COUNTY OF SAN DIEGO

AGENDA ITEM

BOARD OF SUPERVISORS

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DATE: **October 21, 2025** **09**

TO: Board of Supervisors

SUBJECT

RECEIVE UPDATE ON BEHAVIORAL HEALTH CAPITAL FACILITY PROJECT RECOMMENDED FOR PROPOSITION 1 INFRASTRUCTURE BOND ROUND 2 GRANT FUNDING, AUTHORIZE AND ADOPT A RESOLUTION TO APPLY FOR THE GRANT FUNDS, AND DIRECT THE DEPARTMENT OF GENERAL SERVICES TO EXPLORE THE FEASIBILITY OF A PUBLIC-PRIVATE PARTNERSHIP MODEL (DISTRICTS: ALL)

OVERVIEW

In March 2024, California voters passed Proposition 1 that includes the Behavioral Health Services Act and the Behavioral Health Infrastructure Bond Act of 2023. This legislation authorized $6.38 billion in general obligation bonds to expand behavioral health treatment, residential care settings, and housing to support people with mental health conditions and substance use disorders. Funds from the bonds were allocated to competitive grants for facilities that provide behavioral health treatment and residential settings, including tribal entities and serving individuals who are homeless or at risk of homelessness with behavioral health needs.

As part of Proposition 1, in July 2024, the California Department of Health Care Services (DHCS) released a request for applications for the Bond Behavioral Health Continuum Infrastructure Program (Bond BHCIP) Round 1: Launch Ready grant program that provided $4.4 billion in competitive grant funds to counties, cities, tribal entities, and nonprofit and for-profit entities for behavioral health capital infrastructure. The County of San Diego (County) Behavioral Health Services (BHS) applied for Bond BHCIP Round 1 funds. On May 6, 2025, BHS received a notice of a grant award, totaling $29.8 million of funding, with $21.9 million for the Substance Use Residential and Treatment Services (SURTS) facility and $7.9 million for the Children's Crisis Residential Care facility.

In June 2025, DHCS released a second request for applications for the Bond BHCIP Round 2: Unmet Needs grant program, providing $800 million in competitive grant funds. As with the initial round, the State guidance indicates that awards will be prioritized to counties, cities, tribal entities, nonprofit, and for-profit entities demonstrating site control, emphasizing residential treatment, and commencing service delivery in an expedient manner.

SUBJECT: RECEIVE UPDATE ON BEHAVIORAL HEALTH CAPITAL FACILITY PROJECT RECOMMENDED FOR PROPOSITION 1 INFRASTRUCTURE BOND ROUND 2 GRANT FUNDING, AUTHORIZE AND ADOPT A RESOLUTION TO APPLY FOR THE GRANT FUNDS, AND DIRECT THE DEPARTMENT OF GENERAL SERVICES TO EXPLORE THE FEASIBILITY OF A PUBLIC-PRIVATE PARTNERSHIP MODEL (DISTRICTS: ALL)

Subsequently, on August 26, 2025 (25), the San Diego County Board of Supervisors (Board) approved a Resolution to apply for Bond BHCIP Round 2 grant funding not to exceed $150 million. Today's action requests the Board receive an update on the behavioral health capital facility project prioritized for Bond BHCIP Round 2 grant funding, the Behavioral Health Wellness Campus. In addition, this item requests the Board authorize and adopt an updated Resolution to apply for the grant funds, superseding the Resolution approved by the Board on August 26, 2025 (25) to align it with updated project cost estimates, and direct the County Department of General Services to explore the feasibility of a public-private partnership model to support a timely and cost-effective approach for the development and construction of the campus.

Today's actions support the County vision of a just, sustainable, and resilient future for all, specifically those communities and populations in San Diego County that have been historically left behind, as well as our ongoing commitment to the regional *Live Well San Diego* vision of healthy, safe, and thriving communities. This will be accomplished through further strengthening the continuum of behavioral health services in San Diego County.

RECOMMENDATION(S)
CHIEF ADMINISTRATIVE OFFICER

1. Receive an update on the recommended behavioral health capital facility project prioritized for Proposition 1 Infrastructure Bond Round 2: Unmet Needs grant funding, and authorize the Chief Administrative Officer, or designee, to submit the grant fund proposal through the Bond Behavioral Health Continuum Infrastructure Program.
2. Adopt a Resolution entitled: A RESOLUTION OF THE SAN DIEGO COUNTY BOARD OF SUPERVISORS AUTHORIZING APPLICATION TO AND PARTICIPATION IN THE BEHAVIORAL HEALTH CONTINUUM INFRASTRUCTURE PROGRAM ("BHCIP") to authorize the Chief Administrative Officer to execute the Bond BHCIP Round 2: Unmet Needs competitive grant application, program funding agreement, and related documents. This Resolution supersedes the Resolution approved by the Board on August 26, 2025 (25).
3. Direct the Department of General Services to explore the feasibility of a public-private partnership model to support the development and construction of the Behavioral Health Wellness Campus.

