

December 2012

*Laguna Honda Foundation*

## A Foundation's Dirty Laundry

by Patrick Monette-Shaw

Additional planning for use of Laguna Honda Hospital is again being discussed without input from the public — and probably without input from the hospital's own patients — including outsourcing of Laguna Honda's Gerald Simon patient auditorium, the on-going lack of a patient gift shop, and conversion of Laguna Honda's old buildings into assisted living housing units.

To no one's surprise, former City Attorney Louise Renne's "nonprofit," the Laguna Honda Foundation, which has no formal written agreement with the City, is embroiled in the discussions, and some complain that she's being both secretive and disingenuous. Although Renne appears to have been planning the outsourcing of the patient auditorium for over a year and a half, her plans only became public on March 6, when her Foundation was hauled in front of San Francisco's Health Commission to provide an update of her Foundation's activities and finances.



Louise Renne with her Foundations' Board of Directors Vice President Derek Parker at the March 6, 2012 San Francisco Health Commission meeting.

### The Recalcitrant Foundation

Ever since Renne formed her Foundation in 2004 — without a written memorandum of understanding (MOU) with either the City or Laguna Honda Hospital — the Health Commission has been worried about the lack of reporting concerning the Foundation's finances. As previously reported<sup>1</sup>, when the City agreed to a preliminary \$25 million settlement with Ms. Renne for furniture, fixtures, and equipment for the new Laguna Honda facilities, the Health Commission publicly fretted about how it would recover that planned settlement.

Since that time, there has been extensive coverage about the failure of Renne's Foundation to disclose either its income and expenses, or the three categories of spending the IRS requires non-profits report on Form 990's: Fundraising, Management and General, and Program Services spent on actual services. The three categories are used to evaluate the financial accountability of non-profits. All of the [Foundation's Form 990's](#) submitted to date to the IRS have reported zero income<sup>2</sup> and zero expenses, even though it has been reported in the media that Renne's Foundation has earned at least \$766,531 since its incorporation eight years ago. But she's never provided detailed tax returns itemizing how much she has raked in, and what she's spending it on.

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<sup>1</sup> “Commingling of Public and Private Funds,” at [www.westsideobserver.com/news/patrick.html#may11](http://www.westsideobserver.com/news/patrick.html#may11).

<sup>2</sup> Renne's Foundation filed a “990-N (e-Postcard) filer information” with the IRS for the tax period 7/1/2009 – 6/30/2010 that shows its gross receipts were less than \$25,000 in that tax year — without providing a precise dollar amount. That's the only data available, since her Form 990's filings have all reported zero income and zero expenses, between her incorporation date and June 30, 2011.

## The Artful Dodger's Testimony

In preparation for a December 14, 2011 meeting with then Health Commission president Steven Tierney and its then vice president, Sonia Melara, Ms. Renne submitted a [letter to the Health Commission dated December 8](#), in which she outlined her Foundation's activities since it was incorporated. True to form, Renne claimed in a footnote that her Foundation had difficulty raising funds because "two hospital physicians and others then employed at the hospital made public assertions that the hospital was unable to safely accommodate the flow of patients from San Francisco General Hospital."

Renne has been unable to admit that the damage to the hospital's reputation was not done by the two physicians she wrongly accuses; instead, perhaps the damage to the hospital's reputation was done by former Director of Public Health, Mitch Katz, whose notorious "flow project" made patient safety at the hospital a major issue.

Apparently resulting from Tierney's December 14 meeting with Renne, the Health Commission placed an agenda item about Renne's Foundation onto its March 6, 2012 meeting agenda. During the March 6 meeting, [Renne presented orally](#)<sup>3</sup> much of the flawed testimony in her December 8 letter.

When she testified that she set up her Foundation "right after Proposition A" was passed by the voters in 1999, she was stretching the truth; her Foundation wasn't incorporated until almost five years later, in 2004. She claimed her Foundation had funded something related to lift apparatus to transfer patients safely into bath tubs, but she didn't say how much was donated, when, or for what items. When she testified that her Foundation had funded working with the Center for Health and Design, she claimed it was among gifts to the City and hospital.

Derek Parker, Vice President of the Board of Directors of Renne's Foundation, accompanied her to this hearing. Parker co-founded the Center for Health Design, known for its Pebble Projects, a theory that "evidence-based design" can contribute to measurable improvements in patient outcomes. Parker has served in various roles at Anshen + Allen, the architects who designed Laguna Honda's new facilities, including as a principal, as its former CEO, as a member of its Board of Directors, and as its Director Emeritus.

