

Attachment A

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DISCUSSION

In response to this, and in collaboration with Natividad, BHB identified an alternative site for the new construction of the MHRC project, an undeveloped parcel located at the corner of Medical Center Drive and Constitution Boulevard directly across from the Salinas Regional Soccer Complex and adjacent to the County Jail and Natividad. This 24-acre parcel was previously identified by the Board in January 2018 as a parcel to be developed for future healthcare facilities. This change in the project location required approval from both AHP and DHCS, as well as resubmission of the grant application to DHCS and AHP. On June 4, 2024, BHB presented the proposed changes to the Board and requested authorization to resubmit the grant application. The Board approved the request with a 4-1 vote. On October 8, 2024, BHB received plan change approval from DHCS to move forward with the change, which now included the construction of six (6) new sixteen-bed (16) MHRCs and a support building. The concept of constructing six (6) separate buildings was driven by the ability to bill Medi-Cal for services provided at the MHRCs. This option would not have been available under the original plan due to Medicaid's Institutions for Mental Diseases (IMD) Exclusion, which restricts reimbursement for facilities with more than 16 beds. Additionally, BHB informed the Board that, in an effort to reduce costs, it would replicate, however feasible, the design of the recently developed County of San Mateo's Cordilleras Mental Health Rehabilitation Facility. In January 2025, DHCS and AHP notified that the revised project application had been approved.

On November 12, 2024, BHB provided a project update to the Board. In the report, BHB advised that projected costs had increased from the original \$45,785,790, estimated for the rehabilitation at the Adult Rehabilitation section of the County Jail, to approximately \$75,077,014 for the proposed new building. This revised estimate completed by BHB was the result of the change from a rehabilitation to new construction and was based on the anticipated square footage of the new facility and informed by construction costs associated with the recently completed Alisal Integrated Health Center located at 331 N. Sanborn Road in Salinas. During the presentation, BHB also informed the Board of a projected funding gap of \$54,910,935 between the \$20,166,779 grant award and the updated project cost of \$75,077,014. To address this funding gap, BHB, in collaboration with the County Administrative Office (CAO), explored the potential issuance of COPs. As a separate agenda item, on November 12, 2024, the CAO, in partnership with KNN Public Finance, LLC, presented financing options for the MHRC and other County projects. Following the presentation, the Board voted 4-1 to proceed with exploring the issuance of COPs to fund the MHRC project.

On December 12, 2024, the BHB submitted a \$31 million application for Proposition 1, BHCIP Bond Round 1 (Bond) funding to expand bed capacity at the MHRC project from 96 to 144 beds. The proposed expansion would involve increasing the capacity from 16 to 32 beds in three (3) of the facility's six (6) buildings. Although this approach would render the three (3) expanded MHRCs ineligible for Medi-Cal billing, it would significantly reduce the amount of local funding needed for the Project. While awaiting a response from the DHCS regarding the bond funding application, HD re-engaged the Department of Public Works, Facilities and Parks (PWFP) in November 2024 to help support the development of the MHRC project. The team subsequently began contracting with engineers and architects to initiate project programming and planning. Early in the planning process, it was determined that expanding the three (3) buildings from 16 to 32 beds was not feasible due to space limitations and utility infrastructure constraints.

Subsequently, on May 8, 2025, DHCS issued a preliminary award notice to the HD-BHB for the \$31 million application. On July 17, 2025, BHB met with representatives from DHCS and AHP to inform them of the site constraints and to explore alternative options for proceeding with the MHRC project while preserving the awarded funding. These discussions remain ongoing as the County and State parties work toward a feasible solution. A resolution is expected to be received sometime in the coming weeks.

MHRC System Benefits

With the development of the six (6) MHRC buildings, BHB will have local placement options for Monterey County residents who need individualized programs and intense support with mental health conditions. Local placement will allow families to visit their loved ones more regularly. In addition, BHB will have the ability to contract-out beds with other counties in the region to ensure full utilization of the 96 MHRCs beds. Local MHRC placement options will aid in overall care coordination in the following two ways:

- Reduced out of County travel time for staff on the Behavioral Health Placement Team and Public Administrator, Public Guardian and Public Conservator (PA/PG/PC) Office.
- Reduced out of County travel for BHB outpatient treatment teams working on step down efforts for clients from the MHRC level of care down to outpatient care coordination and community placement.

An increase in MHRC placement options locally will improve overall patient flow in the system. It will allow BHB and PA/PG/PC to more quickly place patients under Lanterman-Petris-Short (LPS) mental health conservatorships in a more appropriate placement option, reducing extended administrative day stays at local inpatient psychiatric/mental health units. Each MHRC will be operated and managed by different service providers.

