



PUBLIC LAND FOR PUBLIC GOOD?

[Issue](#) | [Summary](#) | [Glossary](#) | [Background](#) | [Discussion](#) | [Findings](#) | [Recommendations](#)
[Requests for Responses](#) | [Methodology](#) | [Bibliography](#) | [Appendixes](#) | [Responses](#)

ISSUE

Did the Peninsula Health Care District (PHCD) incorporate community input and public officials' requests for a greater number of affordable units into the housing elements of the Peninsula Wellness Community (PWC) development plan? How can the District provide better transparency and opportunities for community review of and input into the PWC and other PHCD projects?

SUMMARY

The Peninsula Health Care District (PHCD or the "District") serves approximately 220,000 residents of the cities of San Bruno, Millbrae, Burlingame, Hillsborough, and San Mateo, as well as portions of Foster City, South San Francisco and Pacifica by identifying and addressing gaps in needed health services through education, prevention and access. (See Appendix A for a map of the PHCD service area.)

In 2006 San Mateo County voters authorized the District to transfer the 21-acre site occupied by Peninsula Hospital – a structure that no longer met California seismic standards – to Mills-Peninsula Health Services (MPHS) pursuant to a 50-year lease and further authorized construction by MPHS of a new hospital, which was completed in 2011. Following the establishment of this partnership with MPHS, the District also began planning for the remaining land adjacent to the new hospital. By 2008 the site design focused on creating facilities for meeting the needs of a healthy-aging community. Specifically, a significant portion of the available site was identified for wellness and clinical health support services including medical office space for non-MPHS associated independent providers as well as educational and socialization programming for the elderly. By 2015, the plan also included market-rate senior housing in response to the anticipated growth in the County's aging population: a 70% increase in the 65+ age group is expected by 2030. A portion (ten percent) was set aside for affordable-rate senior housing. The project assumed the name "Peninsula Wellness Community".

As planning moved forward, community housing advocates saw the availability of this site as a significant opportunity to address the substantial challenges regarding the low inventory of

affordable housing in the County. Advocates argued that this valuable public land should be used to solve the urgent affordable housing needs of the public in surrounding communities.

This argument was strongly supported by elected public officials including State Senator Jerry Hill, Assemblyman Kevin Mullin and Congresswoman Jackie Speier. Together, community housing advocates and elected public officials communicated their position to the District through public comments at District meetings, letters to the editor of the *San Mateo Daily Journal*, letters written directly to the District, and one-on-one meetings with District staff and officials

In response to this argument, the District took the position that it wasn't within the scope of the Health Care District to address broader housing issues in the County. As a result, the District initially held the line at planning for ten percent affordable housing at the site. Because of shortcomings in the District's communication strategy, community advocates and officials were left with the impression that their concerned voices were not being heard. However, eventually, in response to community pressure and strong urging from public officials, the District announced an increase in affordable housing from ten percent to 39% at their November 18, 2019 meeting.

At the time this Grand Jury report is being written, housing advocates are still questioning the District's financial and mission-driven rationale for the 61% (market-rate) to 39% (affordable) housing ratio and the District has not publicly provided the information supporting this ratio.¹ The Grand Jury concludes that, consistent with the District's stated value of transparency, it must do a better job of not only soliciting public input, but also educating the public about the financial assumptions underlying this ratio which the District contends determines the upper limit of affordable housing that can be accommodated in its plan. Increased transparency will also give the District an opportunity to highlight the benefits it plans to bring to the community as a result of the lease income realized from this project.

Finally, because it is unlikely the Peninsula Wellness Community will be the last property to be developed by the District, it will be critical for the District to improve its engagement and communication methods. Examples of such improvements include: 1) identifying and engaging key stakeholders such as affordable housing advocates; 2) complementing its solicitation of community input with the dissemination of updated information and modifications resulting from such input; 3) making available financial and other information concerning its projects in an easily understood and accessible manner so that community members can better understand how the District's funds are being spent; and 4) revising its mission statement to include the value of community input and involvement.

GLOSSARY

Peninsula Health Care District (PHCD) – Established in 1947 to serve the healthcare needs of the cities of San Bruno, Millbrae, Burlingame, Hillsborough, and San Mateo, as well as portions of Foster City, South San Francisco and Pacifica, by supporting community-based programs,

¹ As of June, 2020, at the time of this report.

partnerships and investing in health care facilities for future generations. Primarily funded by local property taxes, the District is accountable to residents, taxpayers and community partners.²

Peninsula Wellness Community (PWC) – A Peninsula Health Care District initiative that, when completed, “will be a vibrant, intergenerational, mixed-use and mixed-income community in Burlingame that is designed to improve the health and wellness of its senior residents, foster neighborhood connection, and serve the greater public through significant community benefits.”³

BACKGROUND

Peninsula Health Care District (PHCD) History:

In 1946, State legislators established the Local Hospital District Law⁴ to provide a funding mechanism from property taxes for local communities to build hospitals to serve the projected post-war population. In San Mateo County, voters approved the formation of two districts: the Peninsula Hospital District and the Sequoia Hospital District. In 1994, pursuant to State law and the changing nature of the provision of healthcare, the “hospital” districts were renamed “healthcare” districts.⁵

Since the PHCD was established in 1947 and Peninsula Hospital was built, the communities served have changed and evolved, as have the health care needs of District residents. PHCD currently serves the communities of San Bruno, Millbrae, Burlingame, Hillsborough, and San Mateo, as well as portions of Foster City, South San Francisco and Pacifica. In 2019, about 220,000 persons lived within the PHCD boundaries.⁶

In 2007, the PHCD shifted its focus from treatment and remediation to prevention and community wellness. The current PHCD statement of Vision/Values/Mission is as follows:

Vision: That all residents of the District enjoy optimal health through education, prevention, and access to needed health care services.

Values: Leadership, education, personal responsibility, inclusion, stewardship and transparency.

Mission: To ensure Mills-Peninsula Medical Center provides needed core services, to support programs that share our vision, and to do so in collaboration with other providers and qualified members of our community.⁷

² <http://www.peninsulahealthcaredistrict.org/about-us/>, accessed 5/26/2020.

³ <http://www.peninsulahealthcaredistrict.org/wp-content/uploads/doc03476420191119123933.pdf>, accessed 5/26/2020.

⁴ Local Health Care District Law/California Health and Safety Code: <http://www.achd.org/wp-content/uploads/sites/6/2015/12/ACHD-HCD-Code-12.15-FINAL.pdf>

⁵ See Appendix A for a map of the District’s coverage area

⁶ <http://www.peninsulahealthcaredistrict.org/>, accessed 5/26/2020.

⁷ <http://www.peninsulahealthcaredistrict.org/about-us> , accessed 4/6/2020.

Previous Grand Jury Reports Concerning PHCD:

Since 1999, the San Mateo County Civil Grand Jury has issued four reports concerning the Peninsula Health Care District.⁸

Of those reports, the 2012-2013 Grand Jury report is most relevant to the current investigation. The report, *2012 Peninsula Health Care District: Landlord, Real Estate Developer, or Health Care Leader?* noted that “since 2007, PHCD has been a landlord, real estate developer, and community health resource.” The Grand Jury investigated and made recommendations concerning “the transparency of PHCD’s operations and how it identifies its core functions, allocates funds, and monitors performance of its grantees.”⁹ At least four of the recommendations from the 2012-13 report are significant to the current investigation. These include that the District:

- “determine which of its three roles as landlord, real estate developer, and community health care resource has top priority;”
- “engage professional assistance and provide additional information to support its decision to build reserves;”
- “seek opportunities to make public presentations in order to ensure that residents are well informed, heard, and represented by the programs PHCD funds;”
- “continually update its website with current information, including meeting agenda, strategic plans, and budget information.”¹⁰

In its response to the Grand Jury the District disagreed with the first recommendation, but agreed to adopt the other three recommendations, two of which relate to transparency.

Why Investigate Now?

Local media coverage, particularly in the last five years, indicated strong community interest and concern about the availability of affordable housing rental units in the PHCD’s plans for the new Peninsula Wellness Community (PWC). The Grand Jury reviewed the District’s efforts to provide the public with information regarding the planned design and uses of the PWC. Beyond providing information, the Grand Jury also examined the opportunities that the District provided for community input and whether that input was ultimately incorporated in the site planning process.

The Grand Jury’s approach to this investigation included:

- Developing an understanding of the history of the site and the planning process by conducting:
 - a review of the relevant 2012-2013 Grand Jury report;
 - reviews of the three most interested parties’ attempts to shape the PWC:

⁸ See Appendix B – San Mateo County Civil Grand Jury Report synopses from 1999, 2000-2001, and 2002-2003

⁹ http://www.sanmateocourt.org/documents/grand_jury/2012/peninsula_healthcare.pdf, accessed 6/23/2020.

