

THIRD AMENDMENT TO THE MEMORANDUM OF UNDERSTANDING  
BETWEEN  
THE COUNTY OF ORANGE HEALTH CARE AGENCY  
AND  
CITY OF COSTA MESA  
FOR BEHAVIORAL HEALTH BRIDGE HOUSING SERVICES

This Third Amendment to the Memorandum of Understanding is entered into upon execution of all necessary signatures, by and between the County of Orange, a political subdivision of the State of California, acting through its Health Care Agency, hereinafter referred to as “COUNTY,” and the City of Costa Mesa, a municipal corporation, hereinafter referred to as “CITY”. COUNTY and CITY may be referred to hereinafter sometimes individually as “Party” or collectively as “Parties.”

**RECITALS**

**WHEREAS**, the Parties executed Memorandum of Understanding No. MA-042-24010836 for Behavioral Health Bridge Housing Services, effective March 27, 2024 through June 30, 2026, in an amount not to exceed \$3,555,128 (“MOU”); and

**WHEREAS**, the Parties executed the First Amendment to the MOU, effective September 26, 2024, to modify Section 9. Budget, Paragraph 9.1, to revise the budget for Year 1 and Year 2 of the MOU; and

**WHEREAS**, the Parties executed the Second Amendment to the MOU, effective June 30, 2025, to modify Section 9. Budget, Paragraph 9.1, to revise the budget for Year 1 and Year 2 of the MOU; and

**WHEREAS**, the Parties now desire to enter into this Third Amendment to increase Year 3 Budget by \$117,422, to renew the MOU for one year for COUNTY to continue receiving and CITY to continue providing services set forth in the MOU, and to modify Section 1 (Term), Section 3 (Definitions), Section 4 (Population to be Served), Section 5 (City Responsibilities), Section 8 (Performance Measures and Outcomes) and Section 9 (Budget) of the MOU;

**NOW, THEREFORE**, based on the mutual understanding of the Recitals above and on the basis of the terms and conditions stated herein, the Parties agree as follows:

1. The MOU’s Year 3 Budget is increased by \$117,422, from \$972,051 to \$1,089,473.
2. This MOU is renewed for a period of one (1) year, effective July 1, 2026 through June 30, 2027, in an amount not to exceed \$1,147,021, for this renewal period, for a revised cumulative total amount not to exceed \$4,819,571.

3. Section 1. TERM, subsection 1.1, of the MOU is deleted in its entirety and replaced with the following:

“1.1 The term of this MOU shall commence on March 27, 2024, and end on June 30, 2027, unless earlier terminated pursuant to the provisions of Paragraph 25 of this MOU; however, the Parties shall be obligated to perform such duties as would normally extend beyond this term, including, but not limited to, obligations with respect to indemnification, reporting and confidentiality. COUNTY and CITY may mutually agree in writing to extend the term of this MOU for up to one additional year upon the same terms and conditions.”
4. Section 3. DEFINITIONS, subsection 3.15, of the MOU is deleted in its entirety and replaced with the following:

“3.15 Housing Navigators mean the staff that work with individuals to help them find, move in to, and retain affordable housing in accordance to the Housing Support Plan created with Participants. They also develop relationships with community partners, other service providers, agencies offering housing subsidies, and property owners and managers. Navigators help individuals eliminate or reduce the impact of personal housing barriers such as criminal records, poor credit, or prior housing judgments due to eviction, as well as transportation needs, application fees, and/or utility payments. Additionally, housing navigators may assist in identification and reporting of instances of housing discrimination. They may link individuals with bridge housing and housing subsidy agencies and assist them in completing applications. They may also work with property owners and public housing authorities (PHAs) to facilitate approvals, assisting with documentation, timely inspections, and corrective action requests.”
5. Section 3. DEFINITIONS, subsection 3.25, of the MOU is deleted in its entirety and replaced with the following:

