COUNTY OF SONOMA

575 ADMINISTRATION
DRIVE, ROOM 102A
SANTA ROSA, CA 95403

SUMMARY REPORT

Agenda Date: 7/7/2026

To: County of Sonoma Board of Supervisors
Department or Agency Name(s): Department of Health Services
Staff Name and Phone Number: Nolan Sullivan, 707-565-4774; Jan Cobaleda-Kegler, 707-565-5157
Vote Requirement: Majority
Supervisorial District(s): Countywide

Title:
Behavioral Health Continuum Infrastructure Program Project Continuation, and Termination of the Behavioral Health Housing Unit Project

Recommended Action:

A. With regard to the Behavioral Health Continuum Infrastructure Program Bond Round 1 project:

1. Authorize the Health Services and Public Infrastructure Departments to develop and release a competitive solicitation to evaluate project delivery options, establish project feasibility, and identify the most cost-effective approach with available funding.
2. Select the Los Guilicos and the Orenda Center sites as locations for further project planning, feasibility, and development plan efforts.
3. Authorize the Department of Health Services to pursue regional partnerships, subcontracting arrangements, public and private funding opportunities, and other financing strategies necessary to reduce the projected funding gap and maximize behavioral health treatment capacity.
4. Authorize the Department of Health Services to accept the amended California Department of Health Care Services conditional Behavioral Health Continuum Infrastructure Program Round 1 award of $54.6 million.
5. Direct the Director of Health Services, or designee, to execute all documents necessary to secure the award and satisfy California Department of Health Care Services requirements.

B. With regard to the existing project and agreements with the State of California for the Sheriff's SB 863 Behavioral Health Housing Unit Project:

1. Direct and authorize the Chief Executive Officer to initiate termination of this proposed Project and grant award with the State, specifically the "Project Delivery and Construction Agreement; SB 863 Local Criminal Justice Facilities Financing Program" dated February 3, 2017, related Ground Lease and Facility Sublease, and all other project-related agreements, and delegate authority to the Chief Executive Officer to negotiate and execute all necessary instruments to terminate said agreements in forms approved by County Counsel.
2. Approve the use of the Behavioral Health Housing Unit project's local set aside amounts for use on the Behavioral Health Continuum Infrastructure Program Bond Round 1 Project.

Executive Summary:
The Sonoma County Department of Health Services (DHS) is seeking authorization to accept an amended conditional award of $54.6 million from the California Department of Health Care Services (DHCS) through the Behavioral Health Continuum Infrastructure Program (BHCIP) Bond Round 1 project to develop 88 new behavioral health treatment beds. The original award of $67.7 million supported 104 treatment beds; however, escalating construction costs and site-specific challenges have made the original project scale financially unfeasible. DHCS has provided DHS with the option to accept a reduced award and revised project scope. Decision is now needed to either 1) accept the reduced award and commit to delivering 88 beds; 2) accept the original award and deliver 104 beds; or 3) relinquish this BHCIP award entirely.

Behavioral health treatment facilities in the Bay Area cost approximately $1.3 to $1.4 million per bed, resulting in estimated project costs that exceed the BHCIP award. To maximize the opportunity to bring critically needed treatment capacity to Sonoma County, DHS proposes accepting the reduced award, pursuing regional partnerships and additional funding sources, considering alternative or split project locations at Los Guilicos and/or the Orenda Center, and releasing a competitive solicitation to identify the most cost-effective and feasible project delivery strategy. The solicitation will provide needed information on project costs, inform final site selection, and determine whether the project can be delivered within available resources while meeting DHCS deadlines and program requirements.

Separately, in 2015, the County received a grant award of $40 million from the State Bureau of State and Community Corrections (BSCC) for construction of a Behavioral Health Housing Unit (BHHU), a 72-bed facility for mental health treatment and rehabilitation of inmates with mental illness. Similarly, the BHUU project's construction and operating costs have far exceeded the original grant award amount, and is no longer feasible. The proposed BHCIP project would serve a similar population, by constructing certain locked facilities to support justice-involved persons in addition to the general public. As such, staff recommends that the funding the County has set aside for the BHHU, be reallocated to the BHCIP project, and that staff formally begin the process to terminate the BHHU grant agreement with the State.

