

East Bay hospitals planning \$4 billion in construction

San Francisco Business Times - by [Chris Rauber](#)

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More than \$4 billion in hospital rebuild projects are on the books in the East Bay, including huge projects at **Kaiser Permanente** and **John Muir Health**, and nearly \$2 billion in proposed work at Highland Hospital, Children's Hospital Oakland and Alta Bates Summit.

And that doesn't include **Doctors Medical Center** in San Pablo, which is scrambling to escape bankruptcy protection, and has little chance of making rapid progress on a state-mandated seismic rebuild in the immediate future.

With construction costs hovering around \$2.5 million per bed and state seismic safety deadlines looming in January 2013, the consequences of making the wrong decision are huge, which explains why some hospital executives are taking their time before making a final decision. Cost inflation has eased in recent months, said health-care principal Gary Burk of **Ratcliff Architects** in Emeryville, but still remains high, despite slowdowns elsewhere in the economy. "Hospital construction is kind of its own separate category," he said.

For those on the fast track -- led by Walnut Creek's John Muir Health and Kaiser Oakland

-- the die has been cast, and construction crews are on site.

John Muir has work under way at both its Walnut Creek campus, where a \$621 million expansion and seismic replacement project is in the works, and its Concord campus, which is moving on a \$170 million project aimed at expanding the emergency room and cardiovascular institute and adding 61 beds, with the potential to add an extra 59 on top of that. "We've been doing mass excavations at both campuses," said Michael Monaldo, its vice president for facilities development. "At Concord, we're at the bottom of the hole," and at Walnut Creek nearly so.

The Walnut Creek project will add 92 beds to the current 324, create 230 new private rooms, expand emergency room and surgical capacity, and include other improvements, some of them already partially complete, including the new ER and a 785-space parking structure. Muir is working in Walnut Creek with **Clark Construction Group** LLC on the main project and **Charles Pankow Builders** Ltd. on the ER, Monaldo said. In Concord, **Rudolph & Sletten Inc.** is its general contractor.

Kaiser project

Kaiser is moving ahead on a 346-bed rebuild of its flagship hospital in Oakland and a proposed 263-bed hospital in San Leandro, as part of a nearly 850,000-square-foot medical campus there to replace its aging Hayward medical center, as reported in last week's Business Times. Observers say those projects will likely cost \$1.5 billion.

Along similar lines, **Eden Medical Center** in Castro Valley, part of **Sutter Health**, has decided to move forward with a 130-bed inpatient rebuild project, dubbed Sutter Medical Center Castro Valley, to replace the existing 176-bed hospital, built in 1954.

The project has a \$300 million budget, and a building project application was filed with Alameda County in early April. "I don't know how certain anyone can be," CEO George Bischalaney said about the budgeted cost, "but we're going to try very hard to do that."

The new hospital will include 40 "universal care" beds for stays of less than 24 hours, which are not licensed as inpatient beds. That gives the hospital the flexibility to house patients who don't need higher-cost inpatient care, he said, "rather than take up space in the emergency department," which is also expensive.

Bischalaney hopes to file plans with state officials this year, and gain state approvals by late 2009, so construction can start in early 2010 and be complete by the end of 2012. Eden has hired the **Greenwood & Moore** civil engineering firm, **DPR Construction**, and **Devenney Group** architects for its project, and brought on Jesus Armas, a former Hayward city manager, to consult on the entitlements process and provide help on government affairs and community outreach.

"The team has had several meetings with Office of Statewide Health Planning and Development representatives," said Bischalaney. "We're trying to engage them early on, and also working to submit our plans in phases," to expedite the process and save money.

Moving slower

Others are moving much more slowly, and in several cases mysteriously.

Sutter's **Alta Bates Summit Medical Center** -- with campuses in Berkeley and Oakland -- has debated plans for years to rebuild and expand its "Pill Hill" Summit campus in Oakland. The latest plans call for \$300 million in work, including a new inpatient tower of unspecified size and a new ER at Summit, but details are sketchy. Earlier, a much larger 350-bed, \$600 million Oakland replacement facility was its "preferred option." Now spokeswoman Carolyn Kemp and hospital officials aren't talking, although a source familiar with some of their thinking doubts \$300 million will be enough to do the job. "We remain in a planning process, and the details are still being worked out," Kemp said.

At **Highland Hospital/Alameda County Medical Center**, plans still call for an up to \$700 million makeover of the aging public hospital, which cares for many of the county's poor and uninsured residents, according to spokeswoman Andrea Breaux. That includes a new 161-bed hospital and other projects, which saw cost estimates spike last fall from \$550 million to as much as \$700 million.

Breaux says an environmental impact report will be submitted next month, and that plans call for hiring a general contractor by early 2009. Alameda County is prepared to use a combination of commercial "bridge" loans and a bond issue to fund the rebuild and associated projects.

Uncertainty also surrounds a proposed \$700 million rebuild of Children's Hospital & Research Center Oakland, following the February defeat at the polls of its \$300 million bond issue. It's unclear whether Children's still intends to build a 12-story, 250-bed replacement hospital at its current campus or at another unidentified East Bay site. "The hospital is still evaluating its options and has decided to withhold public comment until our internal reviews and evaluations are completed," said spokeswoman Venita Robinson.

West Contra Costa woes

Matters are similarly murky at Doctors Medical Center in San Pablo, which is working to emerge from an October 2006 bankruptcy filing with help from a joint powers arrangement with Contra Costa County, a state emergency fund, Kaiser and John Muir. Despite all that, it has few if any funds for a rebuild, acknowledges Contra Costa County Supervisor John Gioia, who chairs the joint powers authority that oversees Doctors.

The budget for the next three years "does not build in any money for seismic," Gioia said, and neither the hospital nor the county has studied Doctors' seismic replacement needs and related costs.