



County of Santa Cruz Board of Supervisors

Agenda Item Submittal

From: Health Services Agency

Subject: HRSA Health Center Infrastructure Support Grant: Notice of Federal Interest

Meeting Date: January 14, 2025

Formal Title: Authorize the Health Services Agency Director or designee to sign Health Resources and Services Administration (HRSA) Notice of Federal Interest Filing, and take related actions

Recommended Actions

- 1) Authorize the Health Services Agency Director or designee to sign Health Resources and Services Administration (HRSA) Notice of Federal Interest Filing; and
- 2) Authorize Real Property to record the Notice of Federal Interest in the Official Records of Santa Cruz County.

Executive Summary

The Health Services Agency (HSA) received grant in the amount of \$672,865 from the U.S. Department of Health and Human Services (HHS) Health Resources and Services Administration (HRSA) for capital improvements to Federally Qualified Health Center (FQHC) clinics, which requires a Notice of Federal Interest filing to protect the government's investment. This filing ensures the property continues to be used for its intended healthcare purpose while allowing the agency to manage the property, subject to certain restrictions on future transactions, and requires Board approval to complete.

Discussion

HSA maintains a continuing revenue agreement for a grant from HRSA that supports FQHC clinics services. In 2021, HSA Health Centers Division (Health Centers) applied for and was awarded supplemental funding from HRSA for the American Rescue Plan - Health Center Construction and Capital Improvements (ARP-Capital) initiative to address capital improvements. On March 22, 2022, the Board ratified submission of the grant application and accepted \$672,865, the total grant allocation, for Fiscal Year (FY) 2021-22.

HSA initially planned to use the funds for installing heating, ventilation, and air conditioning (HVAC) systems and adding new patient rooms at the Homeless Persons Health Project (HPHP). However, this plan was modified when a Notice of Federal Interest was required for a building that HSA does not own. As a result, HSA revised its plans and decided to allocate the funds to the Watsonville Health Center site instead, which needs HVAC repair.

This change in plans allows HSA to utilize the funds effectively while addressing the HVAC needs of a facility under its ownership. The Watsonville Health Center will benefit from the replacement of a new HVAC system, improving the indoor air quality and

comfort for patients and staff.

As a condition of this, HRSA requires that a Notice of Federal Interest filing be completed in order to expend the funds. Federal Interest refers to the federal government's share in property acquired or improved using federal funds. When substantial federal funding is used for construction or major renovations (over \$500,000), grantees may be required to file a Notice of Federal Interest (NFI) on the property. The NFI is essentially a lien that protects the government's financial interest and ensures the property continues to be used for its intended purpose.

The NFI does not affect existing mortgages but requires prior approval from the federal agency for new mortgages, selling the facility, or leasing it to non-healthcare entities. While the federal interest exists even without filing an NFI, proper documentation must be maintained. The value of the federal interest may change over time, and the agency will work with grantees to recognize changing market values of improvements. Overall, the NFI process aims to protect taxpayer investments while allowing grantees to manage their properties effectively.

Financial Impact

If HSA is unable to sign the NFI, HSA would be required to return the grant award funds to HRSA. The funds from this grant were budgeted and allocated for expenditure in 361341/83110 Buildings and Grounds.

Strategic Initiatives

Operational Plan - Operational Excellence

Submitted By:

Monica Morales

Recommended By:

Carlos J. Palacios, County Administrative Officer

Artificial Intelligence Acknowledgment:

Artificial Intelligence (AI) did not significantly contribute to the development of this agenda item.