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Costs cloud vision

PPH presses to keep revamping, expansion a reality

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Three years ago, after voters approved a \$496 million bond measure, the Palomar Pomerado Health district floated details of a grand vision. It included an ultramodern medical center on a gleaming new campus in Escondido's business park, and transforming the city's aging downtown hospital, Palomar Medical Center, into a place for specialized medical services.

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The downtown plan featured wood-and stone-covered buildings, a series of "healing gardens" and pedestrian walkways, a parking garage, stores, housing and even a 15,000-square-foot high school.

Pomerado Hospital, the district's facility in Poway, also would be revamped. The number of beds would nearly double from 107 to 211 with a new five-story patient tower.

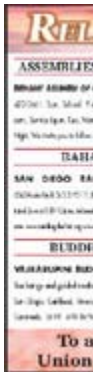
In addition, satellite medical centers would be built in Ramona, Rancho Peñasquitos, San Marcos and Valley Center.

Although district officials say the plans remain the same, costs have soared.



JOHN GASTALDO / Union-Tribune

Doubters of Palomar Pomerado Health district's ability to afford its renovation plan include (from left) Escondido residents Wally Gutierrez, Larry Michel and Robroy Fawcett. "I see a financial house of cards," Fawcett said.



That has skeptics questioning whether the goals remain realistic, or have become a fantasy.

Consider: Palomar Medical Center West, the new hospital, originally was projected to cost \$531 million. That ballooned to \$690 million in 2006 and is \$773.7 million by current estimates, even after numerous cost-cutting changes.

That's \$21 million more than what the district said it would cost to build everything after Proposition BB passed in November 2004.

The entire expansion package is now expected to cost at least \$1.15 billion, which the district says it hopes to cut to \$983 million over the next five years by delaying the completion of some projects until after 2013 and constructing other buildings as partial shells.

District officials blame increasing construction costs, including materials, for much of the problem. They also say the district can work only with a few contractors qualified for the scope of work required.

The district is focusing on so-called "lean" construction techniques and leasing some facilities built by outside developers to shave costs.

Palomar Pomerado has not abandoned what it proposed, said Michael Shanahan, the district architect overseeing the expansion work.

"We're not going to lose our vision across these campuses," Shanahan said.

Critics question whether the district will ever have enough money to finish what it promised, particularly the renovation of Palomar Medical Center, considered by many to be important to the financial health of downtown.

"I see a financial house of



Childs Mascari Warner Architects
Renderings show residential, commercial and office buildings planned for the Palomar Medical Center campus in downtown Escondido. The site will be expanded and transformed into a medical, retail and housing complex once Palomar Medical Center West is built in western Escondido.



cards,” said Robroy Fawcett, an Escondido resident who has been tracking the district's progress for several years by requesting meeting agendas, financial reports, property records and other documents, and posting them on a Web site, at civics.robroy.cc.



Cost cuts, delays

The latest cost-cutting change in the works is hiring DPR Construction Inc. to take over construction management of the new hospital from Rudolph and Sletten. Both companies are based in Redwood City in the Bay Area and have San Diego offices.

DPR has experience in lean construction, which strives to reduce waste and increase coordination among subcontractors, Shanahan said.

DPR's proposed contract could initially exceed Rudolph and Sletten's – \$41 million vs. \$38 million – Shanahan said, but the numbers are still being negotiated. Working with DPR, however, ultimately could save millions in construction costs, he said.

Palomar Pomerado has said it no longer has the money to open a women and children's

health center at Palomar West when the 11-story hospital opens in July 2011. The hospital originally was scheduled to open in 2010.

It means the hospital will have 300 beds when it opens, with space for 60 more, not the 453 originally planned. Palomar Medical Center in downtown has 324 beds.

To save \$43 million, the district plans to have a developer build its central plant to provide electricity, heat and air conditioning, and then lease it.

Outpatient services buildings and parking structures, which weren't included in the original cost, also could be leased from private developers that build them or could be built through partnerships.

“What that does is saves our capital money for building hospitals. ... That doesn't come out of the cost of the facilities master plan. That's the

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beauty of it,” Shanahan said.

Last year, district officials said completing the women and children's center would likely require that Palomar Pomerado issue up to \$100 million in revenue bonds, which are different from bonds that require voter approval. Construction of the center is being pushed back, district officials said, and its opening date is unknown.

Pomerado Hospital

The cost of renovating Pomerado Hospital in Poway had increased from \$139 million to \$256 million. District officials hope to reduce the cost to \$176 million with various changes and delays.

Instead of being completed in 2010 as planned, a five-story tower will be built as a shell, and not until 2012. Only the second floor will be used initially as a 16-bed intensive-care unit.

“The key is to get the tower built,” Shanahan said.

An expansion of Pomerado's diagnosis and treatment center also would be delayed, until after 2012, Shanahan said.

The projected \$10 million cost of four satellite medical centers is now \$12.5 million for two, in Ramona and Rancho Peñasquitos. Land has been purchased, and the district is choosing developers to build them, Shanahan said. The Rancho Peñasquitos center is expected to open first, possibly in 2010, he said.

District spokesman Andy Hoang said plans still exist for centers in San Marcos and Valley Center, but it's too early to talk about them.

What about downtown?

All these cost-overruns, changes and delays have prompted Fawcett and two other Escondido residents, Wally Gutierrez and Larry Michel, to predict that plans for the downtown Escondido hospital will be lost in the shuffle.

Four years ago, district documents listed \$73 million as the budget for the downtown project, the three men point out. But that amount of money has since been reduced.

The latest budget is down to \$20.8 million for two warehouses and buying three properties – none of it to pay for the healing gardens, pedestrian pathways, stone-covered buildings and magnet high school the district talked about in detail in 2005.

Fawcett, Gutierrez and Michel – whom district officials have labeled “the naysayers” – don't believe the district can accomplish the downtown project. The three have appeared before the City Council and other community groups to express their doubts.

Gutierrez said he is worried that plans for downtown will become “best intentions” because the district won't have the money.

“During Prop. BB, we weren't sold a hope,” Gutierrez said. “We were told

it was going to happen.”

Michel, a retired orthodontist who owns a building in Escondido's hospital professional zone near downtown, said they have been criticized for speaking up, but they're just trying to inform the public.

“I don't know it's going to happen the way it's promised unless the public stays on top of it and that's what we're doing,” he said. “If they do what they promised with downtown, I'll be happy.”

District officials insist they intend to deliver on their downtown vision – eventually.

Completing the vision takes time, Hoang said, and Palomar Pomerado has taken steps to move forward with downtown. A piece the district is working on is remodeling a building on Grand Avenue that will temporarily house some corporate offices. It's one of the properties the district has bought.

“Our actions speak for itself,” Hoang said.

The district's current solution pushes costs well into the future: The main tower at Palomar Medical Center would be used as the women and children's center at least until 2015, if the state grants an extension because it does not meet earthquake standards. That would allow the district more time to raise money for the center at the new hospital and redevelop the old hospital into a medical, retail and housing complex.

The district plans to pay off its existing debt for Palomar Medical Center in 2018, and could issue more bonds after that, officials have said.

“We are not abandoning downtown,” said Hoang, the district spokesman.

That remains to be seen, said Fawcett, an attorney.

“I'm going to keep tracking it,” Fawcett said. “I want more sunshine on PPH's processes. None of us are going away.”