“3.25 Rental Assistance means financial support provided to help eligible Participants to secure and maintain permanent housing. It includes various forms of rental subsidies such as scattered site or project based assistance, intended to cover housing costs for as long as needed or until individuals transition to other permanent housing or subsidy sources. All rental subsidies must be issued directly to property owners, managers, or providers contracted to administer BHSA funded rental assistance.”
6. Section 3. DEFINITIONS, subsections 3.33 through 3.35, are added to MOU as follows:

“3.33 Behavioral Health Services Act (BHSA) replaces the Mental Health Services Act of 2004. It reforms behavioral health care funding to prioritize services for people with the most significant

mental health needs while adding treatment of substance use disorders (SUD), expanding housing interventions and increasing the behavioral health workforce.

3.34 CalAIM means California Advancing and Innovating Medi-Cal and is a series of initiatives and reforms towards advancing and innovating Medi-Cal to create a more coordinated, person centered and equitable health system. This includes ECM and Community Supports.

a. Enhanced Care Management (ECM) is a statewide Medi-Cal benefit available to select members with complex needs.

b. Community Supports (CS) are services provided by Medi-Cal Managed Care Plans (MCP) to address Medi-Cal Member's health related social needs, help them live healthier lives, and avoid higher, costlier levels of care.

1. Transitional Rent is a CalAIM Community Support that provides up to six months of rental assistance in interim and permanent settings to Medi-Cal eligible individuals who are experiencing or at risk of homelessness, have certain clinical risk factors, and have recently undergone a critical life transition.

3.35 Chronically Homeless means an individual or family that is chronically homeless as defined in 42 U.S. Code section 11360 or as otherwise modified or expanded by the State Department of Health Care Services.”

7. Section 4. POPULATION TO BE SERVED, Subsection 4.1, of the MOU is deleted in its entirety and replaced with the following:

“4.1 CITY shall provide services to individuals eighteen years or older with serious behavioral health conditions, including serious mental illness (SMI) and /or substance use disorder (SUD), who are experiencing homelessness. Community Assistance, Recovery, and Empowerment (CARE) Program, Section 5982(b) to the Welfare and Institutions Code (WIC) stipulates that CARE Program participants be prioritized for any appropriate bridge housing funded by the BHBH program. CITY shall prioritize CARE Program Participants referred by COUNTY. Chronically homeless individuals must also be prioritized.”

8. Section 5. CITY RESPONSIBILTIES, Subsection 5.2.1.1 and Subsection 5.2.1.2, of the MOU are deleted in their entirety and replaced with the following

“5.2.1.1 Program is based on Housing First principles and shall include voluntary supportive services for Participants. Consistent with the national Housing First model and WIC section 8255, abstinence from alcohol or other substances cannot be a requirement or prerequisite for housing funded by the BHBH program; the use of alcohol or other substances in and of itself cannot be grounds for eviction; services are informed by a harm-reduction philosophy that

recognizes drug and alcohol use and substance use disorder as a part of Participants’ lives, where Participants are engaged in nonjudgmental communication regarding drug and alcohol use; and where Participants are offered education regarding how to avoid risky behaviors and engage in safer practices, as well as connected to evidence-based treatment if the individual so chooses. However, when indicated, funding may be used to support recovery residences and sober living environments for individuals with significant substance use disorder needs.

5.2.1.2 In alignment with BHBH program requirements, those who are currently housed under BHBH on January 1, 2026 are allowed to remain housed under BHBH funding and are not expected to use Transitional Rent until the conclusion of BHBH funding on June 30, 2027. Individuals who are new to the BHBH program after January 1, 2026 will be expected to use the Transitional Rent benefit where available before receiving BHBH funded housing.”