EQUITY IMPACT STATEMENT
The County of San Diego Behavioral Health Services (BHS) functions as the specialty mental health plan for Medi-Cal eligible residents with serious mental illness, and the service delivery system for Medi-Cal eligible residents with substance use disorder care needs within San Diego County. As a regional steward of public health, BHS must ensure services address social determinants of health by being accessible, capable of meeting the needs of a diverse population, and equitably distributed to those most in need.

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BHS utilizes a population health approach, evidence-based practices, robust data analysis, and input from consumers, community-based providers, healthcare organizations, and other stakeholders to identify community needs and design services that are impactful, equitable, and yield meaningful outcomes for clients. BHS conducts ongoing engagement activities, such as community outreach, focus groups, listening sessions, and key informant interviews, to ensure community input remains central to priorities and planning activities.

SUSTAINABILITY IMPACT STATEMENT
Today's proposed actions support the County of San Diego (County) Sustainability Goal #1, to engage the community in meaningful ways and continually seek stakeholder input, and Sustainability Goal #2, to ensure equitable access to County services. BHS has conducted extensive engagement activities to better understand local behavioral health needs and enhance collaboration with local partners. Through these efforts, BHS has solicited community feedback to inform department priorities, inclusive of services and infrastructure planning. Prioritizing the development of the recommended facility will support increased capacity dedicated to people with behavioral health conditions. These services will support equitable access to essential behavioral health care for Medi-Cal eligible individuals, enabling them to be connected to the care they need.

FISCAL IMPACT
There is no immediate fiscal impact associated with these recommendations. The rough order of magnitude for the construction costs of the Wellness Campus is approximately $193.0 million, including an estimated $182.6 million for construction of the five BHS facilities and $10.4 million for facility operations space and ancillary costs not eligible for Bond BHCIP grant funding.

For the Bond BHCIP Round 2 grant application, the estimated total value of the project is up to $210.0 million, inclusive of the planning, development, and construction costs of $182.6 million and land value of $27.4 million. If today's recommendations are approved, BHS will apply for up to $100 million in Bond BHCIP Round 2 grant funding for this project. If awarded grant funding, the County of San Diego Behavioral Health Services will return to the Board at a future date with additional recommendations, including recommendations to fund the balance of the unawarded amount. At this time, there will be no change in net General Fund cost and no additional staff years.

BUSINESS IMPACT STATEMENT
N/A

ADVISORY BOARD STATEMENT
On October 2, 2025, this item was presented to the Behavioral Health Advisory Board for discussion and comment.

SUBJECT: RECEIVE UPDATE ON BEHAVIORAL HEALTH CAPITAL FACILITY PROJECT RECOMMENDED FOR PROPOSITION 1 INFRASTRUCTURE BOND ROUND 2 GRANT FUNDING, AUTHORIZE AND ADOPT A RESOLUTION TO APPLY FOR THE GRANT FUNDS, AND DIRECT THE DEPARTMENT OF GENERAL SERVICES TO EXPLORE THE FEASIBILITY OF A PUBLIC-PRIVATE PARTNERSHIP MODEL (DISTRICTS: ALL)

BACKGROUND

In California, counties are responsible for administering specialty mental health and substance use services for residents eligible for Medi-Cal. In this capacity, the County of San Diego (County) Behavioral Health Services (BHS) serves as the specialty mental health plan for Medi-Cal eligible residents with serious mental illness, and the service delivery system for Medi-Cal eligible residents with substance use disorder care needs within San Diego County. To ensure access to quality care that meets the needs of Medi-Cal beneficiaries in San Diego County, BHS is required to maintain a local network of behavioral health services and providers.

