

# **Appendix G**

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**Letter I7 Referenced Materials**

# CA issues citations against school planning to open hospital in Elk Grove

California Northstate University is appealing

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Updated: 2:07 PM PST Jan 30, 2020

## **ELK GROVE, Calif. —**

A California university is under scrutiny after being accused of offering unapproved programs to its students.

California Northstate University, a private for-profit medical and pharmacy school, hopes to expand into a teaching hospital soon in Elk Grove. But now, state regulators are questioning what's being taught there and ordering the school to stop offering a Bachelor of Science degree for two key programs.

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"The programs that aren't approved are pathways that are for people becoming a pharmacist or a doctor," said Veronica Harms, deputy director of communications for the California Department of Consumer Affairs.

State regulators contend the two programs are unauthorized because the school was allegedly using a shortcut to a degree.

California Northstate University is currently appealing the citations and offered this response today to KCRA 3:

"The state has cited us for degree programs that we don't even offer," said Brian Holloway, a spokesman for CNU. "And so we are presently in court, asking them to remove the citation from their website until it's resolved."

The [citations were issued by the Bureau for Private Postsecondary Education](#), which operates under the umbrella of the Department of Consumer Affairs.

“It has not been brought to our attention that the school is not offering these programs anymore,” Harms said. “If they were to alert the bureau to that fact, then the citations would be resolved.”

| MORE | [See the citations here](#)

All this – as the university tries to expand its presence – but there is increased pushback from neighbors about a planned 12-story medical center the university is planning near their homes.

“It concerns me that they cut corners,” said neighbor Staci Anderson. “They don’t abide by the rules, especially when you’re talking about a health care facility.”

Others said they feel like they’ve been kept in the dark about the hospital development.

“We’d like to get some real answers,” said Nicole York, president of the Stonelake Homeowners Association. “We’d like to get some truthful answers.”

“This hospital is in the wrong place,” said Jan Smutny-Jones, another concerned neighbor.

CNU contends the medical center would provide Elk Grove residents with reduced wait times for emergency medical services. But that means the demolition of several buildings in the nearby shopping center – where David Brown is the head beer makers for Dreaming Dog Brewery.

“We could end up losing everything that we put into this business,” Brown said. “At this point (it) is one million dollars.”

The university projects the medical center will bring in more than \$100 million in new business tax revenue for Elk Grove – and it promised to be a better neighbor.

"We're trying to do a better job of communicating to both our retail tenants and the neighborhood as well," Holloway said.

The next step for the school is an appeal of the curriculum citations, which is set for an administrative hearing on March 2.

California Northstate University is hoping to have the new hospital completed by 2022.

# California Northstate University's neutral stance on death of George Floyd rebuked during Elk Grove City Council meeting

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*Appearing before the Elk Grove City Council last summer, Alvin Cheung was criticized by an Elk Grove resident asking if he "is worried about offending racist." |*

During the Wednesday, June 10, Elk Grove City Council meeting an Elk Grove resident rebuked a statement issued last week by the president of California Northstate University over the death of Mr. George Floyd that has led to widespread condemnation.

The comments from Ms. Staci Anderson came during the public criticism of the meeting, which was held via teleconference. Anderson specifically criticized comments by CNU's president, Alvin Cheung.

As reported by the Sacramento Bee, Cheung said the school, which also is attempting to finance the construction of the \$900 million 400 bed hospital in Elk Grove's Stonelake

neighborhood, had taken a neutral stance on the burgeoning Black Lives Matter civil rights movement. The school's statement was issued following unrest that included the looting of businesses.

In her comments, Anderson read Cheung's statement that "Recent events have caused significant uprising and protests throughout the United States, resulting in both significant injuries, deaths and property damage throughout the nation. In order for California Northstate University to continue its mission of furthering the science and art of healthcare through education, the CNU Board of Trustees hereby enacts a policy of neutrality as an institution."

"Is he worried about offending racists," Andrson said. "He also mentioned pharmacies being vandalized during recent protests, indicating that CNU's stance was partially taken to avoid potential damage to the school.

Anderson also compared Cheung's statement to a statement issued by the University of California Regents that said: "As leaders of the largest public research university in the United States, we feel that silence is complicity: We must put an end to these incidents now."

Cheung's medical school students issued a counter-statement condemning CNU's neutrality stance. Anderson read their statement into the record saying, "The College of Medicine student body is appalled, disappointed, and deeply hurt by your response and decision to adopt a Neutrality Policy. This statement tacitly condones both police brutality and systemic racism faced by Black and Brown communities across America....A position of neutrality is not only unacceptable, but also does not exist. There is no such thing as neutrality in a situation where violence directly infringes upon the livelihoods and safety of Black and underrepresented communities across the nation and at our institution."

In addition to operating a pharmacy and medical school, CNU is seeking approval from the city of Elk Grove to build a \$900 million 400- bed hospital in the city's Stonelake neighborhood. Elk Grove's economic development department tacitly supports the project and Cheung has the direct support of Mayor Steve Ly and City Councilmember Darren Suen.