¹⁰ http://www.sanmateocourt.org/documents/grand_jury/2012/peninsula_healthcare.pdf, accessed 6/23/2020.

1. PHCD community outreach activities specific to this project;
 2. community affordable housing advocates' activities to influence the affordable housing outcome in this project; and
 3. public officials' actions to influence the affordable housing outcome in this project.
- an assessment of the possible gap in expectations between the District and the public regarding communication and the development of plans for the PWC community.
 - Developing a conclusion and assessment of the opportunities for the District to improve its outreach and communication activities moving forward.

DISCUSSION

History of the Site

In 1994, the Legislature passed, and the Governor approved, SB1953¹¹ establishing strict seismic safety standards for hospitals and it was determined that Peninsula Hospital did not meet the new requirements. In 2006, 92% of voters authorized the District to transfer certain District land to MPHS pursuant to a 50-year lease with an annual rent of \$1.5 million and authorized the construction by MPHS of a new hospital. Following that voter mandate, MPHS ultimately constructed a privately funded medical campus on the 21 acres of PHCD land which was completed in 2011.

The District first started envisioning plans for the 6.2-acre site adjacent to the hospital in 2003-2004. The parcel was and continues to be land-locked. In order to increase acreage and increase options for the site, the District began buying property along the perimeter of the parcel. Purchases began in 2007 and ramped up in 2008 when the Board began more in-depth planning.

County population demographic predictions conclude that by 2030 there will be a 70% increase in the 65-years and older age group and an increase of 14% in the 80-year old plus group in both the County and the area surrounding the new hospital. The District recognized that the land use should be directed toward meeting the needs of the predicted aging population. The Board considered a number of options for the site including a skilled-nursing facility and a long-term care center.¹² By 2014 the Board decided to use the land adjacent to the hospital for medical office space for physicians (non-Sutter independent providers), senior housing, and community health services. Behind this plan was a desire to fill the gap between mega-health systems (e.g., Kaiser, Sutter, Dignity Health Care Systems) and the increasing departure of independent practitioners from the County resulting in higher medical costs with decreased quality of service.¹³

¹¹ http://www.leginfo.ca.gov/pub/93-94/bill/sen/sb_1951-2000/sb_1953_bill_940922_chaptered.

¹² Ecologic Institute & Sustainable San Mateo County, *Senior Health in San Mateo County – Current Status and Future Trend, 2012s* (funded by PHCD)
[http://www.sustainableanmateo.org/wp-content/uploads/2012/12/SeniorHealthReport_FINAL.pdf.](http://www.sustainableanmateo.org/wp-content/uploads/2012/12/SeniorHealthReport_FINAL.pdf)

¹³ Grand Jury interview

In addition, the decision reflected a desire to provide appropriate services for the anticipated aging demographic. For example, health education programs and assistance in navigating the healthcare system, transportation support, and socialization programs were to be included.¹⁴ This project has come to be known as the Peninsula Wellness Community (PWC) and is described on the District website as an “integrated healthy aging community” and “a gathering place for living well.”¹⁵

Grand Jury Focus on District’s Ambiguous Role

The PHCD’s 2014 decision to move forward with such a broadly defined project was contrary to the 2012-2013 Grand Jury recommendation that it more clearly define its role in the community. Specifically, that Grand Jury had recommended that the District “determine which of its three roles of landlord, real estate developer, and community health care resource has top priority.”¹⁶

The District, in responding to the Grand Jury report, disagreed with this recommendation, articulating the Board’s opinion that “all three functions are important activities of the PHCD Board and are not mutually exclusive.” In the current project, the District proposes to build a health-focused campus adjacent to the new hospital providing complimentary services such as skilled nursing and medical office space. Both complement the District’s role as health care leader. These activities preserve the assets of the District in a way which produces revenue (the landlord role) and allows for the development of property in a coordinated and efficient way to meet both current and future healthcare needs (creating health care resources).¹⁷

The 2012-2013 Grand Jury Report also brought increased public attention to the District and to the availability of the public land that the District intended to develop as a health-focused campus. For some community members, this available acreage was viewed as providing a rare opportunity to develop new resources for the County, particularly affordable housing.

The District sees the PWC project as fulfilling its three-pronged mission as a health care leader, real estate developer, and creator of health care resources. However, there is considerable concern in the community, particularly among affordable housing advocates and public officials, that the District has failed to address the urgent problem of affordable housing for seniors as well as others in the community.

Starting in 2015 this tension became widely expressed in the community via letters to the editor of the *San Mateo Daily Journal*, public comment at open PHCD Board meetings, and written correspondence to the District from local government officials and housing advocacy groups.¹⁸ ¹⁹ Community concerns have been expressed over the last two-plus years across multiple channels, suggesting that the question of the District’s role as a developer, identified in the 2012-

¹⁴ Grand Jury interview

¹⁵ <http://www.peninsulahealthcaredistrict.org/-wellness-community/>, accessed 5/12/2020.

¹⁶ http://www.sanmateocourt.org/documents/grand_jury/2012/peninsula_healthcare.pdf, accessed 5/12/2020.

¹⁷ http://www.sanmateocourt.org/documents/grand_jury/2012/peninsula_healthcare.pdf, accessed 5/12/2020.

¹⁸ See Appendix D – Synopses of Letters to the Editor of the San Mateo Daily Journal

¹⁹ See Appendix E – Letters to the District from Public Officials, Community Members and Organizations

13 Grand Jury Report, is still not clear to many members of the community who believe it includes a broad responsibility to address regional housing needs as part of building healthy communities.

Three Simultaneous Efforts to Communicate a Vision

The last ten years saw parallel efforts by housing advocates and public officials to influence the configuration of the site adjacent to the Peninsula Medical Center/Sutter Health facility. The next sections discuss how the District, housing advocates, and public officials each approached the PWC project.

1. District's Outreach and Communication Efforts

The District's outreach efforts related to the PWC began in 2009-10. Activities included presentations to the Burlingame City Council, community groups, district newsletters, website updates, and meetings with mayors of adjacent cities.²⁰ Despite this wide range of activities there were some shortcomings:

- Rather than developing its own mailing list based on its knowledge of the community, the District initially relied on a contracted mailing house to contact a small sample of randomly selected residences to receive announcements;
- The District did not identify or engage local affordable housing advocates; and
- As a general matter, the District's communication with the community lacked dialogue. According to interviews conducted by the Grand Jury, District meetings either took the form of soliciting input only, or consisted of presenting information only, with little opportunity for the type of constructive "back and forth" that could help the community understand the District's rationale for its plans. Grand jurors confirmed this format by attending meetings.

By November of 2015, community housing advocates started writing letters to the editor of the *San Mateo Daily Journal* questioning the lack of affordable housing in the District's plans and emphasizing the District's responsibility to use this large piece of public land for the public good. Housing advocates stressed their expectation of a high level of accountability by the District given its property tax-funded origins.²¹ Yet, these letters were not publicly addressed by the District, leaving community members with the impression²² that the Board was not listening to community opinion and was not acting on its own stated values of stewardship and transparency.²³

²⁰ See Appendix C – District Outreach Activities between November, 2015 and November, 2019

²¹ See Appendix D – Synopses of Letters to the Editor of the *San Mateo Daily Journal*

²² Grand Jury interviews

²³ <http://www.peninsulahealthcaredistrict.org/about-us/>, accessed 4/6/2020.

Between February and November of 2019 two community meetings were held on March 25 and June 24. Community members were given an opportunity to speak. However, their question of whether more affordable housing could be incorporated at the site was never addressed by the Board. At these meetings the District did not reveal that it had directed the developer team to make significant modifications to the plan concept to incorporate more affordable housing units despite the fact that such an announcement would have been encouraging news to housing advocates. The planned modification of the percentage of affordable housing units was not communicated until November 2019.²⁴

2. Community Advocacy Efforts

Community members and affordable housing advocates were not sitting silent as the PWC plans unfolded. While the District was providing plan updates, members of *One San Mateo*²⁵ took the lead in community advocacy for substantial affordable housing in the PWC.

