

**REPORT/RECOMMENDATION TO THE BOARD OF SUPERVISORS  
OF SAN BERNARDINO COUNTY  
AND RECORD OF ACTION**

May 21, 2024

**FROM**

**CARRIE HARMON, Director, Community Development and Housing Department**

**SUBJECT**

Revocable Grant Agreements and Loan Agreement with HHCA RE2421, LLC and Helping Hearts California, LLC for the Kern Street Project

**RECOMMENDATION(S)**

1. Approve the Homeless Housing, Assistance and Prevention Program Revocable Grant **Agreement No. 24-393** and its related exhibits, in an amount not to exceed \$2,500,000, with HHCA RE2421, LLC and Helping Hearts California, LLC, to increase homeless housing capacity at the Kern Street Project for a 20-year term commencing on May 21, 2024.
2. Approve the Housing and Homelessness Incentive Program Grant **Agreement No. 24-394** and its related exhibits, in an amount not to exceed \$1,331,250, with HHCA RE2421, LLC and Helping Hearts California, LLC, to increase homeless housing capacity at the Kern Street Project for a 20-year term commencing on May 21, 2024.
3. Approve the Housing and Homelessness Incentive Program Loan **Agreement No. 24-395** and its related exhibits, in an amount not to exceed \$360,180, with HHCA RE2421, LLC and Helping Hearts California, LLC to increase homeless housing capacity at the Kern Street Project for a 10-year term commencing on May 21, 2024.
4. Authorize the Chair of the Board of Supervisors, Chief Executive Officer, or Director of the Community Development and Housing Department, upon consultation with County Counsel, to execute and make any necessary non-substantive modifications to the exhibits attached to the Homeless Housing, Assistance and Prevention Program Revocable Grant Agreement, Housing and Homelessness Incentive Program Grant Agreement, and Housing and Homelessness Incentive Program Loan Agreement, and to execute all required documents and modifications, including escrow instructions, related to this transaction.
5. Direct the Director of the Community Development and Housing Department to transmit the fully executed exhibits attached to the Homeless Housing, Assistance and Prevention Program Revocable Grant Agreement, Housing and Homelessness Incentive Program Grant Agreement, and Housing and Homelessness Incentive Program Loan Agreement, and any subsequent non-substantive modifications to these exhibits, to the Clerk of the Board of Supervisors within 30 days of execution.
6. Authorize the Auditor-Controller/Treasurer/Tax Collector to post the necessary budget adjustments as detailed in the Financial Impact section (Four votes required).

(Presenter: Carrie Harmon, Director, 382-3983)

**COUNTY AND CHIEF EXECUTIVE OFFICER GOALS & OBJECTIVES**

**Promote the Countywide Vision.**

**Create, Maintain and Grow Jobs and Economic Value in the County.**

**Ensure Development of a Well-Planned, Balanced, and Sustainable County.**

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**Provide for the Safety, Health and Social Service Needs of County Residents.  
Pursue County Goals and Objectives by Working with Other Agencies and Stakeholders.**

**FINANCIAL IMPACT**

Approval of this item will not result in the use of Discretionary General Funding (Net County Cost). The Homeless Housing, Assistance and Prevention Program Revocable Grant Agreement (HHAP Agreement) with HHCA RE2421, LLC (a partnership which includes LBIHH Ventures, LLC, Wims Ventures, LLC, and Kendrew Investment, LLC) (Developer), and Helping Hearts California, LLC (Service Provider) (collectively, the Grantee), in an amount not to exceed \$2,500,000, for expansion of the Kern Street Project (Project), is funded by the Homeless Housing, Assistance and Prevention (HHAP) Round 3 Grant awarded to the County.

The Housing and Homelessness Incentive Program Grant Agreement (HHIP Agreement) with the Grantee will be funded by the Housing and Homelessness Incentive Program (HHIP) funding received from the Inland Empire Health Plan (IEHP) in an amount not to exceed \$1,331,250, for the expansion of the Project. The HHIP Loan Agreement with the Grantee will be funded by HHIP funding received from Molina Healthcare in an amount not to exceed \$360,180 with a 5.25% interest rate for a term of 10 years.

Approval of this item authorizes the Auditor-Controller/Treasurer/Tax Collector to post the following budget adjustments necessary to fund the HHAP Agreement, the HHIP Agreement and the HHIP Loan Agreement for expansion of the Project to the Community Development and Housing Department (CDH) and the Office of Homeless Services' 2023-24 budgets.

<b>Cost Center</b>	<b>Commitment Item/GL</b>	<b>Description</b>	<b>Action</b>	<b>Amount</b>
6210002477	53003205	Public Assistance	Decrease	\$2,500,000
6210002477	55305030	Operating Transfers Out	Increase	\$2,500,000
6210002496	40909975	Operating Transfers In	Increase	\$4,191,430
6210002496	53003205	Public Assistance	Increase	\$4,191,430
6210002493	40408955	Medi-Cal Outpatient	Increase	\$1,691,430
6210002493	55305030	Operating Transfers Out	Increase	\$1,691,430

**BACKGROUND INFORMATION**

The Project, located in the unincorporated community of Muscoy, is an existing 10-bed Social Rehabilitation (SR) home that serves the housing and supportive services needs of individuals with a Severe Mental Illness (SMI) and/or Substance Use Disorders (SUD), who may also be justice involved. The Project is owned by the Developer and operated by the Service Provider.

