

MENDOCINO COAST HEALTH CARE DISTRICT  
775 RIVER DRIVE, FORT BRAGG 95437

MEMORANDUM

TO: MCHCD Board of Directors  
FROM: Paul Garza, Jr.  
DATE: August 28, 2025  
SUBJECT: Monthly Report

Mortgage Insurance

We have been offered a term sheet for a revenue bond of \$50 M. To accept and utilize the revenue bond requires mortgage insurance. We have been turned down by CalMortgage, a division of California Office of Statewide Health Planning and Development (OSHPD) and within the same structure as Health Care Access and Information (HCAI), who has notified us they will not offer mortgage insurance to us. Their justification, as you can read in our published agenda package, is that their policy is that hospitals must complete seismic retrofit first. I have drafted a response to CalMortgage/HCAI indicating why this is quite poor public policy. That letter is attached to my report.

While the denial is disappointing, the good news is that we have learned that there are mortgage insurance firms that will offer coverage for the proposed revenue bond. We are cautiously optimistic about being able to proceed.

Adventist Health New Leadership

Adventist Health announced that Parker Pridgen is the new leader of their North Coast Network, which includes our hospital, Ukiah Valley, Howard Memorial, Clear Lake, St. Helena and Vallejo. We look forward to working closely with the Adventist Health team.

Community Outreach

We are looking for opportunities to communicate to more community groups. If you know if a group that is meeting and would be interested in learning about our work with the hospital, please let us know. You can either call, text or email Kathy Wylie or myself.

- Kathy Wylie, District Manager, 707.962.3175 [info@mendocinohcd.gov](mailto:info@mendocinohcd.gov)
- Paul Garza, Chair, Board of Directors, 714.348.9844



Mendocino Coast Health Care District  
Analysis of Additional Costs and Disruptions from HCAI/CalMortgage  
Dated: August 25, 2025

**Background**

Mendocino Coast Health Care District (hereafter the District) serves approximately 20,000 North Coast residents and very substantial numbers of tourist. The District has been planning for a seismic retrofit of the Adventist Health Mendocino Coast Hospital for the last two years. This facility, which remains owned by the community and supported by tax increments, opened its doors on June 21, 1971 just over 54 years ago. Beyond the State's requirement for seismic retrofit by 2030, there is a very compelling need for modernization of the structure. This need was clearly indicated by an analysis performed by Innova Group.

At its August 7, 2025 Board Meeting, the District settled on a plan to achieve seismic retrofit and facilities modernization simultaneously. This approach reduces overall costs and timelines. The costs estimate for this work is \$ 74 Million. The District currently has about \$17M in cash reserves. The District's CFO has had discussions with a lender for a revenue bond debt ceiling of \$50 M. This bond would enable MCHCD to begin the process of acquiring permits and commencing construction in the very near future. Finally, the HCAI estimate for potential reimbursement to the District for seismic retrofit is \$4 M.

On August 21, 2025 the District received a memorandum from HCAI (attached) informing the District that it would not authorize mortgage insurance from CalMortgage because the policy is they do not provide mortgage insurance until a seismic retrofit has been achieved. Mortgage insurance is a requirement to receive the revenue bond funding. This analysis will demonstrate why this forced separation is bad policy for community health, will cost local taxpayers considerable additional sums and will also delay necessary modernization of hospital facilities for several years.

**District Plan for Seismic Retrofit and Modernization**

The District's plan is to simultaneously perform the needed seismic retrofit and hospital modernization. This approach is within the means of the District, will save significant amounts of tax dollars and minimize disruption of medical services at the hospital. The estimated cost of the seismic retrofit is \$20 M. The modernization plan is an additional \$54 M. The plan includes a



new Emergency Room (ER) that is a major expansion of needed services. The need for this is based upon a study performed by Innova Group and from the advice of professional hospital staff. The plan features 16 bays: 4 dedicated to Urgent Care (far less expensive treatment alternative), 4 dedicated to psychiatric services and the remaining beds that are private bays. The current ER has no private beds and patients are separated by curtains including the psychiatric beds.

Furthermore, the modernization construction was planned to cause no significant disruption for the ER in its current location. Seismic renovation to the current ER will cause the ER to relocate into temporary new quarters which would be an outdoor tent. The business interruption to such a vital community service would cause patients to avoid necessary treatment or seek emergent care at other distant facilities. The loss of life could be a major issue as well as suffering a major loss of revenues into the millions. If the ER along with the consequential effect on the Radiology and Laboratory services were to lose just 20% of its volume over three years of business disruption during construction, the total would be about \$30M in lost revenues.

MCHCD is the owner/landlord to a lease with Adventist Health as the tenant. The landlord has the responsibility to provide state-of-the art property, plant and equipment. The tenant has sole responsibility and authority to manage the delivery of acute care health services to the community's residents and tourists. Adventist Health could terminate the lease for the lack of a modern ER for at least eight years into the future and/or the risk of very significant lost revenues. If that did occur, the community's residents and tourists would suffer irreparable damage to their health and well-being.

However, the ER impact is much more far reaching. The Innova Group study cited the community need for expansion of both Oncology and Physical Therapy. Both of these are would be achieved with the realization of a new ER by reallocating existing space.

### **Timeline**

The estimates of the architectural and engineering firm retained by the District is that permitting will take 18 months followed by 2 years of construction: 3 ½ years in total.

### **Impact of the HCAI Decision**

1. The HCAI decision forces the District to separate seismic retrofit and modernization.
2. It requires the District to go through the permitting process twice – once for seismic retrofit and second time for modernization. This adds \$1.6 Million to the proposed project cost.
3. Delay in modernization is will add a minimum of \$6.1 Million to construction of the new Emergency Room (see attached calculations) from inflation alone.
4. The HCAI decision means modernization could not be achieved until completion of seismic retrofit estimated currently to be July 2030. Modernization will require an additional 18 months of permitting and another two years of construction. The earliest date for completion of the project is January 2034 rather than July 2030.
5. The HCAI decision will forfeit cost reduction from tearing into the existing infrastructure only once.
6. The HCAI decision also means significant additional disruption of medical services at the hospital and to the community. The disruptions would occur twice rather than once.
7. Current facilities are inadequate to meet the need in our community and our tourists.

The summary of additional costs from separation of seismic retrofit and modernization is a minimum of \$7.7 Million to local taxpayers and the risk of \$30M in lost revenues for ER, Radiology and the Laboratory. It limits the availability of needed medical services in the community and delays needed modernization. The separation of seismic retrofit and modernization is clearly is not in the interests of the local community nor the State.

Respectfully submitted,

*Paul Garza, Jr.*  
*Chair, Board of Directors*  
*Mendocino Coast Health Care District*  
[pgarza@mendocinochcd.gov](mailto:pgarza@mendocinochcd.gov)

### **Attachments:**

Analysis of Additional Construction Costs by Staff 8/22/25  
August 21 Memorandum from Lauren Hadley, HCAI