County Of San Diego

Agenda Item

Board Of Supervisors

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First District

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Third District

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Fourth District

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Fifth District

Date: **August 18, 2026** **XX**

To: Board of Supervisors

Receive an Update on the Development of the Behavioral Health Wellness Campus, Establish Appropriations, and California Environmental Quality Act Exemption (District: 3)

Overview

In March 2026, the County of San Diego (County) received notice of a conditional award of $99.5 million from the California Department of Health Care Services through the Behavioral Health Continuum Infrastructure Program Bond Round 2 grant program for development of the Behavioral Health Wellness Campus (Wellness Campus). On May 19, 2026 (33), the San Diego County Board of Supervisors (Board) formally authorized acceptance of this grant. The Wellness Campus is envisioned as a centralized behavioral health treatment and recovery campus providing a continuum of care for Medi-Cal beneficiaries, including crisis stabilization, residential treatment, rehabilitation, outpatient services, and supportive recovery programs.

The County is the owner of Assessor's Parcel Numbers (APN) 441-560-25-00 & 441-560-26-00 (Property), located on Rosecrans Street between Kurtz Street and Jefferson Street, in the City of San Diego. The Wellness Campus is expected to be developed on approximately 8.24 acres of County Property located at 3851 Rosecrans Street. The Wellness Campus will include approximately 120,000 square feet of new facilities designed to provide a comprehensive continuum of behavioral health services for adults, including mental health outpatient treatment, crisis stabilization, residential substance use treatment, a mental health rehabilitation center, a peer-led social rehabilitation, administrative and operational support functions, and other behavioral health supports. It will address critical behavioral health treatment capacity needs while supporting implementation of statewide behavioral health initiatives, including Senate Bill 43, Proposition 36, and the Community Assistance, Recovery, and Empowerment Act.

On October 21, 2025 (9), the Board directed staff to evaluate whether a public-private partnership (P3) model could support the development and construction of the Wellness Campus. P3 is a collaborative model in which a government entity works with private partners to plan, design, build, finance, operate and maintain capital facilities. After completing this analysis, staff determined that a P3 model for the development of the Wellness Campus is not cost-effective because the County has the ability to receive more competitive financing than private entities due

to the County's financial strength. Given that the development of the Wellness Campus will ultimately be a publicly funded construction project that will not involve a real estate agreement between the County and the developer, the County is required to utilize a delivery method authorized by the Public Contract Code.

For the foregoing reasons, instead of a P3 model, staff recommend moving forward with a Progressive Design Build (PDB) delivery method. Under PDB, the County selects a design-build team early in the process, primarily based on qualifications. The County, designer, and builder then work collaboratively to refine the project's design and cost before construction begins. This method promotes early collaboration, greater transparency, improved risk management, flexibility during design, fewer disputes, and faster overall project delivery. These characteristics make PDB well suited for a complex project on a strict timeline, such as the Wellness Campus.

The County's total project budget for the development of the Wellness Campus is currently estimated at approximately $240 million. The estimated project budget has increased from earlier planning estimates as the project scope evolved during the State BHCIP grant process. At the request of the California Department of Health Care Services, the County expanded the proposed behavioral health treatment capacity, increasing the number of licensed residential beds and associated facilities necessary to maximize the State investment and address regional behavioral health needs. The development project may include an additional option involving future redevelopment, renovation, and/or construction of improvements on the remaining portion of the Property by the design-build entity, beyond the $240M Wellness Campus construction, subject to availability of funding, compliance with California Environmental Quality Act (CEQA), and receipt of all required approvals from the Board.

If the Board approves today's recommendations, the Director, Department of General Services, will initiate a qualifications based competitive solicitation process in accordance with the Board's direction from May 19, 2026 (12). This will include issuing a Request for Qualifications and/or Request for Proposals for the development of the Wellness Campus, with the optional redevelopment, renovation, and/or construction of improvements on the remaining portion of the Property.

Today's recommendation is for the Board to find that the proposed actions are not a project under CEQA, receive an update on an estimated project budget for the proposed development of the Behavioral Health Wellness Campus, direct the Chief Administrative Officer to continue working on the development and construction of the Behavioral Health Wellness Campus, and establish additional appropriations in the project fund.

Recommendation by Chief Administrative Officer:

1) Find that the proposed actions are not a project under California Environmental Quality Act (CEQA) pursuant to CEQA Guidelines section 15060(c)(3) and section 15378 and that the proposed development of the Behavioral Health Wellness Campus qualifies for a statutory exemption from CEQA pursuant to Welfare and Institutions Code Section 5960.31 and California Health & Safety Code 50675.1.5.

