-Time	Acquisition and rehabilitation of affordable housing units; public facilities buildings and improvements; assistance to businesses, public services; short-term financial assistance for rent, mortgage, and utilities; acquisition or operating costs of hotels and motels to address needs for social distancing and isolation
Community Development Block Grant CV3 (Federal)	\$7,578,510	\$400,000	One-Time	Acquisition and rehabilitation of affordable housing units; public facilities buildings and improvements; assistance to businesses, public services; short-term financial assistance for rent, mortgage, and utilities; acquisition or operating costs of hotels and motels to address needs for social distancing and isolation
HHAP 2	\$11,266,278	\$3,900,000	One-Time	Homeless programs, rental assistance, services, outreach, interim sheltering, permanent

				housing, innovative housing solutions
HHAP 3	\$29,118,995	\$17,000,000	One-Time	Homeless programs, rental assistance, services, outreach, interim sheltering, permanent housing, innovative housing solutions
HHAP 4	\$29,118,995 (estimated)	\$17,000,000 (estimated)	One-Time	Homeless programs, rental assistance, services, outreach, interim sheltering, permanent housing, innovative housing solutions
SB 2	\$4,200,000 - \$6,000,000 (estimated annual)	\$4,200,000	Ongoing	Development, acquisition and rehab of permanent affordable housing, homeless programs including rapid rehousing, navigation centers, emergency shelter, homeownership programs, acquisition and rehab of foreclosed or vacant homes
American Rescue Plan 2021	\$212,300,000	\$4,000,000	One-Time	Activities supporting the health of communities, and helping households, small businesses, impacted industries, nonprofits, and the public sector recover from economic impacts of the pandemic
HOME American Rescue Plan (Federal)	\$11,600,000	\$11,600,000	One-Time	Development and support of affordable housing, tenant based rental assistance, provision of supportive services, acquisition and development of non-congregate shelter
Santa Clara County Office of Supportive Housing Grant	\$1,000,000	\$1,000,000	Annual for three years	Operating costs for the Branham Monterey interim housing site
Project HomeKey Operating Grant (State Housing and Community Development)	\$5,900,000 - \$3,900,000	\$5,900,000 - \$3,900,000	Annual for three years	Operating costs for the Arena Hotel, Branham Monterey and Pacific Motor Inn interim housing sites

Attachment C: Emergency Interim Housing Communities and Hotels Source and Use Statements

Scenario 1: Current Sites

Emergency Interim Housing Communities and Hotels - Current Sites

	STATEMENT OF SOURCE AND USE OF FUNDS									
	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	
Source										
Carryover Funding (Beginning Fund Balance)		23,573,276	40,936,669	48,855,669	40,925,669	32,018,669	24,073,669	15,523,669	6,349,669	
American Rescue Plan Fund, 2021-2022	4,000,000									
Emergency Solutions Grant CV2 (ESG CV2) (Federal)	11,970,000									
Community Development Block Grant CV1 (Federal)	778,171									
Community Development Block Grant CV3 (Federal)	400,000									
HOME American Rescue Plan (Federal)		8,575,251								
Homeless Housing Assistance and Prevention (HHAP) 2 (State)	3,977,639									
Homeless Housing Assistance and Prevention (HHAP) 3 (State)		17,000,000								
Homeless Housing Assistance and Prevention (HHAP) 3 (Pavilion) (State)		2,200,000								
Homeless Housing Assistance and Prevention (HHAP) 4 (State)			17,000,000							
SB2 (State)	4,248,646	6,609,142	6,600,000	6,000,000	6,000,000	6,000,000	6,000,000	6,000,000	6,000,000	
SB89 (State)	3,269,820									
Measure E - Portion of 15% Allocation	12,200,000	6,200,000	6,200,000	6,200,000	6,200,000	6,200,000	6,200,000	6,200,000	6,200,000	
Project HomeKey Operating Grant (State Housing and Community Development) Santa Clara County Office of Supportive Housing Grant										
General Fund										4,000,000
American Rescue Plan Fund, 2022-2023										
TOTAL SOURCE	40,844,276	64,157,669	70,736,669	61,055,669	53,125,669	44,218,669	36,273,669	27,723,669	22,549,669	
Use										
Operations										
Bridge Housing Communities										
Mabury BHC	1,924,000	1,924,000	1,982,000	1,982,000	2,081,000	2,081,000	2,143,000	2,208,000	2,274,000	
Felipe BHC	1,924,000	1,924,000	1,982,000	1,982,000	2,081,000	2,081,000	2,143,000	2,208,000	2,274,000	
Emergency Interim Housing Communities										
Monterey Bernal	3,621,000	3,621,000	3,730,000	3,730,000	3,916,000	3,916,000	4,034,000	4,155,000	4,279,000	
Rue Ferrari	3,621,000	3,621,000	3,730,000	3,730,000	3,916,000	3,916,000	4,034,000	4,155,000	4,279,000	
Evans Lane	2,881,000	2,881,000	2,967,000	2,967,000	3,116,000	3,209,000	3,306,000	3,405,000	3,507,000	
Guadalupe (E Lot)	-	3,200,000	3,360,000	3,528,000	3,704,000	3,816,000	3,930,000	4,048,000	4,169,000	
Monterey/Branham										
Additional EI# 1										
Additional EI# 2										
Additional EI# 3										
Additional EI# 4										
Hotels										
Pavillion		2,200,000								
Plaza Hotel	1,000,000	1,050,000	1,100,000	1,150,000	1,200,000					
SureStay Hotel	1,800,000	1,800,000								
Arena Hotel										
Pacific Motor Inn										
Maint & Repairs	500,000	1,000,000	1,030,000	1,061,000	1,093,000	1,126,000	1,160,000	1,195,000	1,231,000	
Sub-Total Operations	17,271,000	23,221,000	19,881,000	20,130,000	21,107,000	20,145,000	20,750,000	21,374,000	22,013,000	
Construction										
Mabury Relocation			2,000,000							
Additional EI# 1										
Additional EI# 2										
Additional EI# 3										
Additional EI# 4										
Sub-Total Construction	-	-	2,000,000	-	-	-	-	-	-	-
Unrestricted Ending Fund Balance	23,573,276	40,936,669	48,855,669	40,925,669	32,018,669	24,073,669	15,523,669	6,349,669	536,669	
TOTAL USE	40,844,276	64,157,669	70,736,669	61,055,669	53,125,669	44,218,669	36,273,669	27,723,669	22,549,669	

Scenario 2: Current Sites + Pending HomeKey Application

Emergency Interim Housing Communities and Hotels - Current Sites + Pending Project HomeKey Application