Leaders of One San Mateo regularly attended Board meetings over the last three years, met with the Chairman of the PHCD Board, and over a five-year period wrote a number of letters to the editor of the *San Mateo Daily Journal* advocating for more affordable housing units in the PWC. Their position rests on their understanding that the District is the steward of public lands that were paid for with property tax dollars and therefore should be used for the most urgent needs of the community.^{26 27}

However, the District Board of Directors did not reply in writing regarding concerns raised in letters in the *San Mateo Daily Journal*. The accepted format for a response would have been to address the issues at an open session of a District Board meeting. The common theme of these letters was that the County's housing crisis demanded that available public land be used for community benefit – specifically, affordable housing for the most vulnerable members of the community.²⁸ Affordable housing advocates did not only rely on letters published in County papers to communicate their message to the District. In 2019, the District heard directly from citizens, public officials, and organizations all advocating for affordable housing at the PWC site. (See Appendix E for a list of the individuals and entities providing input on this subject.)

Therefore, despite their multi-pronged effort, housing advocates were left with the impression that there were few allies on the Board and that most were resistant to the affordable housing agenda. In an interview conducted after November 2019, one member of One San Mateo

²⁴ Grand Jury interview

²⁵ One San Mateo, is a secular housing advocacy group established three years ago, emerging from Peninsula Faith and Action. The focus of One San Mateo is to work for a fair and inclusive San Mateo, specifically fair housing solutions. Representing a coalition of “homeowners and renters, teachers and students, mechanics and professors, recent immigrants and longtime residents, business people and nonprofit workers, political leaders and faith leaders, all coming together for one uniting purpose...to advance just, equitable, and across-the-board housing solutions for all people – in particular for low-income people, working people, people of color, elderly people, disabled people and others often marginalized”. <https://onesanmateo.org/who-we-are/>, accessed 5/26/2020.

²⁶ Grand Jury interview

²⁷ See Appendix C – Synopses of Letters to the Editor of the *San Mateo Daily Journal*

²⁸ See Appendix E – List of letters to the District from public officials, community members and organizations

observed that a pattern had emerged over recent years suggesting “board members are out of touch with people on the ground.”²⁹

3. Public Officials’ Advocacy Efforts

The final group attempting to influence the plan for the Peninsula Wellness Community was comprised of public officials who heard the concerns of residents and housing advocates and as a result, became strong advocates themselves. These public officials urged the District, in compelling language, to conduct more effective outreach and consultation to aid its understanding of how additional affordable housing could be provided at the PWC site.

A September 12, 2018, letter from Congresswoman Jackie Speier to the District Board of Directors suggested that the “district conduct a much more significant outreach effort to the general public concerning the district’s plans,” including outreach to local housing advocates and representatives of schools and cities within the District.³⁰

The Congresswoman went on to point out the wide gap between the number of new jobs created in the County between 2011 and 2016, which totaled approximately 68,000, as compared to only 2,800 housing units constructed during that same period. She also suggested the District look at existing models of public entities developing affordable housing and said “that there are many nonprofit housing developers in the community that would be willing to explain to your board what might be done with the available property owned by the health care district.” The Congresswoman concluded by writing, “I believe that it will be a loss to the community if primarily market-rate housing is created on district property.”

Quickly following that letter, on September 17, 2018 State Senator Jerry Hill wrote the Board and suggested the District “seize the opportunity to think bolder and deeper by reaching out to the general public about the district’s plans.” He cited several examples of public agencies that have taken on the challenge of developing workforce housing and concluded by echoing Congresswoman Speier’s message that “it will be a loss to the community if primarily market-rate housing is created on district property.”³¹

On October 24, 2018, Assembly member Kevin Mullin reiterated points from the previous two letters and suggested an informational meeting to explore workforce housing needs in the community. He asserted that “Without building affordable housing for those in our communities who educate our children, protect our persons and property, keep our parents healthy, care for those among us who are in need, and provide the goods and services to our families that make for such a robust and high-quality of life, our dynamism, growth, and greatness will be diminished.”³²

²⁹ Grand Jury Interview

³⁰ September 12, 2018 Speier Letter to PHCD Board of Directors

³¹ September 17, 2018 Hill Letter to PHCD Board of Directors

³² October 24, 2018 Mullin Letter to PHCD Board of Directors

The District's Response

The District took the position that while their charter allows for senior housing or Mills-Peninsula Medical Center/Sutter Health employee housing on the site, the Board did not believe it had the authority to address broader affordable housing needs in the community.³³

In response, Speier, Mullin and Hill sought an opinion from legislative counsel on whether under the Local Health Care District Law the PHCD could construct an affordable housing project on district-owned property that would remain their property. The September 6, 2019 response from legislative counsel indicated "... it is our opinion that the Peninsula Health Care District may construct and operate an affordable housing project on district-owned property that would remain the property of the district, where the housing would not necessarily be limited to special needs individuals, so long as the district can demonstrate that the project would facilitate the provision of health services in the district or to persons in the district."³⁴

On September 9, 2019 Speier, Mullin and Hill forwarded this opinion to the PHCD along with a cover letter reiterating "that publicly-owned land should be used for the broad public purpose of constructing affordable housing." The cover letter went on to urge the District to consider that "housing is essential to the health, safety, and welfare of our entire community."³⁵

In autumn of 2019 the PHCD Board, well underway in its planning, did not seek to resolve the difference between their own legal interpretation of the Local Health Care District Law and the interpretation of legislative counsel. The District asserted it did not have the authority to address the lack of affordable housing in the area. Legislative counsel maintained that the District could construct and operate affordable housing projects so long as those projects facilitate the provision of health services in the district or to persons in the district.³⁶ Furthermore, the District did not reach out to local housing advocates to better understand the need in the community for affordable housing.

Ultimately, the District Board responded to community and legislator pressure, and unveiled a modified plan for PWC housing at a public meeting on November 18, 2019. At that time the Board announced that the original plan including 375 market-rate apartments and ten percent (37) affordable units for seniors had been modified to reflect 293 market-rate apartments for seniors and 184 affordable units (39%). In order to finance the larger number of affordable units, the Board announced that the total number of available units was increased by 92.

The District also announced a new partnership with MidPen Housing. MidPen was engaged to join the original site developers, PMB and Generations, to specifically address the need for expertise on the affordable housing elements of the project. The increase in the number of dwelling units announced at this meeting represented a significant change in the plan's

³³ Grand Jury interview

³⁴ September 6, 2019 letter to Speier, Hill, Mullin from Diane F. Boyer-Vine, Legislative Counsel and Lisa C. Goldkuhl, Deputy Legislative Counsel

³⁵ September 9, 2019 Speier, Hill, Mullin letter to PHCD Board of Directors along with legislative opinion

³⁶ Grand Jury Interview

configuration. Appreciation for that change was expressed in the public comments, although advocates also expressed the belief that the District could do still more to address the affordable housing issue (i.e., increase the percentage of affordable housing above 39% to as high as 100%). Also included in the public comments was a request from a representative of the Center for Independent Persons with Disabilities to consider the housing needs of their constituency in ongoing planning.

The Disconnect: Gaps in Transparency

The District had an extensive public information program in place to keep the community broadly informed about the project. Unfortunately, two significant elements of their outreach communication plan failed to create a climate of trust and partnership. The first concerned meeting formats and the second, and more important, was a lack of financial transparency.

Faulty Meeting Format

As noted earlier in this report, public sessions designed by the District were primarily for the dissemination of information the District wanted to share and were not set up to encourage a two-way dialogue with meeting participants. For example: 1) informal meetings with the public where Board members were unable or otherwise reluctant to speak for the Board as a whole, or 2) the inherent limitations of public comment during regularly scheduled District Board meetings. The Grand Jury found that there was considerable disconnect between the expectations of local housing advocates and the communication and information provided by the District. For example:

- Although considerable time was allocated for public comment on the November 19, 2019, meeting agenda, members of the public were disappointed by the lack of two-way communication. A number of housing advocates appeared frustrated that the Board members did not adequately respond to public comments or questions concerning their affordable housing concerns. Ironically, a number of Board members cited their own family challenges with housing in the Bay Area while not addressing situations confronting lower-income members of the community. It is unclear whether any of the concerns raised were addressed at later Board meetings.³⁷
- On January 30, 2020, project information was provided at a Peninsula Wellness Community “Open House” by representatives from the District and the development partners. Community members were encouraged to visit information tables with their questions and to submit unanswered questions or concerns on a written form.

Although this was not an official Board meeting, the President of the Board was in attendance and made introductory comments. The format of the meeting was again notable for its lack of two-way communication. There was no time allocated to highlight any new developments and no time for oral public comment or responses to the November 2019 plan. The District later published written answers to the submitted questions, but this format gave the District the option to answer only those aspects of

³⁷ Attendance by Grand Jury members

questions that they chose.³⁸ Perhaps most importantly, the expectations of those members of the public appeared to be that some sort of dialogue or responses to their questions would occur in real-time.