2) Receive an update on an estimated project budget for the proposed development of the Wellness Campus.

3) Direct the Chief Administrative Officer to continue working on the development and construction of the Behavioral Health Wellness Campus in compliance with all applicable laws and grant requirements.

4) Establish appropriations of $22,300,000 in the County Health Complex Fund for Capital Project 1028094 Behavioral Health Wellness Campus based on $2,900,000 Opioid Settlement Funds, $15,600,000 Behavioral Health Continuum Infrastructure Bond Round 2, and $3,800,000 Behavioral Health Realignment for the development of the Behavioral Health Wellness Campus. (4 Votes)

Equity Impact Statement
The County of San Diego Behavioral Health Services serves as the specialty mental health plan and substance use disorder treatment delivery system for Medi-Cal beneficiaries throughout the region. Many people experiencing serious mental illness, substance use disorders, homelessness, justice involvement, or other barriers to care face significant challenges accessing timely and appropriate behavioral health services.

The Behavioral Health Wellness Campus will expand access to behavioral health treatment and recovery services by creating a centralized continuum of care that includes an array of services within one location, including crisis stabilization, substance use residential treatment, mental health rehabilitation, outpatient services, and recovery supports. By increasing treatment capacity and improving coordination between levels of care, the project will help reduce disparities in access to behavioral health services and improve outcomes for populations that have historically experienced barriers to care.

Sustainability Impact Statement
Today's proposed actions support the County of San Diego Sustainability Goals by promoting equitable access to essential health services, improving community well-being, and encouraging responsible long-term stewardship of public resources.

The Behavioral Health Wellness Campus will expand access to critical behavioral health infrastructure that supports community health and recovery while reducing reliance on emergency departments, jails, and other higher-cost public systems. The project will be developed on an existing County-owned site and will incorporate sustainable design principles and applicable State requirements.

The recommended approach in partnering with a design-build entity will also support efficient project delivery, long-term operational sustainability, and responsible management of public investments.

Fiscal Impact
Funds for today’s requests are not included in the Fiscal Year 2026-27 Operational Plan in the County Health Complex Fund for Capital Project 1028094, Behavioral Health Wellness Campus.

Receive an Update on the Development of the Behavioral Health Wellness Campus, Establish Appropriations, and California Environmental Quality Act Exemption (District: 3)

If approved, Recommendation 4 would increase appropriations and revenues by $22,300,000 to bring the project budget to $35,000,000 for pre-construction costs, including planning, procurement, design, and permitting costs. The funding sources are $2,900,000 Opioid Settlement Funds, $15,600,000 Behavioral Health Continuum Infrastructure Program Bond (BHCIP) Round 2, and $3,800,000 Behavioral Health Realignment. This is in addition to the $12,700,000 already appropriated in the capital project through the Fiscal Year 2026-27 Operational Plan based on $7,500,000 Opioid Settlement Funds and $5,200,000 BHCIP Round 2. There will be no additional staff years associated with today's actions.

There will be future fiscal impacts associated with the award of the Progressive Design-Build contract for the Wellness Campus. The total project budget is currently estimated at approximately $240 million, which includes the $35 million primarily for pre-construction costs mentioned above. $99.5 million of the project total will be funded by BHCIP Round 2 grant funds. The remaining $140.5 million is anticipated to be funded through a combination of approximately $69.5 million in program revenues, including Opioid Settlement Funds, Behavioral Health Impact Funds, Patient Care Revenue, Behavioral Health Realignment, and General Purpose Revenue made available through American Rescue Plan Act revenue loss, and approximately $71 million of bond financing, with debt service payments supported by anticipated future Patient Care Revenue. Staff will include in future Operational Plans or return to the Board for consideration and approval of funding for the remaining phases of the Wellness Campus.

The $240 million project estimate does not include amounts for an option to redevelop, renovate, and/or improve the remaining portion of the property after the completion of the Wellness Campus, and there is currently no identified funding source for the option.

Business Impact Statement
N/A

Advisory Board Statement
The Debt Advisory Committee, composed of the Chief Financial Officer, the Auditor and Controller, and the Treasurer-Tax Collector, concurs with this recommendation.

Background
In March 2024, California voters approved Proposition 1, which included the Behavioral Health Services Act and the Behavioral Health Infrastructure Bond Act of 2023. The measure authorized approximately $6.38 billion in general obligation bonds to expand behavioral health treatment, residential care settings, and related infrastructure throughout California.

In June 2025, the California Department of Health Care Services released the Behavioral Health Continuum Infrastructure Program Bond (BHCIP) Round 2: Unmet Needs funding opportunity. The program prioritized projects that demonstrated site control, readiness to proceed, and the ability to deliver new behavioral health treatment capacity on an accelerated schedule.