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Renne forgot to note her Foundation's funding to the Center for Health Design benefited an entity Parker co-founded and was a board member of, while simultaneously serving on her Foundation's board. She also failed to note that the City filed a lawsuit against Anshen + Allen, Stantec Architecture (which acquired Anshen + Allen), and other entities in December 2011, seeking recovery of damages for breach of contract, professional negligence, indemnity, and other declaratory relief involving the dispute that arose from the design and construction of the Laguna Honda Replacement Project. The lawsuit involves over \$70 million in design errors.

When she testified that her Foundation had helped provide money for training and consultants, she failed to mention the hospital already had a \$10 million "transition budget" supplemental stash from the general fund for that purpose. She claimed her Foundation had helped fund the hospital's opening festivities and ribbon cutting ceremony, but again, the City had a separate budget line-item for that. She claimed her Foundation had made a grant to Laguna Honda to help pay for a gardener. She asserted, "All of the money that we spend is requested by the Hospital or the City. And if the Hospital makes a request, it goes through them."

Renne claimed her Foundation had made several gifts and grants to the City, often directly to the hospital. She went so far as to say, "Any money that we spend at Laguna Honda certainly is a matter of public record," but

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<sup>3</sup> See the verbatim transcript provided in this link on [www.stopLHHdownsize.com](http://www.stopLHHdownsize.com).

that’s pure hubris, since there are no public records concerning her Foundation’s expenditures. Renne isn’t likely to make any records available, anytime soon.

Poor Health Commissioner Jim Illig; he took Renne’s bait, and pressed her. Illig noted that the Health Commission has a Charter responsibility to obtain an annual report of gifts and grants to public health entities from each agency affiliated with the Health Department. He noted that the Public Health Foundation, Friends of Laguna Honda (formerly Laguna Honda Volunteers, Inc.), and the San Francisco General Hospital Foundation all comply with this Charter requirement, and each entity provides their revenues and expenses to the Health Commission.

Perhaps to his downfall, Illig pressed harder, contradicting Renne publicly by saying, “We have no record of grants [from your Foundation] that have come to Laguna Honda, because it would have been reported to us, as the Health Commission.” [Editor’s note: Nine days later on March 15, the Mayor declined to re-appoint both Commissioners Illig and Tierney, who were both hold-over appointments. The timing between Renne’s forced appearance before the Health Commission and the abrupt removal of the two Commissioners who had pushed for the hearing into her finances is obviously problematic.]

Indeed, four subsequent public records requests — to the Health Commission, to the City Controller’s office, to Laguna Honda Hospital itself, and to the Department of Public Health — for any “accept-and-expend” resolutions documenting specific Laguna Honda Foundation gifts and grants to the City between 2003 and today’s date each yielded the same four responses: There were no responsive records from any of the four City agencies. Illig had been correct: The City has absolutely no record of any gifts or grants to any City agency made by Renne’s Foundation since its inception, despite her testimony to the contrary.

### The “No Public Money” and “Anonymity” Canards

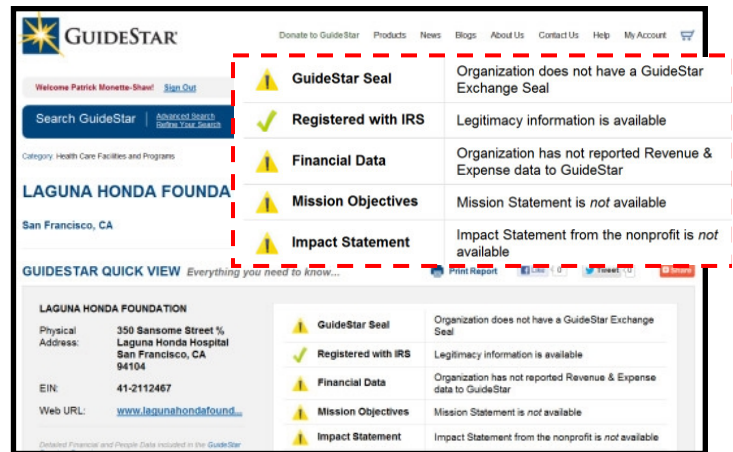
Ms. Renne appears to be confused about the source of funds to her nonprofit organization. On March 6, she stated, “All — all! — of our contributions come from private individuals. And consequently, there is no public money.”<sup>4</sup> What Ms. Renne may not understand is that the key litmus test to obtain IRS non-profit designation is what percentage of contributions is considered “public support.” Private donations to any non-profit foundation are public funds donated to advance a charitable public purpose, and those contributions typically come from members of the public. All funds donated become “public money,” entrusted to fiduciary stewards of the non-profit.

What Renne is confounding is that only “sometimes” — by her own admission — her Foundation receives money from donors who wish to remain anonymous. This is a complete canard, since IRS rules already permit withholding of the names of individual donors for confidentiality reasons. This is no reason for Renne to completely withhold reporting her total revenues in their entirety, simply to provide donor confidentiality.