	STATEMENT OF SOURCE AND USE OF FUNDS								
Source	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030
Carryover Funding (Beginning Fund Balance)		23,573,276	52,808,069	55,873,469	41,374,469	26,376,469	17,465,469	10,770,469	5,267,469
American Rescue Plan Fund, 2021-2022	4,000,000								
Emergency Solutions Grant CV2 (ESG CV2)									
(Federal)	11,970,000								
Community Development Block Grant CV1 (Federal)	778,171								
Community Development Block Grant CV3 (Federal)	400,000								
HOME American Rescue Plan (Federal)		8,575,251							
Homeless Housing Assistance and Prevention (HHAP) 2 (State)	3,977,639								
Homeless Housing Assistance and Prevention (HHAP) 3 (State)		17,000,000							
Homeless Housing Assistance and Prevention (HHAP) 3 (Pavillion) (State)		2,200,000							
Homeless Housing Assistance and Prevention (HHAP) 4 (State)			17,000,000						
SBZ (State)	4,248,646	6,609,142	6,600,000	6,000,000	6,000,000	6,000,000	6,000,000	6,000,000	6,000,000
SB89 (State)	3,269,820								
Measure E - Portion of 15% Allocation	12,200,000	6,200,000	6,200,000	6,200,000	6,200,000	6,200,000	6,200,000	6,200,000	6,200,000
Project HomeKey Operating Grant (State Housing and Community Development)		5,932,400	5,042,400	3,990,000					
Santa Clara County Office of Supportive Housing Grant		1,000,000	1,000,000	1,000,000					
General Fund					2,000,000	5,000,000	8,000,000	10,000,000	12,000,000
American Rescue Plan Fund, 2022-2023		10,000,000							
TOTAL SOURCE	40,844,276	81,090,069	88,650,469	73,063,469	55,574,469	43,576,469	37,665,469	32,970,469	29,467,469
Use									
Operations									
Bridge Housing Communities									
Mabury BHC	1,924,000	1,924,000	1,982,000	1,982,000	2,081,000	2,081,000	2,143,000	2,208,000	2,274,000
Felipe BHC	1,924,000	1,924,000	1,982,000	1,982,000	2,081,000	2,081,000	2,143,000	2,208,000	2,274,000
Emergency Interim Housing Communities									
Monterey Bernal	3,621,000	3,621,000	3,730,000	3,730,000	3,916,000	3,916,000	4,034,000	4,155,000	4,279,000
Rue Ferrari	3,621,000	3,621,000	3,730,000	3,730,000	3,916,000	3,916,000	4,034,000	4,155,000	4,279,000
Evans Lane	2,881,000	2,881,000	2,967,000	2,967,000	3,116,000	3,209,000	3,306,000	3,405,000	3,507,000
Guadalupe (E Lot)	-	3,200,000	3,360,000	3,528,000	3,704,000	3,816,000	3,930,000	4,048,000	4,169,000
Monterey/Branham			5,463,000	5,515,000	5,712,000	5,999,000	6,179,000	6,364,000	6,555,000
Additional EIH 1									
Additional EIH 2									
Additional EIH 3									
Additional EIH 4									
Hotels									
Pavillion		2,200,000							
Plaza Hotel	1,000,000	1,050,000	1,100,000	1,150,000	1,200,000				
SureStay Hotel	1,800,000	1,800,000							
Arena Hotel		2,186,000	2,240,000	2,296,000	2,411,000				
Pacific Motor Inn		3,125,000	3,223,000	3,779,000					
Maint & Repairs	500,000	750,000	1,000,000	1,030,000	1,061,000	1,093,000	1,126,000	1,160,000	1,195,000
Sub-Total Operations	17,271,000	28,282,000	30,777,000	31,689,000	29,198,000	26,111,000	26,895,000	27,703,000	28,532,000
Construction									
Mabury Relocation			2,000,000						
Additional EIH 1									
Additional EIH 2									
Additional EIH 3									
Additional EIH 4									
Sub-Total Construction	-	-	2,000,000	-	-	-	-	-	-
Unrestricted Ending Fund Balance	23,573,276	52,808,069	55,873,469	41,374,469	26,376,469	17,465,469	10,770,469	5,267,469	935,469
TOTAL USE	40,844,276	81,090,069	88,650,469	73,063,469	55,574,469	43,576,469	37,665,469	32,970,469	29,467,469

Scenario 3: Current Sites + Pending HomeKey Application + New EIH Sites

Emergency Interim Housing Communities and Hotels - Current Sites + Pending Project HomeKey Application + New EIH Sites

	STATEMENT OF SOURCE AND USE OF FUNDS								
	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030
Source									
Carryover Funding (Beginning Fund Balance)		23,573,276	52,808,069	27,123,469	13,866,469	2,182,469	1,145,469	1,872,469	1,323,469
American Rescue Plan Fund, 2021-2022	4,000,000								
Emergency Solutions Grant CV2 (ESG CV2)									
(Federal)	11,970,000								
Community Development Block Grant CV1									
(Federal)	778,171								
Community Development Block Grant CV3									
(Federal)	400,000								
HOME American Rescue Plan (Federal)		8,575,251							
Homeless Housing Assistance and Prevention (HHAP) 2 (State)	3,977,639								
Homeless Housing Assistance and Prevention (HHAP) 3 (State)		17,000,000							
Homeless Housing Assistance and Prevention (HHAP) 3 (Pavilion) (State)		2,200,000							
Homeless Housing Assistance and Prevention (HHAP) 4 (State)			17,000,000						
SB2 (State)	4,248,646	6,609,142	6,600,000	6,000,000	6,000,000	6,000,000	6,000,000	6,000,000	6,000,000
SB89 (State)	3,269,820								
Measure E - Portion of 15% Allocation	12,200,000	6,200,000	6,200,000	6,200,000	6,200,000	6,200,000	6,200,000	6,200,000	6,200,000
Project HomeKey Operating Grant (State Housing and Community Development)		5,932,400	5,042,400	3,990,000					
Santa Clara County Office of Supportive Housing Grant		1,000,000	1,000,000	1,000,000					
General Fund	20,000,000	5,000,000	12,000,000	20,000,000	20,000,000	28,000,000	31,000,000	31,000,000	32,000,000
American Rescue Plan Fund, 2022-2023		20,000,000							
TOTAL SOURCE	40,844,276	111,090,069	93,650,469	56,313,469	46,066,469	42,382,469	44,345,469	45,072,469	45,523,469
Use									
Operations									
Bridge Housing Communities									
Mabury BHC	1,924,000	1,924,000	1,982,000	1,982,000	2,081,000	2,081,000	2,143,000	2,208,000	2,274,000
Felipe BHC	1,924,000	1,924,000	1,982,000	1,982,000	2,081,000	2,081,000	2,143,000	2,208,000	2,274,000
Emergency Interim Housing Communities									
Monterey Bernal	3,621,000	3,621,000	3,730,000	3,730,000	3,916,000	3,916,000	4,034,000	4,155,000	4,279,000
Rue Ferrari	3,621,000	3,621,000	3,730,000	3,730,000	3,916,000	3,916,000	4,034,000	4,155,000	4,279,000
Evans Lane	2,881,000	2,881,000	2,967,000	2,967,000	3,116,000	3,209,000	3,306,000	3,405,000	3,507,000
Guadalupe (E Lot)	-	3,200,000	3,360,000	3,528,000	3,704,000	3,816,000	3,930,000	4,048,000	4,169,000
Monterey/Branham			5,463,000	5,515,000	5,712,000	5,999,000	6,179,000	6,364,000	6,555,000
Additional EIH 1			1,750,000	3,500,000	3,605,000	3,713,000	3,824,000	3,939,000	4,057,000
Additional EIH 2			1,750,000	3,500,000	3,605,000	3,713,000	3,824,000	3,939,000	4,057,000
Additional EIH 3			1,750,000	3,500,000	3,605,000	3,713,000	3,824,000	3,939,000	4,057,000
Additional EIH 4			1,750,000	3,605,000	3,713,000	3,824,000	3,939,000	4,057,000	4,057,000
Hotels									
Pavillion		2,200,000							
Plaza Hotel	1,000,000	1,050,000	1,100,000	1,150,000	1,200,000				
SureStay Hotel	1,800,000	1,800,000							
Arena Hotel		2,186,000	2,240,000	2,296,000	2,411,000				
Pacific Motor Inn		3,125,000	3,223,000	3,779,000					
Maint & Repairs	500,000	750,000	1,250,000	1,288,000	1,327,000	1,367,000	1,408,000	1,450,000	1,494,000
Sub-Total Operations	17,271,000	28,282,000	34,527,000	42,447,000	43,884,000	41,237,000	42,473,000	43,749,000	45,059,000
Construction									
Mabury Relocation			2,000,000						
Additional EIH 1		15,000,000							
Additional EIH 2		15,000,000							
Additional EIH 3			15,000,000						
Additional EIH 4			15,000,000						
Sub-Total Construction	-	30,000,000	32,000,000	-	-	-	-	-	-
Unrestricted Ending Fund Balance	23,573,276	52,808,069	27,123,469	13,866,469	2,182,469	1,145,469	1,872,469	1,323,469	464,469
TOTAL USE	40,844,276	111,090,069	93,650,469	56,313,469	46,066,469	42,382,469	44,345,469	45,072,469	45,523,469



COUNTY OF SANTA CLARA
Behavioral Health Services

Behavioral Health Workshop
February 28, 2022
Board of Supervisors



Agenda

- I. Introduction & History of Public Mental Health
- II. Presentation from Aurrera Health Group
- III. Behavioral Health Services Department (BHSD) Budget, Principles & Objectives
- IV. BHSD Access Maps
- V. Adult/Older Adult System of Care
- VI. Children, Youth & Families System of Care
- VII. BHSD Strategies & Solutions
- VIII. Workforce Shortage Solutions (BHSD & BHCA)
- IX. Questions

Snapshot of California's County Behavioral Health System

Molly Brassil, MSW, Vice President
Don Kingdon, PhD, Strategic Partner

Santa Clara County Board of Supervisors Meeting
February 28, 2022

Aurrera
HealthGroup >>>

Mission driven. Forward thinking.