The County of San Diego (County) submitted an application for development of the Behavioral Health Wellness Campus (Wellness Campus) and, on March 11, 2026, received notice of a conditional grant award totaling approximately $99.5 million. The grant requires completion of

construction of the project by June 1, 2031. On May 19, 2026 (33), the San Diego County Board of Supervisors (Board) formally authorized acceptance of this grant.

The purpose of today's item is for the Board to find that the proposed actions are not a project under California Environmental Quality Act (CEQA), receive an update on an estimated project budget for the proposed development of the Wellness Campus, direct the Chief Administrative Officer to continue working on the development and construction of the Behavioral Health Wellness Campus, and establish additional appropriations in the project fund.

Behavioral Health Wellness Campus
The County owns the approximately 11.6-acre property (Property) located on Rosecrans Street between Kurtz Street and Jefferson Street, in the City of San Diego. The Wellness Campus is planned to be developed on approximately 8.24 acres of the Property. The Wellness Campus will create a centralized behavioral health treatment campus designed to provide an integrated continuum of care for Medi-Cal beneficiaries.

The campus is intended to address critical gaps in the County's behavioral health continuum of care while supporting implementation of recent State initiatives, including Senate Bill 43, Proposition 36, and the Community Assistance, Recovery, and Empowerment (CARE) Act. By co-locating multiple levels of care on a single campus, the project will improve care coordination, facilitate step-up and step-down treatment options, reduce unnecessary hospitalization and incarceration, and support long-term recovery outcomes.

The Campus will include approximately 120,000 square feet of new facilities. The programs supported will provide services for over 22,000 people each year, and will include:

- Crisis Stabilization Unit: This unit will be available to serve Medi-Cal eligible individuals with serious mental illness and provide 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. Services will be provided on a short-term basis, up to 24 hours, and include crisis intervention, mental health assessment, medication assistance, therapy, and peer support.

- Outpatient Community Mental Health Clinic: An outpatient treatment center that will serve Medi-Cal eligible adults experiencing serious mental health conditions who can be treated in a non-residential setting. The clinic will provide ongoing behavioral health services, medication management, crisis support, outreach, and care coordination.

- Adult Residential Substance Use Disorder Treatment Facility: A residential facility that will serve Medi-Cal eligible adults with substance use conditions, providing a safe, supportive environment for people to live while they work on reducing their use of drugs or alcohol. The program provides 24-hour structured treatment including assessment, individual and group counseling, withdrawal management, medication management, relapse prevention, life skills training, and transition planning.

- Peer-Led Social Rehabilitation Facility: A 24-hour facility that will serve adults eligible for Medi-Cal with serious mental health conditions who require more support than outpatient care but do not need hospital-level treatment. The program will provide non-medical support, skill development, and community integration services for individuals transitioning toward greater independence.

- Mental Health Rehabilitation Center: A residential facility that will serve adults with serious mental illness who are eligible for Medi-Cal, providing intensive, long-term rehabilitation services for people who might otherwise require placement in a hospital or higher level of care. Services will include psychiatric care, medication management, individual and group therapy, social skills training, and discharge planning to support stabilization and community reintegration.

By integrating these services on a single campus, the Behavioral Health Wellness Campus will support diversion from emergency departments and jails, improve continuity of care, facilitate care transitions between treatment levels, reduce hospital readmissions and recidivism, and strengthen long-term recovery outcomes for Medi-Cal beneficiaries throughout San Diego County.

Project Delivery Approach
On October 21, 2025 (9), the Board directed staff to explore the feasibility of a public-private partnership (P3) model to support the development and construction of the Behavioral Health Wellness Campus. P3 is a collaborative model in which a government entity works with private partners to plan, design, build, finance, operate and maintain capital facilities. After completing this analysis, staff determined that a P3 approach for the development of the Wellness Campus is not cost-effective because the County has the ability to receive more competitive financing than private entities due to the County's financial strength. Given that the development of the Wellness Campus will ultimately be a publicly funded construction project that will not involve a real estate agreement between the County and the developer, the County is required to utilize a delivery method authorized by the Public Contract Code.

For a complex project on a strict timeline, such as the Wellness Campus, Progressive Design Build (PDB) has been identified as the best fit. Under PDB, the County selects a design-build team early in the process, primarily based on qualifications. The County, designer, and builder then work collaboratively to refine the project's design and cost before construction begins. This method promotes early collaboration, greater transparency, improved risk management, flexibility during design, fewer disputes, and faster overall project delivery.