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The GuideStar web site entry for Renne’s Foundation contains four yellow-alert warning signs: A Mission Statement and Impact Statement aren’t available, and her Foundation hasn’t reported its revenue and expenses to GuideStar.

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<sup>4</sup> A check of the IRS’ web site on Saturday, December 8, 2012 shows in its *Exempt Organizations Select Check* feature that Renne’s Foundation is a “public charity,” not a “private foundation.”

There are IRS protections already in place to ensure full financial disclosure, without disclosing donor names. Can't the Health Commission see that Renne is hiding behind donor disclosure concerns, to deliberately avoid full financial disclosure?

And what of Renne's claim that her Foundation has been falsely accused of taking tobacco settlement revenues? To our knowledge nobody has raised such an accusation, except Renne herself.

## **Outsourcing the Patients' Auditorium**

Without the Health Commission's March 6 hearing on the Laguna Honda Foundation's status, Ms. Renne's plans to outsource operations of Laguna Honda's patient auditorium would still be in the dark.

Named in 1963 for local businessman Gerald Simon, who founded Laguna Honda Volunteers, Inc. in 1957 to raise funds for the hospital's patients, the patients' auditorium has long been a focal point of hospital activities. During the decade between May 1999 and November 2009, patient activities were expertly conducted by the nearly 40 activity therapists employed by the hospital, each of whom has advanced specialized training in therapeutic activities. (Laguna Honda's activity therapists have a broad range of specialties, from art therapy to dance therapy and everything in between, and are skilled at cognitive stimulation of frail elderly patients.)

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After over 50 years of conducting programs in the patient theater, including hosting Bing Crosby concerts, suddenly last March 6 Renne alleged, "... the [Laguna Honda] staff there is so busy that there's no way they can run the theater, I just don't think it's humanly possible." Then we learned that sometime in the spring of 2011, Renne's Foundation contracted with AECOM to assess operations of Gerald Simon Auditorium. By July 2011, [AECOM had issued its draft report](#) prepared for the Laguna Honda Foundation, entitled "Demand Assessment for Gerald Simon Theater."

The assessment claims that Gerald Simon auditorium needs to be "rebranded" as distinct from the hospital itself, probably with a new name to convey it's a community theater, not exclusively for patients. After 50 years of operations, suddenly Mr. Simon's good name on the auditorium isn't good enough for Renne, or the hospital.

The assessment analyzed the demand for various types of activities that community organizations may hold to rent Gerald Simon Theater, and what type of management model would be appropriate. In order to raise an estimated \$176,000 annually to run the theater — \$107,000 of which represents new management salaries for staff in addition to existing hospital employees — various cost factors are assessed.

It's clear Renne is seeking a dedicated funding stream for her Foundation.

The report notes that resident use of the auditorium will be of concern when scheduling rental events. The report is very vague on what will be done to accommodate residents in the hospital's chapel that is being constructed next to the auditorium, or whether worship services would have to be moved elsewhere in the hospital when there are scheduling conflicts. The report notes caution will be needed to prevent displacing resident activities, but mentions nothing about what may happen to long-scheduled resident activities in the event urgent or lucrative community events might require bumping resident activities in order to meet monthly theater rental quotas.

The report notes that the 600 parking spots on Laguna Honda's campus will be of significant interest to planners considering holding potential events at Laguna Honda, but the report does not mention where LHH's staff, who each pay \$75 monthly or more for on-campus parking, will park their cars on days when rental events might require them to give up their parking spaces. The report notes that another "plus" is the hospital's new Café Kitchen on the second floor that could be creatively scheduled for use as a private event catering kitchen. But

again, the report does not discuss how use of the kitchen for private events might adversely impact preparation of routine meals for patients.

The report notes that there are \$360,000 to \$700,000 in required, or highly-desired, construction improvements to the theater to attract rental tenants, costs which are not included in the hospital's replacement project budget, nor are funding sources identified in the Demand Assessment.

Shouldn't those construction improvements have been included in the design of the hospital when construction plans were drawn up a decade ago? Why are design changes needed now, two years after moving into the new facilities? Shouldn't a demand assessment for the theater have been conducted before construction began in 2003?

It's unknown whether Laguna Honda has told its Residents Council of Renne's plan to take over operations of its patient auditorium. Should the auditorium rent out for an entire month, patients may not have access to their auditorium and its adjoining chapel.

Notably, the report indicates that in order to generate about \$156,000 in annual revenue, a community theater at Laguna Honda would have to hold approximately 12 events each month. But the report does not address what funding source will be tapped to cover theater operating expenses in the event that rental income is insufficient to pay the bills. For example, if only 6 rental events are held in a month when 12 were projected, who will be on the hook to cover the shortfall in revenue? Will the City's General Fund be tapped to make up any operating losses from outsourcing operations of the theater? When rental income is insufficient, will the theater's operating funds come out of Laguna Honda's general fund operating budget intended to pay for patient medical care?

