Private medical school asked Elk Grove to provide financing for $750M hospital, emails show

By David Caraccio | Alexandra Yoon-Hendricks

This is what to expect as California Northstate University unveils plans for new Elk Grove hospital

CNU unveils plans to build a 250-bed teaching hospital next to its campus in Elk Grove. The CNU CEO and president and Mayor Steve Ly give details and show what it will look like.

City economic development director Darrell Doan met with the private medical school’s president and CEO Alvin Cheung July 20, 2017, to discuss the school “developing an extensive array of medical and educational facilities in Elk Grove over the next 2 to 10 years which they are calling ‘medical city,’” according to Doan’s notes from the meeting released through a public records request.

The memo suggests CNU once planned a more expansive vision for the campus beyond the hospital, outpatient clinic, dorms and parking structures announced in December: Cheung also planned a private life and bioscience research park, a drug manufacturing plant and a school of performing arts, according to Doan’s notes from the July 2017 meeting.

“You laid out an ambitious plan which I plan to discuss with the City Manager tomorrow. We need to strategize on its elements,” Doan emailed Cheung on Aug. 2, 2017.

The proposed 13-story hospital in Elk Grove’s Stonelake neighborhood at 9700 W. Taron Drive has raised ire among some residents concerned about the development’s impact on the surrounding areas, such as a proposed helistop and potential business closures.

The contents of the released emails only exacerbate existing concerns over lack of transparency, and the relationships between the school and the city to facilitate the construction, said Kathy Engle, co-founder of a resident group called Neighbors Ensuring Stonelake Transparency, or NEST.
"We definitely feel like there have been lies by omission and there have been outright lies," Engle said.

The Elk Grove City Council has not approved any financing plan or proposed issuing bonds for the hospital project, said city spokeswoman Kristyn Laurence. Doan could not be reached for comment.

CNU declined to comment on the released emails.

But that the conversations about financing occurred at all is “one of the red flags” of the project, Engle said. Referring to the blighted abandoned “ghost mall” that failed to open near Highway 99, Engle said she is concerned the city may “step in” on the hospital project if California Northstate University’s financing dries up.

Financing had not been finalized as of February, Cheung told residents at a community meeting.

Doan’s meeting notes reveal California Northstate University was also “very concerned re politics of competing with other hospital projects in town,” and requested that the city ask neighboring healthcare providers Dignity Health and Sutter Health the “current status of hospital projects” to determine whether to partner exclusively with CNU.

“If pursuing, CNU would look to partner with them; if not, City would advise it plans to pursue its own hospital project with CNU,” Doan wrote in the memo.

And in December, Doan emailed Cheung asking how soon the school could build 25,000 square feet of “bio wet lab” space on or near the campus, and how he could “facilitate” the construction. Three bio startups were interesting in moving to Elk Grove, but would need “turn-key lab space to commit,” Doan said.

“There are other companies coming out of UC Davis and the Bay Area that want to be in Elk Grove, but that need lab space. If we had the labs, we could build a significant portfolio of biotech startups to both our benefit,” Doan wrote in a Dec. 12 email.

To Engle, “it’s like Darrell Doan is working for Alvin Cheung, not the city of Elk Grove.”

California Northstate University is a private, for-profit medical school that opened its college of medicine in Elk Grove for enrollment in 2015. The university announced plans in December to build Elk Grove’s first hospital, a teaching facility spanning 475,000 square feet on an 11-acre site.

Laurence said CNU’s application to the city is still incomplete. Early next week the school is expected to submit additional documents that will be sufficient to begin the review process, Laurence said.

The application review process for the hospital may take between 12 and 18 months, city Planning Manager Antonio Ablog previously told residents.

CNU officials hope the hospital will be built within two years after city approval, or about 2022.
Before the press conference announcing the hospital in December, Doan emailed Cheung to coordinate messaging.

“I also selfishly want to make sure that the City’s efforts to work with you over the past months and fast track approvals are front and center on any messaging,” Doan wrote in a Dec. 17 email to Cheung and CNU general counsel Paul Wagstaffe.

This story has been updated to reflect that CNU declined to comment on the released emails.

The City of Elk Grove announced today that the construction of its first hospital could begin as early as next year. Pictured is a front view of the design plans for the facility. City of Elk Grove
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