What Does County Behavioral Health Provide?

County Responsibilities Under Federal Medicaid

- Medi-Cal Specialty Mental Health Services
- Drug Medi-Cal (Addiction) Treatment

County Responsibilities Under Federal Block Grants

- SAMHSA Substance Abuse Block Grant
- SAMHSA Community Mental Health Services Block Grant

County Responsibilities Under State Law

- Mental Health Services Act (Prop 63)
- Involuntary Treatment Responsibilities, Community Residential, and State Hospital Treatment (LPS Act and Bronzan-McCorquodale Act)
- County Safety Net Services (to the extent resources are available)

Key Responsibilities for Medi-Cal Services

Federal

Centers for Medicare & Medicaid Services (CMS)

Sets standards for Medicaid programs, provides regulatory oversight, and approves requests for waivers and state plan amendments.

Provides federal financial participation (FFP) to match eligible state/local expenditures (Medicaid matching funds).

State

California Department of Health Care Services (DHCS)

Provides oversight and monitoring of Medi-Cal program.

Contracts with counties to administer SMHS and DMC programs.

Processes county claims for FFP and required non-federal share.

County

County Mental Health Plan (MHP)/County Drug Medi-Cal Program

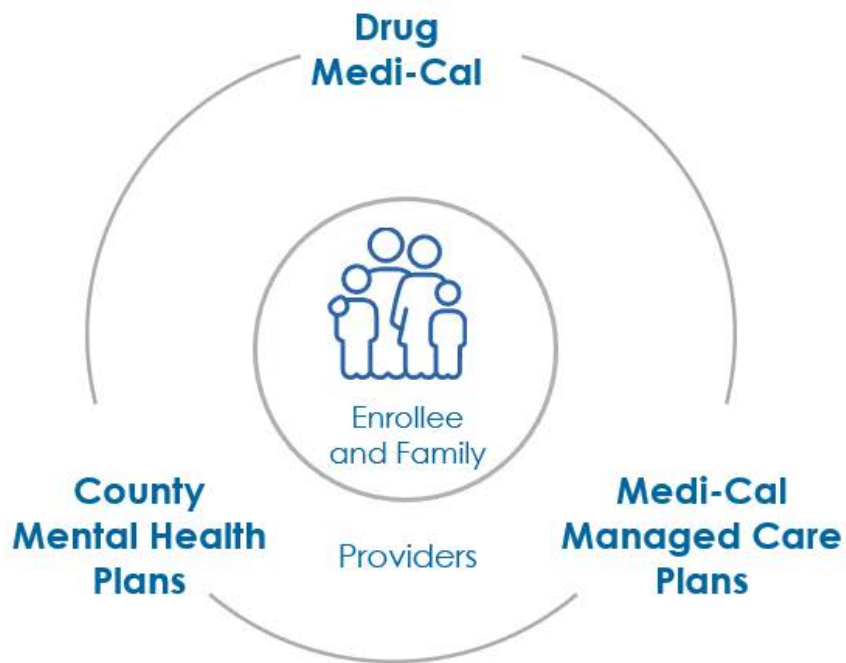
Contracts with state to administer SMHS and DMC through a managed care structure for eligible beneficiaries.

Contracts with providers to deliver services.

Covers required non-federal share of Medi-Cal costs with dedicated tax revenues and other eligible funds.

Medi-Cal Behavioral Health Services

The **primary systems** of care for Medi-Cal beneficiaries of all ages with behavioral health conditions today are:



- 1) **Medi-Cal Managed Care Plans / DHCS Fee-For-Service:** Responsible for covered non-specialty outpatient mental health services ([e.g.](#) psychotherapy, psychiatric consultation, medications; covered for beneficiaries with mild/moderate distress or impairment).
- 2) **County Mental Health Plans:** Responsible for specialty mental health services, including psychiatric inpatient hospital services, rehabilitative services, and targeted case management for beneficiaries meeting established access criteria.
- 3) **County Drug Medi-Cal Programs:** Responsible for a full continuum SUD prevention and treatment services.

Medi-Cal Managed Care Waiver Program

Section 1915(b) Medi-Cal Managed Care

Waiver: authorizes a managed care structure for the delivery of SMH and DMC services to Medi-Cal beneficiaries. Counties are considered “prepaid inpatient health plans” – or “PIHPs.”

Section 1115 Demonstration Waiver: provides the state authority to test new approaches, such as elements of the Drug Medi-Cal program (residential treatment) that are not otherwise eligible for federal financing.

Free Choice Restricted/Enrollee Rights and

Protections: free choice of providers is restricted - the state automatically enrolls beneficiaries into the single MHP/DMC plan in the county. The state and counties must comply with federal managed care regulations related to enrollee rights and protections.

County Unable/Unwilling to Contract: If the county is unwilling or unable to adequately provide covered services, DHCS shall ensure that services are provided and may sequester funds from the county that is unable or unwilling to contract.

Federal SAMHSA Grants

Substance Abuse Block Grant

Mandated by Congress, SAMHSA administers the SABG noncompetitive, formula grant through SAMHSA and DHCS acts as a pass-through agency to provide funding to counties provide SUD prevention, treatment, recovery support, and other services to supplement Medi-Cal.

Community Mental Health Services Block Grant

SAMHSA provides grant funds to establish or expand an organized community-based system of care for providing non-Medicaid mental health services to children and adults. States are required to apply for funds and DHCS distributes MHBG funding to participating counties and encourages counties to implement innovative programs and services that may not be funded by typical mainstream mental health programs.

County Responsibilities under State Law

Mental Health Services Act

Prop 63 passed in 2004, creating a 1% surtax on personal income over \$1 million to provide additional revenue for community-based mental health services.

- Revenues are distributed to counties monthly.
- Given the source, funding can be unpredictable and fluctuate significantly from year to year.
- State law provides a structure for how counties shall spend funds; local boards are responsible for approving county-specific program and expenditure plans.

Involuntary Treatment Responsibilities, Community Residential, and State Hospital Treatment

- LPS Act. Involuntary detention, evaluation, and treatment.
- Bronzan-McCorquodale Act. Community mental health services, including community residential treatment provided in IMDs and state hospital services for civil commitments.

State-County Realignment



1991 Mental Health Realignment

Transferred responsibility for community mental health services from state to counties:

- Safety net, community-based services (to the extent resources are available)
- State hospital services for civil commitments
- Services provided in Institutions for Mental Disease

Dedicated a portion of the revenue from state sales tax and vehicle license fees for county behavioral health.



2011 Public Safety Realignment

Transferred responsibility for additional behavioral health responsibilities, including Medi-Cal, from state to counties:

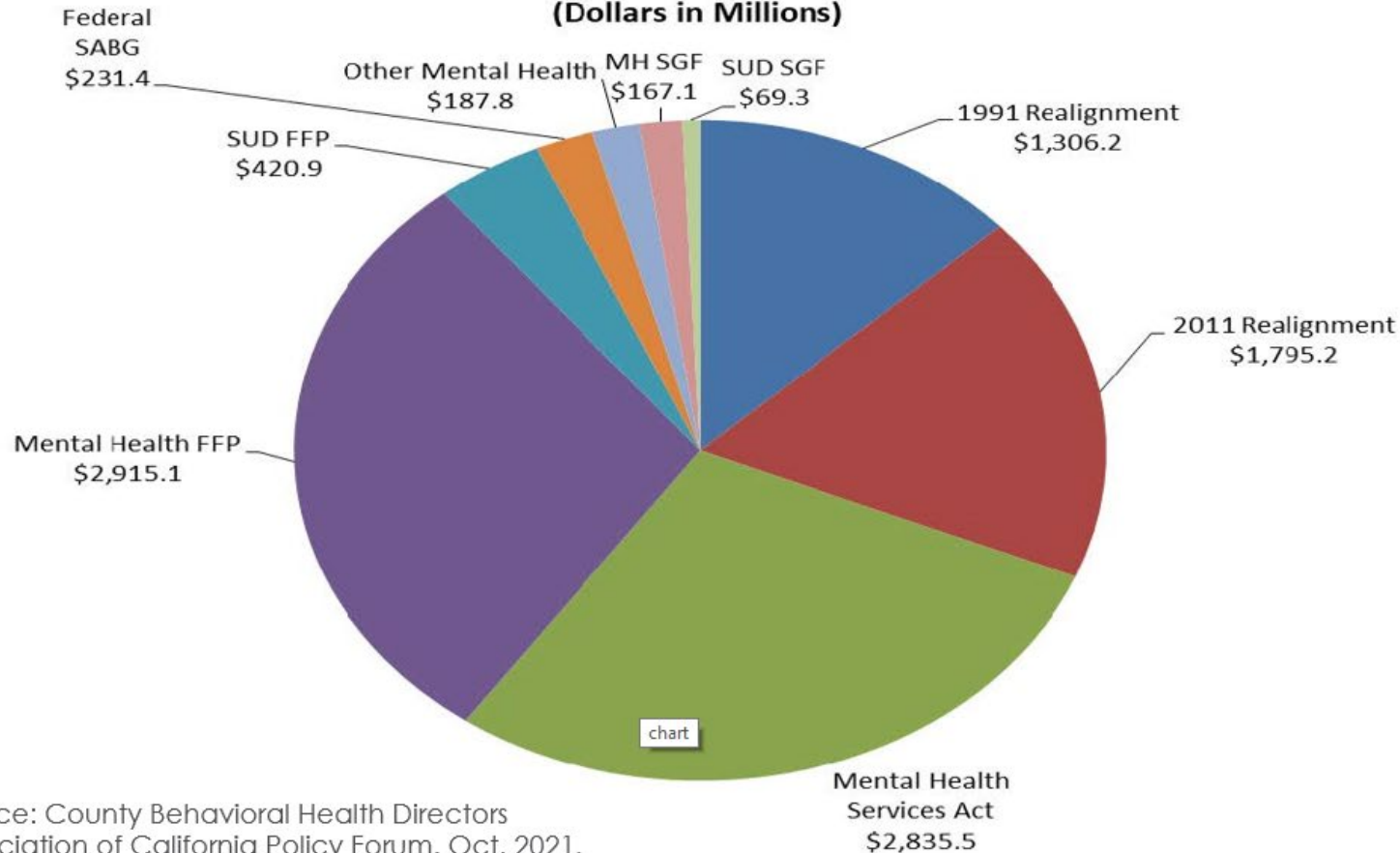
- Medi-Cal specialty mental health services
- Drug Medi-Cal
- Drug court operations and services
- Additional SUD programs

Dedicated funds from state sales tax for county behavioral health.

County Behavioral Health Financing Landscape

FY22-23 Estimated Behavioral Health Funding

\$9.9 Billion
(Dollars in Millions)



Source: County Behavioral Health Directors
Association of California Policy Forum, Oct. 2021.

Looking Ahead

- **California Advancing and Innovating Medi-Cal (CalAIM)** is a multi-year initiative led by DHCS to implement broad delivery system, program, and payment reforms in the Medi-Cal program.
- CalAIM includes several initiatives focused on improving the Medi-Cal behavioral health delivery system.
 - Behavioral health payment reform
 - Updating criteria for access to SMHS
 - Reauthorization of Drug Medi-Cal waiver authorities and implementing program improvements
 - Standard screening and transition of care tools and No Wrong Door
 - Documentation redesign
 - Administrative integration
- Initiatives have phased in go-live dates starting in January 2022.

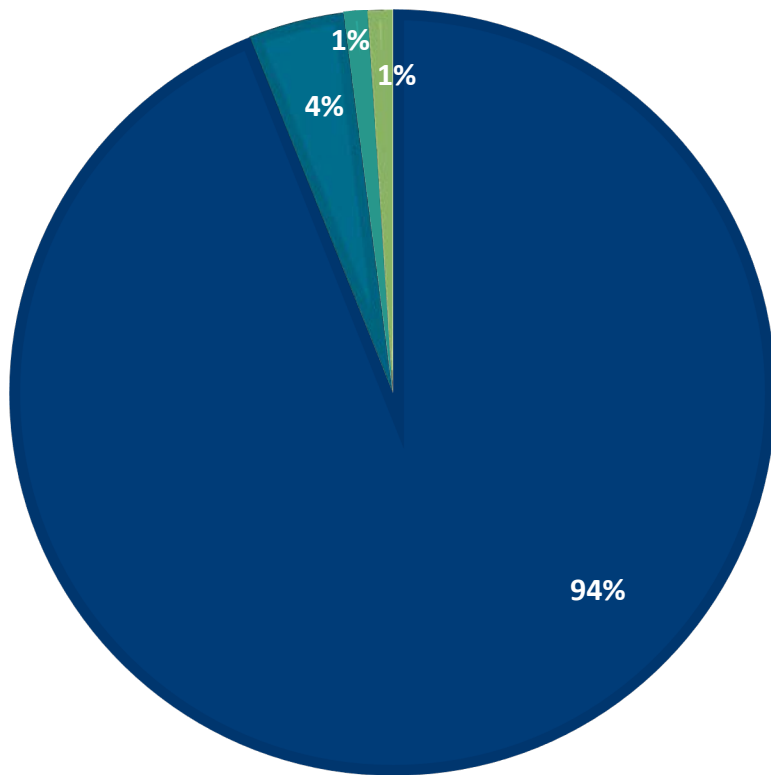




Break for Questions

2021 Behavioral Health Services

31,449 Clients Served



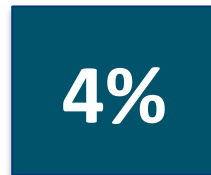
Long-Term Locked Facilities

360 clients served
(e.g., Skilled Nursing Facilities (SNF),
Institutes for Mental Diseases (IMD)
CY 21



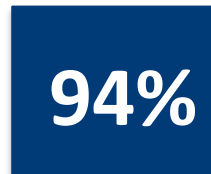
Barbara Arons Pavilion (BAP)

335 clients served
CY 21



Short-Term Acute Facilities

1,374 clients served
(e.g., contracted acute and non-contracted acute
hospitals/facilities throughout CA) *FY 21**



Outpatient

29,380 clients served
CY 21

*FY 21 data is utilized for short-term acute population due to data availability; data can be used as an analog for CY 21.

Behavioral Health System of Care: Principles and Objectives

Guiding Principles

- **The right** to behavioral health services and well-being across the life span
- **Achieving recovery from mental illness can be done** with effective treatment and support
- **Equitable access** to quality, cultural and linguistically competent services
- **Prioritize trauma-informed** systems and cross-systems integration



Objectives

- **Interrupt the cycle** of emergency services, hospitalization, and incarceration
- **Strengthen** the community-based system to those most in need
- **Prioritize access** to appropriate levels of care and align capacity to demand
- **Increase efficiencies**
- **Maximize** residential and co-occurring capacity





Behavioral Health Services: Access Map


Access to Crisis Services

 Law Enforcement, Self Referrals, Family, Private Providers
 Walk In




 Mobile Response Crisis Team (MCRT), Psychiatric Emergency Response Team (PERT), Mobile Response Stabilization Services (MRSS), & Emergency Psych
 Behavioral Health Urgent Care



 BHSD Provider Network


Access to Outpatient Services

 Self Referrals, School Linked Services (SLS) Coordinators, Social Workers, Family, Private Providers