A resident of Stonelake, Anderson, and several residents in that neighborhood have formed a group called Neighbors Ensuring Stonelake Transparency, NEST, that has actively opposed CNU's proposed 12-story hospital.

"In response to the backlash from their controversial and tone-deaf public statement, CNU released another statement condemning 'the killing of George Floyd, racism, brutality, violence and social injustice.' But it ended there," Anderson told the city council. "There was no apology to their students or the community; no commitment to taking a stand against these issues within their institution. Instead, once again, they merely claimed they had been 'misunderstood.'"

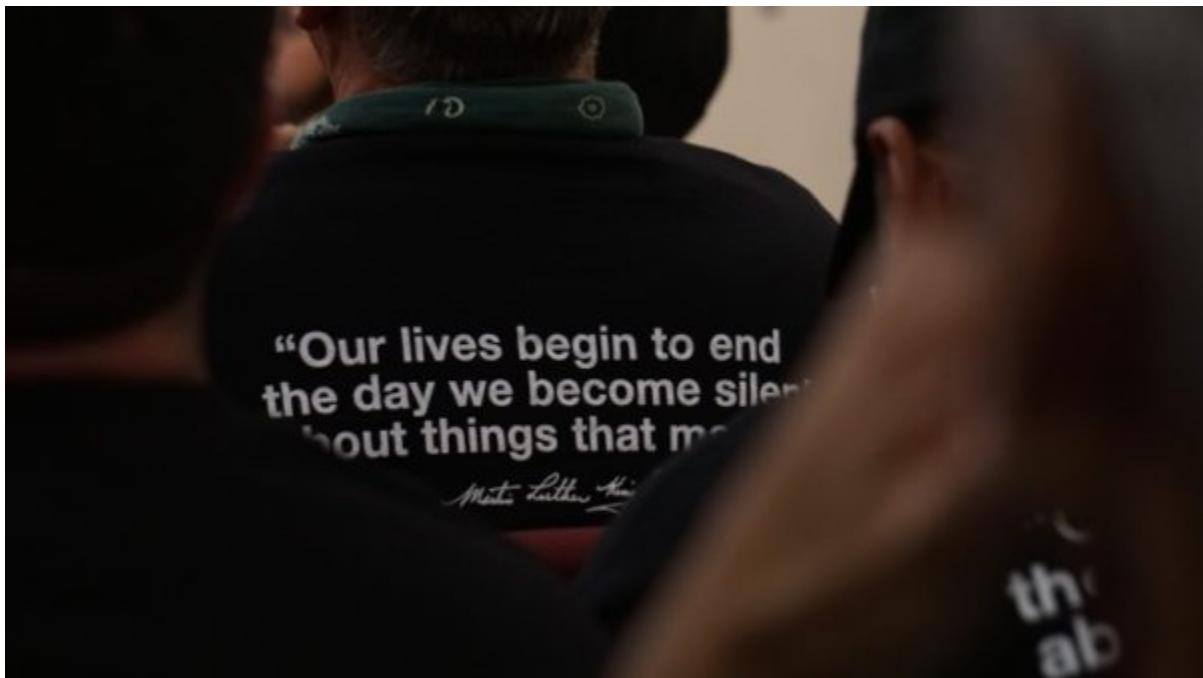
Aderson concluded her commentary by saying, "this adds to the long list of CNU's actions which have displayed a lack of understanding, a lack of professionalism, a lack of empathy, and a lack of communication skills. CNU's moral compass is severely damaged at the highest levels, and it's up to our City Council and our citizens to reject such ignorance and bias from seeping into our community."

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# CNU Becomes Non-Profit & City Council Approves \$900 Million In Bonds Through TEFRA For New Hospital

August 23, 2019 6:00 pm by [Dr. Sunny Le](#)

On Wednesday, August 21st, [a special meeting](#) was held for the [Tax Equity and Fiscal Responsibility Act \(TEFRA\)](#) hearing for [California Northstate University's \(CNU\) proposed hospital](#). More specifically, this hearing was to determine the approval or disapproval of CNU's issuance of \$900 million in bonds. To do so, the CNU recently changed from a for-profit to a non-profit (501c3) a few weeks prior. Notably, this was required in order to seek this type of financing from the City of Elk Grove. The Elk Grove City Council ultimately approved the issuance of \$900 million in bonds.



## TEFRA



TEFRA stands for the Tax Equity and Fiscal Responsibility Act. CNU is choosing to pursue this type of financing in order to make the hospital a reality. Nonetheless, the Elk Grove community is divided regarding the construction of this hospital. Statements from the community were both in favor of the hospital and against the building of the hospital. Members of NEST are adamantly opposed to the building of the hospital citing neighborhood concerns and the fact that some businesses now located in buildings on land owned by CNU will have to move.