### **Still No Gift Shop, Other Unanswered Questions**

Renne claimed on March 6, that her Foundation is also assessing whether to re-open Laguna Honda's patient gift shop. Although residents moved in to the new facilities fully two years ago, Laguna Honda's other nonprofit foundation, Volunteers, Inc., abandoned its decades-long funding of the gift shop, and the hospital has operated without one for the past two years, perhaps the only hospital in the Bay Area without a gift shop. If Renne's Foundation has taken over two years to decide whether it should fund operations of the gift shop, how can it be expected to actually operate a community theater?

After all, AECOM recommended in its analysis, that operating a theater at LHH might be best done using a non-profit management model — surprise, Ms. Renne's own non-profit gets AECOM's nod — rather than using an in-house management, or contracted management model, in part because the hospital might potentially be given a seat on the Board of Directors of Renee's Foundation. Renne adamantly told Commissioner Illig that she would not appoint a member of the Health Commission to her Foundation's Board, so she could avoid "politics." What makes the Health Commission believe that Renne would now appoint a hospital employee to her Board, when she wouldn't appoint a Health Commissioner?

### **Renne's "Assisted Living" Canard**

Also on March 6, Renne asserted that her Foundation is standing by to assist with securing funding for assisted living housing on Laguna Honda's campus. Readers may recall that in 2007, disability rights activists and others were sticker-shocked when the City announced its feasibility study for assisted living on the Laguna Honda campus would approach over \$250 million to construct.



Ms. Renne testifying during the March 6, 2012 San Francisco Health Commission meeting.

The senior rights activists rightly noted that converting Laguna Honda’s old buildings — the so-called “finger wings” fanning out from the main corridor on each floor — into assisted living housing was a bad idea. Although the finger wings were budgeted for asbestos abatement prior to demolition, cost overruns have eliminated from the project scope any asbestos abatement. Instead of demolishing the finger wings, plans have changed and the [Health Department is now budgeting](#) to rent out space<sup>5</sup> in those buildings, or lease them for assisted living housing, rather than demolishing them.

Although senior housing advocates noted in 2006 that assisted living facilities deserve to be seismically safe, too, there was no funding available to retrofit Laguna Honda’s finger wings for seismic safety in 2007, and there is no funding for seismic safety available now.

If Renne’s Foundation was unable to raise one single penny during nearly an entire decade to assist with the \$45 million it had pledged to raise for furniture, fixtures, and equipment, who really believes that her Foundation will be able to help raise over \$250 million for assisted living housing any time soon?

Sadly, at the Health Commission’s November 6 meeting, San Francisco’s current Director of Public Health, Barbara Garcia, indicated the City might get some financial data if the Health Department signs an MOU with Renne to fix up Laguna Honda’s patient auditorium. Is Garcia engaged in magical thinking, expecting that Renne will actually sign an MOU and consent to providing financial data? Barbara: Will such disclosure be retroactive? And would an MOU really be binding on Ms. Renne to actually raise an agreed-on amount towards assisted living? Or is this just more of Renne’s smoke and mirrors?

### Rewarding Secrecy?

The Health Commission has no business awarding an MOU to operate Laguna Honda’s patient theater to an organization that it has previously fought tooth and nail to obtain basic, full, financial disclosure. Since Renne’s Foundation has refused to disclose revenue data for the first eight years of its initial operations, what makes the Health Commission believe it will start doing so now if it is granted a contract to operate the patient auditorium?

The Health Commission would never tolerate this level of secrecy from any of its other non-profit partners. Why is the Commission tolerating this behavior from former City Attorney Louise Renne? Is it because she’s above the law, or is it that open accountability is beneath her patrician sensibilities, much like Mitt Romney’s tax returns were too much for public disclosure?

Almost a decade into Renne’s stonewalling, the Health Commission should simply sever all ties with her Foundation. The City should put a red light on any future collaboration with Renne until she starts accurately reporting her Foundation’s income and expenses. San Franciscans have had it with Renne’s dirty laundry.

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<sup>5</sup> The Department of Public Health’s two-year budget submission for 2012–2013 and 2013–2014 shows that DPH “is reviewing the feasibility of maintaining the [finger] wings and using them as office and storage space, instead of demolition. This space could be leased out or used to house current DPH or City programs.” This DPH budget initiative, number A-10, claims to offset \$2.8 million in General Fund support in FY 2013–2014, in part by selling off property at 35-45 Onondaga Street that formerly housed DPH’s “Health at Home” program, which site DPH now claims is “excess” property.

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