

**CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY
(CHFFA or the Authority)**

**Requests by Eligible Hospitals to Change Project Scopes/Descriptions
for the Children's Hospital Program of 2018**

Information Item

February 24, 2022

Background: On November 6, 2018, California voters passed Proposition 4, enabling the State of California to issue \$1.5 billion in General Obligation bonds for the Children's Hospital Program of 2018 (Program). Eight private non-profit Children's Hospitals are each eligible for \$135 million, five University of California Children's Hospitals are each eligible for \$54 million, and \$150 million was allocated for public or private nonprofit hospitals that provide pediatric services for children eligible for the California Children's Services program (Eligible Hospitals) to be awarded on a competitive basis.

The Authority has awarded grants to 15 Eligible Hospitals for approximately \$149.2 million in two competitive funding rounds, with \$777,617.57 in funds available for a third funding round, which will be scheduled at a later date. If there are any remaining funds from the \$150 million allocated to Eligible Hospitals after the June 30, 2033 deadline, those funds would be available to any eligible Children's Hospital (the five UC's and eight private non-profit hospitals).

The regulations implementing the Program require grantees to continue to use/operate the grant-funded projects, as approved in the project description of the Authority resolution, for the useful lives of the projects. If for some reason this requirement is not fulfilled, the grantee would be considered in default, and the Authority has the right to recover grant funds. Also, if part of a project funded with grant funds ceases to be used by a grantee prior to the end of the useful life of the project, the Authority is entitled to recover grant funds in a ratio proportionate to the value of the entire project.

Request: Staff has recently received a project scope change request for an approved project from one of the Eligible Hospital grantees, Santa Barbara Cottage Hospital (SBCH) (see Exhibit A).

Requests for project changes from Children's Hospitals, whose grant amounts are established and awarded on an on-going basis, are brought before the board for approval. The Authority has only received and approved one request for change to an approved project description for a Children's Hospital since the first Children's Hospital Program was established in 2004 – the initial approved project changed from constructing a two-story pediatric use building to a five-story mixed use building.

Because grant amounts and awards for Eligible Hospitals are determined on a competitive basis, staff has developed parameters for project scope/description change requests received from Eligible Hospitals based on similar parameters that are in place for other competitive grant programs administered by CHFFA.

In consultation with legal counsel and the Attorney General’s Office, staff has confirmed that the board has authority to approve a project scope change based on section 7011 of the Program regulations, which states, “*The Authority may, on a case-by-case basis, consider a change in the use of the Grant if the Grantee demonstrates that the change is consistent with the Act and this chapter.*”

SBCH’s project scope change request is the only project scope change request CHFFA has received to date from Eligible Hospitals, but because of the impact of the COVID-19 pandemic on Eligible Hospitals’ budgets, staff anticipates that other Eligible Hospitals may come before the board to request changes to their approved project scopes/descriptions. Staff has compiled a list of parameters that will be uniformly applied to all Eligible Hospitals’ requests for project scope/description changes before bringing the request before the board for approval.

Parameters for Addressing Future Requests for Project Scope/Description Changes:

The below steps will be taken when the Authority staff receives a project scope/description change request:

1. Present an Information Item to the Authority board to request preliminary thoughts and direction prior to staff working on the request, so the Authority board is aware of the issue.
2. Grantee shall provide the following items:
 - A request letter signed by its authorized officer. The request letter should include the reason(s) for the requested changes.
 - An updated budget and timeline for the proposed project.
 - Updated information that is required in the grant application for the new/amended project.
3. Authority staff will evaluate the new information submitted and determine if it meets the intent of the statute and the Program requirements and will score it as if it was a new application.
4. Authority staff will assess whether it would have awarded the applicant originally had it submitted the new/amended project information and make a recommendation based on that determination.
5. If Authority staff recommends approval of the project scope/description amendment, Authority staff will present the Eligible Hospital’s request as an action item to the Authority board for approval.
6. If Authority staff does not recommend approval of the project scope/description amendment, Authority staff will present an update to the Authority as an information item.

Exhibit A

Santa Barbara Cottage Hospital (SBCH) Project Scope/Description Change Request:

Below is a description of the approved project and the proposed project changes:

Approved Project:

- On June 25, 2020, the Authority approved a final allocation for SBCH in the amount of \$12.9 million to fund the costs to construct a new pediatric medical facility (approximately 28,000 square feet) that will house the Cottage Children's Medical Center's Grotenhuis Pediatric Clinics. The new facility would house multiple pediatric specialty clinics, which include the expansion and relocation of ten existing pediatric specialty clinics (cardiology, concussion, developmental & behavioral health, endocrinology/diabetes, gastroenterology, high-risk infant, nephrology, oncology/hematology, rheumatology, and surgery) and the addition of five new clinics (child psychiatry, neurology, pulmonology, adolescent medicine, and infectious disease).

Proposed Project Changes:

- SBCH proposes to change the approved project from a stand-alone pediatric outpatient building (approximately 28,000 square feet) to a mixed-use building (approximately 30,452 square feet) for pediatric services and adult primary care and/or specialized medical services. Approximately 46% of the mixed-used building will be the pediatric portion.
- According to SBCH, the multiple pediatric specialty clinics proposed in the approved project will remain in place with the exception of the child pediatric psychiatry clinic, which will no longer be part of the project.