The HHAP Agreement will provide up to \$2,500,000 of County HHAP Round 3 funding, and the HHIP Agreement will provide up to \$1,331,250 of IEHP HHIP funding to increase bed capacity at the Project, transforming the 10-bed SR home into a 30-bed Adult Residential Project (ARF). The estimated total construction cost of the Project is \$3,831,250, which equates to \$191,563 per additional bed. The County HHAP Round 3 Grant funding will account for up to 65% of the total estimated construction cost. The remaining estimated construction cost will be financed by the HHIP funding received from IEHP.

To secure the County's investment in the Project, the Grantee will be required to execute Regulatory Agreements for a 20-year term and record Deeds of Trust to secure compliance with the HHAP Agreement, the HHIP Agreement and the HHIP Loan Agreement. The Regulatory

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Agreements and Deeds of Trust are included as exhibits to the HHAP Agreement, HHIP Agreement, and HHIP Loan Agreement. The HHIP Loan Agreement will pay off the Developer's Citizen's Bank loan in the amount of \$360,180 to secure the County's interest in first position. The amortized loan, in the amount of \$360,180, will be for a term of 10 years at an interest rate of 5.25%.

Upon execution of the recommended agreements, the Developer will initiate predevelopment activities with construction in the Spring of 2025. Beds are anticipated to be available for occupancy in the Spring of 2026. The table below provides an estimated project timeline.

<b>Description</b>	<b>Commencement Month/Year</b>
Project Management	June 2024
Design Development	June 2024
Entitlements	June 2024
Engineering	June 2024
Construction	March 2025
Project Completion	March 2026
Certificate of Occupancy	March 2026

The ARF will provide housing supports for individuals who are justice-involved or at risk of justice-involvement with severe behavioral health conditions who are homeless or at risk of homelessness with housing and supportive services. Residents of the ARF will receive case management, care coordination, transportation to medical and psychiatric appointments and other customized services to meet individualized identified needs. The County's investment in the Project will support the overall well-being and rehabilitation of the ARF's residents as they reintegrate into the community.

The Service Provider has operated in the Inland Empire since 2015, successfully managing several residential rehabilitation and recuperative care facilities within the region. The Service Provider is also a contracted provider with the Department of Behavioral Health (DBH), providing behavioral health services at the Project under current operations as a SR Project. Upon completion of the Project's transformation to a 30-bed ARF, DBH anticipates presenting a contract with the Service Provider of the 30-bed ARF for the Board of Supervisors' (Board) review and approval, to provide delivery of on-site enhanced Board & Care (B&C) services for physical and emotional wellness. The Service Provider will also receive the monthly Community Care Licensing Division B&C rate per housed individual, which can be used to support Project operational costs for the 30-bed ARF.

Homelessness and the criminal justice system are deeply intertwined. According to the California Policy Lab, people experiencing unsheltered homelessness who were surveyed reported an average of 21 contacts with law enforcement in the past six months, 10 times the number reported by people living in shelters. This subpopulation is also at greater risk of recidivism, experience more prolonged periods of housing instability, has poorer health outcomes and are high utilizers of emergency response systems. Providing targeted housing interventions for this subpopulation has significant benefits to the individuals, reduces crisis and justice interventions, and improves community conditions through a reduction in chronic homelessness.

The Board has implemented steps to address the need to make substantial and lasting impacts to decrease homelessness in the county. On November 17, 2020 (Item No. 43), the Board

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approved the creation of the Homeless Strategic Plan (Plan). On March 28, 2023 (Item No. 21), the Board approved the County Homeless Initiatives Spending Plan to financially support the expansion of homeless housing capacity countywide. The Project's expansion was identified in the Homeless Initiatives Spending Plan and advances the Board's goals of increasing homeless housing capacity, reducing the unsheltered population, and serving those most at-risk. This Project aligns with the Housing Development Guidelines approved by the Board on January 23, 2024 (Item No. 29), as it has a strong project proforma and operating plan; addresses a critical need in the homeless response system; and leverages an existing facility and operational system at an affordable price per bed.

**PROCUREMENT**

The Purchasing Department concurs with the non-competitive justification of the Agreement based on the current DBH contract with the Service Provider, and as the Project is owned by the Developer, the expansion of the Project can only be achieved using this entity. The Service Provider is experienced at providing enhanced residential services 24 hours per day, seven days per week, to individuals living with severe behavioral health conditions who are ready to be transitioned from homelessness and the justice-involved cycle back into the community with housing and well-being at the center of its goals.

**REVIEW BY OTHERS**

This item has been reviewed by County Counsel (Suzanne Bryant, Deputy County Counsel, 387-5455) on May 9, 2024; Auditor-Controller/Treasurer/Tax Collector (Charlene Huang, Auditor-Controller Manager, 382-7022) on May 9, 2024; Purchasing (Leo Gomez, Purchasing Manager, 387-2063) on May 9, 2024; Finance (Christopher Lange, Deputy Director, 386-8392) on May 10, 2024; and County Finance and Administration (Cheryl Adams, Deputy Executive Officer, 388-0332) on May 10, 2024.

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Record of Action of the Board of Supervisors  
San Bernardino County

**APPROVED (CONSENT CALENDAR)**

Moved: Curt Hagman   Seconded: Joe Baca, Jr.  
Ayes: Col. Paul Cook (Ret.), Dawn Rowe, Curt Hagman, Joe Baca, Jr.  
Absent: Jesse Armendarez

Lynna Monell, CLERK OF THE BOARD

BY   
DATED: May 21, 2024



cc:    CDH - Harmon w/agrees  
      Contractor - c/o CDH w/agree  
      File - w/agree  
CCM  05/22/2024