According to the State of California *Department of Health Care Services: Assessing the Continuum of Care for Behavioral Health Services in California* (2022), one in 10 California adults (9.2%) has a substance use disorder (SUD), and nearly one in 20 (4.5%) has a serious mental illness (SMI), with marginalized groups experiencing higher rates of behavioral health conditions and more barriers to care. Data from the report show that American Indian/Alaska Native populations nationally report higher rates of post-traumatic stress disorder and alcohol dependence than any other ethnic/racial group. Additionally, Black Californians are far less likely to report receiving mental health services for themselves or a family member than other racial and ethnic groups. In addition, the report reflects data showing justice-involved individuals experience significantly higher rates of mental health conditions and substance use disorders and often end up incarcerated because of those conditions. In California, one in three adults in prison received mental health services largely due to people being arrested and incarcerated for nuisance crimes associated with their behavioral health conditions.

To address these issues and optimize the local behavioral health system of care, the San Diego County Board of Supervisors (Board) has made key investments over the last several years to enhance community-based behavioral health services and develop critical behavioral health infrastructure that is regionally distributed in alignment with population health needs. Recent significant State initiatives have been implemented to accelerate the transformation of the behavioral health continuum of care, complementing the current efforts and offering new opportunities for the County to build on critical work already underway.

In March 2024, California voters passed Proposition 1 that includes the Behavioral Health Services Act and the Behavioral Health Infrastructure Bond Act of 2023. This legislation authorized $6.38 billion in general obligation bonds to expand behavioral health treatment, residential care settings, and housing to support people with mental health conditions and substance use disorders. Funds from the bonds were allocated to competitive grants for facilities that provide behavioral health treatment and residential settings, including tribal entities and serving individuals who are homeless or at risk of homelessness with behavioral health needs.

In July 2024, the California Department of Health Care Services (DHCS) released a Request for Applications (RFA) for the Bond Behavioral Health Continuum Infrastructure Program (Bond

BHCIP) that provided $4.4 billion in competitive grant funds to counties, cities, tribal entities, nonprofit, and for-profit entities, for behavioral health capital infrastructure. BHS applied for the Bond BHCIP Round 1: Launch Ready grant funds. On May 6, 2025, BHS received notice of a conditional grant award, totaling $29.8 million, with $21.9 million for the Substance Use Residential and Treatment Services (SURTS) facility and $7.9 million for the new Children's Crisis Residential Care facility.

In June 2025, DHCS released a second RFA for the Bond BHCIP Round 2: Unmet Needs, providing $800 million in competitive grant funds that prioritizes mental health community residential beds and crisis settings for people who are Medi-Cal eligible. The grant funds must expand community-based mental health and substance use treatment capacity for Medi-Cal beneficiaries through regional models and collaborative partnerships that advance equity. Eligible facilities include, but are not limited to peer respite, crisis care, residential treatment, subacute care, inpatient care, and community-based care. Awards will be prioritized to counties, cities, tribal entities, nonprofit, and for-profit entities demonstrating site control, emphasizing residential treatment, and commencing service delivery in an expedient manner.

To be eligible for Bond BHCIP grant funds, the County must commit match funding of 10% cash or an in-kind contribution of land. The County will be using land value to meet this obligation. If awarded funding, entities must execute contracts within 90 days of receipt of conditional award notice, with capital efforts required to complete no more than five years post execution of the State agreement. Applications are due October 28, 2025, and funding awards will be announced in Spring 2026. Projects must be in one of the three following phases:

- Phase 1: Planning and Pre-development;
- Phase 2: Design Development; or
- Phase 3: Shovel Ready.

Behavioral Health Wellness Campus

Establishing additional dedicated behavioral health infrastructure to support people with mental health and substance use needs who are Medi-Cal eligible will yield positive outcomes for some of the most vulnerable residents in San Diego County, including justice-involved individuals. The Behavioral Health Wellness Campus (Wellness Campus) is envisioned to be a centralized, integrated campus located on County-owned property on Rosecrans Street in the City of San Diego previously home to the Health Services Complex. The Wellness Campus meets required State criteria, aligns with State priorities, and reflects areas with significant new capacity needs to improve access for Medi-Cal beneficiaries. The proposed service array also aligns with the recommendations outlined in the Substance Use and Mental Health Optimal Care Pathways (OCP) models approved by the Board on March 4, 2025 (1) and September 27, 2022 (23), respectively.

On August 26, 2025 (25), the Board adopted a Resolution authorizing participation in the Bond BHCIP Round 2: Unmet Needs competitive grant program, including submission of a grant

application to execute the Bond BHCIP Round 2: Unmet Needs competitive grant application, program funding agreement, and related documents. The original estimated total project cost was estimated not to exceed $150 million, which previously did not include the land value. The updated total project cost is now estimated to be an amount not to exceed $210 million, which includes the land value of the site along with more refined cost estimates associated with development and construction. Due to this, today's action requests the Board authorize and adopt an updated Resolution, superseding the Resolution approved by the Board on August 26, 2025 (25) to increase the maximum funding dollar amount. If approved and awarded, BHS will return to the Board at a later time to request authority to accept the grant funds.