Important to note, the room was filled to the brim and out the door. Of the few meetings we have attended, this was one of the fullest. Clearly, the issue of whether California Northstate University is actually going to build this hospital is of great concern to a lot of local residents.

## Authorizations through this Hearing

- Adopt a resolution:
  - Approving the issuance of up to \$900 Million in tax-exempt bonds by the California Public Finance Authority (CalPFA) to be repaid by Northern California Health Services and Research Foundation, Incorporated (CEQA Exempt)
  - Approving the City of Elk Grove to become an additional member of CalPFA, which is required of a governmental unit approving the issuance of bonds

Brandon Merritt, Finance Analyst for the City of Elk Grove, spoke about the process of TEFRA. Merritt detailed some of the specifications and the process of gaining funding through TEFRA. Ultimately, the hearing's purpose was not to go over the full details of TEFRA.

## What the Hearing does not do

- TEFRA Hearing and/or approval of TEFRA Resolution:
  - Does not impact lawful discretion of the City to consider, reject, approve, or disapprove any Project entitlement, environmental document, or environmental mitigation measure, or permit over which the City has lawful approval authority
  - Does not constitute approval of the Project
  - Does not constitute an indebtedness of the City of Elk Grove or its taxpayers, now or in the future
  - Should not be construed as an indication of financial participation on the part of the City of Elk Grove in the Project

## Public Comments

After the specifications from Merritt, the floor was opened to public comment. This went only for nearly 2 hours which consisted of communities members as well as businesses speaking for and against the proposed hospital. With a filled room, the community was torn. Both sides have valid reasons for the hospital and justification against the hospital. Ultimately, it's going to be a hard battle for CNU to gain 100% of the communities' buy-in.



Small Business Owners that spoke in the hearing were vocal about CNU. "They have never reached out to us," said one business owner. In response, CNU stated they will work with the business to assist in relocation and pay the expenses for relocation. Ultimately, this is good news for the small business owners at the proposed hospital locations as this is on the public record. The obvious concern is that a the local businesses currently located in buildings on land owned by CNU might go out of business or be forced to close since they have to move.

Some of the community is still waiting on CNU's outreach to the community. It seems like CNU has not reached out at all even with CNU's stance in building with the community.

**Phyllis Baltz of Dignity Health and President of Methodist Hospital Sacramento** stated that they are trusted as well as proven in terms of being a medical provider in the Sacramento County area. Additionally, Baltz reaffirmed that the new Dignity health hospital will be built and serve Elk Grove. Baltz also spoke about the timeline of the Dignity Health hospital of phase 1 will be about 7 years out.



In terms of the OSHPD process, it generally takes around 6 to 7 years for approval. Baltz stated that CNU is targeting in 2020. "CNU is targeting a spring 2020 start of construction for the Hospital Project."

Dr. Cheung, CEO of CNU, spoke in the response to one question at the hearing on why becoming non-profit. Dr. Cheung stated that in becoming a non-profit, the money goes back into the community instead of Wall Street. "Taxable versus non-taxable." Ultimately, the bond will provide Elk Grove more money instead of going to other entities by reducing the interest rates. Notably, this is savings according to Dr. Cheung. "It's around \$27 million a year in interest expense of the bond."



One speaker, Cano, from the community was very vocal about the growth of Elk Grove. "It is only going to get bigger and the population is only going to grow. Like it or not, that's the reality. You can leave anytime"

## Elk Grove City Council Approves Request

In the end, the Mayor and the Council decided in favor of approving CNU's request for up to \$900 million in tax-exempt bonds. This will have no impact on taxes, the city of Elk Grove, or its community. "There is no fiscal impact as a result of the recommended actions."

City Council Member Stephanie Nguyen approved this step stating that she didn't want to go through this in the future. "Rather than dealing with this 7 years from now, I will approve it to see where it will lead to."



City Council Member Steven M. Detrick approved this step stating he wants to see how this plays out. "If they can get their financing and move it forward, fine. If they can't do it, then that will kill the project itself."



Vice Mayor Pat Hume wasn't happy with approving this step of the process. "This was a very difficult decision and not one I was happy to be put in."



Mayor Steve Ly is definitely concerned about CNU's engagement with the community and businesses. "It's so critical in moving forward." Finally, Ly moved the recommendation forward.

City Council Member Darren Suen, who is representing District 1 in which the proposed hospital is to be built, was not present during this hearing.

In the end, this TEFRA approval does not mean approving the CNU hospital has cleared all hurdles. More specifically, it only means that it allows the possibility of a hospital to be built. It is only one step that CNU is moving forward with.

## Recording

As with all meetings for the Elk Grove City Council, this meeting was recorded and available to the public. The meeting recording can be found here:

[http://elkgrove.granicus.com/MediaPlayer.php?view\\_id=14&clip\\_id=1757](http://elkgrove.granicus.com/MediaPlayer.php?view_id=14&clip_id=1757)