Discussion:
Background

In May 2025, the Sonoma County Department of Health Services, Behavioral Health Division (DHS) received a conditional award from the California Department of Health Care Services (DHCS) under the Behavioral Health Continuum Infrastructure Program (BHCIP) Bond Round 1 in the amount of $67,702,227.50. The award was for development of four (4) Mental Health Rehabilitation Centers (MHRC) and one (1) Adult Residential Substance Use Disorder (SUD) Treatment Facility, to bring 104 behavioral health treatment beds to Sonoma County.

Following the award, DHS conducted additional due diligence related to project feasibility, site development requirements, and construction costs. This analysis revealed that the proposed site and project scope presented significant financial challenges. Based on current market conditions and the escalating costs of developing specialized behavioral health facilities in the Bay Area, the total project cost is now estimated at approximately $160 million-more than double the original BHCIP award amount. An analysis of recently constructed or planned Bay Area behavioral facilities - Alameda, Contra Costa, San Francisco Counties - indicates behavioral treatment beds range from $1.3 million to $1.4 million per bed depending on facility type, site conditions, and construction approach.

Recognizing these financial constraints, DHS engaged DHCS to explore alternative project configurations that could preserve the state and local investment while improving project feasibility. In October 2025, DHS requested to reduce the project from 104 treatment beds to a minimum of 36 treatment beds; that request was not approved. In February 2026, DHS then proposed to construct 88 treatment beds utilizing the original $67.7 million award amount. In May 2026, DHCS approved the reduced bed count but advised that the award would be proportionally reduced to $54.6 million. DHCS has since reaffirmed that any reduction in amount of treatment beds will result in a corresponding reduction in funding.

As a result, Sonoma County is now faced with three options: (1) accept the original $67.7 million award, on condition of delivering 104 treatment beds; (2) accept the amended $54.6 million award and pursue development of 88 treatment beds; or (3) entirely decline the award and forgo this round of BHCIP funding. DHS recommends pursuing the second option, in conjunction with a plan to evaluate project delivery strategies, alternative site configurations, and partnership opportunities to determine whether the project can be delivered consistent with what funding is available to cover the needed balance.

Behavioral Health Housing Unit Project Background and Recommendation

In 2015, the County received a grant award of $40 million from the State Bureau of State and Community Corrections (BSCC) for construction of a Behavioral Health Housing Unit, a 72-bed facility for mental health treatment and rehabilitation of inmates with mental illness. Construction and operating costs have far exceeded the original grant award amount, and is no longer feasible. The proposed BHCIP project would serve a similar population, by constructing certain locked facilities to support justice-involved persons in addition to the general public. As such, staff recommends that the funding the County has set aside for the BHHU, be reallocated to the BHCIP project, and that staff formally begin the process to terminate the BHHU grant agreement with the State.

The County currently has $20.58 million set-aside in one-time capital funding for the BHHU project, and has been allocating $6.62 million per year for operating costs. Each year that the BHHU has not come to fruition, this $6.62 million has been added to the one-time capital set aside.

Given the BHHU and BHCIP project similarities in mental health and rehabilitative services, the BHCIP Project's scope in serving justice-involved individuals as well as the greater community, staff recommends discontinuing efforts to advance the BHHU project, and instead reallocating all available BHHU current and future funding, to the BHCIP Project. This would result in $27.2 million ($20.58 set-aside plus the $6.62 million FY 26-27 operations set-aside) in FY 26-27 being reallocated to the BHCIP Project.

Staff further recommends continuing the annual BHHU operational allocation into future fiscal years and reallocating these monies towards the BHCIP project. This would result in another $19.86 ($6.62M x 3) available towards the project between FY 27-28 and FY 29-30, when the BHCIP project is expected to be complete.

Should the Board approve this recommendation, staff will work with the State BSCC to terminate the BHHU grant agreement and return the grant award to the State.

Funding

Behavioral health treatment facilities in the Bay Area region cost approximately $1.3 to $1.4 million per bed. These costs reflect the specialized design, security, and clinical requirements necessary to serve individuals with high-acuity behavioral health and substance use disorder treatment needs. Facilities must meet stringent health, safety, and licensing standards, including features designed to reduce the risk of self-harm and support

therapeutic treatment environments.