The lack of opportunity to receive real-time responses and information at the January 30th meeting was particularly unfortunate because prior to this meeting 11 community agencies³⁹ met on their own on January 6th to discuss their satisfaction with the changes announced at the prior November 18, 2019 meeting. Representatives from these agencies came to the Open House prepared and eager to ask a number of follow-up questions that, due to the session's design, were left unanswered.

Housing advocates remain frustrated that they have never received a well-articulated rationale from the District as to why the current plan upholds the mission and purpose of the PHCD more so than 100% affordable housing. Their chief argument being that increased affordable housing would address the most pressing needs of the community and the relationship between housing and health.⁴⁰

A similar format for submitting written questions and sign-up for updates appears on the District's website, as does a form to request a one-on-one personal meetings. The Grand Jury did not determine how often these options were used by the public. In speaking with community members however, the Grand Jury learned that there is a strong preference for face-to-face open dialogue rather than prepared written responses to individual questions which often take weeks or longer to receive.

The District clearly developed an extensive set of outreach activities intended to communicate with the community. However, these efforts were judged ineffective by the interested parties due to the lack of dialogue (listen and respond) approach.

Lack of Shared Financial Assumptions

At the November 18, 2019 meeting, housing advocacy groups expressed positive comments about the change from ten percent affordable housing units to 39%. However several of their questions remained unanswered. Specifically, they believe that the PHCD Board has never explained why the project could not be comprised of 100% affordable housing, including housing for persons with disabilities, or how the revenue received from leasing the land to the developers would finance other health-related projects. Additionally, they asked for the District to provide a breakdown of affordable units across the spectrum of income limits determined by the Department of Housing and Urban Development (HUD).

³⁸ Attendance by Grand Jury members

³⁹ Housing for All Burlingame, Peninsula for Everyone, St. Bartholomew's Social Committee, NAACP, Unitarian/Universalist Church of San Mateo, Housing Choices, St. Matthew's Social Committee, Center for Independent Persons with Disabilities, One San Mateo, Congregational Church of San Mateo, Peninsula Solidarity Network

⁴⁰ Grand Jury interview

The limited information provided by the District about the financial assumptions underpinning the PWC project has resulted in a lack of confidence that the Board is doing all it can to address urgent housing issues in the community. As a result, absent a logical financial rationale for the District's new upper limit of 39%, the position of the housing coalition is that more affordable housing, even up to 100%, *is still needed* at the Wellness Community site. Furthermore, absent any cogent explanation from the District, they believe that number *should be achievable and is allowable* under current planning regulations.⁴¹

Notwithstanding the District's failure to set forth the rationale behind its 39% affordable housing ratio, the Grand Jury understands that complex financial models often underlie housing development projects such as the PWC. Affordable housing developers like MidPen often have access to construction funding (federal, State or local subsidies) not available to for-profit developers. They can also take advantage of the Federal Low-Income Housing Tax Credit Act. While a non-profit/affordable housing developer does not aim to generate income, it must still remain vigilant in managing expenses against potential rental income. Market-rate/for-profit developers, in this case PMB, have an additional burden and need to overcome certain financial hurdles in order to secure equity from investors and debt from banks. Beyond financing considerations, developers must also consider:

1. the amount paid to the landlord (District) to lease the land;
2. the cost of constructing units that are competitive in the local rental market in terms of size, amenities, and finishes;
3. rising construction costs in the Bay Area of between 6-10% per year.⁴²

While both market-rate and affordable-rate developers will seek to recoup their initial project costs based on a projected rental income, it may take many years for a market-rate developer to begin to see a return on their initial investment or even reach a breakeven point. The lease amount paid to the District for the use of the land is a critical part of their feasibility algorithm for both development partners. A lower lease cost to the developers would lower their overall expenses and allow for an increased number of affordable-rate units.

Given these considerations, it is possible that if more units were assigned to affordable-rate housing without a reduction in lease cost to the developers, that new ratio could push the project beyond the tipping point of financial feasibility and sustainability for the developers. However, without additional information from the District, the public was left with no way of knowing if this was, in fact, the case. At the same time, interviewees commented that if this project fails to move forward the inventory of affordable housing in the surrounding area will be negatively impacted for a number of years.

Although these issues are complex, they can and should be presented to the public in an understandable format. Multiple aspects of this development and future developments, would benefit from greater transparency on the part of the District including (to the extent disclosable):

⁴¹ Grand Jury interview

⁴² Grand Jury interview

1. The financial algorithm used to determine the number of affordable versus market-rate units.
2. The assumptions used by market-rate developers to determine a project's financial viability, including the ability to obtain financing and develop rental units that are competitive in the local market.
3. The general assumptions used by affordable-rate developers to determine a project's financial viability, including the ability to access public funds and tax credits
4. The cost the developers will pay to the District to lease the land. This expense is a critical part of the developers' feasibility calculation. A lower lease cost to the developers would reduce their overall expenses and allow for an increased number of affordable units.⁴³
5. The additional District-offered benefits, services, and grants that will be funded with income generated by the lease revenue from developers. Does the District have data that supports the need for these services? Highlighting these benefits is a missed opportunity for the District to build community buy-in.
6. An explanation of the need for adequate operational funding and flexible cash reserves so that the District is able to nimbly respond to unplanned community needs. Recent examples are announcements that the District donated \$3 million to San Mateo County toward the overall COVID-19 response and the creation a \$600,000 COVID-19 Relief Fund available for grants to non-profit health and human services providers.⁴⁴
7. The District should address concerns about the lack of housing for the disabled in the PWC. For example, the District could better publicize its February 5, 2020 announcement of a partnership with Gatepath and Housing Choices "to establish the first cooperative living homes in San Mateo County for adults with developmental disabilities."

Conclusions

A more forthcoming communication strategy moving forward could result in a higher level of satisfaction on the part of housing advocates and other stakeholders. While it's true that advocacy groups may not have asked the specific questions listed above, it's also true that the District did not take the initiative to anticipate community concerns or provide the underlying assumptions and resulting consequences for the projected financial plan. Absent information regarding the District's financial rationale, the community did not understand or support the reasons to constrain the number of affordable-rate rental units whether at the initial ten percent ratio or even the subsequently modified 39% ratio. Given the lack of trust on the part of the community, it may be difficult to build a consensus about the number of affordable units at this late stage of the planning process.

However, the development of a well-informed partnership can still move forward if community members believe that the District is using financial resources for the greatest public benefit. Transparency about their financial analysis can go a long way towards convincing the community that the District is being a responsible steward of an extremely valuable piece of

⁴³ Grand Jury interview

⁴⁴ April 24, 2020 District press release: <http://www.peninsulahealthcaredistrict.org/wp-content/uploads/042320-PHCD-COVID-Fund-Press-Release.pdf>.

public land. Trust will continue to be important as the PWC project moves through a multi-year approval process including review by the City of Burlingame. Finally, if the District intends to buy additional properties, this trust could also result in robust community support and ultimately help the District avoid costly delays.

FINDINGS

- F1. By 2015, planning for the Peninsula Wellness Community (PWC) set aside ten percent of the senior housing as affordable housing; the vast majority of units were reserved for market-rate housing.
- F2. According to housing advocates, the District's meetings and public events did not provide effective formats for real-time dialogue between District representatives and community members.
- F3. At its November 18, 2019, public meeting, the District responded to community and political pressure by announcing an increase in the percentage of affordable units in the project from ten percent to 39%.
- F4. Whether the PWC project could be structured to provide more than 39% affordable housing cannot be determined by the public. The District has failed to provide information regarding the financial feasibility of providing affordable housing in a ratio greater than 39% including whether it is possible for the District to accept decreased lease income from the developers.
- F5. The District failed to provide the financial analysis and assumptions that underpin the ratio of market-rate to affordable housing units, the projected income from the land leases, and the financial plan for use of that income once the project is complete.
- F6. If the project goes forward as currently configured it will still provide a substantial number of new affordable housing units.
- F7. While it is possible that continued demands by community advocates for a greater number of affordable housing units could impact the future of the PWC project, such concerns have not been communicated to the housing advocates.
- F8. Upon completion of the PWC, the income generated by the development will be reinvested into the community and may be used to provide community grants and other auxiliary health services, but these benefits have not been clearly articulated.