The selected design-build entity will work collaboratively with the County during the Wellness Campus pre-development phase to validate the program, refine project scope, develop cost estimates, advance design, evaluate phasing opportunities, and establish a project delivery framework capable of meeting the June 1, 2031 grant completion deadline. The design-build project may also include an additional optional phase, which could involve the redevelopment, renovation, and/or construction of improvements on the remaining portion of the Property by the design-build entity, subject to availability of funding, compliance with California Environmental Quality Act, and receipt of all required approvals from the Board.

Wellness Campus Estimated Budget and Funding Sources
The total project budget for the development of the Wellness Campus is currently estimated at approximately $240 million, of which $99.5 million will be funded by BHCIP Round 2 grant funds. The remaining $140.5 million is anticipated to be funded through a combination of approximately $69.5 million in program revenues, including Opioid Settlement Funds, Behavioral Health Impact Funds (BHIF), Patient Care Revenue, Behavioral Health Realignment, and General Purpose Revenue made available through American Rescue Plan Act (ARPA) revenue loss, and approximately $71 million of bond financing, with debt service payments supported by anticipated future Patient Care Revenue.

On May 19, 2026 (33), the Board authorized the use of $14.35 million of unspent BHIF funding for the development and construction of the Wellness Campus. These funds were made available based on an agreement between the County and the City of San Diego (City) to establish $25 million of appropriations to develop behavioral health capital projects within the boundaries of the city to strengthen local capacity for long-term mental health and substance use treatment. $10.65 million was competitively awarded to several community-based organizations and the City and County have agreed to allocate the remaining $14.35 million towards the Wellness Campus.

Approximately $16 million from the ARPA Framework is expected to be repurposed for the Wellness Campus from the Evergreen Components category ($14 million from SB 43 and $2 million from Addressing Hospital Overcrowding with Recuperative Care Homeless Beds). These amounts are no longer needed for their original purpose and reallocating them to the Wellness Campus will allow the funds to be used to support the same client population. The funding source is General Purpose Revenue made available through ARPA revenue loss.

The $240 million project estimate does not include amounts for an option to redevelop, renovate, and/or improve the remaining portion of the Property after the completion of the Wellness Campus, and there is currently no identified funding source for the option.

Next Steps
If the Board approves today's recommendations, the Director, Department of General Services, will initiate a qualifications based competitive solicitation process in accordance with the Board's direction from May 19, 2026 (12). This will include issuing a Request for Qualifications and/or Request for Proposals for the development of the Wellness Campus, with the optional redevelopment, renovation, and/or construction of improvements of the remaining portion of the Property. At the close of the solicitation period, a source selection committee comprised of County staff will review the submissions, conduct interviews and select the design-build entity who will provide the best value to the County. Staff will then negotiate and execute the design-build contract with the selected design-build entity, which will outline the terms of the development of the Wellness Campus.

Environmental Statement
The proposed authorization to continue working on the development and construction of the Wellness Campus for the development of Assessor's Parcel Numbers (APN) 441-560-25-00 & 441-560-26-00 is not a project under California Environmental Quality Act (CEQA) pursuant to CEQA Guidelines section 15060(c)(3) and section 15378 because it is an administrative activity

that will not result in a direct or reasonably foreseeable indirect physical change in the environment and is therefore not a project subject to CEQA as defined in section 15378. Further, the proposed development of the Behavioral Health Wellness Campus is exempt from CEQA pursuant to the statutory exemption established under applicable Behavioral Health Continuum Infrastructure Program legislation and identified in Welfare and Institutions Code Section 5960.31 and California Health & Safety Code 50675.1.5. The project consists of behavioral health infrastructure funded through the Behavioral Health Continuum Infrastructure Program, is not subject to discretionary review or approvals, and meets the requirements of Welfare and Institutions Code Section 5960.31 and California Health & Safety Code 50675.1.5 and is, therefore, considered ministerial pursuant to CEQA Section 15268 and is statutorily exempt from CEQA pursuant to Welfare and Institutions Code Section 5960.31 and California Health & Safety Code 50675.1.5. See Attachment A for Notice of Exemption.

Linkage To The County Of San Diego Strategic Plan
Today's action supports the County of San Diego 2026-2031 Strategic Plan initiatives of Equity (Health) and Community (Quality of Life) by expanding behavioral health treatment capacity, improving access to care for Medi-Cal beneficiaries, reducing behavioral health disparities, and strengthening the continuum of behavioral health services throughout the region.

Respectfully submitted,



Ebony N. Shelton
Chief Administrative Officer

Attachments
Attachment A – Notice of Exemption
Attachment B – Location Map