Draft Design

In November 2024, and as the project shifted to new construction on a new parcel at the intersection of Constitution Blvd. and Medical Center Drive (APN# 003-851-039-000), PWFP, HD, and the design team and subcontractors began working on the design and development of the project. An address associated with this APN has been assigned as 1443 Constitution Blvd., Salinas, California. The campus master plan for this site will have three (3) phases. Due to funding and grant reasons, Phase I of this project will be broken down into Part I and Part II. Phase I - Part I will include the MHRC Support Building, three (3) MHRCs, parking, landscaping, generator, evacuation zones, switchboard, transformer, trash enclosure, parking, landscaping and all other onsite and offsite improvement. Phase I - Part I is currently scheduled to be completed by November 2028. Phase I - Part II will include the remaining three (3) MHRC buildings and is currently scheduled to be completed by January 2029. The future development of the remaining portion of the parcel is designated for Phases II and III and are not a part of the current project or funding request.

Each of the MHRCs will include 16 beds for clients and it will include shared and exterior program space available to both staff and clients. The backs of six (6) MHRC buildings will include spaces for: staff offices and lounge, and work areas and rooms for interview/visitation, exam/consultation, medication, housekeeping soiled linen room, nourishment, storage, laundry, technology, electricity, mechanical, and waste. The MHRC Support Building will include

administration offices, conference rooms, staff lounge, and rooms for security, lactation, housekeeping, storage, mechanical, and electrical. Additional programming for this building will include showers, changing rooms, industrial kitchen, engineering and mechanical shop, and Intermediate Distribution Frame (IDF) for telecommunications and networking. For further details in the floor plans for the MHRCs and the MHRC Support Building, please see Attachment B.

Phase I is currently under the Construction Document phase. The following milestones have been accomplished:

- Programmatic and Schematic Phase - Completed in April 2025
- Programming Phase Professional Engineers' Estimate - Completed in June 2025
- CEQA:
 - Preliminary Geotechnical Study, Phase I and Phase II Environmental Site Assessment, and Cultural Resources Constrains Assessment - Completed in April 2024
 - Expanded Archaeological Survey and Updated Cultural Resources Assessment - Completed in April 2025
 - CEQA Project Description - Completed in May 2025
 - Traffic Counts - Completed in May 2025
 - Traffic Study and Traffic Design - Currently Underway
- Design Development Phase - Completed in September 2025
- Draft of Pre-Characterization Soil Sampling Report - Completed in September 2025
- Draft of Geotechnical Report - Completed in early October 2025

Project Budget and Expenditures to Date

Once the programmatic and schematic phase of the Project was initiated, it was discovered that the parcel lacked key infrastructure, including water and sewer lines as well as power and data. The lack of these key infrastructure elements along with the increased construction costs driven by federal tariffs, escalation, and offsite improvements contributed to a significant rise in the total estimated project budget, from \$75,077,014 to \$172,454,829. The new estimated project budget is backed by a Professional Engineer's Estimate completed by Leland Saylor Associates on June 10, 2025. The new estimated project budget also includes a project and construction contingency equating to 20%, which is the industry standard for new construction projects and was not included in the grant project estimate. The current project budget is in the amount of \$172,454,829 and the grant expenditures in the amount of \$2,283,174 as of September 26, 2025, are summarized in further detail in Attachment C.

Project Timeline

The timeline below shows some key milestones included in Phase I - Part I and Part II. Exhibits D and E provide a more detailed breakdown of the project schedule for Phase I Part I and Part II.

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| • Finalize Project Programming and Schematics | Spring 2025 |
| • Finalize MHRC Floor Plans | Summer 2025 |
| • Finalize Design Development Drawings | Summer 2025 |
| • Public Outreach Campaign | Fall/Winter 2025 |

- Project Status Update Report to BOS October 2025
- Submit for Building Permit Review December 2025
- Complete Building Permit Review Spring of 2026
- Complete CEQA Initial Study / Mitigated Negative Declaration Spring of 2026
- Secure Certificates of Participation / Other Financing Spring/Summer 2026
- Complete Construction Contract Process Summer/Fall 2026
- Begin Construction Winter 2026
- Complete Construction of Phase I – Part I Fall/Winter 2028
- Complete Construction of Phase I – Part II Winter 2028/Spring 2029
- Phase I – Part I and Part II Campus Fully Operational Summer 2029

In accordance with the California Environmental Quality Act (CEQA), this action is not a project. This is an administrative report. The County has determined that the proposed action is not a project as defined by the CEQA Guidelines Section 15378.