For planning purposes, DHS utilized the upper end of the cost range ($1.4 million per bed) to estimate total project costs. Under this assumption, the development of 104 treatment beds is projected to cost approximately $160 million, while the development of 88 treatment beds is projected to cost approximately $135.5 million, inclusive of a 10% contingency. In both scenarios, total project costs substantially exceed available funding.

To support project development, DHS has identified approximately $31.0 million in matching funds, including $27.2 million in County funds originally designated for the Behavioral Health Housing Unit project as described above, and $3.8 million in Opioid Settlement Funds. Even with these local contributions, the County faces an estimated funding gap of approximately $61.5 million under the 104-bed scenario and $50.0 million under the 88-bed scenario. An illustration of the funding scenarios and funding gaps is provided below:

Scenario 1 - 104 Treatment Beds

Anticipated Project Expense	**Estimated Cost**
104 Treatment Beds x $1.4M Per Bed:	$ 145,600,000
10% Contingency:	$ 14,560,000
Total:	**$ 160,160,000**

Anticipated Project Funding	**Funding**
DHCS Award:	$ 67,702,227
One-Time County Capital Funds:	$ 27,201,244
Opioid Settlement Funds (Match):	$ 3,800,000
Subtotal:	*$ 98,703471*
Cost under Scenario 1	$ 160,160,000
Funding Gap:	**$ 61,456,529**

Scenario 2 - 88 Treatment Beds

Projected Construction Expense	**Estimated Cost**
88 Treatment Beds x $1.4M Per Bed:	$ 123,200,000
10% Contingency:	$ 12,320,000
Total:	**$ 135,520,000**

Anticipated Project Funding	**Funding**
DHCS Award:	$ 54,623,064
One-Time County Capital Funds:	$ 27,201,244
Opioid Settlement Funds (Match):	$ 3,800,000
Subtotal:	*$ 85,624,308*

Cost under Scenario 2	$ 135,520,000
Funding Gap:	**$ 49,895,692**

DHS is exploring accepting the $54.6 million award to build 88 treatment beds. Under this scenario DHS would simultaneously outreach to public and private partners to gauge regional interest in financial partnerships and/or subcontracting arrangements to help close the funding gap.

Lastly, should the Board approve continuing the BHHU annual operational set-aside and reallocating these funds annually to the BHCIP project, this would result in another $19.9 ($6.6 M x 3) being allocated to this Project, and narrow the funding gap to $30.0 Million.

Competitive Solicitation

There are a variety of delivery methods for delivering public works projects. Each offers various advantages, disadvantages, and risks, including timing advantages for project final delivery and completion.

California Public Contract Code (PCC) sections 22185 - 22185.11 <https://leginfo.legislature.ca.gov/faces/codes_displayText.xhtml?lawCode=PCC&division=2.&title=&part=3.&chapter=4.7.&article=> authorize local agencies to use the Progressive-Design-Build (PDB) model for public works facilities over $5 million. Unlike traditional delivery methods, contractor selection under PDB is not based on lowest cost or "best value." Instead, PDB allows selection of a contractor based primarily on qualifications, capabilities, and experience, and the PDB contractor then works with the owner to design a facility that could be afforded within acceptable project budgets. This approach allows the parties to establish a mutually agreed-upon Guaranteed Maximum Price as a condition of electing to start construction. By integrating design and construction expertise early, PDB helps align project goals, control costs, and reduce schedule risks while maintaining flexibility and accountability throughout delivery.

The DHCS requires that projects using this round of BHCIP funding must be built by June 30, 2030. That creates an extremely narrow window for this Mental Health Rehabilitation Centers and Substance Use Disorder Treatment Facility project. DHS proposes adopting the PDB approach (or equivalent) to meet the DHCS June 30, 2030 deadline, to take advantage of the approach's consolidated design and construction and the resulting timing efficiencies. Under this approach, a PDB solicitation would be released in July 2026. Sonoma County has used a PDB approach to develop a BHCIP project. In March 2026, the Board approved an Award of Progressive Design-Build Contract for the BHCIP-R5 Youth Crisis Center at Los Guilicos <https://sonoma-county.legistar.com/LegislationDetail.aspx?ID=7937540&GUID=01AA9B3C-BEF9-4D7E-8E2C-1747F2268C6E&Options=&Search=>.

Following the conclusion of the Selection Procedure, staff will have a more defined understanding of the actual Project costs and funding gap to further evaluate the feasibility of the overall project.