 BHSD Call Center




 BHSD Provider Network

Justice Services

 Probation Officers, Court, Re-Entry Center


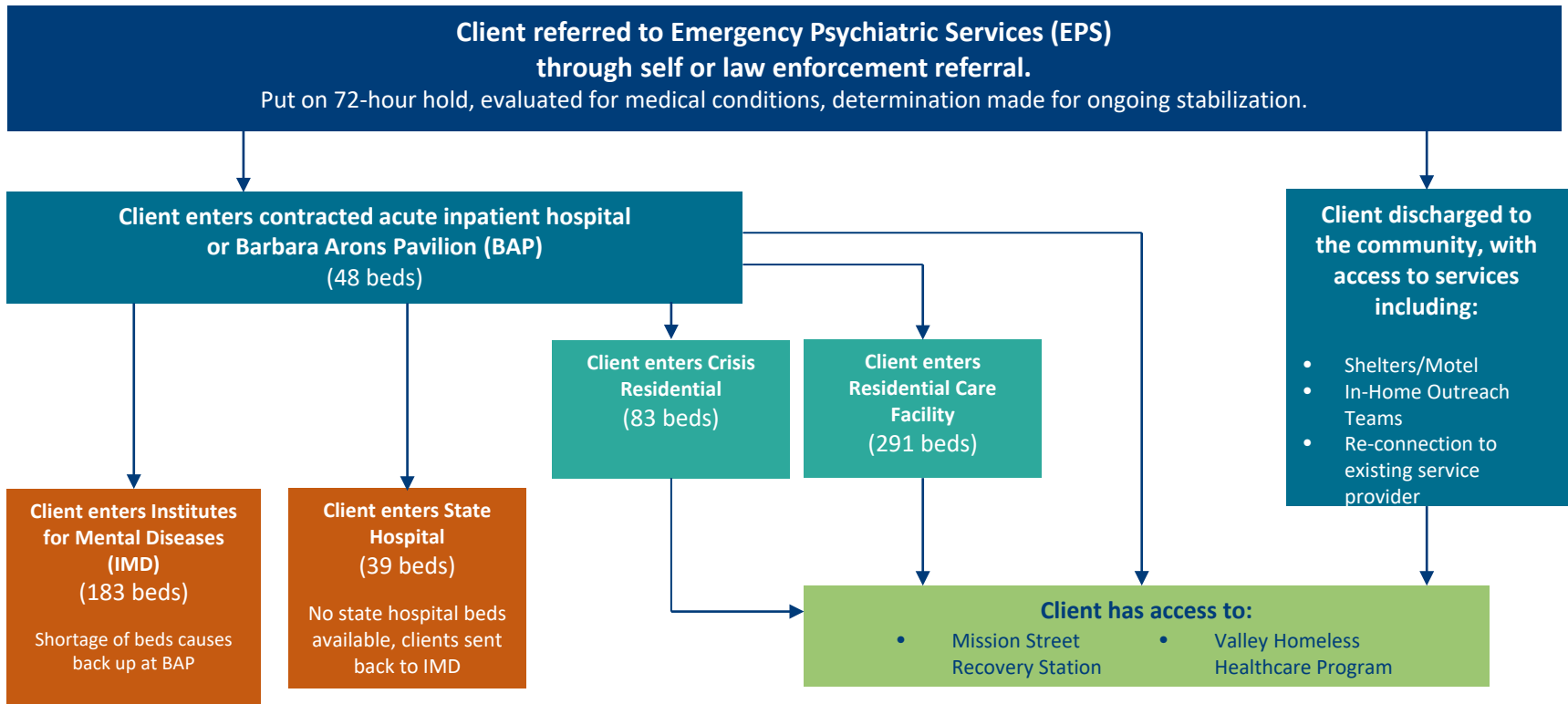


 Centralized Authorization Unit Behavioral Health Resource Center (BHRC)

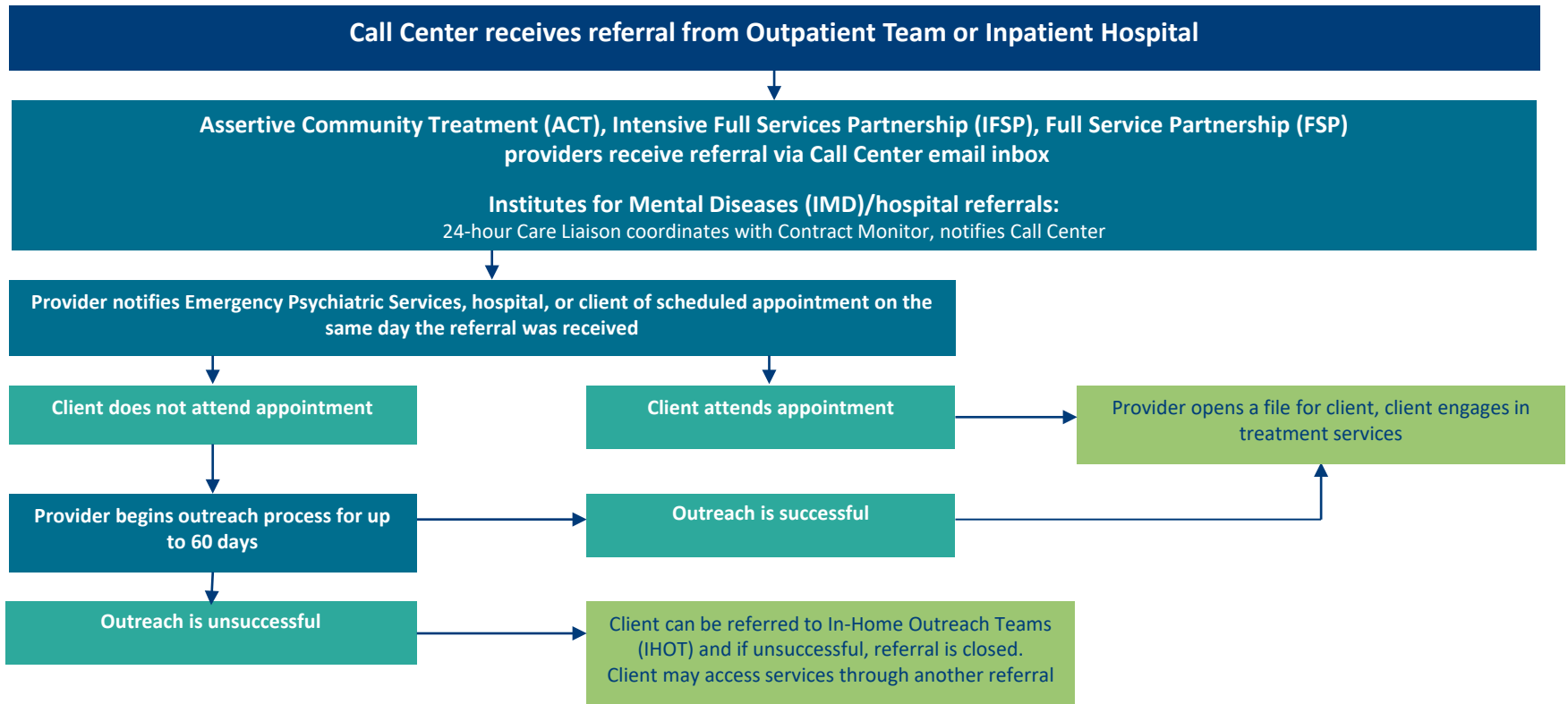


 BHSD Provider Network

Inpatient Care



Outpatient Care



Adult/Older Adult Sample Patient Profiles



Angela

- 65-year-old Mexican-American female
- Chronic health conditions including diabetes, hypertension, fibromyalgia
- Experiencing residual symptoms after recovering from COVID-19



Linh

- 37-year-old Vietnamese female
- Monolingual
- Recent immigrant
- Limited health insurance



James

- 58-year-old Caucasian male
- Drug use since age 14
- Housing stabilization received and living independently



Jason

- 25-year-old Mexican American male
- Homeless
- Has been in and out of jail 10 times in the last year



Andrew

- 47-year-old Caucasian male
- High utilizer of the mental health system
- Alcohol and drug addiction since his 20's
- Refuses residential placements

Unspecified Anxiety Disorder, Unspecified Depressive Disorder

Post-Traumatic Stress Disorder, Bipolar Disorder

Methamphetamine Disorder, Depressive Disorder, Social Anxiety

Schizoaffective Disorder, Bipolar Type

Schizophrenia Disorder, Substance Use Disorder



MILD



MODERATE



MODERATE



HIGH



HIGH

- Brief therapeutic and case management services
- Further assessment for possible transition to a higher level of care if needed

- Case management for medical, dental, and food assistance
- Medication management and ongoing Dialectical Behavioral Therapy & Cognitive Behavioral Therapy services

- Referred to Office of Supportive Housing's Outreach and Engagement Team
- Linked to medical, mental health and substance use resources/support