RECOMMENDATIONS

- R1. Starting November 1, 2020, with respect to the PWC project and future development projects, the District should:
 - provide opportunities during District meetings (whether in regular or special Board meetings, or during community outreach presentations) where community questions

are answered in real time by the District, developers, and service providers and consider the use of a moderator to enhance those discussions;

- clearly articulate the affordable housing limitations of each project as well as how the number of housing units were assigned between market-rate and affordable;
- create a dedicated webpage to allow residents to follow the development of projects as they move forward including clear documentation of a conceptual and financial framework for determining community benefit, dollars allocated, timing and financing for current and future initiatives. In connection with such efforts with respect to the PWC project, for example, the District should highlight the new and ongoing health services envisioned for the community using the lease income from the PWC.

R2. Starting November 1, 2020, the District should modify its outreach communication strategy, by proactively identifying and engaging with local housing advocates and experts and other stakeholders, as it develops future residential projects.

R3. By November 1, 2020, the District should revise its mission statement to include the value of community input and involvement.

REQUEST FOR RESPONSES

Pursuant to Penal Code Section 933.05, the Grand Jury requests a response to their recommendations from:

- Peninsula Health Care District Board of Directors

The governing body indicated above should be aware that the comment or response of the governing body must be conducted subject to notice, agenda, and open meeting requirements of the Brown Act.

METHODOLOGY

Documents

- The Grand Jury reviewed previous Grand Jury reports, documents provided by the PHCD and information available on the PHCD website. Specific documents are listed in the bibliography section of this report.

Site Tours

- Visit to Peninsula Health Care District offices.

Interviews

Reports issued by the Civil Grand Jury do not identify individuals interviewed. Penal Code Section 929 requires that reports of the Grand Jury not contain the name of any person or facts leading to the identity of any person who provides information to the Civil Grand Jury.

Peninsula Health Care District Board Representative

Peninsula Health Care District Staff
Community Housing Advocates
MidPen Housing Representative
Elected Public Official Representative
PMB Representative

Public Meeting Attendance

Grand jurors attended public District meetings on:
November 18, 2019
January 30, 2020
February 27, 2020

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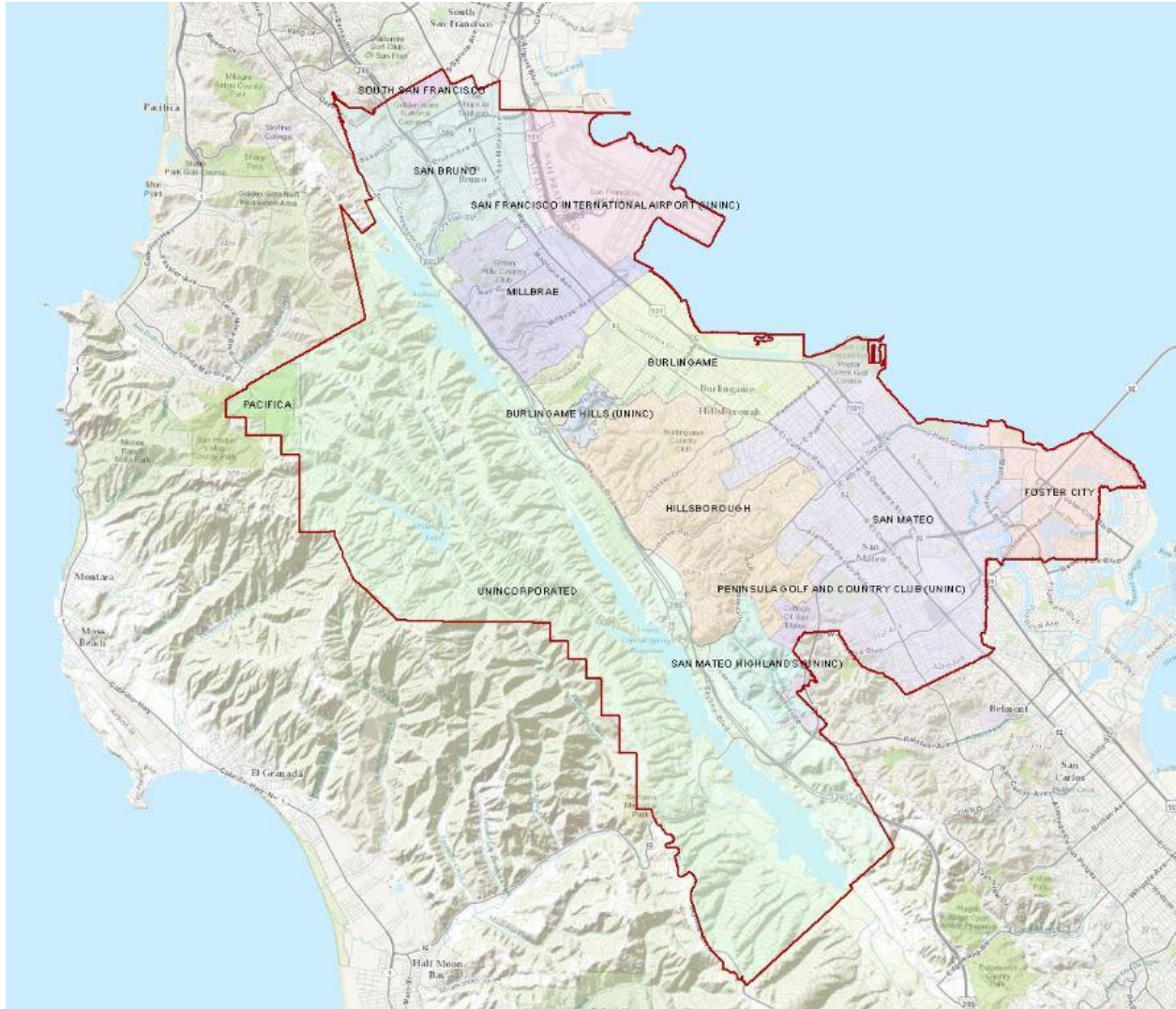
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APPENDIX A – MAP OF PENINSULA HEALTH CARE DISTRICT



APPENDIX B – PREVIOUS GRAND JURY REPORTS (1999-2003) REGARDING THE PENINSULA HEALTH CARE DISTRICT

- “1999 Final Report: Peninsula Health Care District” This report addressed and made recommendations concerning litigation that was in process, salvage procedures, seismic upgrades, and financial reporting.⁴⁵
- 2000-2001: “2000-2001 Final Report: Summary of Recommendations and Responses to 1998 Grand Jury Report: Special Districts/Cities” This report provided a summary of the responses to the recommendation in the 1999 report.⁴⁶
- 2002-2003: “2002 Report: Peninsula Health Care District” This report addressed and made recommendations concerning required seismic upgrades, and lease negotiations with Mills-Peninsula Health Services (MPHS).⁴⁷

⁴⁵ http://www.sanmateocourt.org/court_divisions/grand_jury/1999.php, accessed 4/6/2020.

⁴⁶ http://www.sanmateocourt.org/court_divisions/grand_jury/2000reports.php?page=00-01cities.html, accessed 4/6/2020.

⁴⁷ http://www.sanmateocourt.org/court_divisions/grand_jury/2002reports.php?page=02Peninsula_Health_Care_District.html, accessed 6/11/2020

**APPENDIX C – DISTRICT OUTREACH ACTIVITIES BETWEEN NOVEMBER, 2015
AND NOVEMBER, 2019**

- **November 25, 2015** - Letter announcing District meetings was sent to 800 randomly selected residents reaching from El Camino to Skyline and Murchison to Ray Drive. A return postcard was included for those residents unable to attend but wanting to stay informed in the future. The letter announced future meetings in 2015 and 2016.
- **February 3, 2015** - Open House at PHCD Office, announced to randomly selected residents in Ray Park, Marco Polo Way, Trousdale Drive, Millbrae from Murchinson to Trousdale and west to Castaneda.
- **February 29, 2016** - Letter sent to >900 residents inviting them to a “Neighborhood Interface-Design Guidelines” information session. The mailing included a 2-sided flyer with vision and plan, FAQ, and return postcard. Reach included Ray Park, Marco Polo Way, Trousdale Drive, Millbrae from Murchison to Trousdale and west to Castaneda. The meeting was held March 16, 2016.
- **April 15, 2016** - District CEO presentation to Burlingame School District Board
- **May 5, 2016** - District CEO presentation to MPHS Community Advisory Board
- **June 8, 2016** - Presentation to San Bruno Chamber of Commerce
- **June 15, 2016** - Letter sent to >500 neighbors providing an update on both the Trousdale project and the Peninsula Wellness Community (Reach: Ray Park and Trousdale)
- **June 16, 2016** - Presentation to Burlingame Rotary
- **June 23, 2016** - Presentation to San Mateo YMCA Board
- **November 7, 2016** - Letter invitation and postcard sent to >900 neighbors for a “Community Discussion” to explain recent modifications to plan due to helicopter flight path changes. (Reach: Ray Park, Marco Polo Way, Trousdale Drive, Millbrae from Murchison to Trousdale and west to Castaneda).
- **December 27, 2017** - Letter and postcard sent to >400 Ray Park neighbors inviting them to discuss modification that will be in revised scope of Environmental Impact Report.
- **March 2017** - Invitation letter sent to >1800 residents for a Town Hall Meeting and discussion on March 30, 2017. (Reach: El Camino to Skyline, Murchison to Ray Drive)
- **June 26, 2018** - Town Hall Meeting at District Office with developer team and District. Announced in Nextdoor, flyers at PHCD, PHCD website and social media, Board packets, announced at PHCD meetings, and sent to PHCD mailing list (~1000).

