



County of Monterey

Item No.2

Board Report

Board of Supervisors
Chambers
168 W. Alisal St., 1st Floor
Salinas, CA 93901

Legistar File Number: 25-565

August 18, 2025

Introduced: 8/4/2025

Current Status: Agenda Ready

Version: 1

Matter Type: General Agenda Item

Receive a presentation on the Health Department's Behavioral Health Bureau Mental Health Rehabilitation Center (MHRC) project.

RECOMMENDATION:

It is recommended that the Health, Housing, Homelessness, and Human Services Committee of the Board of Supervisors:

Receive a presentation on the Health Department's Behavioral Health Bureau Mental Health Rehabilitation Center (MHRC) project.

SUMMARY/DISCUSSION:

On February 13, 2023, the Monterey County Health Department's Behavioral Health Bureau (BHB) submitted a \$20,166,779 funding application through Round 5 of the Behavioral Health Continuum Infrastructure Program (BHCIP) to rehabilitate a wing of the old county jail at 1420 Natividad Road into a 100-bed Mental Health Rehabilitation Center (MHRC). Public Works, Facilities, and Parks (PWFP), serving as the Program Manager, facilitated coordination between BHB, the Sheriff's Office, and project architects. On June 23, 2023, the California Department of Health Care Services (DHCS) conditionally awarded \$20,166,779 to BHB to establish the MHRC. Subsequently, on August 22, 2023, the Monterey County Board of Supervisors (BOS) adopted Resolution 23-138, authorizing the Director of Health Services to execute an agreement with Advocates for Human Potential (AHP), DHCS's administrative entity, and formally accept the funding. The project had an anticipated cost of \$45,785,790.

In February 2024, the Sheriff's Office informed BHB that the rehabilitation wing of the old county jail at 1420 Natividad Road was no longer available for this project as they needed to retain the facility for their own use. In response, and in collaboration with Natividad, BHB identified an alternative site, an undeveloped parcel located at the corner of Medical Center Drive and Constitution Boulevard directly across from the Constitution Soccer Complex, for the new construction of the MHRC. This change required approval from both AHP and DHCS, as well as the resubmission of the grant application. On June 4, 2024, BHB presented the proposed changes to the BOS 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 new construction of six (6) sixteen-bed (16) MHRCs and a support building. The concept of constructing six separate buildings was driven by the ability to bill Medi-Cal for services provided at the facilities. 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 BOS that, in an effort to reduce costs, it would replicate, wherever feasible, the design of the recently developed Cordilleras County

Mental Health Facility in San Mateo County for the MHRC project. In January 2025, DHCS and AHP notified that the revised project application had been approved.

On November 12, 2024, the BHB provided a project update to the BOS. In the report, BHB advised that projected costs had increased from the original \$45,785,790, estimated for the rehabilitation at the old county jail, to approximately \$75,077,014 for the new build. This revised estimate 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. During the presentation, BHB also informed the BOS 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 gap, BHB, in collaboration with the County Administrative Office (CAO), explored the potential issuance of Certificates of Participation (COPs). As a separate agenda item, on November 12, 2024, the CAO, in partnership with KNN, presented financing options for the MHRC and other county projects. Following the presentation, the BOS voted 4-1 to proceed with the issuance of COPs to fund the MHRC.

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 Mental Health Rehabilitation Center (MHRC) from 96 to 144 beds. The proposed expansion involves increasing capacity from 16 to 32 beds in three of the facility's six buildings. Although this approach would render the three expanded MHRCs ineligible for Medi-Cal billing, it would significantly reduce local funding for the project. While awaiting a response from the DHCS regarding the bond funding application, BHB engaged Public Works, Facilities, and Parks (PWFP) to support the MHRC project. The team subsequently began contracting with engineers and architects to initiate project planning. Early in the planning process, it was determined that expanding the three 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 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 parties work toward a feasible solution, and a resolution is expected sometime in late August 2025.

As the BHB, PWFP, and contractors (Construction Team) continue to work on the project, some milestones have been reached, including completing the project's programming in April 2025, but other challenges have been identified that have resulted in project cost increases. As the project has shifted to new construction, it was identified that the parcel designated for development lacks essential infrastructure, including water and sewer lines, as well as electricity. Additionally, increased construction costs driven by federal tariffs and a required 20% contingency have contributed to a significant rise in the total estimated project cost, from \$75,077,014 to \$171,731,898. BHB is currently exploring additional funding sources to cover the cost increase, including the potential use of the \$31 million Proposition 1 Bond grant.

The Construction Team is currently working to finalize building floor plans, traffic studies, complete California Environmental Quality Act (CEQA) documentation, and conduct geotechnical engineering assessments of the site. BHB plans to provide an update to the BOS in

September 2025.

OTHER AGENCY INVOLVEMENT:

The Health Department's Behavioral Health Bureau has been working with the Public Works Facilities and Parks Department on this project.

FINANCING:

There will be no impact on the General Fund in receiving this report.

BOARD OF SUPERVISORS STRATEGIC INITIATIVES:

Check the related Board of Supervisors Strategic Initiatives:

☐ Economic Development:

- Through collaboration, strengthen economic development to ensure a diversified and healthy economy.

☒ Administration:

- Promote an organization that practices efficient and effective resource management and is recognized for responsiveness, strong customer orientation, accountability and transparency.

☒ Health & Human Services:

- Improve health and quality of life through County supported policies, programs, and services, promoting access to equitable opportunities for healthy choices and healthy environments in collaboration with communities.

☒ Infrastructure:

- Plan and develop a sustainable, physical infrastructure that improves the quality of life for County residents and supports economic development results.

☐ Public Safety:

- Create a safe environment for people to achieve their potential, leading businesses and communities to thrive and grow by reducing violent crimes as well as crimes in general.

Prepared by: Fabricio Chombo, Assistant Bureau Chief (WOC), 755-4578

Approved by: Elsa Mendoza Jimenez, Director of Health Services, 755-4526

Attachment(s):

Staff Report

Presentation