- Case management for living skills, education, and prosocial activities
- Transitional residential program

- Intensive case management services
- Substance Use Treatment Services
- Currently residing at a crisis residential facility

Prevention & Early Intervention
(~2-4 hours/month)

Outpatient
(~4-7 hours/month)

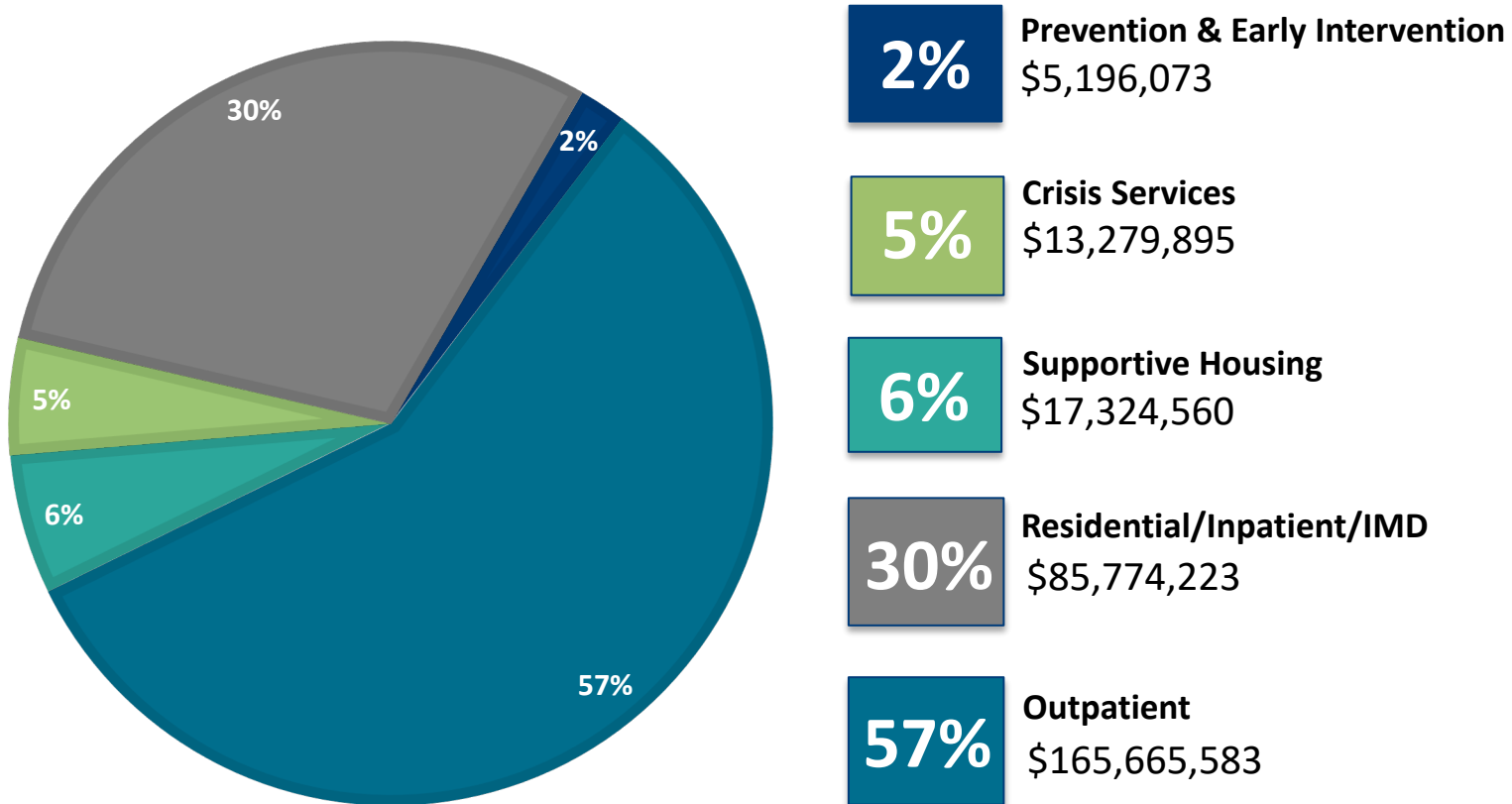
Residential

Intensive Outpatient
(~8-14 hours/month)

Intensive Treatments & Supports
(15+ hours/month)

Adult/Older Adult System of Care Budget

~ \$287,240,334



Source: County of Santa Clara Behavioral Health Services Department Budget Fiscal Year 2021-2022

Levels of Care



Acute (acute psychiatric hospitals, psychiatric health facilities, acute beds at state hospitals, acute care hospitals with psychiatric wards)

Who goes in? Conserved and/or severely mentally ill clients who require the highest level of care to stabilize, who may be in danger to themselves or others, and may be on a hold.



Subacute (Mental Health Rehabilitation Centers [MHRC], Skilled Nursing Facilities [SNF] with specialized treatment programs, Institutes for Mental Diseases [IMD])

Who goes in? Conserved and/or severely mentally ill clients stabilized enough to step down from inpatient facilities, but with specialized needs that preclude them from living independently in the community. May require 1:1, nursing care, longer lengths of stay.



Residential (adult residential treatment, enhanced board and cares)

Who goes in? Clients diagnosed with severe mental illness, but have less severe specialized needs, who can obtain outpatient treatment to live within the community.

Bed Capacity and Needs

Bed Type	Current Capacity	Is Current Capacity Sufficient to Meet Need?	Plans to Increase Beds
Institutes for Mental Diseases (IMD)	183	No	Purchase/renovate buildings for placements using Mental Health Services Act (MHSA), grants, etc. Expand transition options (assisted living facilities, independent living, step-down options)
Residential Care Facility (RCF) – Supplemental Patch Services	236	No	Increase rates (\$80/day) and move rates closer together for all RCF levels of care to stay competitive in purchasing beds through unused funds/savings. Combine Full Service Partnership (FSP)/Intensive FSP (IFSP) housing funds, develop additional intensive residential programs to re-direct individuals waiting for state-hospital placement.
Adult Residential Treatment	55	No	September 2022- 650 S. Bascom would provide an additional 28 beds funded by MHSA.
Crisis Residential	83	No	Includes 25 Assisted Outpatient Treatment (AOT) beds funded by MHSA and 10 beds funded by Department of State Hospital (DSH).
Withdrawal Management	28	No	Includes 5 beds for youth. Requested American Rescue Plan Act (ARPA) funds to fund 15 beds.
Master Lease Housing – Shared Housing	22	No	50 beds needed for Assertive Community Treatment (ACT) clients and 50 beds needed for FSP/IFSP clients who don't meet Housing and Urban Development (HUD) requirements but can step down to independent living.



Adult/Older Adult Initiatives

1. Increased Crisis Residential Beds
2. Trusted Response Urgent Support Team
3. Increased Institutes for Mental Diseases (IMD) Beds
4. Fentanyl Prevention & Outreach
5. Assisted Outpatient Treatment (AOT) Services
6. Independent Living Empowerment Project
7. Brief Jail Mental Health Systems Tool
8. Increased outpatient slots

Children, Youth, & Families Sample Patient Profiles



Luis

- 10-year-old Latino male
- Primary Language: Spanish
- Referred by school for exhibiting oppositional behaviors and being disruptive in class

Undiagnosed



LOW

- Referred to individual therapy for an assessment and counseling services
- Parents linked to 3-6 month collateral sessions and parenting workshops

Prevention & Early Intervention
(~1-4 hours/month)



Katie

- 3-year-old Caucasian female
- Moved to CA, leaving her grandparents
- Displays aggressive and disruptive behaviors
- Language and gesture usage is delayed

Adjustment Disorder,
Communication Delays



MODERATE

- Receives therapeutic services to focus on addressing grief
- Linked to school district to evaluate for services for communication delays

Outpatient
(~4-7 hours/month)



Marco

- 16-year-old Latino male
- Has a 6-month-old daughter he sees weekly
- History of justice involvement
- History of mental health and substance use

Complex PTSD, Anxiety,
Depression, Substance Use,
Alcohol Dependency



MODERATE

- Weekly substance use therapy + weekly 12-step program
- Parenting classes/resources
- Case management for living skills, education, and prosocial activities
- Linked to psychiatric medication evaluation