- **August 18, 2018** - Town Hall Meeting at District Office. Topics covered included: strategic plan update, overall District activities, MPHS helipad. Public comments about Peninsula Wellness Community. Meeting announced via: Nextdoor, flyers at PHCD, PHCD website and social media, and PHCD mailing list.
- **November 29, 2018** - Town Hall Meeting with developer team and PHCD. Announced via Nextdoor, flyers at PHCD, PHCD website and social media, and PHCD mailing list.
- **February 2019** - 2019 PHCD Town Hall Meeting schedule announced for four future dates in 2019. Announced via: posting on PHCD website, NextDoor, social media, announced at PHCD meetings with flyers available, online in Board packets, flyers at PHCD office, e-newsletter communications to the PHCD email list. Meetings generally focused on Peninsula Wellness Community updates, if and when new information was available.

NOTE: Between February and November of 2019 the developer team was making modifications to the plan concept based on the exact amount of land available and had been directed by the District's Board to incorporate more affordable housing units. In reviewing board document as of July 20, 2020 it appears they may have made information available at their March 25 and June 24, 2019 meetings about the housing elements of the project. However, because the District adopted a new BoardDocs archiving system (including the agendas and minutes) and some materials are incomplete, it was not possible to verify the accuracy of that statement.

APPENDIX D – SYNOPSES OF LETTERS TO THE EDITOR OF THE *SAN MATEO DAILY JOURNAL* (AS OF APRIL, 2019)

A citizen question about the District’s responsibility for the housing needs of impoverished seniors first appeared in the *San Mateo Daily Journal* on November 16, 2015 when it when published a letter from Cynthia Cornell, a member of Burlingame Advocates for Renter Protections and Housing for All Burlingame. Ms. Cornell pointed out that many seniors in the area are being pushed out of their homes because they are renters who cannot afford drastic increases in rent. Ms. Cornell questioned the District’s decision to build a “high-end assisted living and memory care facility that will be only available to wealthy seniors (The Trousdale in Burlingame).”

A February 6, 2016 *Daily Journal* article indicates the District’s intention to bring plans forward to the Burlingame Planning Commission to construct “200-300 units of senior housing, 15,000 square feet of health services, 200,000 square feet of office space and other amenities” at the site adjacent to the hospital. The *Daily Journal* article does not mention any plans for affordable housing, but does quote the Executive Director of the District as saying “there could be units reserved for others such as disabled adults”.

Ms. Cornell responded to this article via a letter to the *Daily Journal* editor on February 9, 2016. She highlights the fact that the District’s announcement made no mention of affordability and suggests the “development will exclude most taxpayers, just like the Trousdale development”.

In early spring of 2016, the wellness campus plan was advanced to the Burlingame City Council and Planning Commission. In anticipation of Burlingame’s review, the *Daily Journal* quoted Ms. Fama, Executive Director of PHCD, as she described an “exhaustive community outreach campaign”. She was also able to provide new details about the configuration of the campus.

In a July 28, 2017 article, the *Daily Journal* announced that The Trousdale project was scheduled to open in early 2018. While there was mention of the housing element in the wellness community plans, there was no reference to affordable housing.

By July of 2018, the Burlingame City Council had asked the District to consider concerns of neighborhood residents that the Wellness Community Project could harm their quality of life, particularly with respect to traffic. In response the District reiterated that it was “using an asset of the district and using it to carry out what we believe is community benefit”. This *Daily Journal* article also reported that Burlingame officials “*encouraged district representatives to keep an eye to assuring some of the units remain affordable for local community members, as well as workers at the facility.*”

In an October 2018 letter to the editor of the *Daily Journal* from Cynthia Cornell again questioned the issue of affordable housing at the site. Ms. Cornell expressed the opinion that despite a letter to the District from U.S. Representative Jackie Speier and State Senator Jerry Hill asking the District to hold hearings about the balance of affordable and market-rate housing that

“at its most recent board meeting, the District appeared to disregard the letters and maintain its course”.

A follow-up letter to the editor from Mike Dunham, a member of Housing for all Burlingame, again expressed disappointment “that the board is still considering devoting the majority of the site to market-rate development, which is unnecessary and largely fails to use public land for public good”. Mr. Dunham went on to suggest that the *“District’s No. 1 goal should be maximizing the number of affordable housing units on public land”.*

Public comment about the project continued in a November 20, 2018 letter to the editor from Karyl Eldridge, a member of One San Mateo stating that *“public land is a precious resource, and given the rarity with which it becomes available, we must ensure that it is used in a manner that responds to our most pressing public needs...affordable housing”.*

A January 19, 2019 letter to the editor from Cynthia Cornell suggested that the *“PHCD appears to be tired of hearing constituents’ voices – voices raised in unison that the public land they control should be used for the public good – more affordable housing for the most vulnerable.*

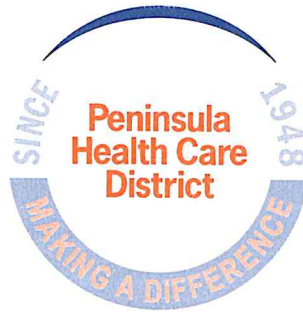
Momentum continued to build as another letter to the editor on January 22, 2019 from community member Birte Scholz, who, having attended a PHCD public forum noted that citizens like herself *“demanded that PHCD housing must be affordable to address the housing crisis which is increasingly affecting seniors”.* Citing PHCD’s *“mandate to protect the health of the entire community... we urge the PHCD to use public land for public good to alleviate the housing crisis for those most vulnerable, and allocate a substantial portion of the land to an affordable housing developer, to build truly affordable housing.*

Additional letters to the editor on March 6, 2019 from Karyl Eldridge and on April 24, 2019 from clergy representing the San Mateo County Faith Leaders’ Solidarity Cohort strongly asked that the District reconsider its vision for the number of affordable rental apartments to be built on the land.

APPENDIX E – LIST OF LETTERS TO THE DISTRICT FROM PUBLIC OFFICIALS, COMMUNITY MEMBERS AND ORGANIZATIONS (AS OF JUNE 2019)

- Sam Hindi, Mayor, Foster City (October 1, 2018)
- Michael McCord, Chair, Citizens Environmental Council of Burlingame (February 25, 2019)
- 28 members, San Mateo County Faith Leaders' Solidarity Cohort (April 25, 2019)
- 18 members, Peninsula Democratic Socialists of America (April 25, 2019)
- Maureen Freschet, Deputy Mayor, City of San Mateo (April 26, 2019)
- Tony Samara, Program Director of Land Use & Housing, Urban Habitat (April 30, 2019)
- Janette Stokley, Executive Director, Housing Choices (May 17, 2019)
- Karen Camacho, Organizer, Housing Leadership Council (May 21, 2019)
- The Working Families Alliance (June 4, 2019)
- Ben McMullan, Center for Independence of Individuals with Disabilities (June 6, 2019)
- Justin Alley, Communications Secretary, One San Mateo (June 6, 2019)

Issued: October 15, 2020



December 11, 2020

Hon. Danny Y. Chou
Judge of the Superior Court
c/o Jenarda Dubois
Hall of Justice
400 County Center; 8th Floor
Redwood City, CA 94063-1655

Re: RESPONSE TO THE CIVIL GRAND JURY REPORT 2020: “PUBLIC LAND FOR PUBLIC GOOD”

Dear Hon. Danny Y. Chou:

The purpose of this letter is to respond to the Civil Grand Jury's findings and recommendations in the 2020 report cited above. The attached detailed response presents our comments and has been approved unanimously by the Peninsula Healthcare District (PHCD) Board of Directors at our public Board meeting on December 10, 2020. The Board is privileged to work collaboratively with the San Mateo County Grand Jury to assure the goals of access to and quality of healthcare services needed by residents of San Mateo County are met.

