



COUNTY OF SAN DIEGO

AGENDA ITEM

BOARD OF SUPERVISORS

PALOMA AGUIRRE
First District

JOEL ANDERSON
Second District

TERRA LAWSON-REMER
Third District

MONICA MONTGOMERY STEPPE
Fourth District

JIM DESMOND
Fifth District

DATE: May 19, 2026

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TO: Board of Supervisors

SUBJECT

APPROVING THE ISSUANCE OF THE PUBLIC FINANCE AUTHORITY REVENUE BONDS, (FLYLAND HOLDINGS LLC OBLIGATED GROUP) SERIES 2026 FOR THE PURPOSE OF FINANCING THE RADAR RECOVERY CENTER PROJECT IN AN AMOUNT NOT TO EXCEED \$77,000,000 (DISTRICT: 1)

OVERVIEW

The County of San Diego (County) has received a request from the Public Finance Authority, a unit of government and a body corporate and politic under the laws of the State of Wisconsin (the “PFA”), to approve the PFA’s issuance of bonds in one or more series (the “Bonds”) for the benefit of Flyland Holdings LLC (the “Borrower”), a Wisconsin limited liability company and a disregarded entity of Stepstone Health Foundation, a Delaware nonprofit corporation and an organization described in Section 501(c)(3) of the Internal Revenue Code (the “Code”) for the purpose of making a loan to the Borrower, to provide the Borrower and/or Flyland Recovery Network, LLC (“FRN”) with moneys to finance the acquisition of an inpatient substance use disorder and behavioral health facility known as Radar Recovery Center located at 1119 28th Street, San Diego, California 92102 (the “Facility”). Not to exceed \$77,000,000 maximum aggregate principal amount of the Bonds will be issued for the purpose of financing the acquisition of the Facility.

The PFA is authorized to issue tax-exempt and taxable revenue bonds for financing projects located throughout the United States that contribute to social and economic growth and improve the quality of life in communities throughout the country, including for 501(c)(3) nonprofit organizations.

In order to issue the Bonds, the PFA is required, by Section 147(f) of the Code and under its governing statutes and documents, to obtain the approval of a governmental unit having jurisdiction over the area in which the Facility is located. In order to initiate such a financing, the Borrower is asking the County, a member jurisdiction in which the project resides to approve the Authority’s issuance of the Bonds. Although the Authority will be the issuer of the Bonds for the Borrower, the financing cannot proceed without the approval of an applicable legislative body.

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Today's recommendations will provide the PFA with a required approval necessary for the PFA to issue the Bonds and finance the Project described below.

RECOMMENDATION(S)
CHIEF ADMINISTRATIVE OFFICER

Adopt a Resolution entitled:

RESOLUTION OF THE BOARD OF SUPERVISORS OF THE COUNTY OF SAN DIEGO APPROVING THE ISSUANCE OF THE PUBLIC FINANCE AUTHORITY REVENUE BONDS, (FLYLAND HOLDINGS LLC OBLIGATED GROUP) SERIES 2026 FOR THE PURPOSE OF FINANCING THE RADAR RECOVERY CENTER PROJECT IN AN AMOUNT NOT TO EXCEED \$77,000,000

EQUITY IMPACT STATEMENT

This financing will support the continued operation of substance use disorder and behavioral health treatment services for individuals in the county. The Facility provides critical inpatient treatment services with 37 licensed beds and approximately 68 employees dedicated to serving individuals struggling with substance use disorders and co-occurring behavioral health conditions. Substance use disorders disproportionately impact vulnerable populations, including individuals experiencing homelessness, those with limited access to healthcare, and communities facing economic challenges. By facilitating the acquisition of this existing treatment facility by a nonprofit organization, this financing will help ensure continued access to essential recovery services for San Diego County residents in need.

SUSTAINABILITY IMPACT STATEMENT

The proposed action would result in economic benefits for the community by supporting the continued operation of a substance use disorder and behavioral health treatment facility serving San Diego County residents. The Facility employs approximately 68 individuals and provides critical treatment services that contribute to the overall health and well-being of the community. This financing will contribute to the County of San Diego Sustainability Goal No. 2, providing just and equitable access, by supporting investment in healthcare services for underserved populations and individuals affected by substance use disorders and behavioral health conditions.

FISCAL IMPACT

If approved, the proposal will result in approximately \$991 of unanticipated revenue to be used to reimburse the County of San Diego (County) for staff costs associated with this non-County financing. There will be no change in net General Fund cost and no additional staff years.

The Borrower will be responsible for the payment of all present and future costs in connection with the issuance of the Bonds and the financing of the Project, including the Facility. The County will incur no obligation of indebtedness as a result of today's actions.

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BUSINESS IMPACT STATEMENT

N/A

ADVISORY BOARD STATEMENT

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

BACKGROUND

The Public Finance Authority (the “PFA”)

The PFA is a commission organized under and pursuant to Section 66.0304 of the Wisconsin Statutes and the Amended and Restated Joint Exercise of Powers Agreement Relating to the Public Finance Authority, dated as of September 28, 2010 (the “Agreement”), among certain political subdivisions of the State of Wisconsin. The PFA is authorized to issue revenue bonds for financing projects located throughout the United States, making it an efficient and cost-effective conduit issuer for borrowers with facilities in multiple jurisdictions.