Intensive Outpatient
(~8-14 hours/month)



Brian

- 16-year-old Vietnamese male
- Two psychiatric admissions in 6 months
- Unstable housing
- History of truancy
- History in child welfare system

Depression with Suicidal
Ideation, Anxiety, Unstable
Moods



HIGH

- Wraparound program to address all needs (i.e., social-emotional, behavioral, medication support, housing needs and educational supports)

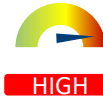
Intensive Treatments & Supports
(15+ hours/month)



Shawnie

- 17-year-old Caucasian non-binary (they/them)
- History of truancy
- Family history of addiction
- History of foster care involvement & placement
- Grief and loss

Substance Use,
Depression with Suicidal
Ideation



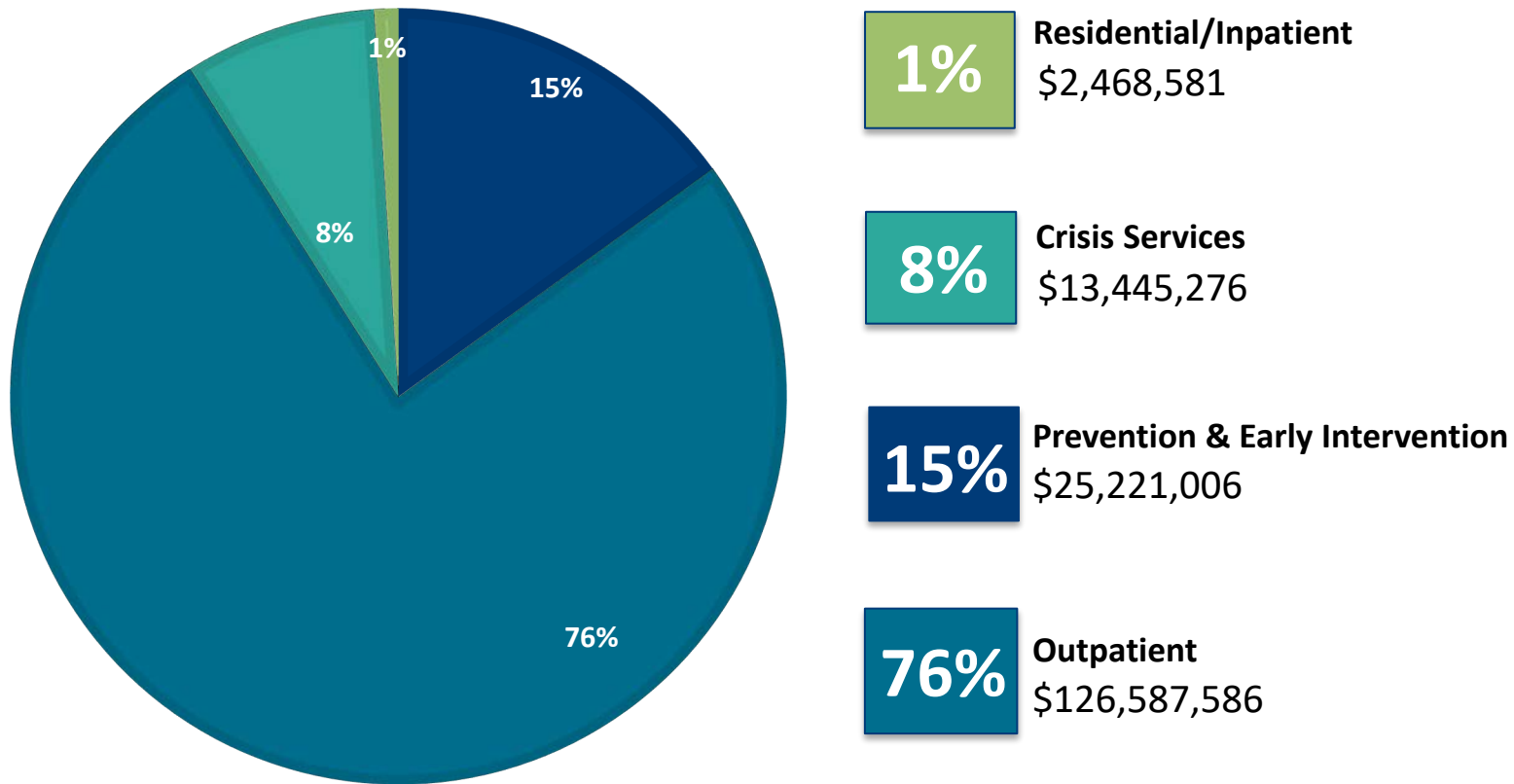
HIGH

- Short term residential therapeutic Program is needed to implement milieu based coping strategies
- Motivational Interviewing to address substance use
- Increase self-regulation techniques

Residential

Children, Youth & Families System of Care Budget

~ \$167,722,449



Source: County of Santa Clara Children's Budget Fiscal Year 2021-2022

Children, Youth, & Family: Intervention Programs

School Linked Services

School-Based Behavioral Health Services

Substance Use Prevention Services

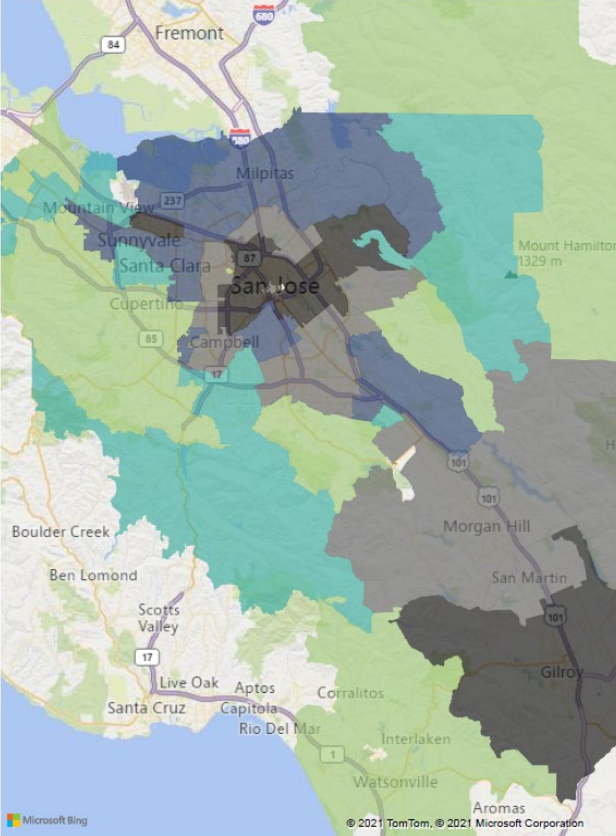
allcove

Raising Early Awareness and Creating Hope (REACH)

Suicide Prevention

First Episode of Psychosis

Risk Rating Level by ZIP Code



Solutions and Strategies

- Addition of beds for Institutes for Mental Diseases (IMD), withdrawal management, residential care homes
- Expansion of Behavioral Health outpatient services
- Workforce Strategies
- Housing Strategies
- School Based Expansion
- Crisis Capacity Expansion (e.g., Trusted Response Urgent Support Team [TRUST], North County/West Valley Mobile Crisis Response Team [MCRT] and Transitional Aged Youth [TAY] Expansion)
- Behavioral Health System Navigator Program
- Assisted Outpatient Treatment (AOT)
- Contract flexibility to facilitate continuity of care
- County Contract Provider Netsmart implementation

Strategic Objectives

- Continue to ensure Medi-Cal beneficiaries are provided **timely access to high quality services.**
- **Be proactive** in addressing ongoing and emerging needs from COVID-19.
- Provide individuals with **appropriate levels of quality care**, including Peer Support Specialists services.
- **Expand** temporary residential treatment and permanent supportive housing options.
- **Develop innovative solutions** to address professional work force shortage.
- **Strengthen infrastructure** to support an integrated managed care delivery system.
- **Develop and deploy** integrated clinical teams.