The PHCD Board reviewed the Grand Jury report in detail. PHCD agrees with many of the findings presented and has disagreement with others. As referenced earlier, the attached report addresses these areas of agreement and disagreement. Further, PHCD wants the Grand Jury to recognize that of the three recommendations presented in the Grand Jury report, PHCD had already taken steps to address two of the recommendations prior to receiving the report. A revised communications strategy was launched in November 2019 and the new PWC website was launched in July 2020; both with a focus to improve transparency and outreach to all members of the community with specific outreach to affordable housing representatives. The third recommendation regarding revising the PHCD mission statement will not be implemented because the recommendation is currently embedded in the PHCD Strategic Values, as posted on the PHCD website. Like any other public agency, we evaluate all programs in a consistent manner. Not all decisions involve confidential negotiations in closed session. As an example, last year, the PHCD contributed \$3,000,000 to the County to assist in the fight against the COVID 19 virus.

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Page 1 of 2

District Office 1819 Trousdale Drive, Burlingame, CA 94010

Phone 650.697.6900 Fax 650.652.9374 www.peninsulahealthcaredistrict.org

SAN BRUNO MILLBRAE BURLINGAME SAN MATEO HILLSBOROUGH FOSTER CITY



Because of the nature of the program, all Board discussions were open to the public. However, in other cases such as real estate and labor negotiations (where programs are developed and considered in the context of contract negotiations) confidentiality is required and permitted by The Brown Act. Earlier this year, the District purchased two homes in San Mateo where affordable living units will be available for 10 developmentally challenged adults: the purchase negotiations were in closed sessions; the proposed use discussions were done in public sessions. All Board actions are taken in open session where public comment is invited.

The lengthy and continuing negotiations with the three developers selected to carry out the Board's vision for its age-friendly Peninsula Wellness Community, PMB, Generations and Mid-Pen Housing, clearly fall into the category where contract negotiations are conducted in closed session meetings. However, as will be seen in the attached response, that has not prevented the District from engaging in numerous meetings and discussions with the public to best define the housing concepts and community health services that potentially will form the basis for the final contract. Such interaction with the community has, in part, resulted in the proposal that the project will contain 39% (over 180 units) affordable living units for seniors.

If I can answer any questions, please feel free to contact me at the PHCD offices (650-697-6900.)

Sincerely,

A handwritten signature in black ink, appearing to read "Lawrence W. Cappel".

Lawrence W. Cappel, Ph.D.
Board Chairman

CC: PHCD Board of Directors



RESPONSE TO GRAND JURY REPORT 10/15/20

"PUBLIC LAND FOR PUBLIC GOOD"

FINDINGS: Must indicate "Agrees" or "Disagrees wholly or partially" and provide explanation.

F1 By 2010, planning for the Peninsula Wellness Community (PWC) set aside ten percent of the senior housing as affordable housing; the vast majority of units were reserved for market-rate housing.

DISAGREES PARTIALLY: *The Board's vision was, and continues to be, to establish a mixed-use and mixed-income health-focused older adult community that promotes quality of life and includes housing for seniors, wellness and clinical health support services, and working spaces for clinicians, professionals and researchers as well as community-centric public benefits such as meeting spaces, fitness facilities, publicly accessible open-spaces and programs for residents and the community to enjoy. The decision to set aside ten percent of the total housing units planned for the PWC as affordable was made in 2017, not 2010. When master planning started in 2008, the affordable housing need was not as significant an issue and the City of Burlingame had no affordable requirement; however, in recognition of the range of economic circumstances of our District residents, in 2017 the PHCD Board committed to ten percent affordable senior housing units when defining the project for the RFQ and RFP that was widely circulated to recruit the Developer.*

F2 According to housing advocates, the District's meetings and public events did not provide effective formats for real-time dialogues between District representatives and community members.

DISAGREES WHOLLY: *This finding reflects the housing advocates perspective and focuses on the last two years as evidenced by the Report's bibliography in which the oldest citation was from September 2018. We do not believe it accurately reflects the years of outreach and variety of formats PHCD carried out to invite input and encourage dialogue that was heard and incorporated into the PWC Concept Plan. In 2013 the concept plan was initiated into the City of Burlingame's approval process and revised in 2019 to reflect the increasing need for affordable senior housing.*

Throughout this process, all District study sessions were open, held at a variety of times and days of the week, in different formats as well as different locations around the District. Sessions included subject experts, health service providers, financial advisors, landscape architects, the owner's representative leading the EIR process, communications consultants,

selected developers, and others. The PWC has also been presented to elected leaders, multiple times at council meetings throughout the District cities, numerous public meetings of the Burlingame Planning Commission and City Council as well as many small neighbor meetings in the PHCD office and local coffee shops. The District's website included the concept plan, a detailed FAQ, planning updates, outreach meeting notices, opportunities to request one-on-one meetings with District representatives, and a section to submit questions to which the District responded. These venues and mediums expanded outreach, invited candid dialogue, and encouraged participation in study sessions as the project moved through its journey from vision to reality.

Public input has been integral in shaping the vision and plan for the PWC and will continue to be encouraged and welcomed as the plan gets further developed.

F3 At its November 18, 2019 public meeting, the District responded to community and political pressure by announcing an increase in the percentage of affordable units in the project from 10 percent to 39 percent.

DISAGREES PARTIALLY: *PHCD agrees that at the November 18 meeting it was announced that Mid-Pen Housing would be joining the Developer Partner team and would be taking approximately two acres of the available land to build >150 units of affordable housing. This brought the 10% to 39% or 180 units making it the largest age-restricted affordable housing project in the County. The session was video recorded and available on the PHCD and now the new PWC website. Two public comments of note that were shared at that meeting:*

"The District is clearly listening to the residents asking for a significant share of the development to be dedicated to persons who have low income. (Congresswoman Jackie Speier) appreciates the District's collaborations with housing experts such as Mid-Pen. Two thirds of our senior population spend too much for housing. This is a well-targeted plan, and it has been well thought out."

Brian Perkins, District Director for Congresswoman Speier

"The Housing Council's mission is to work with communities and leaders to create and preserve quality affordable homes. Thank you for increasing the number of affordable homes in the project. The Housing Leadership Council supports this vision. Thank you for your work and progress in this vision". Leora Tanjuatco Ross, Assoc. Director HLC

We disagree that the decision was based on "pressure". It was based on a variety of factors including input from the housing advocates. The Board had been studying housing affordability as to what was feasible for the PWC and concluded that it would reimagine the development with the addition of more affordable units. This was done after reassessing senior housing needs, the final project footprint, community input, and housing development activities throughout the County.

F4 Whether the PWC project could be structured to provide more than 39% affordable housing cannot be determined by the public. The District has failed to provide information regarding the financial feasibility of providing affordable housing in a ratio greater than 39% including whether it is possible for the District to accept decreased lease income from the developers.

DISAGREES PARTIALLY: *It is true that the District has not provided the information cited above. However, this is because the revised concept plan's financial analysis has not been completed by the Developers and provided to the District Board. Once this analysis has been provided, the District's third-party financial consultant will assess the financial feasibility of the entire project.*

F5 The District failed to provide the financial analysis and assumptions that underpin the ratio of market-rate to affordable housing units, the projected income from the land leases and the financial plan for use of that income once the project is complete.

DISAGREES PARTIALLY: *Same response as F4.*

F6 If the project goes forward as currently configured it will still provide a substantial number of new affordable housing units.

AGREES: *Thirty-nine percent (39%) will be >180 units of affordable senior housing and will include all levels of affordability from moderate to very, very low. It will be one of the largest senior affordable projects on the Peninsula.*

F7 While it is possible that continued demands by community advocates for greater number of affordable housing units could impact the future of the PWC project, such concerns have not been communicated to the housing advocates.

AGREES: *Until the Developer completes their financial analysis assessment, the Board cannot make an informed statement on that point.*

F8 Upon completion of the PWC, the income generated by the development will be reinvested into the community and may be used to provide community grants and other auxiliary health services, but these benefits have not been clearly articulated.

DISAGREES PARTIALLY: *PHCD wholly agrees that any revenue received by the District from the PWC project will be invested into community health services and benefits – on the development and throughout the District. However, disagrees that potential benefits “have not been clearly articulated”. From the 2010-2013 planning review of healthy aging models around the world facilitated by the District's planning architects, to the publication of the 2015 Master Plan, dissemination of the Developer RFQ and RFP in 2017, to the roll out of the*

Developers 2018 PWC and subsequent 2019 PWC 2.0 concept plans, examples of services under consideration have been shared and discussed. These presentations have included a wide range of possible programs such as an intergenerational edible garden, childcare, public transportation hub, health education and fitness center, on-going research on aging in place, technology-assisted services that promote independence while monitoring chronic illnesses, collaboration with Sutter's Gerontology Program and hospital outpatient services, etc. In addition, the District and Developer partners continue to review the evolving body of empiric evidence on the elements that contribute to a healthy aging environment as well as seek out input from the community regarding other services and benefits our constituents would like to see offered on site. The final complex of services is still to be determined.