The Wellness Campus will offer a comprehensive continuum of care by co-locating multiple mental health and substance use treatment and support services, inclusive of crisis services, outpatient services, skill-building, vocational readiness, medication management, peer support, and step-up and step-down services for people with serious behavioral health conditions. It will support diversion from jails, emergency rooms, and higher levels of care by promoting recovery, reducing reliance on emergency services, and strengthening community wellness within community-based settings. The project is in Phase 1: Planning and Pre-development stage.
In alignment with recommendations outlined in the OCP models, the new substance use and mental health services planned for development within the Wellness Campus include:

- *Crisis Stabilization Unit (CSU)*
  A CSU provides immediate mental health support and treatment services in a therapeutic setting to people experiencing serious behavioral health needs who require urgent care beyond outpatient clinical services. CSUs help deescalate a person's level of distress, prevent or treat a behavioral health crisis and reduce acute symptoms of a mental health condition. Services are provided on a short-term basis, up to 24 hours, and include but are not limited to, crisis intervention, mental health assessment, medication assistance, therapy, and peer support. CSUs are designed to be relaxing and quiet, with a calming environment to support mental wellness, and include law enforcement drop-off. The goal is to connect people to ongoing care and divert from higher levels of treatment. This facility type was identified by the funder as "highly encouraged".

- *Mental Health Rehabilitation Center (MHRC)*
  MHRCs provide intensive, long-term support and rehabilitative services for people experiencing serious behavioral health needs who might otherwise require placement in a state hospital or other highly structured mental health facility. The focus is on developing the skills necessary to achieve greater self-sufficiency, independence, and improved daily functioning. Services include, but are not limited to, psychiatric evaluation, medication management, individual, group, and family therapy, crisis stabilization, rehabilitative skill-building, and other customized supports. The goal is to prevent or reduce the need for

hospitalizations, state hospital stays or placement in more restrictive residential settings by promoting stability, enhancing skills, and strengthening support networks.

- *Social Rehabilitation Facility (SRF)*
  SRFs provide 24-hour, non-medical care to people with serious behavioral health needs who require more support than outpatient care but do not need hospital-level treatment. This peer-based crisis respite program will be primarily staffed by peers who have lived experience and model recovery, offer support, and foster a culture of mutual support, self-determination, and empowerment with an emphasis on providing short-term, voluntary support. Clinical staff will also be part of the model to support ongoing therapeutic programming. Services include emotional support, counseling, support groups, skill-building for independence, and assistance with daily living activities such as meals, self-care, and transportation. This recovery-oriented environment helps prevent unnecessary hospitalization, promotes long-term stability, and supports people in achieving greater independence. This facility type was identified by the funding guidance as "highly encouraged".

- *Adult Residential Substance Use Disorder (SUD) Treatment Facility*
  Residential SUD programs provide a safe, supportive environment for people to live while they work on reducing their use of drugs or alcohol, including those who meet the American Society of Addiction Medicine (ASAM) criteria for Medically Monitored Intensive Inpatient Services (ASAM 3.7). This level of service does not exist within the County continuum. Services include medically monitored services, withdrawal management, regular physician oversight, nursing support, individual, group, and family counseling, relapse prevention, rehabilitative and skill building and support services. By providing a structured, therapeutic environment, people can be stabilized by preventing the need for inpatient hospitalization or repeated detox admissions.

- *Outpatient Community Mental Health Clinic*
  Outpatient Community Mental Health clinics provide care in an office setting to treat and manage a variety of ongoing mental health or co-occurring conditions. Clinics also conduct outreach to engage people who are either not yet connected to care or have not been seen in a while. The clinic will offer appointments and walk-in hours, including support for people who are experiencing a crisis. Depending on need, services may include, but are not limited to, behavioral health screening and assessment, individual, family, and group therapy, medication management, crisis intervention, outreach services, and case management.

Developing a single campus with a continuum of services will provide integrated care that supports long-term recovery through discharge planning, and step-down and step-up services that reduce hospital re-admissions. It will also support connections to other services, including connections to

inpatient care, housing, and other community-based care and supports improving outcomes for Medi-Cal beneficiaries.