Permanent Housing Strategies

Treatment and Shelter

Housing Stabilization Program

Permanent Supportive Housing

Scattered Site Rental Assistance

Site Based Programs: Apartments, Shared Housing, and RCFs

Transitional Housing

System Changes

Improving Beneficiary Services by Consolidating BHSD Phone Numbers

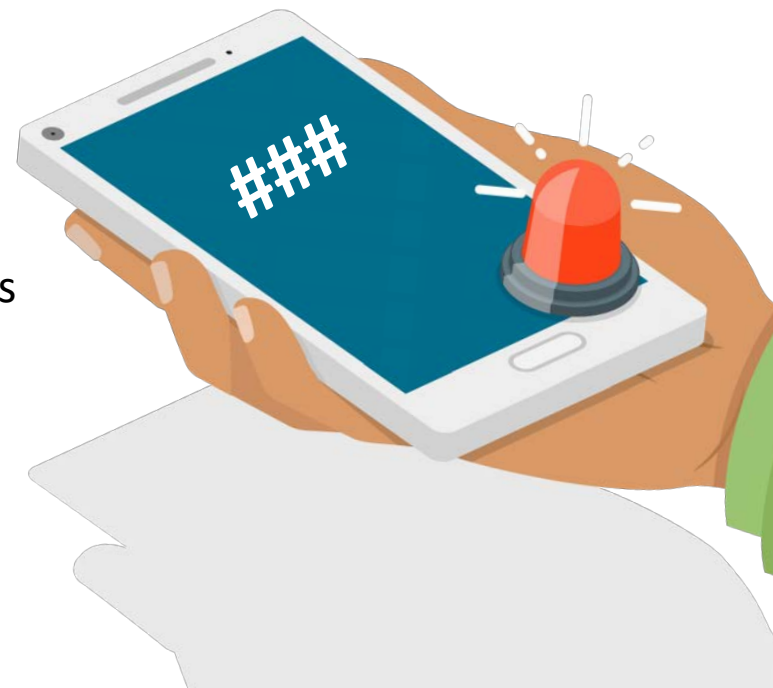
Community Feedback* for the Trusted Response Urgent Support Team (TRUST) Phone Number

A 3-Digit
Number

- Memorable
- Branded
- Should not be 911

Centralized &
Responsive

- Fast response times
- Offer 24/7 care



**From 12 Community Planning Sessions held December 2020 – January 2021*

GOAL: Improve Access to Behavioral Health Services for Santa Clara County Residents and Medi-Cal Beneficiaries



Crisis

One Number Call Center Hub to receive all **behavioral health crisis calls** through the County's implementation of **988**, providing suicide and crisis support.



Non-Crisis

Create an Integrated Call Center for **non-behavioral health calls** with the ability to conduct Screenings and Assessments.

Santa Clara County's Project - Consolidation of BHSD Phone Numbers

BHSD/CEO Collaboration

Co-Occurring Trainings

Informed

- Foundation level that identifies core skills for treatment support.
- Status: Learning Partnership is finalizing the certification.
- **Go-Live: March 2022**

Capable

- Next level training that provides an integrated assessment and treatment for mild to moderate co-occurring disorders.
- Status: Pending development upon the completion of the Co-Occurring Informed certification program.
- **Go-Live: July 2022**

Enhanced

- Highest level of training for integrated treatments for moderate to severe co-occurring disorders.
- Status: Pending development upon the completion of the Co-Occurring Capable certification program.
- **Go-Live: December 2022**

Trainings: Peer Specialist



March 2022 - August 2022

- Levels of Care
- Residential Continuum of Care
- Community and Public Services Resource
- Criminal Justice Systems Training

- Vulnerability Index Service Priority Decision Assisting Tool
- Sexual Orientation and Gender Identity Expression
- Safety in the Field

June 2022 – January 2023

- Health Insurance Portability and Accountability Act
- Documentation billable to SB 803

- Substance Use Treatment Services Training

January 2022 – January 2023

- Trauma Informed Care

- Shadow Essential Entry Points & Services

Ongoing

- Shadow Essential Entry Points & Services

- myAvatar (Electronic Health Record) Training

Short, Middle, & Long-Term Strategies for Workforce Shortage



Short-Term (2022-2023)

- Clinical Master and Doctoral Graduate Education Stipend
- Loan Repayment Program (March 2022- California Mental Health Services Authority [CalMHSA] Agreement)
- Rate Adjustments
- Contracts Flexibilities
- Peer Certification Training
- Workforce Committee



Mid-Term (2023 – 2025)

- Partner with universities to build workforce/building career pathways and research other scholarship opportunities



Long-Term (2025-2026)

- Establishment of Behavioral Health Coaches criteria (State level)
- Living Wage Increase



Peer Intern Program, Student Intern Program, High School Partnerships/Scholarships



BHCA
Behavioral Health
Contractors' Association
of Santa Clara County

Workforce Strategies

- **Compensation**
- **Recruitment**
- **Education/Training & Pipeline**
- **Unlicensed Staff/Paraprofessionals**
- **Retention**

Highlights: Compensation & Recruitment

Compensation

- Regional market-based pay structure
- Robust staff bonus program
- Expanding/Redesigning benefits

What the County can do:

- Maintain cost reimbursement
- Increase provider rates
- Regular cost of doing business increases
- Funding for staff bonuses
- Subsidize housing for BH providers

Recruitment

- Hiring an internal recruiter
- Referral bonuses
- Rapid hiring approach
- Modernizing tracking systems & posting reach
- No direct targeting of other provider staff
- Relationships with culturally focused CBOs
- Virtual job fairs

What the County can do:

- Refrain from directly recruiting provider staff
- Create multimedia, BH career ads for both county and nonprofit jobs encouraging HS, community college, 4 year college students to join the field

Highlights: Education/Training & Pipeline

Education/Training Pipeline

- Paid internships/ Expand clinical intern program
- College loan repayment
- Educational stipend/Reimbursement
- In-house management training
- Expand partnerships with non-traditional training programs
- Collaborate to develop a non-clinical behavioral health training model to retain current staff

What the County can do:

- Continue to fund college loan forgiveness
- Continue support of activities to increase/build/expand pipeline
- Partner with CBOs to advocate for all higher education institutions to grow their BH programs and for greater State investment
- Collaborate with CBOs in promoting public mental health as a career path
- Provide seed funding for local workforce pilots

Highlights: Unlicensed Staff/Paraprofessionals

Unlicensed/Paraprofessionals

- Utilize licensed staff only for services that are uniquely in their scope of practice
- Utilize unlicensed/paraprofessional/staff with lived experience in all areas within their scope of practice
- Strategic focus on building programs with paraprofessional staff

What the County can do:

- Continue to support increased use of promotoras and staff with lived experience
- Continue to invest in Peer Partner models
- **Remove any county requirements that exceed State requirements for service provider qualifications**
- **Evaluate what qualifications are essential for staff at each program level**

Highlights: Retention

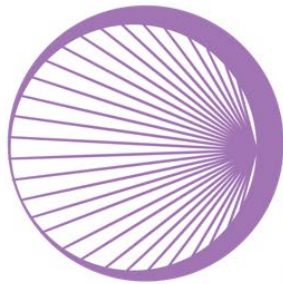
Retention

- Flexibility
- Enhance agency wellness program
- Provide advanced and specialty trainings/CEUs
- Expand mentoring and leadership development
- Increase supervision
- Subsidy and flex-scheduling for students.
- Implementation of the racial equity initiative
- Employee loan program
- Support/Celebrate/Acknowledge Staff
- Focus on Communication & Health and Safety
- Stay interviews with teams facing greatest attrition/analyze exit data
- **Introduce navigation services for our workforce (e.g., education, legal, childcare, etc.).**

What the County can do:

- Continue telehealth
- **Reimagine documentation requirements to reduce administrative burden & partner to advocate for State to do the same**
- **Refrain from requirements above those mandated by the State**
- **Consider acuity of caseload when referring**
- **“Floaters” for vacancy/leave coverage**

Getting to a Comprehensive Workforce Strategy



BHCA
Behavioral Health
Contractors' Association
of Santa Clara County





NEXT STEPS

1. BHSD to present 9-month update regarding Management Audit implementation progress to HHC and FGOC in March 2022
2. BHSD returns to the Board of Supervisors on April 19, 2022 with responses to mental health and substance use as a public health crisis referral and behavioral health alternatives to incarceration referral.



Questions