- 9. Section 5. CITY RESPONSIBILITIES, subsection 5.3.4.2, of the MOU is deleted in its entirety and replaced with the following:

“ 5.3.4.2 CITY shall submit narrative and data reports that document progress towards outcomes to COUNTY quarterly and provide program updates and participate in monitoring and reimbursement review with COUNTY as requested. The metrics will include, but not be limited to, the following:

- 5.3.4.2.1 Number of people served
- 5.3.4.2.2 Demographic information;
- 5.3.4.2.3 CARE Program participants receiving BHBH supportive services; and
- 5.3.4.2.4 Bed-nights of bridge housing provided in each of the following:

Report	Year/Quarter	Period
<b>1</b>	Year 2, Quarter 3	3/27/2024 - 3/31/2024
<b>2</b>	Year 2, Quarter 4	4/1/2024 – 6/30/2024
<b>3</b>	Year 3, Quarter 1	7/1/2024 - 9/30/2024
<b>4</b>	Year 3, Quarter 2	10/1/2024 - 12/31/2024
<b>5</b>	Year 3, Quarter 3	1/1/2025 - 3/31/2025
<b>6</b>	Year 3, Quarter 4	4/1/2025 - 6/30/2025

7	Year 4, Quarter 1	7/1/2025 - 9/30/2025
8	Year 4, Quarter 2	10/1/2025 - 12/31/2025
9	Year 4, Quarter 3	1/1/2026 - 3/31/2026
10	Year 4, Quarter 4	4/1/2026 - 6/30/2026
11	Year 5, Quarter 1	7/1/2026-9/30/2026
12	Year 5, Quarter 2	10/1/2026-12/31/2026
13	Year 5, Quarter 3	1/1/2027-3/31/2027
14	Year 5, Quarter 4	4/1/2027-6/30/2027

10. Section 8. PERFORMANCE MEASURES AND OUTCOMES, subsection 8.2.3, of the MOU is deleted in its entirety and replaced with the following:

“8.2.3 At minimum, seventy five percent (75)% of Participants will be matched or transition to a permanent housing destination within one (1) year of enrollments in the program.”

11. Section 9. BUDGET, subsection 9.1, of the MOU is deleted in its entirety and replaced with the following:

“9.1 The amount of BHBH funds allocated to CITY under this MOU for year 1, year 2, year 3 and year 4 are outlined below and shall be used for eligible BHBH expenses up to the not to exceed amount for such activities, as further explained below.

	Year 1 (3/27/24- 6/30/24)	Year 2 (7/1/24 – 6/30/25)	Year 3 (7/1/25 – 6/30/26)	Year 4 (7/1/26- 6/30/27)
Indirect	\$41,730	\$83,459	\$142,366	\$142,366
Salaries	\$73,029	\$146,058	\$162,435	\$162,435

Benefits	\$27,266	\$54,533	\$31,197	\$31,197
Services & Supplies	\$59,000	\$28,000	\$178,000	\$178,000
Subcontractors	\$285,001	\$360,001	\$575,476	633,023
Start-Up Costs	\$1,125,000	\$300,000	\$0	\$0
Total	\$1,611,026	\$972,051	\$1,089,473	\$1,147,021”

2. In all other respects, the terms and conditions of the MOU not specifically changed by this Third Amendment shall remain in full force and effect.

WHEREFORE, the Parties hereto have executed the Third Amendment to the Memorandum of Understanding in the County of Orange, California.

By: \_\_\_\_\_  
Name: Dr. Veronica Kelley, LCSW  
Agency Director  
County of Orange  
Health Care Agency

Signed by:  
By: Cecilia Gallardo Daly  
Name: Cecilia Gallardo Daly  
Title: City Manager  
City of Costa Mesa

Dated: \_\_\_\_\_

Dated: 2/25/2026

Approved As To Form  
HCA Counsel

Co: \_\_\_\_\_  
By: Brittany McLean  
Deputy  
Dated: 2/26/2026

Approved As To Form  
City Attorney

City: \_\_\_\_\_  
By: Kimberly Hall Barlow  
City Attorney  
Dated: 2/24/2026