The Borrower and Certain Affiliates

The Borrower is a Wisconsin limited liability company organized in January 2026 for the sole purpose of acquiring (i) a network of operating companies (the “Inpatient Operators”) that own and operate inpatient substance use disorder and behavioral health treatment facilities in California, Florida and Ohio in a system known as Flyland Recovery Network and (ii) a network of operating companies (the “Outpatient Operators” and, together with the Inpatient Operators, the “Operating Companies”) that collectively operate a system of outpatient substance use disorder and behavioral health treatment facilities in Florida, California, Texas, and Indiana in a network known as Trost Health. The Borrower also anticipates acquiring a membership interest in Flyland Recovery Network, LLC (“FRN”), which currently serves as a corporate center providing administrative services for each of the inpatient and outpatient facilities, including human resources/employee support, marketing, advertising and admissions support, financial and accounting services and medical records. In addition, FRN coordinates billing and collection services for the Operating Companies.

The sole member of the Borrower is Stepstone Health Foundation (the “Parent”), a Delaware nonprofit corporation that was formed in November 2025 to develop, acquire, own, and operate hospitals, skilled nursing facilities, assisted living facilities, outpatient substance use disorder treatment facilities, outpatient and partial care mental health facilities, cooperative sober living homes, and other inpatient and outpatient healthcare facilities. The Parent has been determined to be an organization described in Section 501(c)(3) of the Code. Pursuant to Treasury Regulation Section 301.7701-2(c)(2)(i), the Borrower is disregarded as an entity separate from the Parent for federal and state income tax purposes, and thereby qualifies as a 501(c)(3) organization entitled to the benefits of tax-exempt bond financing.

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The Bonds and the Project

The Borrower has requested that the PFA issue tax-exempt and taxable revenue bonds in order to pay or reimburse the Borrower and/or FRN the costs of acquiring, directly or indirectly through the acquisition of a membership interest in FRN and the Operating Companies, the inpatient and outpatient substance use disorder and behavioral health facilities described above, provide working capital to the Borrower and the Operating Companies, pay a portion of the interest on the Bonds and pay costs of issuance of the Bonds. The Bonds are expected to be issued as qualified 501(c)(3) bonds within the meaning of Section 145 of the Code. The PFA will loan the proceeds of the Bonds to the Borrower and the Borrower will make loan repayments to the PFA in an amount sufficient to pay debt service on the Bonds.

The maximum aggregate principal amount of the Bonds expected to finance the acquisition of the Facility located in the County will not exceed \$77,000,000 and will be used, together with certain other funds, for the purpose of (i) paying or reimbursing the Borrower and/or FRN, the costs of acquiring, directly or indirectly through the acquisition of a membership interest in the Users (as hereinafter defined), the Facility as further described below; (ii) funding one or more debt service reserve funds for the benefit of the Bonds, if deemed necessary or desirable by the PFA or the Borrower; (iii) funding working capital for the Borrower or the Users, if deemed necessary or desirable by the PFA or the Borrower; (iv) funding interest accruing on the Bonds, if deemed necessary or desirable by the PFA or the Borrower; and (v) paying certain expenses incurred in connection with the issuance of the Bonds, including the cost of any bond insurance or other credit or liquidity enhancement, if any (the “Project”). The County Board is only requested to approve the issuance of the Bonds for the purpose of financing the Project in an amount not to exceed \$77,000,000.

The Facility that will be financed with proceeds of the Bonds will be owned or principally used by one or more of the Borrower, FRN, and 28th Street Detox LLC, a related person to the Borrower (the “Corporation” and, together with FRN, the “Users”), and is located at 1119 28th Street, San Diego, California 92102. The Facility, which opened in 2022, is an inpatient substance use disorder and behavioral health facility known as Radar Recovery Center, with 37 licensed inpatient beds and approximately 68 employees.

County Involvement

The PFA has requested that the Board of Supervisors of the County, as an applicable elected body, approve the issuance of the Bonds by the PFA in order to satisfy the public approval requirement of Section 147(f) of the Code and the requirements of Section 4 of the Agreement.

The Borrower shall be responsible for the payment of all present and future costs in connection with the issuance of the Bonds and the County will not be obligated in any manner for payment of the principal, interest, fees or any other costs associated with the issuance of the Bonds.

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The PFA published a notice in The San Diego Union-Tribune on April 30, 2026 regarding a public hearing with respect to the Bonds to be held on May 7, 2026. On May 7, 2026, the PFA held the public hearing and no public comments were received by the PFA prior to or at the public hearing.

LINKAGE TO THE COUNTY OF SAN DIEGO STRATEGIC PLAN

Today's proposed action supports the Equity: Health Strategic Initiative in the County of San Diego's 2026-2031 Strategic Plan by supporting the issuance of revenue bonds by the PFA for the Borrower to finance the acquisition of an inpatient substance use disorder and behavioral health treatment facility located within the County of San Diego at 1119 28th Street, San Diego, California.

Respectfully submitted,



EBONY N. SHELTON
Chief Administrative Officer

ATTACHMENT(S)

1. RESOLUTION OF THE BOARD OF SUPERVISORS OF THE COUNTY OF SAN DIEGO APPROVING THE ISSUANCE OF THE PUBLIC FINANCE AUTHORITY REVENUE BONDS, (FLYLAND HOLDINGS LLC OBLIGATED GROUP) SERIES 2026 FOR THE PURPOSE OF FINANCING THE RADAR RECOVERY CENTER PROJECT IN AN AMOUNT NOT TO EXCEED \$77,000,000
2. TRANSCRIPT OF PUBLIC HEARING
3. PROOF OF NOTICE OF PUBLIC HEARING
4. PFA APPLICATION FOR BONDS