COUNTY OF SAN DIEGO

AGENDA ITEM

BOARD OF SUPERVISORS

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DATE: **May 19, 2026** DRAFT **XX**

TO: Board of Supervisors

SUBJECT

AUTHORIZE ACCEPTANCE OF BOND BEHAVIORAL HEALTH CONTINUUM INFRASTRUCTURE PROGRAM GRANT FUNDS, WAIVE BOARD POLICY B-29, AND AUTHORIZE PROCUREMENT FOR A PUBLIC-PRIVATE PARTNERSHIP (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 indicated that awards would 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. County BHS applied for the Bond BHCIP funds. Subsequently, on March 11, 2026, BHS received notice of a conditional grant award, totaling $99.5 million of funding for a Behavioral Health Wellness Campus facility.

SUBJECT: AUTHORIZE ACCEPTANCE OF BOND BEHAVIORAL HEALTH CONTINUUM INFRASTRUCTURE PROGRAM GRANT FUNDS, WAIVE BOARD POLICY B-29, AND AUTHORIZE PROCUREMENT FOR A PUBLIC-PRIVATE PARTNERSHIP (DISTRICTS: ALL)

Today's action requests the San Diego County Board of Supervisors authorize the acceptance of $99.5 million in one-time grant funds from the DHCS for capital infrastructure at the Behavioral Health Wellness Campus and to waive Board Policy B-29, Fees, Grants, Revenue Contracts – Department Responsibility for Cost Recovery, which requires full-cost recovery for grants. Additionally, today's action will direct the County Department of General Services to procure a Public-Private Partnership entity to support a timely and cost-effective approach for the development and construction of the campus by the required funding deadline of May 2031.

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. Authorize the acceptance of Bond Behavioral Health Continuum Infrastructure Program (Bond BHCIP) Round 2 grant funding of up to $99.5 million from the California Department of Health Care Services (DHCS) for Fiscal Years 2025-26 through 2030-31, for capital infrastructure at the Behavioral Health Wellness Campus; and authorize the Behavioral Health Services Director, or designee, to execute all required documents, upon receipt, including any annual extensions, amendments, or revisions that do not materially impact or alter the services or funding level.

2. Authorize the Director, Department of General Services, in consultation with the Director, Behavioral Health Services, to issue a Request for Proposals for potential lease and development of 8.24 acres of 3851 Rosecrans Street for a Behavioral Health Wellness Campus, to evaluate the proposals, select proposals for negotiation, and to negotiate with the selected proposers the terms of a Public-Private Partnership (P3) that will document the conditions of ground lease for the development of the Property to meet the May 2031 grant construction deadline.

3. Waive Board Policy B-29 (Fees, Grants and Revenue Contracts – Department Responsibility for Cost Recovery), which requires full cost recovery for grants.

EQUITY IMPACT STATEMENT
The County of San Diego Behavioral Health Services (BHS) serves as the specialty mental health plan for Medi-Cal eligible residents with serious mental illness and as the service delivery system for Medi-Cal eligible residents who need substance use disorder (SUD) care. In 2023, nearly one in three San Diegans were Medi-Cal eligible, and Hispanic and Latino residents had the highest eligibility rate at 38 percent[1,2]. As the regional steward for this population and for communities disproportionately affected by social determinants of health, BHS is responsible for ensuring that behavioral health services are accessible, culturally responsive, and distributed equitably.

Data show significant inequities in behavioral health conditions and access to care. According to 2023 data from the California Department of Health Care Access and Information (HCAI), San Diego County had an SUD-related emergency department encounter rate of 3,350.1 per 100,000 population, with rates 1.6 times higher among residents ages 55 to 64, 2.6 times higher among Non-Hispanic Black residents, and 1.5 times higher among individuals in the lowest-income ZIP codes[3]. Nationally, only 19.3 percent of individuals age 12 or older with a diagnosed SUD received treatment, while an estimated 38.1 million people did not seek or believe they needed care, according to the 2024 National Survey on Drug Use and Health[4]. Mental health indicators also show growing need. The 2024 California Health Interview Survey (CHIS) reports that more than 19 percent of San Diego adults have ever seriously considered suicide, an increase since 2020[5]. Local mortality data show suicide deaths decreased by 8 percent from 2016 to 2024 but rose by 3 percent between 2023 and 2024[6], and national suicide rates have continued to increase during this period[7].

These patterns demonstrate an urgent need for coordinated and comprehensive behavioral health services that can reach residents with the highest levels of need. A behavioral health campus would strengthen the regional continuum of care by expanding access, improving care coordination, and creating a centralized environment where individuals can receive timely and appropriate services for both serious mental illness and substance use challenges.

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
TBD

BUSINESS IMPACT STATEMENT
N/A

ADVISORY BOARD STATEMENT
On October 2, 2025, the Behavioral Health Advisory Board voted to approve the Behavioral Health Continuum Infrastructure Program (BHCIP) Letter of Support draft.

On April 2, 2026, the Behavioral Health Advisory Board voted to _____ this item on consent.

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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 (DHCS): 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, 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 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 indicated that awards would 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. The County of San Diego (County) Health and Human Services Agency, Behavioral Health Services (BHS) applied for the Bond BHCIP funds. Subsequently, on March 11, 2026, BHS received notice of a conditional grant award, totaling $99.5 million of funding for a Behavioral Health Wellness Campus facility.

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) will 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 will increase capacity to improve access for Medi-Cal beneficiaries, with the array of service aligning 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.

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. In alignment with recommendations outlined in the OCP models, the new substance use and mental health services 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 for 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 will 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, when 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 authorize the Director, Department of General Services, to issue competitive solicitation for a Public-Private Partnership (P3) entity for the development of the Property through a ground lease to meet the May 2031 grant construction deadline.

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 would 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. This

approach is beneficial with 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.

The initial solicitation is anticipated to result in a Pre-Development Agreement (PDA) with a selected development team. The PDA will include pre-construction services such as program validation, design development, site analysis, entitlement support, cost estimating, and development of financing and delivery strategies. This phase will allow the County to collaboratively refine the project scope, schedule, and financial plan, including identification of funding sources to complement the BHCIP grant.

At the conclusion of the PDA phase, the selected developer is expected to present a proposed project delivery approach, including a construction pricing framework (such as a Guaranteed Maximum Price or equivalent), design documentation at an appropriate level of completion, and proposed ground lease and development terms. Return to the Board will be required for consideration and approval of any subsequent Development Agreement, ground lease, and final project delivery commitments.

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 San Diego County Board of Supervisors authorize the acceptance of $99.5 million in one-time grant funds from the DHCS for capital infrastructure at the Behavioral Health Wellness Campus and to waive Board Policy B-29, Fees, Grants, Revenue Contracts – Department Responsibility for Cost Recovery, which requires full-cost recovery for grants. Additionally, today's action will direct the County Department of General Services to procure a Public-Private Partnership entity to support a timely and cost-effective approach for the development and construction of the campus by the required funding deadline of May 2031.

LINKAGE TO THE COUNTY OF SAN DIEGO STRATEGIC PLAN
Today's proposed actions support the County of San Diego 2026-2031 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,

USE "INSERT PICTURE" FUNCTION TO INSERT SIGNATURE

EBONY N. SHELTON
Chief Administrative Officer

ATTACHMENT(S)
N/A

DRAFT