RECOMMENDATIONS: Shall report 1 of 4 actions:

- 1) Implemented and summarize action
- 2) Not implemented, but will be in future with timeframe
- 3) Requires further analysis with explanation of scope & parameters of study, a time frame for matter to be discussed with the CEO and Board, if applicable. Time frame must not exceed April 16, 2021.
- 4) Will not be implemented because not warranted or reasonable, with an explanation why not.

R1. Starting November 1, 2020, with respect to the PWC project and future development projects, the District should:

- ❖ Provide opportunities during District meetings (whether in regular or special Board meetings, or during community outreach presentations) where community questions are answered in real time by the District, developers, and service providers and consider the use of a moderator to enhance those discussions.

IMPLEMENTED: *It is standard practice for all District projects under consideration to align with the Board's strategic direction and community need, be informed by subject experts and public comments, and analyzed for financial and operating sustainability. Projects under study are discussed at stakeholder meetings, Board Committees (public meetings), town hall/study sessions and regular Board meetings. This practice has been carried out for all projects.*

The Board and staff are committed to transparency, ensuring programs are relevant to health needs, and informed by community input. We believe that outreach efforts, study sessions, communications, available public information, and our "door is always open" attitude has served our constituents well. We are proud of the community engagement and satisfaction with the accomplishment examples listed below. Outreach formats have also evolved to improve effectiveness. For example:

- *The PHCD Board meeting on November 18, 2019 was attended by more than 70 attendees, was filmed and the link to that video is on the PWC website.*

- *The January 31, 2020 Town Hall was attended by more than 45 community members with a format designed for maximum interaction with the District and the Developer team. The room was organized by stations that allowed community members to dialogue directly with Board members, the project developers, and staff. Notes were taken at each station and compiled into a public document published on the District's website.*

However, the PWC is a larger more complex project than any of the others over the last 10 years and it has become apparent that communication improvements are warranted. Therefore, the District has implemented changes in its communications strategy, will start recording its Board meetings, and will continue to pursue opportunities to improve stakeholder satisfaction through productive dialogue.

In November 2019, the Community Outreach Team was expanded to include representatives from each of the three developers and PHCD. Some of its first activities were to update the PHCD website and conduct two PWC presentations, one on November 18, 2019 and one on January 31, 2020. All questions asked at those meetings were summarized, answered, and posted on the PHCD website. The Team also refreshed a list of stakeholder groups and individuals to reach out to going forward.

Unfortunately, problems with the PWC design due to Sutter Hospital's tertiary helicopter flight path required the concept plan be adjusted. This work, further complicated by the impact of the global pandemic, has been time-consuming. In addition, two of the Developers operate existing senior facilities providing housing and direct patient service. This has required their focused attention during the pandemic to ensure the health and safety of their residents. As a result, there has been a material slowdown of the project and no new reportable progress. Planned quarterly town hall meetings to discuss and get input on site design and amenities have been postponed until early 2021. We have continued stakeholder outreach activities that include affordable housing advocates as well as the monthly updates on the status of the project in the CEO Board Report, PHCD e-newsletter and on the new PWC website.

Examples of District projects that reflect effective community engagement:

- *Support to Kimochi, Inc. to establish an affordable assisted living facility in San Mateo with a commercial kitchen to prepares meals for shut-in seniors in the community.*
- *Established a non-profit dental center in San Mateo that serves all ages regardless of insurance status with broad support from community dentists, safety net service providers and County.*
- *Established a 124-unit, non-profit assisted living, and memory care community on District-owned land. At opening, 10 BMR units were established with the public commitment to do more once project stabilized and fully covered its costs.*
- *Established a senior-focused Health and Fitness Center located on a corner parcel of District land that will be contiguous with the envisioned PWC.*
- *Established congregate living homes in San Mateo to provide first-of-their-kind living facilities for developmentally challenged adults in San Mateo County. The 10 units will all be affordable.*

- ***Secured a 4-year state grant to be one of 5 sites in California to establish an allcove teen mental health center – a comprehensive approach to behavioral wellness for youth and teens. This program is supported by County Health, County Office of Education, San Mateo Union High School District, K-8 school districts, parents, and teachers within PHCD.***

- ❖ Clearly articulate the affordable housing limitations of each project as well as how the number of housing units were assigned between market rate and affordable.

REQUIRES FURTHER ANALYSIS and will be presented to the Board in public session prior to the April 16, 2021 deadline.

- ❖ Create a dedicated webpage to allow residents to follow the development of projects as they move forward including clear documentation of a conceptual and financial framework for determining community benefit, dollars allocated, timing and financing for current and future initiatives. In connections with such efforts with respect to the PWC project, for example, the District should highlight the new and ongoing health service envisioned for the community using the lease income from the PWC.

IMPLEMENTED: A separate PWC website was launched in July 2020 and currently has the original vision for the PWC, the PWC 2.0 concept plan, most recent FAQ, and a summary of all questions asked at the January 31, 2020 town hall with answers from the District and Developer. The website provides an on-going opportunity to request a meeting with a District representative, ask questions, and offer comments. All questions and responses by the District and Developer are posted on the website. NOT IMPLEMENTED is the inclusion of the “financial framework for determining community benefit, etc.” as that analysis has not been completed. It will be included when determined in 2021.

R2. Starting November 1, 2020, the District should modify its outreach communication strategy, by proactively identifying and engaging with local housing advocates and experts and other stakeholders, as it develops future residential projects.

IMPLEMENTED: As noted in R1 above, in November 2019, the outreach communications strategy was revised and enhanced when the Developer brought Mid-Pen Housing on board and the new PWC Community Outreach Team was launched. The Team is comprised of representatives from PHCD, PMB, Generations and Mid-Pen Housing and was charged with refreshing the FAQ, providing input into the new website design and content, planning the town hall meetings from logistics to promotion, and expanding the outreach list of stakeholders. Key organizations on this list include the affordable housing organizations and small group meetings have taken place.

R3. By November 1, 2020, the District should revise its mission statement to include the value of community input and involvement.

WILL NOT BE IMPLEMENTED BECAUSE NOT WARRANTED: *The District's strategic values already address "community input and involvement". Those values were revisited and reaffirmed as an outcome of a comprehensive FY 2018-2019 strategic planning process; a process that included numerous community outreach events in addition to discussion and public comment opportunities at regular Board meetings. The PHCD Strategic Values as posted on the District website are:*

Collaboration – Working in partnership with others committed to improving the health of our community.

Inclusion – Ensuring that the health care needs of all District residents will be considered regardless of financial and health status.

Shared Responsibility – Recognizing that improving health is a shared responsibility in which the Board, individuals, families, and communities play important shared roles.

Transparency – Conducting the District's business through processes that encourage public input, review, and comment.

Stewardship – Ensuring that all District assets are used for the community's health benefit.



April 16, 2021

Hon. Danny Y. Chou
Judge of the Superior Court
c/o Jenarda Dubois
Hall of Justice
400 County Center; 8th Floor
Redwood City, CA 94063-1655

**Re: PROGRESS REPORT TO THE CIVIL GRAND JURY REPORT 2020:
"PUBLIC LAND FOR PUBLIC GOOD", RECOMMENDATION R-1**

Dear Hon. Danny Y. Chou:

The purpose of this letter is to inform you that the District was unable to achieve compliance with an April 16, 2021 deadline for completion of R-1, bullet 3:

- ❖ "Clearly articulate the affordable housing limitations of each project as well as how the number of housing units were assigned between market rate and affordable.

PHCD RESPONSE -REQUIRES FURTHER ANALYSIS and will be presented to the Board in public session prior to the April 16, 2021 deadline"

This could not be achieved due to the status of negotiations with the Developer Parties. The Board and Developers are still in negotiations to finalize the Third Amendment to the Exclusive Negotiating Agreement that will bring MidPen Housing into the Agreement as a Developer Party. Until that critical milestone occurs, a more in-depth analysis of the project financial pro forma cannot be performed.

The Board remains committed to transparency and will share the information requested in a public Board session.

Sincerely,



Lawrence W. Cappel, Ph.D.
Board Chairman
Peninsula Healthcare District

CC: PHCD Board of Directors

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