Project Location

The original Mental Health Rehabilitation Centers and Substance Use Disorder Treatment Facility project envisioned five (5) behavioral health buildings with 104 treatment beds at 1430 Neotomas Avenue, Santa Rosa, CA (Orenda Center). Subsequent analysis has revealed this location presents substantial grading, slope stabilization, and infrastructure challenges that will considerably, in the range of $20-$25 million, increase project costs. These realities were not comprehensively understood at the time of BHCIP application, and the

true costs of these site-specific conditions are now clearer.

To maximize state and local funding, DHS proposes delivery of 88 treatment beds as follows:

Scenario 1: Build at Los Guilicos, CA.

- 3-4 buildings would be developed at Los Guilicos
  - Two (2) Mental Health Rehabilitation Centers with 32 treatment beds (16-bed each).
  - One (1) Substance Use Disorder Treatment Facility with 56 treatment beds. (Multi-level, unless more cost-effective to construct multiple buildings)

Scenario 2: Build at Los Guilicos, CA and Orenda Center

- 3-4 buildings would be developed between Los Guilicos and Orenda Center
  - Two (2) Mental Health Rehabilitation Centers with 32 treatment beds (16-bed each) at Los Guilicos.
  - One (1) Substance Use Disorder Treatment Facility with 56 treatment beds at Orenda Center. (Multi-level, unless more cost-effective to construct multiple buildings)
  - Existing building structure at Orenda Center would be demolished. Depending on the amount of space required, funding required to address site conditions could be less than the $20-$25 million mentioned above.

Under either scenario, the responses from the Progressive Design-Build solicitation will help determine the most cost effective, timely, and efficient approach.

Project Risks

To complete the BHCIP project, the funding gap must be closed, the property location must be finalized, and DHCS requirements must be followed. Key dates and terms DHCS have identified include:

- July 2026: DHCS will issue a letter establishing a 30-day deadline to secure site control and an updated scope of work (e.g. Proof the County owns the land where construction will occur; revised scope for 3-4 buildings with 88 treatment beds).
- July/August 2026: Deadline to execute the DHCS Program Funding Agreement.

DHS will use the July-August period to release a competitive solicitation for project delivery and determine if it is financially feasible to proceed with the subject project. If the financial gap cannot be closed and/or the locations are not feasible, DHS will relinquish the award. If the responses to the solicitation indicate the project can be built with existing funds, DHS will execute the DHCS Program Funding Agreement.

Strategic Plan:
This item directly supports the County's Five-year Strategic Plan and is aligned with the following pillar, goal, and objective.

Pillar: Healthy and Safe Communities
Goal: Goal 1: Expand integrated system of care to address gaps in services to the County's most vulnerable.

Objective: Objective 3: Create a "no wrong door" approach where clients who need services across multiple departments and programs are able to access the array of services needed regardless of where they enter the system

Racial Equity:

Was this item identified as an opportunity to apply the Racial Equity Toolkit?
No

Prior Board Actions:
July 22, 2025: Item 2025-0754 <https://sonoma-county.legistar.com/LegislationDetail.aspx?ID=7487209&GUID=4E38EE90-0E27-459D-AF27-FF2CAFA3DA8D> - Authorized Signatory Bond Behavioral Health Continuum Infrastructure Program Round-1 Grant Award Resolution
December 10, 2024: Item 2024-1375 <https://sonoma-county.legistar.com/LegislationDetail.aspx?ID=7040254&GUID=BD0697A9-2BEC-42D4-B7B0-0FF2A0A26FA7> - Bond Behavioral Health Continuum Infrastructure Program Round-1 Grant Application
October 22, 2024: Item 2024-1072 <https://sonoma-county.legistar.com/LegislationDetail.aspx?ID=6895658&GUID=B8A732D2-0F54-465A-8763-5045F37D0BBA> - Behavioral Health Housing Unit Project Update

FISCAL SUMMARY
Narrative Explanation of Fiscal Impacts:
No fiscal impact at this time. Should the project RFP process result in a successful bid and financially feasible project, staff will return to allocate appropriate funding at that time.

Narrative Explanation of Staffing Impacts (If Required):
N/A

Attachments:
Attachment 1 - Presentation

Related Items "On File" with the Clerk of the Board:
N/A