The Wellness Campus would also provide critical infrastructure to meet the needs of populations prioritized under recent State mandates and reforms, including Senate Bill (SB) 43, Proposition 36, and the CARE Act. Under SB 43, the broadened definition of "grave disability" expands eligibility for services to individuals with serious mental illness and co-occurring substance use disorders who cannot safely provide for their own basic needs, creating new demand for placement and treatment options such as crisis stabilization, residential, and step-down programs. Proposition 36 emphasizes treatment in lieu of incarceration for those with non-violent drug offenses, which directly increases the need for residential substance use disorder treatment and supportive outpatient care. The CARE Act establishes a civil court process to connect adults diagnosed with schizophrenia or other psychotic disorders and not clinically stable in treatment to community-based wraparound treatment and supports, which relies on accessible facilities that can provide a continuum of voluntary and structured services. By aligning these services within a single recovery-oriented campus, the County can meet these new legal obligations while also addressing the growing regional demand for safe, accessible, and integrated behavioral health care.

Public-Private Partnership Model
With the Bond BHCIP grant funded through State-issued general obligation bonds, the State raises funds through periodic bond sales. As a result, if awarded funding, reimbursement of eligible project costs will not be available until 2027. Due to accelerated grant timelines and a delayed reimbursement schedule, today's item requests the Board to direct the Department of General Services to explore the feasibility of a public-private partnership (P3) model to support the planning, development, and construction of the proposed Wellness Campus.

A P3 is a collaborative model in which government entities, such as the County, work with private partners, such as developers, builders, operators, and investors, to plan, design, build, finance, operate and maintain capital facilities. This approach could leverage County resources and private sector expertise to construct the Wellness Campus more effectively and timely than what could be achieved independently. Under a P3 model, the County could contribute land and a portion of project funding, while private partners provide additional capital investment, design and construction expertise in the behavioral health realm, and long-term operational knowledge. Such synergies could be valuable with the Bond BHCIP grant funding, where accelerated project timelines and delayed reimbursement schedules create challenges for large-scale infrastructure developments. Examples of P3 models using BHCIP grant funds include the Riverside University Health Systems Behavioral Health Department's Harmony Haven Children and Youth Wellness Center and the County of Riverside's Mead Valley Wellness Village.

Under a P3 agreement, the rough order of magnitude construction costs of the Wellness Campus approximately $193.0 million using comparable costs from the behavioral health projects

referenced above, and includes $182.6 million for the five BHS facilities, plus an additional $10.4 million for facility operations space and ancillary costs not eligible for Bond BHCIP grant funds. If the P3 model is not feasible, the estimated cost for the development is approximately $273.0 million using DGS construction data. Utilizing a P3 to develop the entire campus will be more timely and cost effective, avoiding additional logistical costs that may be incurred if each facility were developed individually.

Engagement Activities
Over the last several years, BHS has conducted presentations and community engagement activities to educate members across various community sectors on behavioral health topics and resources and solicit their feedback to help inform department priorities for the continuum of care, including its services and infrastructure. Engagement activities have included community outreach, focus groups, listening sessions, key informant interviews, online input forms, and panel and interactive workshops. Through these efforts, BHS is increasing its understanding of local behavioral health needs, has identified opportunities to collaborate with local partners, and is implementing tailored health promotion programming to augment broader initiatives and behavioral health public messaging. Should any projects be awarded funding, additional community outreach will take place prior to construction.

Today's action requests the Board receive an update on the Behavioral Health Wellness Campus capital facility project prioritized for Bond BHCIP Round 2 grant funding, authorize and adopt a Resolution to apply for the grant funds, superseding the Resolution approved by the Board on August 26, 2025 (25) to align it with updated project cost estimates, and direct the Department of General Services to explore the feasibility of a public-private partnership model for the development and construction of the Wellness Campus.

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LINKAGE TO THE COUNTY OF SAN DIEGO STRATEGIC PLAN

Today's proposed actions support the County of San Diego 2025-2030 Strategic Plan initiatives of Equity (Health) and Community (Quality of Life) as well as the regional *Live Well San Diego* vision. This is accomplished by reducing disparities and disproportionality of people with mental illness and substance use disorders and ensuring access to a comprehensive continuum of behavioral health services administered through accessible behavioral health programs.

Respectfully submitted,

Caroline Smith FOR

EBONY N. SHELTON
Chief Administrative Officer

ATTACHMENT(S)

Attachment A: A RESOLUTION OF THE SAN DIEGO COUNTY BOARD OF SUPERVISORS AUTHORIZING APPLICATION TO AND PARTICIPATION IN THE BEHAVIORAL HEALTH CONTINUUM INFRASTRUCTURE PROGRAM ("BHCIP")